



FINAL REPORT

On the monitoring of public investments allocated for school projects



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**FINAL REPORT ON THE MONITORING OF PUBLIC INVESTMENTS ALLOCATED
FOR SCHOOL PROJECTS**
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This publication is dedicated to the outcomes of the project on “Monitoring of State Budget Investments Allocated for the Construction and Renovation of Schools” carried out by Public Association for Assistance to Free Economy with the financial support of the U.S. Embassy. The paper includes the analysis of funds allocated from the state budget for the construction of schools in 2007-2008, and wide information about the construction and renovation of 20 schools monitored and about the implementation of the projects observed, as well as comparisons and analysis. Besides, the issue of transparency and accountability of the Ministry of Education in regards to the construction and renovation of schools is illuminated in a separate section. The report is summarized with outcomes and recommendations. The information in the final report is based on the reports and decrees of the Cabinet of Ministers, reports of the Ministry of Education, replies of the Ministry to the survey of PAAFE, decisions of Narimanov District Court, Court of Appeals and Supreme Court on the court claims of PAAFE against the Ministry of Educaiton for the acquisition of information, monitoring interviews with heads of regional education departments, school directors, representatives of contractor companies, and observations of project implementators. The opinions and conclusions reflected in the paper belong to the authors of the Final Report therefore the donor is free of obligations.

Translated by Aydan Najafova



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ACRONYMS

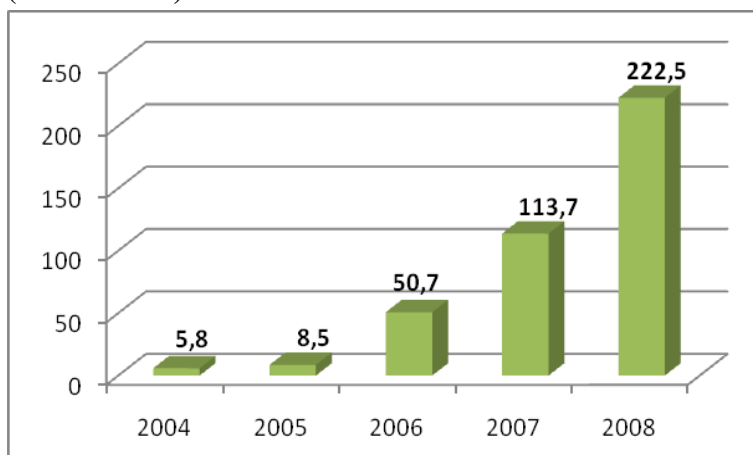
OJSC	Open Joint Stock Company
USAID	U.S. Agency for International Development
SI	Public investments
PI	Project Institute
PED	Project estimate documents
LLC	Limited Liability Corporation

INTRODUCTION

The increase of oil revenues since the beginning of the XXI century has allowed huge public investments to social sector and infrastructure, thus giving a start to large allocations for the construction and renovation of education buildings.

The total investments from all sources to the education field in 2004-2008 made up 401,2 million AZN. Investments to the education sector have sharply increased since 2006. If these investments were 5,8 million AZN in 2004, in 2008 the figure reached 222,5 million AZN.

Investments to education field from all sources in 2003-2008 (million AZN)

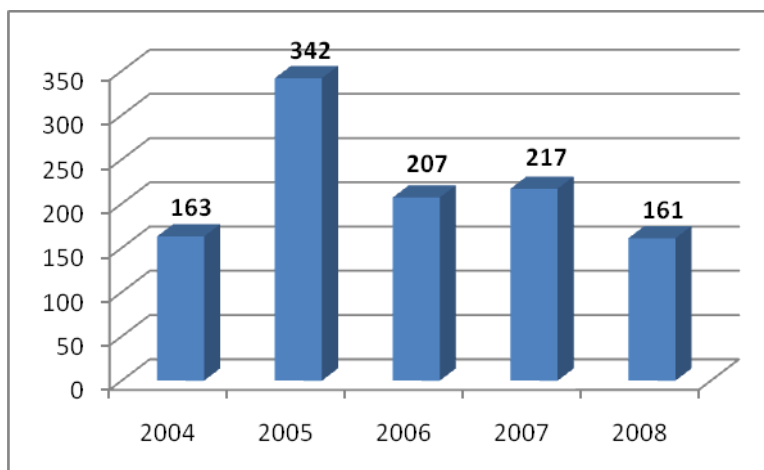


School construction rose up for 38 times in 2008 compared to 2004

According to the information of the Ministry of Education 1281 new school buildings were given for exploitation in 2004-2008. The “State Program on Poverty Reduction and Stable Development in 2008-2015” includes the construction of another 450 new school buildings, as well as additional buildings for more than 600 schools and complete overhaul of 1200 schools.

An interesting point is the rise of school construction costs for the past five years. For instance, whereas the average investment for a single school building was 35,6 thousand AZN in 2004, it went up to 1383,9 thousand AZN in 2008. However it’s not quite possible to state the degree to which this rise impacted on the quality and resources of the schools. This process more clearly reflects the increase in the estimates of school construction projects having abused the high level of inflation for the recent years.

Number of schools constructed in 2003-2008



The greatest number of schools was constructed in 2005 for the past 5 years

Despite the start of school construction process at the beginning of 2000, the total number of education buildings went down to 4550 from 4553 in 2004-2009. However fundamental changes took place in the regional view of schools. In other words, the number of school buildings in rural areas decreased versus the increased urban schools for the past 6 years. Besides, the number of school students also decreased for 11,8% for the given period. Hence Azerbaijan is experiencing both the expansion of school construction and the decay of schools at the same time.

Number of education buildings and students in 2004-2009

Indicators	2004	2005	2006	2007	2008	2009
Number of education buildings	4553	4544	4550	4529	4555	4550
Urban education buildings	1142	1147	1156	1154	1186	1193
Rural education buildings	3411	3397	3394	3375	3369	3357
Number of students, person	2046145	1999999	1957981	1909641	1861989	1803947

The correct utilization of budget funds when huge investments are being allocated to the education sector and when the country is experiencing both school and education problem turns out to be dubious. The main purpose of PAAFE project on "Monitoring of State Budget Investments Allocated to the Construction and Renovation of Schools" is primarily this issue. The peculiarity of the project is that the monitoring process covers provincial projects.

I. FUNDS ALLOCATED FOR THE CONSTRUCTION AND RENOVATION OF SCHOOLS

The main source of investments directed to education in Azerbaijan is the state budget. 88% or 195,6 million AZN of total investments to education in 2008 fell to the share of budget. In general about 4,5-5% of public investments which constitute the main part of budget expenses have been spent on the construction, renovation and reconstruction of education buildings. These expenses are spent by the Ministry of Education.

