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Policy Options Regarding Fragmented School Networks in Ukraine

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Introduction

There is growing recognition in Ukraine that many inefficient, fragmented local school networks in rural rayons provide inferior education to children coming from small villages and at the same time are extremely expensive (on a per student basis). The challenge to rationalize these networks and to ensure both minimum education quality and efficient use of public funds has become apparent both to the Government, to the Ministry of Education and Sciences (MES) and to the Ministry of Finance (MF), and in the regions, to local experts and officials of rayon and oblast education departments. This challenge is particularly acute in the current period of serious external threat to the stability of the Ukrainian state and of the need to include in education all internally displaced children.

At the same time, the policy response of the Ukrainian Government to this challenge is quite difficult. First, education legislation in Ukraine delegates the authority to close schools to their owners, that is gromadas, cities and rayons (they also have the right to open these schools). The Ministry itself or oblast education departments cannot close the schools through their own decisions. Even if the Ministerial appointees in the oblast and rayon education departments were ordered to pursue a policy of school closures, this policy would be difficult to execute without the approval by democratically elected councils at either level.

Moreover, Ukraine is a large and geographically diverse country, with three levels of local governance. This makes formulating and implementing education policies regarding school networks quite difficult. Indeed, there are very serious differences in the structure of education networks between urbanized and industrialized regions in the East and mountainous or rural regions in the West of the country, to mention just one differentiating factor. Options for network consolidations are similarly differentiated.

Further, Ukraine is a young democracy, in which there is ample space for different parties and interest groups to voice their expectations and articulate their dissatisfactions. While in more autocratic regimes school closures will meet only minimal – or none at all – opposition from local communities, in Ukraine these communities will quite easily make themselves heard across the nation. This means that the process of network consolidation should be conducted in open dialogue and through discussions which will at least make it clear to all involved the education and social costs of not improving school network. It is of course quite difficult to achieve this goal.

Finally, in Ukraine the issue of school network consolidation is particularly difficult to discuss, more so than in many other countries, because of the financial crisis. It is necessary – but almost impossible – to take into account interests of teachers who will find it very difficult to find work outside of education, interests of students for whom transportation to a distant school over a dilapidated road creates an additional barrier in access to education, and interest of the national budget, which is under enormous pressure of war and of economic decline.

The purpose of the present note is to describe a few potential policy responses to the overriding challenge of low efficiency of rural schools in Ukraine. The note is based on the assumption that these issues – although divisive and difficult – should be openly discussed in a professional and calm manner. We begin with brief (and necessarily superficial) identification of two main causes of school network inefficiency we observe in Ukraine today. We then discuss in what way decentralization, if implemented properly, may address these problems. We also formulate a few policy options which can be discussed by all sides and which hopefully will not immediately lead to mutual incomprehension and rejection. Such a public discussion may allow the Government of Ukraine to adopt a common strategy composed of useful and targeted policy measures

1. The Ukrainian road to school inefficiency

The present highly undesirable state of local school networks in Ukraine is the result of 25 years of confused responsibilities in the education sector and of poor sectoral and budget management. It is worth to discuss briefly both of these here.

Confused responsibility in the education sector is due to parallel reporting lines. The primary evidence for these double reporting lines is visible in the constitutional structure of rayons and oblasts, where local (rayon/oblast) executive apparatus is responsible both to local (rayon/oblast) council, who sets the budget, and to higher level executive offices, who appoint the local executive. In other words, the officials at rayon and oblast level represent both local population (through their subordination to the council) and the national authorities (through the appointment procedure). This creates confusion and many opportunities for local political games, instead of pursuing the long term interests and strategies of any single governance level. The only local governments which avoid these double reporting lines, and thus can be considered to be bona fide local governments, are cities of oblast and rayon significance. All other Ukrainian local governments fail to comply with the requirements of European Charter of Local Governments (as we discuss below, currently Ukrainian reformers discuss amendments to the constitution which will correct this, however these constitutional reforms are not yet implemented).

A very important example of this confusion was, until last year, the legislative norms which delegated the recurrent financing of schools to rayons, but the decision to close the schools was taken by the

villages (gromadas). In other words, a village could vote to keep a school open without taking upon itself the responsibility to finance it. As a result, over two decades very few schools were closed, despite serious decline in birth rates and massive migration to the cities. Simply put, many villages were slowly becoming dominated by elderly, retired persons, but still refused to close schools serving fewer and fewer children. Not surprisingly, the result of this process is a huge number of small schools with extremely small classes. This particular legislative norm was fortunately lifted last year, but it will take some time before the effects of this change become visible.

