

Situational Analysis of the Higher Education System of Georgia
September/October 2003

(Within the Framework of the Eurasia Foundation founded project
on the Evaluation of the Degree of Integration and Harmonization
of the South Caucasus States with 1997 Lisbon Convention)

Contents

Introduction

Organizational Structure of the Higher Education System of Georgia

Legal & Regulatory Framework

Instructional Staff/Human Capital

Curriculum, Textbooks, Instructional Materials

Facilities and Equipment/Infrastructure

Student Enrollment

Current Admissions System and Student Access Policy

Language of Instruction

Evaluation of Student Performance

Accreditation and Quality Control

Financing of the Higher Education System

Vocational Education and Training

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Introduction

This analysis is the result of desk study conducted during September-October 2003 for the purposes of Eurasia Foundation founded project on the Evaluation of the Degree of Integration and Harmonization of the South Caucasus States with 1997 Lisbon Convention. The aim was to produce a comprehensive situational analysis of the present higher education system of Georgia based on existing education sector reports and reviews (produced both by local and international experts in the field) and new information collected during meetings and interviews with relevant stakeholders by the working team of the project.

Organizational Structure of the Higher Education System of Georgia

At the central level Higher education in Georgia is managed by the Ministries of Education, Finance, Economy and the Office of the State Chancellor. Some specialized universities (sports, defense, intelligence) are under the control of other ministries. The Council of Rectors also plays an important role. Its members are appointed by the President and serve as an advisory board to the President and relevant ministries on matters concerning higher education. The council has enormous public stature and its recommendations carry great weight (Gvishiany and Chapman, 2002).

At the institutional level the administration of higher education rests with the rectors. In public institutions the President of Georgia appoints a rector who directs the activities of a school and supervises the Scientific Council (consisting of a rector, vice-rectors, deans, heads of departments, and representatives of administration) of an institution. The scientific Council approves curricula, projects and scientific reports and supervises the elections of heads of departments, professors, deans and the rector. Vice-rectors supervise

specific areas of operation (e.g. scientific, educational, distant learning, etc.). Deans direct educational activities of particular academic divisions, heads of departments – instructional and scientific work of their departments (Machavariani 2001 in Gvishiany and Chapman, 2002).

Rectors of private universities are often appointed by the owners or founders of the university. Some private universities have the status of non-governmental organizations (NGOs) and are governed by a Board of Directors, which appoints the rector (Gvishiany and Chapman, 2002).

Legal and regulatory framework

In 1995 the Ministry of Education worked out the “State Program for Education Reform and the Plan of its Realization”, which was endorsed by the Cabinet of Ministers. The reform effort continued with the 1997 Education Law. The provisions of the Reform Program and the Law most relevant to higher education are a) legalization of private universities, b) regulations concerning licensing and accreditation, c) curriculum reform, d) continued provision of state scholarships based on government estimates of labor market need (so-called “state-order”), and e) creation of a two-tier, four-plus-two system leading to bachelor and masters degrees respectively (Lorentzen 1999; Gurgenedze 2001 in Gvishiany and Chapman, 2002).

The Law sanctioned the growth of private sector activity in higher education. As most other former Soviet countries, Georgia had no tradition of private education institutions. One of the first in this trend was a private sector branch of Tbilisi State University (Lorentzen, 2000).

Private universities face a different regulatory and tax regime. They are liable to pay property and profit taxes from which state institutions are exempt. Additionally, all universities pay a 31% social charge, which covers retirement, medical and other social benefits. As a rough estimate, profitable private institutions are taxed 50-55% of their income; unprofitable private institutions that do not own but lease their premises pay the

employers' contribution of 31%; state universities pay 19-20%. To the extent that state universities have more private than public income, this regulation disadvantages the private sector (Lorentzen, 2000).