Public investments directed to the education sector in 2006-2008 (million AZN)

Direction	2006		2007		2008	
	Million AZN	Share in SI, %	Million AZN	Share in SI, %	Million AZN	Share in SI, %
Renovation, construction and reconstruction of education buildings	43,4	4,9	92,7	4,9	195,6	4,6

The funds allocated for the Ministry of Education within public investment expenses in 2008 were directed to 288 projects. 6 of these projects include the renovation and construction of the administrative buildings of the Ministry, Baku City Education Department and four regional education departments which makes AZN 3,6 million in total. 300 thousand of the total allocations are considered for financing Azerbaijan's share within "Educational Reforms" project. Excluding the construction works at National Conservatoire (AZN 1 million) and National Education Museum (AZN 120 thousand) the remaining 279 projects consider the construction, renovation and additional buildings for secondary and boarding schools, as well as kindergartens.

The total number of construction projects for secondary and boarding schools is 115. One of these projects has been carried out in Baku, another one in Absheron, three in Sumgayit and the remaining 110 projects in other cities and districts. The total value of these projects is AZN 89,7 million. 1,04 million AZN of the total expenses was spent for the project in Baku, 50 thousand for Absheron, 2,8 million AZN for Sumgayit and 85,9 million AZN for other cities and districts.

The public investment program of 2008 included the construction of additional classrooms for 32 secondary and boarding schools with the total value of 25,71 million. 25 of the schools for which the construction of additional classrooms was considered are located in Baku, one in Absheron, 4 in Sumgayit, one in Shamakhi and one in Shabran (previously Davachi). 20,36 million have been allocated for the construction of additional classrooms in schools located in Baku. 712 thousand AZN out of the remaining 5,34 million is considered for the construction of additional classrooms in schools located in Absheron, 3,16 million AZN for Sumgayit, 1,18 million for Shamakhi and 300 thousand AZN for Shabran. The number of school renovation

projects was 107, out of which 45 covered schools in Baku, one in Absheron, three in Sumgayit and the remaining 58 in other cities and districts. The total amount of funds allocated for the renovation of schools was 57,4 million AZN. 24,48 million AZN out of the total allocations falls to the share of Baku, 525 thousand that of Absheron, 1,76 million Sumgayit and 30,63 million of other cities and districts.

Regional view of school construction and renovation projects in 2008

Regions	Number of projects	Cost, Thousand AZN
Construction of schools and education buildings	115	56 660
<i>Including:</i>		
Baku & Absheron	2	1080
Sumgayit	3	2820
Ganja	1	240
Other cities and districts	109	52520
Construction of additional classrooms	31	25710
<i>Including:</i>		
Baku & Absheron	26	21070
Sumgayit	4	3160
Ganja	-	-
Other cities and districts	2	1480
Total	147	82370

In total the number of projects on the construction of schools and additional classrooms for the existing schools was 147 in 2008. 28 out of these projects fall to the share of Baku and Absheron, 7 projects to Sumgayit and one project to Ganja. The remaining projects cover 44 districts of the country.

The most expensive project on the construction of schools and additional classrooms in the existing schools through budget investments in 2008 was 1,66 million AZN and included the construction of additional 42 classrooms at school #299 at Binagadi district. The cheapest project cost 50 thousand AZN and included the construction of a new school building for 200 students (or consisting of 10 classrooms) at Yeni Jeyranbatan housing unit of Absheron. However, additional public investment allocations are quite possible for this project during later stages.

It should be mentioned that 44 projects that the Ministry of Education carried out in 2008 were given a start in 2007.

These include the following:

- *Construction of the National Education Museum of the National Conservatoire;*
- *Renovation and reconstruction of the administrative building of Baku City Education Department;*
- *The construction of one school in Balakan, Shaki, Yevlakh, Astara, Aghjabadi, Aghstafa, Bilasuvar, Guba, Gusar, Gabala, Imishli, Zardab, Kurdamir, Saatli, Lerik, Siyazan and Gazakh districts each;*

- *The construction of two schools in Ujar, Jalilabad and Gadabay districts each;*
- *The construction of three schools in Lankaran, Aghsu, Goygol (previously Khanlar) districts each;*
- *The construction of the education building of a boarding school in Barda district;*
- *Construction of a boarding school for children with physical and mental diseases in Sumgayit;*
- *Renovation of 3 schools in Azizbeyov district and one in Yasamal district of Baku.*

Total of some 27,69 million AZN was allocated from the budget of 2008 for these projects to proceed.

➤ ***Review of 2007 projects***

89,1 million AZN allocated from the budget investment expenses of 2007 was directed to 228 projects of the Ministry of Education. 87 of these projects included the construction of secondary and boarding schools, 64 the construction of additional classrooms for the existing schools, 19 the renovation of schools, 16 the construction and renovation of kindergartens and 35 the construction of boiler houses, gyms, etc. for schools, boarding schools and kindergartens.

17 out of the total school construction projects of 2007 fall to the share of Baku, 4 to that of Absheron and 66 to other districts and cities. However, the funds allocated for the construction of 21 schools in Baku and Absheron turn out to be a bit greater than the funds allocated for the remaining 66 schools. Hence, the construction of the schools in Baku cost AZN 21,28 million, those in Absheron 3,14 million AZN (total of 24,42 million AZN) whereas the cost of constructions in the remaining cities and districts was 22,7 million AZN.

As for the total of 64 projects on the construction of additional classrooms, 23 are considered for Baku, one for Absheron, one for Sumgayit and 39 for other cities and districts. The total cost for these projects was 18,2 million AZN out of which 10,4 million was allocated for Baku, 300 thousand for Absheron, 300 thousand for Sumgayit and 7,2 million for the remaining cities and districts.

14 out of the total 19 projects on the renovation of schools through budget investment expenses in 2007 include Baku and 5 include other cities and districts. The total allocations for these projects were AZN 6 million. 3,9 million AZN out of this total amount was spent on Baku and 2,1 million on projects in other cities and districts.

Alongside with this 9,4 million AZN was allocated to the Ministry of Education from budget investment expenses of 2007 for the implementation of 7 projects. This amount was spent primarily on renovation and reconstruction activities with focus on the following projects:

- *Share of Azerbaijan in “Educational Reforms” project (AZN 1,1 million);*
- *Construction of National Conservatoire (AZN 2,1 million);*
- *Buildings of Baku Education Department (AZN 2 million);*
- *Building considered Teachers’ Institute (AZN 2 million);*

– *Building considered for Teachers’ Specialization Institute at 33 Khagani Street (AZN 0,5 million);*¹

– *Building for Azerbaijan Pedagogical University (AZN 800 thousand);*

– *Construction of National Education Museum (AZN 900 thousand).*

➤ ***Projects related to the renovation and construction of schools***

When reviewing the funds allocated to the projects carried out by the Ministry of Education through the investment expenses of the state budget, one can come across a number of facts related to exaggerated figures. Such a situation can be considered true for the distribution of budget investment expenses of both 2007 and 2008.