At the same time, education was beset by problems of poor budgeting practices and poor management. The problem of budgeting practices in Ukraine is the absence of hard budget constraints. In literature these practices are called *deficit budgeting* and consist of the process in which different budgetary units plan their budgets excessively, beyond the expected revenues, and towards the end of the budget year they claim that their funds are not enough and demand additional budget allocation. In this budget game, those who run largest deficits face most difficult problems and therefore are likely to receive highest additional allocations. Similarly, some rayons and some oblasts, due to political protection they enjoy, may feel free to overspend beyond the budget allocation with the knowledge that in November or December they will be supported to avoid budget collapse. Thus those who maintain the budget discipline are punished, and those who break it are rewarded. Indeed, if all budget users across the country understand – as they do understand in Ukraine – that there are no hard budget constraints and that in the end the Ministry of Finance will find additional budget allocation, the incentive to overspend is quite strong. Specifically in education, this motivates local officials to avoid unpopular decisions of school closures and to maintain increasingly inefficient local school networks. In this way, poor budget practices support poor management of schools.

2. The promise of education decentralization

The main positive novelty for governance of education in Ukraine that may come with decentralization is the creation of strong local agent, namely democratically elected, budget-independent local governments, who will take responsibility for all local decisions regarding school networks. In particular, local governments will be able to decide on school closures in the interest of local population, without double reporting lines discussed above. They will combine in their hands the responsibility to finance schools and the responsibility to manage school networks. They may decide, of course, to keep a small school open, but this decision will be taken together with the decision to allocate additional funds from their own budget to this school.

Important motivation to consolidation of fragmented school network comes with decentralization and per student allocation formula for education grants. As mentioned, decentralization creates local managers of school networks in the person of local governments. By law they are typically given responsibility to provide education to their population, by exercising tasks of managing, adapting and financing school networks.

Also typically, local governments receive grants from the national government to finance schools. These grants may be categorical (as in Ukraine) or general (budget funds can be used for any purpose, not only education). The allocation formulas for these education grants is usually based on

the number of students, with some groups of students allocated higher per student amount (for example, students of rural schools, national minorities students, special needs students).

The motivation system functions in the following way. Small schools with small classes tend to be much more expensive on a per capita basis (more expensive than the funds allocated through the education grant). Closure of small school and transfer of its students to a nearby school reduces expenditures of the local government, but does not reduce the funds allocated under the education grant, because the number of students does not change. Thus local governments are able to use the savings to improve conditions of teaching in remaining schools. Good management of school networks may be rewarded then through the democratic process (elections returning local authorities to power).

A number of conditions must be fulfilled for this motivation system to become effective:

- Local authorities need to be real local governments, regulated according to the European Charter of local Governments, and not local extensions of state administration. Current proposals to amend the Constitution of Ukraine should bring Ukraine closer to this goal. However, presently this condition is satisfied in Ukraine only in cities of national and oblast significance.
- Education grants should be allocated according to a on per student methodology (formula). Thus is a necessary prerequisite, because this would ensure that school closure does not lead to reduced allocation to the rayon, as was the case under previous system, but instead leaves the allocation unchanged. Thus school consolidations frees money for possible reinvestment in consolidated schools. This condition is already satisfied in Ukraine.
- Local governments operate under hard budget constraints (see the following section).
- The education law should regulate clearly the process of school closures, allowing local government main rights in this area. In Ukraine, recent and forthcoming legislative changes are making rayons and future amalgamated gromadas strong agents of local management of education.

Taken together, Ukraine has already taken important steps towards a reasonable model of education decentralization, and is considering further steps to fulfill remaining conditions. It is a separate matter to discuss when the newly elected local governments will begin to act as independent and responsible owners of local school networks.

3. Hard budget constraints

As discussed above, lack of hard budget constraints is one of key reasons for inefficient fragmented school networks in Ukraine. Therefore one important policy of the national government should be to impose hard budget constraints at both the local and national level. However, this is much easier said than done.