To operate institutions require a license, which is granted by the Ministry of Education and presupposes the existence of an appropriate study program, a qualified teaching staff and suitable premises at the applicant institution. But what seems to happen in practice is that institutions seeking a license copy and submit study programs of already licensed institutions. Study programs are not independently reviewed. Thus the license provision is adequately dealt with in the Law, but needs a much more serious implementation effort (Lorentzen, 2000). Internal dissatisfaction with this situation convinced the ministry to stop issuing licenses in 1996. It was renewed in 1998 after issuing the new Law on Education, which includes some regulations regarding licensing of education institutions. New Licensing Law was enacted in May 2002 concerning licensing of entrepreneurial activities in general and education among them. It defines general requirements and procedures for licensing and obliges relevant authorities to develop a special law on licensing of education institutions. The Ministry of Education elaborated the Law on Licensing Education Institutions in 2002 and was approved at the first hearing by the Parliament of Georgia in 2003. It will be put in practice after the final approval.

In June 2001, the Parliament of Georgia initiated a project to review, debate and formulate directions for continued development of higher education. The project was supported by the Council of Europe and the Open Society – Georgia Foundation (OSGF). A task force (TF) including distinguished group of educators, business leaders, government officials and international representatives was involved in discussion about the purpose and strategies for the reform. In the course of the project the TF prepared 11 background papers and organized 14 round table meetings. The results are published in “The Main Directions for Higher Education in Georgia” adopted by the Parliaments on March 1, 2002. The document defines the aims, principles and objectives of higher education. It served as the basis for the Draft Law on Higher Education. Among the recommendations are to liberalize access, increase transparency, upgrade the capacity of

the instructional staff and improve the integrity of the examination system (Gvishiany and Chapman, 2002).

The Law mandates a reform of curriculum design and delivery. The reform aims at producing graduates with the attitudes and skills to contribute to a market economy and democratic society. Curricular reform began in 1996, a year before the adoption of the new Law on Education, but was promoted only in some pilot projects. This issue is discussed in more details in the section on curriculum below.

The Law continues the traditional practice of “state orders”, which refers to a practice by which the government each year determines the distribution of university intake across disciplines on the basis of perceived demand for specific professions. For each subject and institution it funds a certain number of places for which the receiving institution gets a subsidy and the accepted student a scholarship (Lorentzen, 2000). The allocation of state order scholarships has no demonstrable relationship to labor market demand. However, the government is under pressure from universities to continue the process as a means of providing state subsidies to public universities (Gvishiany and Chapman, 2002). This issue of state order is further discussed in the section on Admission System and Student Access Policy below.

The Law endorses the introduction of the Anglo-Saxon model of four-plus-two years of undergraduate and graduate studies, leading to a bachelor’s and a master’s degree. Universities started to implement this shift since 1996. It is unclear to what extent this change represents a fundamental reorientation of the system of study. The surveys indicate that the undergraduate stream is not always held in high regard. Graduates with bachelor’s degrees usually have more problems than graduates with master’s degrees in finding a job in their profession. Interviews with teaching staff, university officials and employers suggest that the introduction of four-plus-two merely split the previous five-year study program without adapting contents so that the first tier would lead to a generally accepted degree in its own right. Although, it is not only course content that needs to be redesigned, but also attitudes in Georgian society to fast-track professional qualifications in higher education need to change (Lorentzen, 2000).

Instructional Staff/Human Capital

The public sector employs about 17 000 people (roughly two percent of total employment). Of these, 10 430 are teaching staff, giving a student/teacher ratio of 8:1. The private sector employs some 9, 144 teaching staff, giving a student/teacher ratio of 4:1 (Lorentzen, 2000).

There are four categories of teaching staff in higher education institutions: full-time staff - who teach 450-700 hours per academic year; Part-time faculty – regular employees of the education institution but teach less than full-time, because they allocate some time to a research institute or other university function; A third category includes individuals who are employed elsewhere but come to teach a particular course; and a fourth category including instructors paid on an hourly basis to serve as substitute instructors or assist another instructor on a temporary basis. Instructors may simultaneously fall into two or more categories.

A full time teaching load is defined as 450-700 instructional hours per academic year. Faculty salaries for teaching in the state financed track are set by the Ministry of Finance and are the same for all public universities. There are salary augmentations for serving in an administrative position (e.g. head of department, dean of faculty) but generally it amounts to an additional 5-15 laris per month. Tbilisi State University has additional 30 lari per month for its employees granted in recognition of its special status in the country (Gvishiany and Chapman, 2002).