According to the order of the Cabinet of Ministers number 44s dated February 6, 2008 on the distribution of budget investment expenses, AZN 704 thousand was allocated for the construction of each of 180-student schools in Marzasay village of Astara, Honuba-Shikhlar and Gavran villages of Yardimli, Khalilli village of Aghsu, Khojavand village of Aghjabadi, Murghuzalli village of Imishli, Aghbashlar village of Tovuz, Cholaghammadli village of Sabirabad, Arisu village of Gadabay, Almadadli village of Khanlar, Guluzarbina village of Balakan, Yaharchi Gazakhlar village of Goranboy and Angakharan village of Shamakhi which make 78,2 thousand AZN if calculated per classroom.

Another example is the allocation of 832 thousand AZN for the construction of each 220-student (11 classrooms) schools in Shahnazarli village of Shabran, Ahmadabad and Chobasishnag villages of Tovuz, Turkaran village of Lankaran, Shilvanga village of Jalilabad, Aghayri village of Bilasuvar, Tazakand village of Aghjabadi, Aydingul village of Salyan, Gulyan and Aghbulag villages of Ismayilli, Bostanchi village of Khachmaz, Tava village of Hajigabul, Govlarsan village of Samukh, Pashan village of Zagatala, Gilazikand village of Guba, Khagani village of Goygol, I Shikhli village of Gazakh, Khar-khar village of Gadabay, Derejennet and Aydinbulag villages of Shaki and Sumgayit city which means more than 75 thousand AZN per classroom.

Below are some more examples. AZN 240 thousand was allocated for the construction of each 80-student schools in Hajikand settlement of Ganja, Burug and Buzeyir villages of Lerik, Sohob village of Guba, Savalan village of Dashkasan which means that the construction of each classroom cost AZN 60 thousand.

The construction of two 480-student schools in Pansar village of Astara cost AZN 1 220 AZN each and that of 360-student school in Sanjaradi village cost 965 thousand AZN which makes averagely AZN 50-53 thousand for each classroom within this project too.

2 170 thousand was allocated for the construction of 960-student school in Tazakand village of Shamkir, 1 370 thousand for the construction of 640-student school in Kichik Dahna village of Shaki and 1 140 thousand for the construction of 640-student school in Pelikesh village of Astara. These projects considered AZN 35-45 thousand per classroom.

Similar huge amounts can be encountered in the funds allocated for the construction of additional classrooms in the existing schools. For instance, 1 180 thousand AZN was allocated for the construction of additional 30 classrooms in school #159 in Nasimi district and school #45 in Narimanov district of Baku and in school #19 located in H. Zeynalabdin settlement of Sumgayit city each; 1 380 thousand AZN was spent for the construction of additional 35

¹ This building was later submitted to the Chamber of Accounts and reconstructed.

classrooms in school #272 of Nizami district and 1 660 thousand for the construction of additional 42 classrooms in school #299 of Binagadi district of Baku. As is seen, the average construction cost for these projects is AZN 39 thousand per classroom.

The same is true about the funds allocated from the budget investment expenses of 2007 for the projects on the construction and renovation schools. Below are some of the costly projects of 2007: 1 300 thousand AZN for a 300-student (15 classrooms) school in Khinalig village of Guba, in other words AZN 86,6 thousand per classroom; AZN 580 thousand for the construction of 192-student school (10 classrooms) in Mehrali Gishlag village of Khachmaz or AZN 58 thousand per classroom; 1 070 thousand AZN for the construction of 400-student (20 classrooms) school in Aghjabadi district or AZN 53 thousand per classroom; AZN 454 thousand for the construction of 192-student (10 classroom) school in Sadatli village of Jalilabad or AZN 45,4 thousand per classroom; 1 250 thousand AZN for the construction of 840-student (42 classrooms) school in Khojasan (Sulutapa) settlement of Baku or AZN 29,7 thousand per classroom.

The order of the Cabinet of Ministers #42s dated February 19, 2007 includes the following inaccuracy: the funds allocated for the construction of the 640-student school #120 in Zira settlement of Baku were mentioned in two separate sections – as AZN 100 thousand in “Measures for the acceleration of social and economic development of Baku’s settlements in 2006-2007” section and as AZN 200 thousand in “Other objects” section.

Also the construction of additional 2 classrooms for the school in Rustamli village of Yevlakh cost AZN 76 thousand (AZN 38 thousand for each classroom), that of additional 2 classrooms for Hajibabur village school of Sabirabad cost AZN 84 thousand (AZN 42 thousand for each classroom), 2 additional classrooms for Kovluch village school of Agshu cost AZN 100 thousand (AZN 50 thousand for each classroom), 2 additional classrooms for the Amiraslanli village school of Gadabay cost AZN 120 thousand (AZN 60 thousand for each classroom) and one additional classroom for Hasanli village school of Tovuz cost AZN 84 thousand.

The fact that some projects are 2-year is not characterized by the distribution or smaller utilization of the funds allocated. AZN 350 thousand was allocated for the renovation of 800-student school #136 in Bina settlement of Baku in 2007 and AZN 304 thousand in 2008 which makes AZN 16,35 thousand per classroom (according to norms each classroom holds 20 students). The 360-student school #149 in the same settlement received AZN 650 for its renovation in 2007-2008 (AZN 250 thousand in 2007 and AZN 400 thousand in 2008) which means more than AZN 36 thousand per classroom. The renovation of each classroom of the 320-student school #119 in Turkan settlement cost AZN 18,5 thousand (total allocations of AZN 200 thousand in 2007 and AZN 97 thousand in 2008).

1,46 million AZN was allocated for the construction of 260-student boarding school for children with mental and physical defects in Sumgayit city (AZN 300 thousand in 2007 and AZN 1,16 million in 2008). This figure means around AZN 5,6 thousand per student and at least AZN 56 thousand per classroom (considering a maximum of 10 students per classroom).

Another interesting point is that the cost of such projects goes up as it goes further into provincial areas. For instance, the construction of a 360-student school in Garavali village of Baku cost AZN 766 thousand in total in 2007-2008 which means AZN 42,5 thousand per classroom. The construction of school #2 for 640 students in Bash Goynuk village of Shaki received an allocation of about 1,14 million AZN for the past two years. This means more than 35,5 thousand for the construction of each classroom.

II. MONITORING OF SCHOOL PROJECTS

➤ *Methodology*

This monitoring included research, information surveys, observations and interviews. Initially, general information on the selected projects has been prepared and later more detailed information obtained through the information surveys sent to the regional education departments and to the Ministry of Education.

