

## THE ISSUES IN THE STRATEGY OF FINANCING GENERAL EDUCATION IN THE REPUBLIC OF ARMENIA

**Aramayis Simonyan**

Armenian State University of Economics, Ph.D. Student  
mayis.simonyan01@gmail.com

ORCID ID: <https://orcid.org/0000-0003-0867-0618>

**Abstract:** The strategy for financing general education in the Republic of Armenia has undergone a phase of reforms in recent years and has begun to be implemented based on the number of classes formed in schools. However, the new operational financing model, although unified for all schools and perhaps based on a result-oriented principle, currently does not contribute to the effective functioning of general education institutions in Armenia, as it applies a uniform approach to the allocation of financial resources. This article proposes ways to improve the current financing system in general education by considering school performance indicators and adopting efficiency-based approaches to the distribution of public financial resources in the sector.

**Keywords:** general education management, financing model, KPI, financial efficiency of general education

**JEL code:** H52

**Research aims:** To analyze and identify ways to improve the current financing model applied in the general education sector in the RA.

**Research novelty:** The article proposes improvements to the financing model used in Armenia's general education sector by introducing specific KPIs. These indicators allow for a more accurate allocation of funding to schools based on the efficiency of their educational outcomes.

## **Introduction**

The share of education in public financial allocations in the RA remains low. Over the past five years, government expenditures on education in Armenia have fluctuated between 2.0 % and 2.4 % of GDP. For comparison, education spending in OECD countries averages around 5.0 % of GDP, while in 23 member states of the EU, it averages approximately 4.5 %.

In this context, the Government of Armenia has undertaken steps to implement a more effective financing model for general education. In particular, Government Decree No. 1481-N, adopted on September 22, 2022, enacted the "Procedure for Financing General Education Institutions from the State Budget", which introduced several reforms. Previously, general education institutions received increased funding for students with special educational needs (SEN). However, practical experience revealed that these financial resources were not utilized in a sufficiently targeted manner, primarily being used to cover pedagogical and psychological staff positions rather than addressing broader educational needs (Arbidane I., Khachatryan N. 2024).

## **Research results**

The implementation of the new financing model of general education is currently aimed at solving the problems of accessibility of educational institutions. Schools that lack necessary adaptations receive additional targeted funding to improve the physical environment of school buildings and ensure access to education (Decision of the Government of the Republic of RA 2022). The Analysis indicates that inclusive education has been implemented in various schools in Armenia for over 20 years (State Program for the Development of Education of the RA until 2030"). However, the physical infrastructure of most schools are mainly not adapted, which is a serious obstacle to ensuring inclusiveness.

Under the new financing model, efforts are being made to strengthen human resources. In the context of implementing universal inclusive education, teacher assistant roles have been introduced in all schools. Their role is to support teachers in making lessons more interactive and participatory. According to the current procedure, the financing model provides one teacher assistant for every 10 % of enrolled students. The model also foresees a mandatory school psychologist position in all educational institutions (Procedure for financing general education institutions from the state budget, 2022).

With the introduction of this new model, the state is making a more substantial investment in inclusive education, clearly stating that the type and extent of reasonable accommodation required are determined through an assessment of the students' educational needs.

However, on the other hand, the new financing model does not significantly contribute to enhancing the efficiency of school operations and fails to promote qualitative improvements in educational outcomes.

According to the procedure for financing general education institutions from the state budget, general education schools operating in RA are financed by the state using the following formula:

$$TA = ((EN \times ER + MN \times MR + SN \times SR) \times BLW + (EN + MN + SN) \times CHB + HMU + ASWF + PEF) \times 12 + HAA + MF + TC + SCE$$

where:

TA – total amount allocated to the institution for one year,

EN, MN, SN – the average annual number of classes in elementary, middle, and high school, respectively,

ER, MR, SR – the average monthly number of teaching positions per class in elementary, middle, and high school, respectively, based on the institution's curriculum,

BLW – the base level wage for one teaching position

CHB – the monthly additional payment for class supervision (class head bonus),

HMU – the monthly additional payment to the head of the methodological union,

ASWF – the monthly wage fund for administrative staff

PEF – the monthly financing amount for the pre-school section (pre-school education fund),

HAA – the additional payment for staff working in general education institutions located in high-altitude settlements (high altitude allowance)

MF – the funding allocated for student meals,

TC – the compensation amount for textbook investment costs,

SCE – the school-wide expenses.