The low salary forces many instructors to seek additional income. Usually institutions hire the same instructors to teach a second full-time load, paid for by tuition earned from fee-paying students. Many instructors at state universities supplement their salaries by also teaching at private universities, but even teaching two full-time loads is sometimes insufficient and instructors seek third jobs.

The law student/teacher ratios rise when corrected for double counting due to teaching staff having more than one teaching job. But even after correction they are still very low. It is clear that Georgian higher education is labor intensive and student/teacher ratio is low relative to other countries. (Lorentzen 2000, Gvishiany and Chapman, 2002).

According to Gvishiany and Chapman 2002, one reason for the low student-teacher ratios in state universities is that after the drop of enrollment during the mid-1990s, universities did not fire instructors. Another reason is the use of state order system to allocate state scholarships, because often universities pressure government to fund more state order places than can be justified by labor market needs. They do it to secure funds and avoid releasing excess instructional staff. Some higher education institutions also employ a large number of scientific research staff, who often do not teach in the academic program, but are devoted to their research activities. However, as the above authors claim, since universities have not received funds to upgrade their basic research and advanced research capacity, this level of public expenditure is questionable (Gvishiany and Chapman, 2002).

The qualifications of teaching staff have changed since the Soviet period. Teaching staff with postgraduate education has dropped in both public and private institutions. One reason for the same pattern in both public and private universities is that most of the private-sector teaching staff consists of instructors from public universities who have second jobs in the private sector (Lorentzen, 2000).

Frequent delays in payment of salaries have been a serious problem for faculty at state universities. It exacerbates the tendency of instructors to hold supplemental employment and reduces the ability of state universities to call upon their instructional staff for other institution building activities (Gvishiany and Chapman, 2002).

Curriculum, textbooks, instructional material

One of the major changes in the curriculum reform for the past decade was the removal of so-called “ideological” subjects (i.e. history of political parties, dialectical materialism, scientific communism, etc) taught during the Soviet regime. This allowed for the allocation of more hours for teaching various core subjects.

Curricula for new two-tier programs are being developed and course contents refined for bachelor’s and master’s degree programs.

Two major universities: Tbilisi State University and Georgian Technical University introduced western credit systems, which brought along the introduction of core and elective subjects and adapting their curricula accordingly.

In many universities the curriculum is characterized by over-specialization, resulting in many separate departments with very low enrollments. While there is wide recognition that it increases cost, many university leaders fear that the consolidation of programs could result in the loss of capacity that will be needed someday. There is also a concern about the personal consequences on the staff that would no longer be needed (Gvishiany and Chapman, 2002).

Fee-paying students in public universities represent a market force that is reshaping the curriculum. Fee-paying students are able to apply to programs in which they believe they will get the greatest return to/on their investment. This is leading to increased enrollment in some programs (e.g. law, informatics, business-related subjects, etc) and decreased enrollment in others (e.g. applied mathematics, philosophy, history, philology, etc). It suggests that students are responding to perceived market demand. Enrollment in some departments has only been stable due to continued influx of state sponsored students. Fields of study that do not attract many fee-paying students are unlikely to survive without public support (Gvishiany and Chapman, 2002).

Facilities and equipment/Infrastructure

Higher education institutions have outdated equipment, laboratories, libraries and suffer from the lack of basic materials and supplies. Facilities at some public universities are underutilized, which is due to excessive allocations of space to non-instructional functions and underutilization of specialized instructional space. This is related to high costs, since institutions still have to provide utilities (e.g. heating, electricity) and maintenance for these areas (World Bank 2001).

Student Enrollment

The higher education system of Georgia comprises 26 public institutions, including universities, institutes and cultural academies and 159 private institutions (Department of Statistics, 1997/1998). The private higher education sector of Georgia started to emerge in the early 1990s in the midst of new economic and political realities. Besides, in response to significant cutback of government funding for education, state institutions introduced fee-paying sectors beginning from 1993.