Observations on 10 school projects were carried out during the monitoring and interviews were held with representatives of contractor companies and heads of schools. Besides, for the sake of comparison, information was collected about the school construction projects in Azerbaijan carried out with the allocations from US and Japanese governments. Detailed information was collected about one of these projects and it was thoroughly observed.

The monitoring also refers to the information reflected in the official documents and letters of the Cabinet of Ministers and the Ministry of Education and to the facts revealed during the observations and interviews with the official representatives of education departments and contractor, as well as school directors. In conclusion the data obtained has been analyzed, comparisons made and recommendations prepared.

➤ *Projects selected for the monitoring*

PAAFE has selected 20 (+1) projects for its monitoring. These projects include 4 districts of the country, namely Guba, Khachmaz, Barda and Tartar. The estimated values of the projects were considered as average and under utilization when selecting projects for the monitoring. Also two of the selected districts, Guba and Khachmaz, are of average development level, whereas the other two, Barda and Tartar are districts with a huge number of refugee and poor population.

Despite this all school projects carried out in 2007-2008 have been selected for the monitoring. 20 out of these projects were realized through public investment expenses and one through the grant of the Japanese Embassy.

Funds allocated for the school construction projects selected for the monitoring

Projects	Pupil place	Class-rooms	2007 Thousand AZN	2008 Thousand AZN	Total Thousand AZN
Guba district			1750	2521	4271
Khinalig village secondary school	300		1300		1300
Giriz Dahna village school	80	4	190		190
Aghbil village school	220		100	601	701
Gilazikand village school	220			832	832
Sohub village school	80	4		240	240
Susay village school	220			848	848
Kalanov village school	80	4	160		160
Repair of school #3 in Guba city				462	462
Khachmaz district			4190	1603	5793
Khachmaz city school #8	1176		1650		1650
Khudat city 4th area primary school	60	3	146		146
Garabaghi village primary school	60	3	144		144
Khachmaz city school #9	840		891		891
Khudat city school #4	840		779		779
Mehrali Gishlag village school	192		580		580
Repair of school #2 in Khachmaz city	640			771	771
Bostanchi village school	220			832	832
Barda district			517	1710	2227
Jumalar village school	160	8	217		217
Barda city mixed-type boarding school	220	Tədris korpusu	300	340	640
Katalparag village school	640			1370	1370
Tartar district				450	450
Repair of school in Sarov village	480			450	450

Information on school projects selected for the monitoring ²

#	Title of the project	Construction area, m ²	School area, m ²	Agency preparing PED	PED preparation expenses, AZN	Contractor company	Contractor selection method	Funds allocated, AZN	Actual expenses, AZN
1	2	3	4	5	6	7	8	9	10
1	Construction of 300 pupil place school in Khinalig village of Guba district	12800	1830	"Azkommun-layiha" PI	20500	"Sabigat Inshaat" LLC	Direct contract, 18 May 2007	1300000	1285400
2	Construction of 80pupil place primary school in Giriz Dahna village of Guba district	3440	488	"Azkommun-layiha" PI	7300	"Sabigat Inshaat" LLC	Direct contract, 20 June 2007	190000	188500
3	Construction of 220 pupil place secondary school in Aghbil village of Guba district	9490	1349	"Tamirchi" KM	5100	"Meliorator TQ" LLC	Tender, 29 October 2007	701000	691000
4	Construction of 220 pupil place secondary school in Gilazikend village of Guba district	9490	1349	"Tamirchi" KM	12000	"Rabitaishaatt" OJSC	Tender, 21 April 2008	832000	822100
5	Construction of 80 pupil place school in Sohub village of Guba district	3440	488	"Tamirchi" KM	7000	"Rabitaishaatt" OJSC	Tender, 5 May 2008	240000	236800
6	Construction of 220 pupil place secondary school in Susay village of Guba district	9490	1349	"Tamirchi" KM	5300	"Sabigat Inshaat" LLC	Tender, 8 April 2008	848000	839500
7	Overhaul repair of school #3 in Guba city	18500	3904	"Tamirchi" KM	3500	"Jeyhun" LLC	Direct contract, 18 April 2008	462000	456800
8	Construction of 4 classrooms in 80 pupil place secondary school in Kalanov village of Guba district	780		"Tamirchi" KM	7900	"Lala" firm	Tender, 25 April 2007	160000	157900
9	Construction of 220 pupil place secondary school in Bostanchi village of Khachmaz district	2380	1349	"Tamirchi" KM	5300	"Rabitaishaatt" OJSC	Tender, 8 April 2008	832000	823000

² This information has been generalized on the basis of the order of the Cabinet of Ministers on the distribution of public investment expenses and the letter of the Ministry of Education dated March 2, 2010 and addressed to PAAFE.

1	2	3	4	5	6	7	8	9	10
10	Construction of 192 pupil place school in Mehrali Gishlag village of Khachmaz district	8250	1171,2	"Tarmichi" KM	4700	"Rabitaishaaat" OJSC	Tender, 16 May 2007	580000	570000
11	Construction of 1176 pupil place school #8 in Khachmaz city	32210	7056	"Azkommun-layiha" PI	18000	"Rabitaishaaat" OJSC	Tender, 16 September 2006	1650000	1735000
12	Construction of 840 pupil place secondary school #9 in Khachmaz city	23450	5124	"Azkommun-layiha" PI	16000	"Jeyhun" LLC	Tender, 16 September 2006	891000	1085000
13	Overhaul repair of 640 pupil place school #2 in Khachmaz city	18500	3904	"Tamirchi" KM	3500	"Meliorator TQ" LLC	Direct contract 18 April 2008	771000	767900
14	Construction of 840 pupil place secondary school in Khudat city of Khachmaz district	23450	5124	"Azkommun-layiha" PI	16000	"Meliorator TQ" LLC	Tender, 16 September 2006	779000	974200
15	Construction of 3 classrooms for 60 students in the primary school in Garabaghi village of Khachmaz district	460		"Tamirchi" KM	5900	"Rabitaishaaat" OJSC	Tender, 25 April 2007	144000	143000
16	Construction of 3 classrooms for 60 students in the primary school in Khudat city of Khachmaz district	460		"Tamirchi" KM	5900	"Rabitaishaaat" OJSC	Tender, 25 April 2007	146000	144000
17	Construction of 640 pupil place secondary school in Katalpapag village of Barda district	18500	3904	"Tamirchi" KM	13400	"Birlik" firm	Tender, 8 April 2008	1370000	1345300
18	Construction of the education building of the mixed-type boarding school in Barda city	1586		"Tamirchi" KM	4100	"Birlik" firm	Tender, 29 October 2007	640000	631600
19	Construction of 8 classrooms for 160 students in Jumalar village secondary school of Barda district	1240	360	"Azkommun-layiha" PI	10600	"Elnur LTD" LLC	Tender, 25 April 2007	217000	214400
20	Overhaul repair of the 480 pupil place school in Sarov village of Tartar district	14300	2928	"Konstruktor" LLC	4300	"Elnur LTD" LLC	Direct contract, 18 April 2008	450000	588000

➤ *School #8 of Khachmaz City*

This project considers the construction of a 3-storey school building for 1 176 students. 1 657 thousand AZN was allocated for this purpose according to the order of the Cabinet of Ministers dated February 19, 2007.