Moreover, this financing approach, which is based on the average number of classes, is standardized and applied uniformly across all schools. However, on the other hand, one of the key challenges in general education today is the high number of under-resourced schools. In recent years, the average student enrollment rate in the regions of the RA and in Yerevan has been approximately 65.6 %. Consequently, schools with under-enrolled classes receive an advantage in terms of financing over other schools with overcrowded classes, especially given the current focus in the RA on optimizing the efficiency of state funding for general education institutions. Furthermore, the current financing model for general education in the RA is not integrated with schools' performance-based activities and, more crucially, is not part of a broader strategy for advancing general education.

In this context, the application of key performance indicators (KPIs) in the state financing of schools, as enshrined in current legislation, plays a critical role. Thus, at all levels of education, KPIs are established by introducing result-based financing mechanisms.

The development of a system of KPIs to assess the progress of general education, along with a mechanism for determining funding weights based on these indicators, aligns with the state's strategic priorities (Arbidane I., Khachatryan, N., Martirosyan, N., 2023). Therefore, it is necessary to base state financing provided to general education schools on the final results that the country's government pursues (Khachatryan N., 2022). As an example, such strategic priorities may be the improvement of educational programs (a), the increase in material and technical equipment (b), the professional advancement of teachers (c), the increase in the

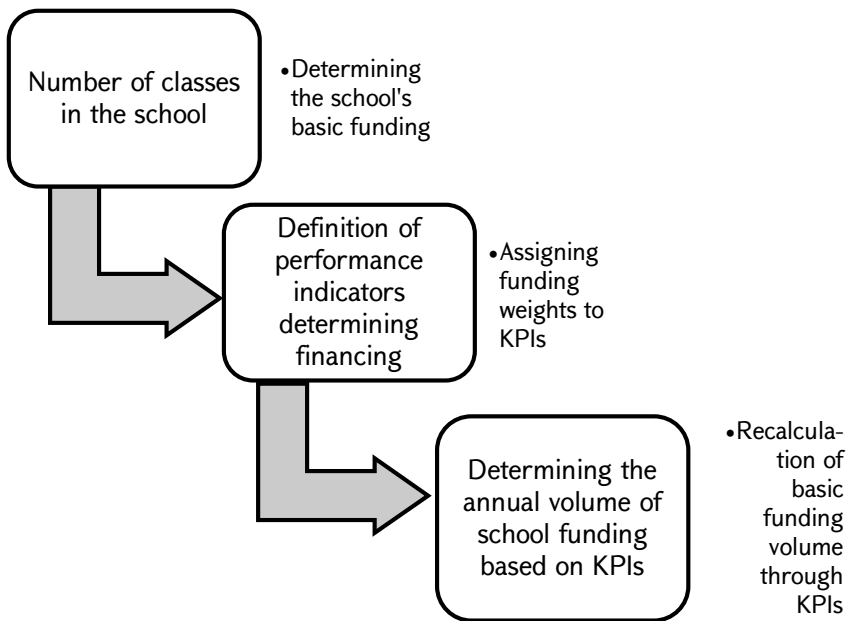
quality of inclusive education (d), the development of the network of extracurricular services (e), the increase in the number of teachers motivated by voluntary certification (f), the expansion of students' nutrition opportunities (g), the improvement of the sanitary-hygienic and safe environment (h), the expansion of participatory management (i), the improvement of the accountability system (j), the growth of green education (k), the expansion of the result-based incentive system (l). And in this case, the extent to which the school has succeeded in implementing the goals arising from the state priorities during the reporting period will be taken into account, for which performance indicators are used. Moreover, these indicators not only characterize the current situation, but also assess the progress of general education functions, which is extremely important for strategic management.

In addition, we propose to establish differentiated weights for the priorities set for the progress of general education (see Table 1), which will not be adequately reflected in the calculations for specifying the amount of state funding provided.

Based on this average coefficient of KPI performance, the annual funding allocated to a general education school is recalculated. The school does not receive 100 % of the base funding amount, but only 68.3 %, as it failed to fully meet the strategic progress indicators set for the reporting year. In this case, we propose calculating the amount of state funding for the school through the following steps (see Figure 1).