Enrollment trends in higher education of Georgia have been fairly stable for the last decade. According to the data of the Department of Statistics, the number of students in public higher education dropped by about 10% between 1991 and 1999 (from 104,000 to 95,000 students) but increased again by 2002 (to 115, 546) (as Reported in Gvishiany and Chapman, 2002).

Enrollment has been mostly in favor of state institutions, the private sector still accommodates only under a third of all students. The biggest change has been the increase in the number of tuition-track students at public institutions (Lorentzen, 2000). In 1994/95 they accounted for only 10.7 per cent of enrollment compared to 43.3 in 2001/2002. About half of all students now pay for their tuition.

Almost two thirds of enrollment was full-time in the public sector, while the remaining one-third studied on distance learning programs. In the private sector, almost all students were full time (World Bank, Georgia: Public Expenditure Review, 2002).

***State Institutions and Number of Students for the years 1997-2001
(At the Beginning of School Year)***

All Public Universities Combined						
Year	Number of State Institutions	Total Enrollment	Women	Full-Time	Evening	Distance
1997/1998	23	87258	40899	58813	1740	26705
1998/1999	24	90054	45648	62174	1372	26508
1999/2000	24	95013	44624	67468	1034	26511
2000/2001	26	105822	49834	77149	650	28023
2001/2002	26	115546	54887	87958	531	27057
State Funded Students (Budgetary Students)						
1997/1998	23	64467	28128	43820	1005	19642
1998/1999	23	59116	27387	43503	667	14946
1999/2000	23	60915	27270	46853	479	13583
2000/2001	25	65548	30129	52270	268	13010
2001/2002	26	65571	30419	54625	216	10730
Fee Paying Students at Public Universities						
1997/1998	20	22791	12771	14993	735	7063
1998/1999	16	30938	18261	18671	705	11562
1999/2000	19	34098	17354	20615	555	12928
2000/2001	22	40274	19705	24879	382	15013
2001/2002	25	49975	24468	33333	315	16327

Private (Fee paying) Institutions

Year	Number of Institutions	Total Enrollment	Women	Full-Time	Distance
1997/1998	159	40162	22072	37207	2955
1998/1999	154	38272	21508	37271	1001
1999/2000	162	40126	21753	37988	2138
2000/2001	146	33138	18160	32041	1097
2001/2002	153	31887	18425	31012	875

Source: State Department of Statistics

Enrollment in Tuition Track of State Universities

YEAR	AS % OF TOTAL ENROLLMENT
1994/95	10.7
1995/96	12.8
1996/97	18.1
1997/98	26.1
1998/99	34.3
1999/00	35.9
2000/01	38.1
2001/02	43.3

Source: State Department of Statistics & Lorentzen (2000)

Current Admissions System and Student Access Policy

Higher education system of Georgia is still operated by the practice of “state orders”. State order can be defined as the number of state-funded groups and places available (Sharvashidze, 2001). Each year line ministries determine university intake based on perceived student demand for specific professions. Government for each subject and institution funds a certain number of places for which the receiving institution gets a subsidy and the accepted student a scholarship (Lorentzen, 2000). The line ministries that determine the number of students to be admitted in each field of study for each state university are the Ministry of Economy, Industry and Trade. The Ministry of Finance is responsible to allocate funds in the annual government budget to support these students. The Ministry of Education along with other responsible ministries has to ensure that adequate instructional resources are available at their institutions. The current system of state orders is highly criticized (Gvishiany and Chapman, 2002).

State order places in higher education are awarded on the basis of competitive examination for each institution. Students are required to pass university-level subject specific entrance examinations. Until 1999, all examinations were held at the same time and candidates could only apply to one institution in a given year. Such admission’s policy made the system unresponsive to student needs and defied them a second chance to apply to different institution in the same year. However, as reported by Gvishiany & Chapman (2002), positive change was made to admissions policy in 2000: the policy was modified to allow students not awarded state order scholarships to still apply to a private university in the same year.