The project estimate documents have been prepared by “Azkommunlayiha” PI who was paid AZN 18 thousand for the work carried out. The project considered the construction of a school building, a gym, and water reservoirs, a substation, boiler-room, renovation works, and construction of a fence and provision of equipment.

The contractor company is “Rabitainshaat” OJSC. This company has been selected on the basis of tender and a contract was signed with this company on September 16, 2006. The construction lasted for 7 months and the project was completed within a short period of time. Most of the activities included into the project were carried out, the façade was stoned and the school management has no concerns regarding the equipments supplied.

Despite the submission of the school for exploitation just two years ago there are quite a lot of cracks in its internal walls. Also the cracks around the girders indicate to the presence of serious problems in the quality of the construction. There also cracks in the backside of the building and on its outside walls.

“Rabitainshaat” OJSC has been the contractor company for quite a lot of school construction projects in Khachmaz and Guba districts and most of them were problematic. The outside walls of the 192 pupil place school that the company constructed in Mehrali Gishlag village of Khachmaz district developed cracks and its plaster started to fall off.

The plaster on the outside walls of the primary school the company constructed in Garabashi village also started to come off and its doors became spoilt. The roof of the 80 pupil place school that the contractor company constructed in Sohob village of Guba was blown off by the wind, the emulsion of its walls came off and its laminar floor was destroyed. The roof of the school was renovated in 2009.

The office of the contractor company is located in Baku. Despite the number of school construction projects that the company is carrying out in the Northern regions, it does not have an office here. The activities of the company in Khachmaz are carried out by some person who has been primarily dealing with the salaries.

➤ *School #9 in Khachmaz city*

The project included the construction of 840 pupil place, 3-storey school. AZN 891 thousand was allocated for this purpose according to the order of the Cabinet of Ministers dated February 19, 2007.

The PED was prepared by “Azkommunlayiha” PI and the latter received AZN 16 thousand for the work carried out. The project considered the construction of a school building, a gym, water reservoirs, a substation, a boiler-room, renovation works, construction of a fence and provision of equipment.

The contract company was “Jeyhun” LLC. According to the information provided by the Ministry of Education, the contractor had been selected on the basis of tender and started the project implementation following the contract conclusion on September 16, 2006. However, there is no information available at Khachmaz Education Department about this tender.

There were no activities carried out beyond the project scope. The actual cost of the construction was 1 085 thousand AZN. It seems the project got additional funds through an analogical order of the Cabinet of Ministers that it did not reveal to the public.

No gross shortcomings were detected in project implementation during the observations. The school looks all right and the management has no concerns related to the equipment.

➤ *Mixed-type boarding school in Barda city*

This project included the construction of an education building. The construction was carried out in 2007-2008. The Cabinet of Ministers allocated AZN 300 thousand according to its order dated February 19, 2007 and AZN 340 thousand according to its order dated February 6, 2008 – total of AZN 640 thousand for this project. Due to the occupation of the building by IDPs its functioning became paralyzed and it became necessary to construct a new education building.

The education building is 2-storey and is considered for 220 students. The project estimate documents were prepared by “Tamirchi” small enterprise and was paid 4100 AZN for the service provided.

The contractor of the project is “Birlik” firm. The contractor was determined according to the tender and the contract on collaboration was signed on October 29, 2007. It’s not known what other companies participated at tender. The interesting fact is that the company completed the construction of the school in August 2007. The information provided by the contractor company states that the tender was carried out in March 2007. However, the Ministry of Education states that the tender was carried out in October 2007.

The project included the provision of equipment, asphaltting of the front section of the building and planting of trees in the yard, alongside with the construction of the education building. However, despite the submission of the school for exploitation, the equipment has been provided partially. The labs have not been provided with any equipment. Planting of trees have been carried out under the organization of the school and at the expense of its internal resources.

According to the information provided by “Birlik” firm it completed its work and handed it over in February 2008. However, there was quite a lot of uncompleted work by the time the new school year started and the school had to complete most of them through its own resources. It’s worth mentioning that as a general rule the funds allocated on public investments are determined in January-February of the given year and utilized in March-April. For the present project the allocation of the second part of the funds took place after the completion of the construction works.

The contractor company spent 10% of the money it received on salaries and the remaining part on the purchase of raw materials and other expenses. The construction work was carried out by a staff of about 50 people that the contractor employed. Most of these employees were not provided with employment contracts.

➤ *Secondary school in Katalparag village of Barda district*

The project included the construction of a new 640 pupil place school building, its equipment, boiler-room, power substation, gym, water reservoirs, renovation works and construction of a fence. 1 370 thousand AZN was allocated for this project according to the order of the Cabinet of Ministers dated February 6, 2008. The PED was prepared by “Tamirchi” KM who was paid AZN 13,4 thousand for this service.

According to the information provided by the Ministry of Education the construction site is 18500 m² and the school area 3904 m². However, taking into account the 59 m length and 16 m width of the 3-storey school building, its total area turns out to be 2784 m². Besides this, the school is considered for 624 students, rather than 640 stated in the project.

The contractor company of the project is “Birlik” firm. According to the information provided by the Ministry of Education, the contractor had been selected through tender and a contract was signed on April 8, 2008.

The school management didn't get a chance of acquaintance with the PED during the construction process. The management could only get oral information from the contractor company about what activities the project included.

The contractor firm was intending to provide linoleum cover for the school floor. However, following the insistence of the school management the floors in the corridors were covered with tiles and those in rooms with laminate. The school has not been provided with natural gas yet, though it's included into the project. The boiler-room too has not been fully constructed.

There were also other shortcomings of the project revealed during the monitoring³.

On construction:

- 1) The yard has no illumination system;*
- 2) The gates have not been installed yet;*
- 3) The construction of the boiler-room has not been completed; the roof has not been covered;*
- 4) Works on the exploitation of artesian well have not been finalized;*
- 5) The fence is of poor quality and its bottom has not been built;*
- 6) The staircase leading to the meeting room has no rail;*
- 7) Firefighting equipment has not been installed yet;*
- 8) One of the 50-cube sewage pits has not been built.*

On equipment:

- 1) 6 rooms, including that of director, clerk, teacher and medical rooms have not been provided with equipment;*
- 2) No safes have been provided;*
- 3) No equipment has been provided for the library (shelves, tables, chairs, etc.);*
- 4) The canteen has been provided with only 3 tables and no chairs;*

³ The comparison of school projects in Barda and Tartar regions was conducted in 24-27 June, 2009.