Introduction of hard budget constraints at the national level means, essentially, that the Ministry of Finance will refuse to grant additional budget allocation to budget users who have engaged in deficit budgeting. However, there are always some cases, even in countries with very strictly imposed budget constraints, where due to unexpected events or natural causes beyond control of local governments they may face justified need for additional allocation, for example due to internal

migration (in Ukraine this is related to internally displaced persons, especially of school age for whom it is necessary to find places in schools). Thus the Ministry of Finance needs to have a developed set of criteria and procedures to assess whether the budget claims it receives are justified or not. It is also necessary to keep sufficient budget reserves for this purpose. Moreover, local governments may claim that the budget allocation they have received, for example under education subvention, is insufficient for their needs. In this case, the central government must be sure that the formula it uses for allocation of budget funds to local government is justified and provides sufficient funds.

One approach to resolve this problem is to include representatives of local governments (and of their associations) in the procedures to allocate different budget reserves. By designing a procedure which includes different local governments, with their differing interests and positions, the central government avoids the situation, in which all local governments unite in a common front and together demand more funds, and creates a space for more serious discussion and for compromise.

Another difficulty which arises with hard budget constraints is how to respond to some local governments breaking budget discipline. While the central government may refuse to allocate additional funds to a rayon which overspends without a good excuse, the resulting problems may lead to lack of funds for teacher salaries and for school maintenance, so that some groups of students and school staff will suffer. Indeed, it is the fear of such local problems which in many cases motivates the Ministry of Education or of Finance to agree to allocate additional funds, to protect interests of students and avoid scandal (and in this way to erode hard budget constraints).

It is clear that good procedures have to be developed to deal with such emergencies. One approach is to conduct constant monitoring of execution of local budgets, so that in case of budget indiscipline (in case of early excessive use of budget funds for specific functions, leaving insufficient funds for the rest of the budget year) Ministry of Finance can intervene. However, it seems certain that budget legislation should also include some stronger measures to deal with budget indiscipline. These may include a range of punishments for local officials breaking the discipline and— even more importantly — the right of the Ministry of Finance to appoint a special envoy who would take over the management of the rayon and be empowered to adjust budget decisions. Ultimately, a rayon or an amalgamated gromada should face the option of being liquidated and included in a neighboring administrative unit if it fails to conduct its budget process correctly.

It may seem strange to insist on this level of central intervention in the affairs of local governments just at the threshold of decentralization, but it seems that such interventions, given the recent history of budgeting processes at the local level, will be required in Ukraine.

4. Soft policy measures encouraging school consolidation

When decentralization reform is implemented, all decisions about networks of schools will be taken by democratically elected, budgetary independent local governments, including oblasts, rayons and amalgamated gromadas. These local governments will be implementing existing and new national education policies. Therefore the design of new education strategies should take into account the interests and motivations of local governments.

There are many financial instruments at the disposal of the Ministries to influence decisions of local governments in the area of network management. The aim of these instruments is to strengthen the incentive mechanisms inherent in the allocation formula (see above).

Among these instruments are investment grants to local governments distributed on the basis of achieved consolidation. For example, investment grants for new schools or for school reconstruction may be conditional on rationalization of school networks. Such an approach would require development of the relevant indicators, so that allocation decisions are not taken in an arbitrary manner. The rationale for this approach will be simple: the Government of Ukraine will limit its investment in schools onto those institutions which are certain to function in the future, so that the investment is useful. Similarly, allocation of school buses can be made conditional on school consolidation (increased need for student transportation).

In many cases, transportation of students to consolidated schools can be organized more efficiently by relying on private transport companies. In this case national investment grants may be targeted to road building, or improvement of bus-stop facilities, or creation of dedicated school space for after-school activities for those students, who have to wait for the school bus after classes.

Another important instrument regards bonuses to teachers who lose work due to school closures. The Law of Ukraine on Assurance of Pension guarantees a financial support equal to 10 monthly pensions (this is lower than 10 monthly salaries) for all teachers who have worked in pedagogical capacity for more than 35 years and are due to retire. Funds for these payments have to be found in the school or local government budget. To facilitate school consolidation, similar support may be offered to all teachers losing work. Obviously, this would be a serious burden on local governments, so such compensation might be supported through a special grant (subvention) from the national budget to local budgets. Again, it is possible to refine the conditions for this compensation (it can be limited to primary and secondary school teachers, or to rural teachers).