Thus, according to the current access policy, state sponsored places are awarded based on “merit” only, there are no government sponsorship available based on financial need. However, even this practice is flawed due to widely reported corruption placed at entrance examinations (Lorentzen, 2000; Gvishiany and Chapman, 2002). Top students are able to earn state –sponsored places on the basis of their abilities and lower- ability students often seek state sponsorship through other non-academic means (by paying bribes).

Admissions criteria for fee-paying students of state institutions are different. Students who earn lower scores at entrance examinations are often offered to enroll in tuition-track sector of state institutions. However, as financial aid is not available, much depends on the students’ ability to pay the tuition (Gvishiany and Chapman, 2002).

Current admissions policy creates serious equity and justice concerns. First of all, success in the examinations largely depends on significant private tuition to supplement the public secondary school curriculum. Only rich families can afford to hire private tutors. Especially, when equity concerns have become more significant after the collapse of the Soviet Union, as income differentiations have exacerbated (Shahriari, 1999). Second of all, the corruption present at the entrance examinations once again discriminates against low-income students.

Private institutions determine themselves their admissions criteria. Their level of student intake depends entirely on student demand.

Language of Instruction

Georgian is the primary language of instruction at all educational institutions. However, many institutions also offer courses in English and German. In addition, state institutions offer courses in Russian, German, French and English, Azeri, and Armenian, which means that national minorities are given a chance to take advantage of higher education (Lorentzen, 2000; Gvishiany and Chapman, 2002).

Evaluation of Student Performance

Higher education institutions in Georgia are responsible to set procedures for evaluating student performance; Evaluation in most of the institutions is based both on oral examinations and written tests.

According to Gvishiany & Chapman (2002) at the Tbilisi State University 9-31% of bachelors' students achieve top scores and on average 3-6% fail in at list one exam. Failures are almost non-existent at the master's level. The distribution of scores depends on the area of study. High share of top scores is earned in chemistry, history, oriental studies, law, and international law. Also, there is a significant difference between performance of state order and fee-paying students, the latter usually earning lower scores.

Serious concern in the evaluation of student performance is the inappropriate assignment of grades. A significant number of respondents in the recent study of instructors and students reported the influence of patronage and bribery in the assignment of scores.

Accreditation and Quality Control

Quality control of Georgian higher education system is supposed to function through a four – step system: (1) Each university is responsible to obtain a license from the Ministry of Education in order to operate; (2) The quality of the instructional staff is maintained by the Professors' Council, which confers academic titles needed to secure employment as a professor or docent; (3) Attestation – an overall review of institutional activities; (4) Accreditation as a review of an institution against pre-established standards of excellence (Gvishiany and Chapman, 2002);

License is granted upon existence of three main preconditions at applicant institutions: an appropriate study program, a qualified teaching staff, and suitable premises. However, it is unlikely that provision of these license terms secures any degree of public control as

study programs are not subject to independent review, and the quality of delivery of these programs is not subject to evaluation either (Lorentzen, 2000).

Past experience with licensing process was marked with low credibility and internal dissatisfaction as reported by Shahriari (1999) & Lorentzen (2000)). Licenses were seldom refused and there had been cases when institutions, seeking a license, had copied and submitted study programs of already accredited institutions. Dissatisfaction with the licensing process convinced the Ministry of Education to stop issuing licenses in 1996.

Attestation is regarded as a separate process from accreditation. The Law on Education authorized the Ministry of Education to inspect institutions on periodic basis to assess if they met conditions outlined in their licensure. In 2000, eight institutions were closed as a result of attestation review (Gvishiany and Chapman, 2002). However, lack of consistent standards to conduct attestation created problems and this practice was also terminated.

The new Law on Education (1999) has a provision on accreditation, however, the law does not provide sufficient detail for its implementation (Gvishiany and Chapman, 2002; Lorentzen, 2000). Therefore, accreditation in Georgia faced significant implementation problems. Accredited institutions were permitted to award diplomas recognized by the state while unaccredited institutions could only issue their own diplomas. The process was highly debated and resisted by a number of leading institutions wishing to continue awarding only their own institutional diplomas.