5) 22 computer sets have been provided for IT room, but there is one desktop missing. No printers, copy machines, projectors, scanners or any other equipment has been provided either. There is no access to internet. There are no chairs for the IT room;

6) Computers and office equipments considered for the school management have not been provided.

➤ ***Secondary school in Jumalar village of Barda district***

The project included the construction of additional 8 rooms for the 160 pupil place secondary school in Jumalar village. 217 thousand AZN was allocated for financing this project according to the order of the Cabinet of Ministers dated February 19, 2007.

PED was prepared by “Azkommunlayiha” PI who was paid AZN 10,6 thousand for the work it carried out. The contractor company for the project is “Elnur LTD” LLC. According to the information provided by the Ministry of Education the contractor was selected through tender and a contract was signed between the two on April 25, 2007. However, the representative of the contractor company could not remember the date of tender during the monitoring interview.

The actual work carried out within this project was the construction of a new building for the school with an area of 360 m². Additionally, the school was supplied with desks and chairs for 160 students and 8 teachers and with a board for each classroom and with a cloak-room. A heating system was installed in the new building. Due to the lack of natural gas in the village, this system can operate either with electric power or fuel. The construction works also included 1-tonne water reservoir, 1-tonne fuel tank and an underground water reservoir. The school yard has been fenced. About 300 m² area in the school yard has been asphalted.

Despite the agreement of the education department, contractor company and the school management on the installation of a 100 watt generator by “Elnur LTD” LLC during the construction, it was replaced by a 40 watt generator.

According to the statements by the contractor company 30% of the funds allocated for the project was spent on salaries and the remaining portion on raw materials, equipment and other expenses.

It should be mentioned that the main building of the secondary school in Jumalar village is in a terrible condition and still in use. Despite the newly constructed classrooms, some rooms, cabinets of school administration, teachers’ room and the library are still located in the old building. The new school building has not fully met the schooling needs of Jumalar village.

➤ ***Secondary school in Sarov village of Tartar district***

The project considered the overhaul repair of the 480 pupil place secondary school in Sarov village. 450 thousand AZN was allocated for this purpose according to the order of the Cabinet of Ministers dated February 6, 2008.

The PED was prepared by “Konstruktor” LLC who was paid AZN 4300 for the work carried out. The contractor company for the project is “Elnur LTD” LLC. No tender was held for the selection of the contractor and a direct contract was signed with “Elnur LTD” LLC on April 18, 2008.

The contractor company allowed the school management to get acquainted with the PED, but copy of the document was not submitted. The roof and floor of the school were repaired and its doors and windows replaced within the project. Modern roof cover material was utilized during

the renovation. The windows are plastic and double-glass, the doors are of European standards and the floor is laminated. However right after the renovation the laminated floor became cracked and came off in many places. No construction works were carried out and no trees planted in the school yard and the water taps in the classrooms were removed. According to the contractor these works were not included into the PED.

The representative of “Elnur LTD” LLC stated that the renovation of the school gym had not been included in the project previously and was added later. This change increased the project value up to 588 thousand AZN from the previous 450 thousand AZN. Some additional amount was allocated from the state budget for the completion of the project in 2008.

The contractor company said it had spent 30% of the expenses on salaries and the remaining part on raw materials and other expenses. Around 70 workers were involved into the renovation process and most of them had no employment contracts.

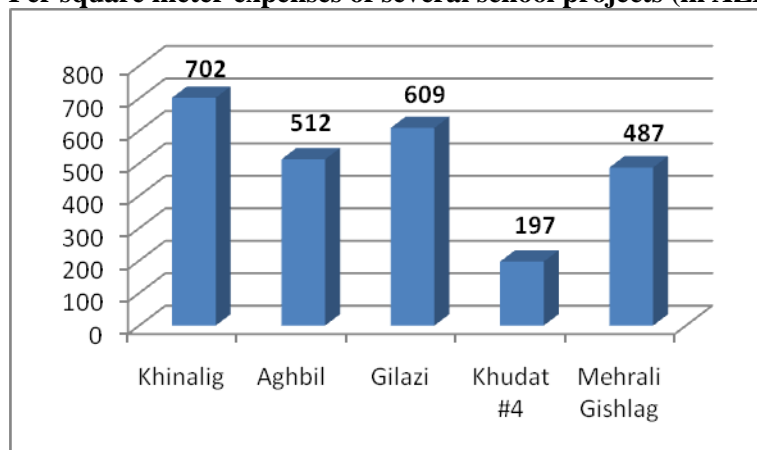
➤ *Comparison and analysis*

Most of the schools in Azerbaijan constructed through public investments differ from each other by their appearance, facilities and area. This difference is also actual for schools with identical or almost the same size or number of classrooms.

Though newly constructed schools positively differ from the ones constructed during the Soviet period due to their appearance, the facility provision is way behind the requirements for modern schools. Especially, the supply of school labs, computer rooms and libraries is very of very formal and show-off character. The external view of the newly constructed schools is also deceptive and problems most often appear after the exploitation.

Some of the schools constructed through public investments differ considerably due to their size, number of classroom, as well as expenses per square meter of the school building.⁴ The difference is more vivid when it comes to the expenses related to school areas. Additionally, such a comparison greatly considers the extra facilities (gym, canteen, etc.) of schools irrespective of the number of students or rooms.

Per square meter expenses of several school projects (in AZN)



It is obvious that there is no proportionality between the expenses allocated for school projects and their quality. The comparison of Khudat and Mehrli Gishlag schools is a proof for that.

The per square-meter expenses in the schools selected for the monitoring ranged between AZN 190 and AZN 702. The construction of a square meter in school #4 of Khudat city cost AZN 190, whereas the same expenses were AZN 702 in case of Khinalig village school of Guba.

⁴ The comparative analyses were carried out by expert Rovshan Aghayev
http://www.mediaforum.az/print.php?lang=az&article_id=20071126072900595&page=06

Also the overhaul repair per square meter of school #2 in Khachmaz district cost AZN 197, while that of Sarov village school of Tartar district was AZN 201. Despite the similar parameters of Aghbil and Gilazikend schools, the renovation of the latter cost 20% more than that of the former. Both schools were submitted for exploitation in 2008.

Although Giriz Dahna and Sohuh village schools of Guba are the same for all their parameters, but the second one has costed 26% expensive. But despite of high price Sohuh village school wasn't constructed reliable, wind smashed its roof, and floor has been spoiled in a short period.