It is also possible to encourage local governments to consolidate schools by inclusion of additional weight for transported students in the allocation formula for education subvention. Even without such a coefficient, school consolidation will usually reduce education expenditures of the rayon and will free some funds for transporting students to consolidated schools (see previous section 1). However, additional weight in the formula will provide extra motivation to local governments. As the education subvention is a categorical grant, these additional funds will have to be spent only on education functions.

Yet different soft programs should be devised to facilitate inclusion of students from a closed school into the larger school in a neighboring village. One option is to use boarding houses for students (Internats). However, these are quite expensive to run, do not enjoy good reputation among the parents and there are not enough of them in the villages. Therefore an alternative would be to place students with the families in the village where the larger, consolidated school is located. The law should specify some conditions, which hosting families must meet (a separate room with a window and necessary furniture, sanitary facilities, distance from the new school and similar). The hosting family should offer both accommodation and boarding. To ensure acceptance of this solution by parents, they should have the right to inspect the family proposing to host their children, talk to them, see the accommodation and to accept or reject the offer of accommodation. The monthly payment to hosting families should be generous enough, so that there is sufficient supply of willing

families. Also the rayon need to provide free transportation of students from their homes on Monday morning and back home on Friday afternoon. Hence such a program must be supported by a specific new financial instrument (grant to local budgets).

Specific financial instruments have to be selected by Ukrainian officials on the basis of their best knowledge of local needs. The preferred instruments may also change over time. What is important here is to create a coherent national policy motivating local governments to rationalize school networks and to monitor its effectiveness.

5. Focus on quality of small rural schools

The primary concern of MES is – and should be – with the quality of education. Presently, there are two basic instruments available to the Ministry to monitor education quality, external examination system and the State Inspection of Education Establishments (school inspection, director Ruslan Gurak, www.dinz.gov.ua). Every school must undergo periodic assessment by school inspection. The report from school assessment may include binding recommendations about what the school should do to correct identified weaknesses.

The actual quality of education in small rural schools is not easy to evaluate. World Bank report assesse that students from larger schools with larger classes have statistically better results on independent tests, but economic and social status of students' families was not included in the analysis. Indeed, parents of students in larger, urban schools tend to be better educated, so the better results of those students in independent external evaluation is quite expected and do not indicate that these schools are teaching better than small rural schools. On the other hand, many education experts in Ukraine say that rural schools provide on the whole good education, in part because they have older, better prepared teaching workforce. However, also this judgement is not based on hard evidence. For instance, it is known that these schools have insufficient access to specialized equipment or to foreign language teachers.

It seems that an effort by the school inspection to review the quality of work in small rural schools would be very useful. The pedagogical work of these schools is certainly highly differentiated. Some of them probably provide quality education in adverse conditions and should be supported, and others should be closed immediately for quality reasons, quite irrespectively of economic reasons. A review by school inspection would provide more objective basis for assessing which of the small rural schools belong to which category.

Because these schools are small and quite dispersed across rural rayons, school inspection should develop a specific methodology to assess the quality of their work. For example, many of those schools provide only initial education (first three or five grades), so there are no external examination results available. In such cases, interviews may be conducted with the teachers of lower secondary grades in schools, to which the students of small school migrate upon finishing initial education. The methodology should also take into account the school equipment, which in the small rural schools is often available only partially. Sending groups of inspectors to a small school may create a feeling of "invasion" and be counter-productive (and will certainly be quite expensive), so methodology should be based on the inspection by one person. These inspectors should be adequately prepared for this work.

By visiting the small rural schools inspectors from school inspection will also be able to assess whether there are real alternatives to maintaining the small schools. This is essentially the question of whether there is a different school nearby and whether there is a road or other means of transportation available to students to travel to the neighboring school. The methodology of assessing small rural schools should also include visiting the nearby school to obtain information whether students transported there will actually obtain better education than in their current schools.

Thus it is reasonable to expect that the methodology to assess small rural schools to be developed by the school inspection will be rather complex one, and the review of these schools may become a major and potentially expensive effort. Nonetheless the value of such an effort for Ukrainian education cannot be doubted.

6. “Small school” program in Ukrainian conditions

Although inefficiency of fragmented local school networks in Ukraine is now a recognized problem, school closures should not be the only option. Indeed, creating alternative solutions will provide more flexibility to local governments and will change the nature of local discussions, primarily of discussions between students’ parents, teachers and inhabitants of small villages on the one side, and local governments on the other.