The Ministry of Education has still to develop a more sophisticated accreditation mechanism and some steps have been taken in this direction. According to the information gained through interviews with MoE officials, in 2001 the representatives in the Ministry of Education along with international experts (experts from the International Education Center of Great Britain) developed guidelines for new accreditation process. These guidelines were approved by the key parliamentary committees and relevant ministries in July 2001. According to the new guidelines, accreditation is a voluntary process, costs of the review are paid by the institutions and accreditation once awarded is valid for six years. The new accreditation process will involve a self-evaluation, a peer

review and a 2-4 day site visit by an accreditation team that will then issue an accreditation judgment and an accreditation report. The process will be managed by the Accreditation Council.

However, this process has not yet been followed by serious implementation effort. As of present status, the Ministry of Education sent out questionnaires for self-evaluation to the institutions of higher education.

Financing of Higher Education

Higher education institutions in Georgia generate income both from budgetary (central and local budget allocations) and non-budgetary resources (formal student fees in upper secondary education and in the tuition track programs of specialized secondary and higher education institutions; parental contributions) (World Bank, 2001).

Public funding for higher education comes mainly from the central government, which is directly responsible for the funding of higher education (primary and secondary education is financed through local governments). Higher education institutions receive public funds mainly in the form of state order scholarships through line-item allocations, thus giving the institutions very limited flexibility to diverge from the categories and costs indicated in the state budget. Privately generated income is under institutional control and provides more room to respond to the demands of the changing higher education environment.

Georgia has been unable to maintain the same level of funding for the education sector as in Soviet times. The share of the education budget in the consolidated public budget declined from an estimated 24 percent in 1991 to 7 percent in 1995. Since 1996, public spending has stabilized around 2 percent of GDP and 11-12 percent of the consolidated budget. Of that, 20.6% is allocated to higher education (World Bank, 2002). Overall public spending on education as a share of both GDP and total public spending is one of the lowest in the CIS region. (OECD countries spent 5.6% of GDP and 14% of total public budget on education).

The below data of the Ministry of Finance (in Gvishiany and Chapman, 2002) show significant decrease in state allocations both to education sector in general and higher education in particular. The share of higher education expenditures in the total state budget was 1.8 in 2002 significantly below the 3.4 level in 1998.

***Central Budget Expenditure on Education and Higher Education, 1998- 2000
(000's Lari)***

	1998	1999	2000	2000 seq	2001	2002
Total state budget	761,836	1,080,700	1,074,200	815,900	922,875	1,061,228
Total state allocation to education sector	45,459	46,528	42,054	27,768	35,107	35,107
Education share as a % of total state expenditures	6.0	4.3	3.9	3.4	3.8	3.3
Total state expenditure on higher education	25,861	24,963	23,166	15,275	19,317	19,317
Higher education expenditures as a % of total education expenditures	56.9	53.7	55.1	55.0	55.0	55.0
Higher education expenditures as a % of total government expenditures	3.4	2.3	2.2	1.9	2.1	1.8

Source: Ministry of Finance in Gvishiany and Chapman (2002)

Note: Expenditure data for 2000 is shown as original projections and after the sequestration (a substantial mid-year budget cut)

Note: MOF indicated that state allocation to education (overall) and to higher education were held constant at 2001 levels.

Non - Budgetary Resources

In general, privately generated income is on the rise. In the face of decreasing budget resources for education, Georgia has encouraged public educational institutions to raise revenues directly. The state higher education institutions have introduced the non-budgetary - fee-paying sector. Non – budgetary resources mainly come from charging fees from students in tuition – track sector of state higher education institutions (Burnett, 2003).

According to available data, in higher education of Georgia, approximately 56 percent of total revenue came from student fees, 41 percent from the budget, and the remaining 3 percent from

other sources. As of comparison, private funding in tertiary education accounted for approximately 23 percent of total spending in OECD countries (OECD, 2000).

Each institution can set its own fee structure and there is wide variation in practice across institutions, across programs within institutions, and across year of study. As reported by Gvishiany & Chapman (2002), tuition fees charged during the 2001/2002 school years in selected programs across four institutions ranged between 330 and 2200 Lari per year. There is no comprehensive data on fees centrally available.