Per square meter expenses in monitored school projects (in AZN)

#	Project	Area of school, m ²	Actual expenses	Per square meter expenses, in AZN
1	Construction of 300 pupil place Khinalig village school in Guba	1830	1285400	702
2	Construction of 80 pupil place Giriz Dahna village school in Guba	488	188500	386
3	Construction of 220 pupil place Agbil village school in Guba	1349	691000	512
4	Construction of 220 pupil place Gilazi village school in Guba	1349	822100	609
5	Construction of 80 pupil place Sohuh village school in Guba	488	236800	485
6	Construction of 220 pupil place Susay village school in Guba	1349	839500	622
7	Reconstruction of school #3 in Guba	3904	456800	117
8	Construction of 220 pupil place Bostanchi village school in Khachmaz	1349	823000	610
9	Construction of 192 pupil place Mehrali Gishlag village school in Khachmaz	1171,2	570000	487
10	Construction of 1176 pupil place school in Khachmaz city	7056	1735000	246
11	Construction of 840 pupil place school in Khachmaz city	5124	1085000	212
12	Reconstruction of 640 pupil place school #2 in Khachmaz city	3904	767900	197
13	Construction of 840 pupil place school in Khudat city of Khachmaz district	5124	974200	190
14	Construction of 640 pupil place school in Katalparag village of Barda district	3904	1345300	345
15	Reconstruction of 480 pupil place school in Sarov village of Tartar district	2928	588000	201

Another interesting point detected during the monitoring was that the project estimations for randomly selected schools were prepared by the same institutions. Estimation documents of 13 projects out of the selected 20 were prepared by “Tamirchi” KM and 6 by “Azkommunlayiha” PI. Another issue was that despite the similar indicators and identical design of Qarabaghi and Khudat 4th primary schools, the amount of AZN 5900 was paid twice for their project estimation documents. Also “Azkommunlayiha” PI was paid AZN 16 thousand twice for the PEDs of Khachmaz city school #9 and Khudat city school #4 despite the identical number of students, classrooms, similar area and number of floors in these schools.

Another notable point of the projects was the structure of estimations. According to the letter of the Ministry of Education dated March 2, 2010, 10-15% of all expenses were spent on salaries, 80-85% on building materials and 4-7% on purchase of equipment and machinery. This information was provided by the Ministry as response to the query sent by PAAFE on the structure of estimations. It becomes clear from this information that estimations did not include expenses on transportation and social insurance tax payments. Besides, the information indicates that the subcontractor companies had not gained any profit from the projects either, which makes it unclear why the companies agreed to carry out these projects. It is worth mentioning that a representative of “Birlik” firm said that 30% of estimated expenses were usually spent on salaries during the monitoring interview, which is twice more than the Ministry’s information.

Another discrepancy in official data was the difference between the amounts allocated according to the order of Cabinet Ministers and total sum of the expenses spent on PED preparation, construction and supply expenses. This discrepancy was characteristic for all projects, though in slight figures.

As for the subcontractor companies, most of them are not recognized either in Azerbaijan or in the district. The only subcontractor company for the school projects that have been monitored who has a web site is “Rabitainshaat” OJSC. This company was established on the base of “Azerrabitainshaat” JSC, previously a state-owned company. The web-site of the company provides a long list of projects carried out through state investments. However, it lacks information or views on these projects. It is worth mentioning that no information was found on other contractors in the internet.

➤ *Other projects*

Certain information was collected on several school projects carried out by USAID and Japanese Embassy in Baku in 2007-2009 alongside with those financed through public investments within the monitoring. One of such projects – the school constructed in Khanagah village of Guba within “Grass Roots and Human Safety” program of Japanese Embassy, was observed during the monitoring process.

Within CHF program of USAID new building consisting 8 classrooms was constructed in school #4 in Kish village of Sheki district and submitted for exploitation in September 2007. 220 students study in this school. The total amount of AZN 33,6 thousand was spent on the project. AZN 22,9 thousand of this amount was allocated by CHF program and the rest by village municipality and local community.

From 2000 till mid-2009 the Japanese Embassy in Baku carried out 115 projects and spent USD 8 070 thousand within “Grass Roots and Human Safety” Grants Program in Azerbaijan. The main directions for grants were health, medicine, primary and secondary education, social security, environment, poverty reduction and increase of incomes.

One of the projects carried out within the mentioned program was secondary school constructed in Ibahli village of Gakh district. The school is considered for 200 students and consists of 14 classrooms. USD 89.96 thousand (approximately AZN 72 thousand) was spent for the construction of this school.

In 2008 with the support of Japanese Embassy USD 85 thousand (AZN 68 thousand) was spent on the construction of a school consisting of 12 classrooms in Goyam village of Zakatala district and USD 86 thousand on the construction of a school consisting of 12 classrooms in Khojavend district.

Another project carried out within the grants program in 2009 was the 116 pupil place school consisting of 5 classrooms and 1 teachers' room in Khanagah village of Guba district. The cost of the project was USD 85 867 (AZN 68 972). The Khanagah project was reviewed in order to provide comparison with schools constructed through public investments.

Khanagah village is situated at a distance of 60 kilometers from the center of Guba district, in mountainous area. The construction project was carried out by "Lira" Young Talents Union functioning in Northern districts. The school construction sketch was prepared by an architect of Khachmaz District Executive Power free of charge. The construction works were carried out by "XXI Esr" LLC. The subcontractor company was selected through tender process. "Barpachi" LLC and "Elita" firms too participated at the tender. The school area is 220 m², the windows are plastic, doors are of European standards, and the floors are wooden. The height of the ceiling is 3 meters. The roof is covered with modern construction materials. The school building has been painted. The school building was provided with electricity, the school yard was covered with stones within the project. Besides, the bust of martyr Aflatun Jabbarov (the school was named after him) was placed in the school. The equipment was provided by Education Department of Guba District.

Garabaghi and Khudat #4 schools of Khachmaz district, which were constructed in 2007 and are twice smaller than Khanagah School both according to size and the number of classrooms. However, the amounts spent on these schools were twice more than it was spent on Khanagah School. Besides, the construction of a square meter of Khanagah School cost AZN 312, whereas that of Sohub School, which was similar to Khanagah School according to most parameters, cost AZN 485. It is worth mentioning that area of classrooms, height of ceiling and size of windows of Khanagah schools do not differ from similar schools constructed through public investments.

III. TRANSPARENCY AND ACCOUNTABILITY

At present it is difficult to get information on schools constructed and renovated through state budget. Orders of the Cabinet of Ministers on the distribution of amounts on public investment projects are not disclosed to public and are hidden from experts. Thus obtaining this kind of information can take up to several months. Getting information on project details may require even more time.