The alternative solutions should allow parents to take over the management of the schools threatened by closure, under conditions regulated by law. Here an example may be provided by Polish program “Small school”. Under this program, certain rules governing schools may be suspended for small rural schools, including minimal teacher remuneration, use of school staff for cleaning the premises, and similar. These regulations make the running of schools much cheaper. Moreover the law on education defines a procedure, through which such a school may be transferred from the local government to an NGO organized by parents through a contract (in particular, law on education defines specific conditions which must be met by such contracts).

A similar program may be defined for Ukraine. Instead of mimicking Polish solutions, it should be based on the reality of Ukrainian rural schools. For example, Polish teachers earn relatively well, so Polish program “Small school” includes a possible reduction of their salaries. This is quite unlikely to be possible in Ukraine. On the other hand, Ukrainian rural schools often have excessive number of technical staff. The work of this staff (such as cleaning school premises) may be done free of charge by parents, or otherwise organized more cheaply, thus significantly contributing to reduced recurrent costs of these schools.

While the details of such a program should be discussed and agreed by Ukrainian experts, the following principles of Ukrainian “Small school” program should be used:

- The program should be clearly defined in education legislation, including all the procedures. In particular, procedures should be described in the law for transfer of school to an NGO, for monitoring of how transferred school operates, and for retaking of the school back by the local government in case some conditions are not met any more. In particular, the NGO should have no right to close the school it took.

- The law should likewise define basic conditions which should be met by the contract between the local government and the NGO.
- Financial obligations of the local government towards the NGO running such a school should be clearly defined. These obligations should be smaller than actual costs of running the school prior to the transfer, but should still be considerable. For comparison, Polish local governments are obliged to transfer to the NGO running the school funds equal to the number of students enrolled in the school multiplied by the average per student expenditures of all schools run by that local government.
- The law should allow for easy checking of the school activities by the local government.

It is an open question whether it is possible to organize active NGO's in Ukrainian villages to take over the running of small schools in remote villages. If this is a serious difficulty, alternative approaches may be considered. For example, instead of an NGO maybe a selected family from the village – or the village head – can be the party to the contract. Maybe some rayon-level or oblast-level associations or NGO's can undertake this role. All these important details have to be resolved by Ukrainian experts, who understand the situation in villages.

A very different approach to a “small school program” has been prepared and piloted in Ukraine in 2006 (Nakaz of the Minister of Education and Science nr. 345 of May 3, 2006). Called “School-family”, this is essentially a program of one-teacher schools, providing initial education only (first 4 grades of primary school), typically enrolling up to 16 students, without traditional division of students into classes. The role of parents is very significant in this project, from participation in school maintenance to organizing after-school activities. Importantly, teachers for these “school-family” need special professional preparation, to teach them how to manage and teach multi-age groups of students.

Importance of such programs for rural rayons in Ukraine is clear. By providing an alternative to both maintenance of a very expensive school and to its immediate closure, an Ukrainian “Small school” program may provide flexibility and increase available options to resolve local disputes. If there is strong motivation in the village to defend their school, to put in the effort to manage it in a different manner, such a school may be maintained. If, instead, the village is opposed to school closure but is not ready to put in the effort to save it, the school will most likely not be saved.

Conclusions

The present brief note describes a few policy options, which the Ukrainian government may implement in order to effectively address low efficiency of local school networks in Ukrainian villages. Some of these options are already pursued by Ukrainian government, at least partially (for example, emerging decentralization strategy). Other options may be included in new legislation, for example in the forthcoming law on secondary education. It is also possible that specific conditions of Ukrainian schools allow for more policy options, not described in the present note, better tailored to expectations and mentality of Ukrainian population. Whatever policy is adopted for implementation, it should be clearly and openly proposed and be publicly discussed.

Improvements of school networks should not be seen as something which can be achieved quickly. It took many years of bad management to slowly destroy efficiency of many rural schools, and the reverse path will not be easy or quick. What is necessary is that the Ministry of Education and

Science together with the Ministry of Finance jointly adopt a set of strategies and pursue them obstinately. Even though the decisions regarding specific individual schools will be taken by local governments across Ukraine, the central government is responsible for correcting present legal obstacles to good management of schools, for introducing a system of effective incentives and for implementing improved budgeting procedures.

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