***Tuition Charged in Fee-paying students in selected public universities, 2001-2002
(Fee rates are given for baccalaureate in USD p.a.)***

	Lari	US\$ (a)
Tbilisi State University (TSU)		
Department of International Relations	1980	900
Department of Law	1540	700
Department of Psychology	1100	500
Department of Economics	440-600	200-300
Georgian State University (minimal and maximal fees are given)		
Departments of Metallurgy, Geology, Hydro-engineering	330	150
Department of Law	1650	750
Tbilisi State Medical University		
Department of Pediatrics	1760	800
Department of Dentistry	2200	1000
University for Language and Culture		
English Language	1760	800
German Language	1320	600
French Language	1100	500

Source: in Chapman & Gvishiani (2002)

Source: Newsletter of TSU, 27.04.2002

Source: Prof. T. Kupatadze, Dean of the Department of Telecommunications

Source: Prof. L. Metreveli, Dean of the Department of Medicine –English medium

Source: Prof. N. Prangishvili, Vice Rector

Expenditures

Overall expenditures on education in Georgia were 4.9% of GDP in 2000, of which 2.7% of GDP was out-of-pocket expenditures by households. While Georgia's overall level of expenditure is comparable with OECD levels (at 5.1 percent of GDP), the contribution of the public funds (at 2.2

percent of GDP) is well below the average for OECD countries and for the CIS region (4.6 percent of GDP) (World Bank, 2002).

In recent years, there has been discrepancy between actual versus planned budget expenditures, which indicates that even the low levels of public spending compared to GDP many not be always sustainable.

Planned versus Actual Expenditure on Education, 1997-2001 (000, GEL)

Total Education Budget			
Year	Plan	Actual	Percent
1997	126,257	106,578	84
1998	134,079	104,085	78
1999	141,732	120,535	85
2000	118,762	130,079	110

Source: Ministry of Finance

As it is demonstrated in the below table, Georgia spends a higher share of its available resources on personnel expenses. Personnel expenditures account for 85 percent of all higher education expenditures for the year 2000. By comparison, in OECD countries the share of all staff costs is 78 percent of total recurrent expenditures on primary, secondary and higher education (World Bank, 2002).

Table 6.6: Percent of Public Expenditures on Education by Level and Budget Category, 2000

Budget Categories	Higher Education
Current Expenditures	99
<i>Expenditures on Goods and Services</i>	95
Wages and salaries	65
Employer's contribution	20
Business travel	0
Other goods and services	10
<i>Office expenses</i>	1
<i>Utilities</i>	8
<i>Food expenses</i>	0
<i>Medical expenses</i>	0
<i>Inventory and uniform</i>	0
<i>Transport expenses</i>	0
<i>Other expenses</i>	1
<i>Program expenses</i>	0
<i>Subsidies</i>	5
Capital Expenditures	1
Total	100

The universities enjoy full autonomy over personnel decisions, however, they are reluctant to reduce current staffing levels. With the resources available for the higher education sector, it will be impossible to maintain current staffing levels. As suggested by Lorentzen (2000) universities will have to choose to make adjustments or to fill the gap with private resources, or otherwise delay salary payments by several months.

Budget Process

Universities of higher education in Georgia are responsible to draft their budget plan annually at the beginning of budget cycle. The draft budgets are reviewed by the Ministry of Finance (for funding limits), the Ministry of Economy in conjunction with other line ministries (for the determination of the number of state order scholarships to award) and the Ministry of Education. The line ministries that have a direct interest in these draft budgets, depending on the university involved, include Social Welfare, Labor and Employment, Culture, Agriculture and Food, Health, and the State Departments of Geodesy & Cartography and the State Department for Sports.

Drafts are finalized in the President's office at the State Chancellery. The Board of Rectors, which serves in the role of consultant, also participates in the process and reviews the drafts. The Board of Rectors enjoys privileged access to the President and thus has considerable power in fending off budget cuts or recommending tax increases. In the end, the draft budget is submitted to the parliament for debate. Disbursement has been serious concern in recent years, as usually at the end of the year actual expenditure is frequently below approved disbursements in many institutions (Lorentzen, 2000; Gvishiany and Chapman, 2002).