1 281 new school buildings were constructed during 2003-2008. It is planned to construct new buildings and carry out overhaul repairs in some other 2 250 schools during 2008-2012. However the web-site of the Ministry of Education has no information on these programs.

During the implementation of the named project PAAFE submitted a request to the Ministry of Education on November 13, 2008 and January 26, 2009 regarding information on the construction and renovation of schools in Guba, Khachmaz, Barda and Tartar districts. However, the Ministry refused to provide this information with its letter dated February 24, 2009. The appeal of the company to the initial court instance on the case did not produce any outcomes. Narimanov District Court (judge: S.T. Aliyeva, May 10, 2009) turned down the claim on obliging the Ministry to respond to the surveys in details and on issuing a special sentence on authorized people that have violated the law. The appeal addressed to the Court of Appeals of Baku City was also rejected (judges: G.A. Guliyev, I.Sh.Valiyev and M.T. Ahmadova, July 28, 2009). The cassation appeal to the Supreme Court was finally resolved. The Supreme Court considered the rejection of the Ministry of Education on the query of PAAFE illegal and annulled the verdict of Baku Court of Appeals dated July 28, 2009. The claim was repeatedly sent to Appeals instance. Baku Court of Appeals reviewed the claim again and considered the rejection of the Ministry illegal, thus obliging the Ministry to respond to the survey of the organization.

Finally on March 2, 2010 the Ministry of Education responded to the query of PAAFE on the construction and renovation of schools in Guba, Khachmaz, Barda and Tartar. Thus gaining information on 20 school projects took more than 1 year and 3 months.

The report of the Ministry of Education on 2008 includes just a couple of sentences on the construction and renovation of schools. And this information is about number of constructed and renovated schools. 2009 report of the Ministry included nothing, but similar information. Even the sentences in reports for two years are the same, only figures were changed. The sentences reflecting the school construction works by Haydar Aliyev Fund had not been changed at all.

The report of the Cabinet of Ministers for 2008-2009 also included information about the number of constructed and renovated schools.

For the sake of comparison it is worth mentioning that, Kazakhstan, a country with huge oil revenues and carrying out social projects similar to Azerbaijan, is implementing “100 schools, 100 hospitals” for each province program. Broad information on these programs and their implementation has been placed on web-sites of the Ministry of Economy and Budgeting, Ministry of Education and Science, as well as web-portals of provinces.

As for the developed EU countries and US, there is statistical data on the construction of public schools which include expenses spent on school constructions per city and state as well as state spendings on per m² of the school area. The information on this is available on the web-site of Chambers of Accounts.

IV. CONCLUSIONS AND RECOMMENDATIONS

The Monitoring process provided by PAAFE on 20 construction and renovation projects financed through public investments leads to the following conclusions:

1) School construction and renovation projects financed through public investments are not well programmed; requirements are not evaluated in a proper way. Thus, the political importance of local authorities, as well as the positions of unofficial patrons (MPs, authorized people) plays a special role in the approval process of school projects.

2) There are no single standarts existing for school construction in Azerbaijan and no work is being done in this direction. As a result, newly constructed schools differ from each other according to their design, resources, supplies and project estimations.

3) The selection of subcontractor companies is usually carried out without tender process, which in its term is the breach of law. And when tenders are carried out they are usually of formal nature. Most subcontractor companies are not sufficiently competent and professional. Most of them lack a proper office, staff and public reporting due to the utilization of state budget resources (including lack of web-sites).

4) Shortly after the schools are submitted for exploitation, walls and floors become cracked, facades deteriorated and the roofs destroyed. This case is the case with school #8 in Khachmaz city, Mehrali Gishlag, Garabaghi village schools of Khachmaz and Sohob village school of Guba district. Construction was left unfinished and equipment incompletely supplied in several schools. Katalparag and Sarov village schools of Barda district were in this list.

5) The Ministry of Education does not provide a seperate report on construction and renovation projects of schools, does not include information on these projects and their implementation to its annual reports, and does not respond to queries on time and in details. Sometimes the information provided by the Ministry is not real or does not match with information provided by regional education departments and school managemetns.

As an example for this is information on school area, number of students and project estimation expenses in Katalparag School.

PAAFE proposes the following recommendations:

1) The Ministry of Education can prepare single and long-term program for construction and renovation of schools and can provide estimations from time to time. This would lead to the in-advance planning of projects and their inclusion into the budget process. This will at least prevent hasty implementation and incomplete project realizations.

2) The Ministry of Education can develop school standards and norms, as well as quality standards or standard school projects together with the Ministry of Economic Development and other related state agencies. This would lead to the standardization of project sketches and project estimations and will shorten project preparation period which will result in expense saving, quality increase and expansion of school resources.

3) The Ministry of Education can prepare list and database of companies with experience and competence in school construction and update this list each year. This can simplify evaluation of tender bidders. On the other hand in order to provide transparency and fair tender processes this information can be placed at the web-site of the Ministry and NGO representatives can be included into tender commissions.

4) The contracts with subcontractors can include an article on multi-year guaranty. Besides, in case of problems with quality, school management can sue the subcontractors and achieve problem solution.

5) The Ministry of Education can dedicate a special section in its annual reports to the information on construction and renovation of schools. Transparent and effective process and detailed reporting can attract donations and investments from private sector.

REFERENCE SOURCES

- 1) Addendum to the Order of the Cabinet of Ministers #42S dated February 19, 2007
- 2) Addendum to the Order of the Cabinet of Ministers #44S dated February 6, 2008
- 3) Reports of the Ministry of Education on works implemented in 2008 and 2009
- 4) Reports of the Cabinet of Ministers on works implemented in 2008 and 2009
- 5) Information for Media of the Japanese Embassy in Baku, dated June 25, 2009
<http://www.az.emb-japan.go.jp/files/Xanagah%2009.pdf>
- 6) Azeri Press Agency (APA)– <http://www.apa.az>
- 7) Interviews carried out in Guba, Khachmaz, Barda and Tartar
- 8) Interviews with subcontractor companies
- 9) Interviews with school management

APPENDIX. PHOTOFACTS



School #8 of Khachmaz city looks nice and luxury. What is hidden behind?

Despite the nice and luxury appearance there are problems with walls and girders in school #8 of Khachmaz city



Mehrali Gishlag school of Khachmaz region is in this state just a year after the exploitation



The yard of Kayalparag secondary school of Barda region remained in such a situation for a year. The reason was unfinished work of subcontractor company "Birlik" on artesian well

This is Garabagi village school of Khachmaz region, constructed through state budget funds of AZN 149 thousand in 2007.



And this is Khanagah village school constructed through allocations of Japanese Embassy for AZN 69 thousand