**Table 1. Suggested KPIs in general education schools**

Weight	Key Performance Indicators (KPIs)	Target	Actual	Coefficient
10 pts	Improvement of educational programs	9%	7%	0.78
10 pts	Increase in material and technical equipment	15%	10%	0.67
5 pts	Professional development of teachers	3%	2%	0.67
2 pts	Improvement in the quality of inclusive education	4%	4%	1.0
2 pts	Development of extracurricular services	5%	3%	0.6
2 pts	Growth in the number of teachers motivated by voluntary certification	12%	10%	0.83
5 pts	Expansion of student access to public meals	16%	14%	0.87
5 pts	Improvement of sanitary-hygienic and safe environments	8%	7%	0.85
2 pts	Expansion of participatory management	3%	2%	0.67
5 pts	Improvement of the accountability system	5%	2%	0.4
10 pts	Growth of green education	13%	8%	0.61
10 pts	Expansion of the result-based incentive system	7%	4%	0.57
Average weighted performance coefficient				0.683



**Figure 1. Adjustment steps for state funding of general education based on KPI results<sup>3</sup>**

## Conclusion

The application of the new model for financing general education in the RA presents certain advantages compared to the previous one, as it clearly targets ensuring inclusiveness in schools and expanding the qualitative composition of staff. However, on the other hand, the new financing model does not stimulate the progress of general education schools in line with the strategic priorities defined by the state regarding education.

<sup>3</sup> Composed by author



In this context, the introduction of a performance-based KPI system in general education becomes essential, as it creates the opportunity to recalculate the funding limits provided by the current financing model, based on the actual performance in achieving the results defined within the framework of educational progress.

### References:

1. **Arbidane, I., Khachatryan, N., Martirosyan, N.** (2023). Issues of Accounting information disclosure for ecosystem services, // *Economic, Finance and Accounting journal*, no 2, pp. 87-108. DOI: 10.59503/29538009-2023.2.12-87
2. **Arbidane, I., Khachatryan, N.** (2024). Challaenges of green school quality assessment, *Economic, Finance and Accounting journal*, Vol 2, #14 pp. 23-33. DOI: 10.59503/29538009-2024.2.14-23
3. Decision of the Government of the Republic of RA (2022). N 1481-N of September 22, 2022, Appendix 2, Procedure for financing general education institutions from the state budget
4. **Khachatryan, N.** (2022). Human capital representation issues in organizations financial statements, *Finance and Accounting journal*, Yerevan, 2(10), pp. 6-16.
5. State Program for the Development of Education of the RA until 2030" Law of the Republic of Armenia, Appendix, item 60
6. Procedure for financing general education institutions from the state budget (2022). Decision of the Government of the Republic of Armenia N 1481-N of September 22, 2022, Appendix 1, point 3.

# ՀԱՆՐԱԿՐԹՈՒԹՅԱՆ ՖԻՆԱՆՍԱՎՈՐՄԱՆ ՌԱԶՄԱՎԱՐՈՒԹՅԱՆ ՀԻՄՆԱԽՆԴԻՐՆԵՐԸ ՀՀ-ՈՒՄ

## Արամայիս Սիմոնյան

Հայաստանի պետական տնտեսագիտական համալսարան,  
ասպիրանտ

**Բանալի բառեր** - հանրակրթության կառավարում, ֆինանսավորման մոդել, կատարողականի արդյունքային ցուցիչներ, հանրակրթության ֆինանսական արդյունավետություն

Հանրակրթության ֆինանսավորման ռազմավարությունը վերջին տարիներին ՀՀ-ում բարեփոխումների փուլ ապրեց և սկսեց իրականացվել դպրոցներում ձևավորվող դասարանների քանակային հենքով: Սակայն, մյուս կողմից, ֆինանսավորման գործող նոր մոդելը, միասնական դառնալով բոլոր դպրոցների համար, թերևս չկազմավորվեց արդյունքահենք սկզբունքով, որը ներկայումս չի նպաստում ՀՀ հանրակրթական ուսումնական կառույցների արդյունարար գործելաոճին, քանի որ համահարթեցված մոտեցում է ցուցաբերում ֆինանսների տրամադրմանը:

Հոդվածում առաջարկվում են ՀՀ հանրակրթությունում գործող ֆինանսավորման մոդելի բարելավման ուղիներ, որոնցով հաշվի են առնվում նաև դպրոցների առաջընթացի գործունեության ցուցիչները և կիրառվում են հանրակրթությունում պետական ֆինանսական ռեսուրսների բաշխման մոտեցումներ՝ հիմնված կրթական ծառայությունների մատուցման արդյունարարության վրա:

*Submitted: 04.02.2025; Revised: 20.02.2025; Accepted: 05.03.2025*