The funding for state order students is based on a formula that incorporates the MoF estimates of the unit cost of instruction at each institution. The formula only incorporates recurrent expenditures and does not include capital costs. Therefore, it is low relative to the actual cost of operating these universities. The tuition earned from fee-paying students provides additional funding needed by the universities to continue operation (Gurgenidze, 2001).

Unit Costs

Per student costs in the higher education system of Georgia shows wide variation across institutions. According to data collected by Lorentzen (2000) unit costs ranged from as low as 200 Lari to as high as USD 3, 000. 2001/2002 data provided by the State Department of Statistics, as Reported by Gvishiany and Chapman (2002), shows per student expenditures ranging from 75 to 1246 lari per year.

According to Lorentzen (2000), the reason for such variation in per student expenditures was that university administrators calculated unit cost on an institution – wide basis, arrived at by dividing current total expenditures by the total number of students. This approach fails to differentiate between high and low cost courses of study and masks implicit internal transfers.

Moreover, Gvishiany and Chapman (2002) report that universities often are reluctant to report unit cost data accurately, as often tuition level charged by institutions is higher than permitted by the Education Law.

The unit cost of fee-paying students is generally, but not always, higher. It is consistently higher for larger universities that are regarded of higher quality. This general pattern indicates universities are receiving more income from fee paying than the state sponsored student and suggests that fee-paying students are subsidizing state supported students.

This issue is even more complicated as privately funded students share classrooms with their state order peers; thus public expenditure may underwrite part of private university income.

Per staff expenditures range from 1594 to 6809 lari per year, based on the Ministry of Finance data (Table 16). This variation reflects the considerable difference in the size of the research staff employed at some institutions.

Vocational Education and Training

The 1997 Education law changed the provision for children after 9th grade, which is now the last year of compulsory education. Those who qualify and are able to pay fees can enter secondary academic education, others either leave education or choose between one of the two types of vocational education (Sealy, 2000).

Vocational Education and Training (VET) sector of Georgia comprises technicums (known as “special secondary institutions”) and vocational schools (known as “professional – technical schools”). Students may pursue VET education starting either from 9th or 11th grade. Technicums provide more professional focus and offer 4-year education for grade 9 leavers and two-year education for grade 11 leavers. The Ministry of education is responsible for technicums, although, some of them fall under the responsibility of the Ministries (such as Sports & Culture) responsible for the relevant field. Vocational schools provide two or three year programs to train qualified workers (Perkins, 1998).

The soviet system of vocational training was tailored towards the system of planned economy and was successful in producing narrowly specialized workers for specific enterprises. However, it has been difficult to modify the Georgian VET sector to meet the demands of transitional economy. Most of the skills and particular qualifications offered by VET are no longer in demand in Georgia. Enrollments have considerably have fallen for VET education financed by the central education budget.

Number of students in vocational institutions financed from the state education budget

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number of Students in Vocational institutions	41390	40940	33470	23200	21390	18200	19530	19174	17803	14368

Sources: Ministry of Education and State Department of Statistics

The number of vocational schools financed by the central education budget has steadily decreased from 158 in 1990 to 88 in 1999. Total number of technicums in Georgia has remained more or less constant, however they are distributed very differently through the sectors of the economy (Sealy, 2000)

State Supported Vocational Secondary Schools				
	1990/91	1995/96	1996/97	1997/98
Total Number of Schools	87	77	77	81
Industry and construction	21	22	21	5
Transport and communication	3	2	2	5
Agriculture	20	16	11	4
Economics and Law	6	5	9	19
Health Protection, Physical culture and sports	12	12	11	13
Pedagogical Institutions	7	3	4	4
Multi-Profile educational institutions	-	-	-	12
Art and cinematography	18	17	19	19

Source: State Department of Statistics

Universities in Georgia are not integrated with vocational education and training institutions. Though VET graduates can obtain qualifications to enter higher education, such practice is still a rare occurrence. The two high priorities reported by Sealy (2000) for the development of VET sector in Georgia are to strengthen link between VET and academic education and to develop a core skills curriculum.

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