

FROM RESOURCE ALLOCATION TO EQUAL LEARNING OPPORTUNITIES: USING FINANCING INSTRUMENTS AS DRIVERS FOR EDUCATION POLICIES

The Financing of Education in Azerbaijan: overview

Inception workshop, 11 March 2026

A peer learning week for Eastern Partnership countries
9-13 March 2026, Lisbon - Portugal



Context (1/2) : main challenges of the education system

- Some of the key challenges in our education system - include the inefficiency of the school network, particularly the high maintenance costs of small schools.
- We also face difficulties related to access to education in rural areas, as well as teacher shortages and the ageing of the teaching workforce. Small schools are being gradually closed or merged with other schools in order to improve the efficiency of the school network

Context (2/2) : key policy reforms and their financial impact

Changes in the education financing mechanism, including the introduction and expansion of:

- State-funded study places in higher education;
- Scholarship and social support programs;
- The Student Education Loan Fund;
- Increasing teachers' salaries and introducing incentive mechanisms;
- Investments in digital education infrastructure;
- Targeted funding mechanisms for schools in disadvantaged areas.

Resource mobilization: Basic data on education financing – including budget distribution

In Azerbaijan, the education system is primarily financed through the state budget and remains one of the key priorities within public social expenditures. Education spending typically represents around 10–15% of total government expenditure. The Ministry of Science and Education of the Republic of Azerbaijan is the main public authority responsible for education policy and financing.

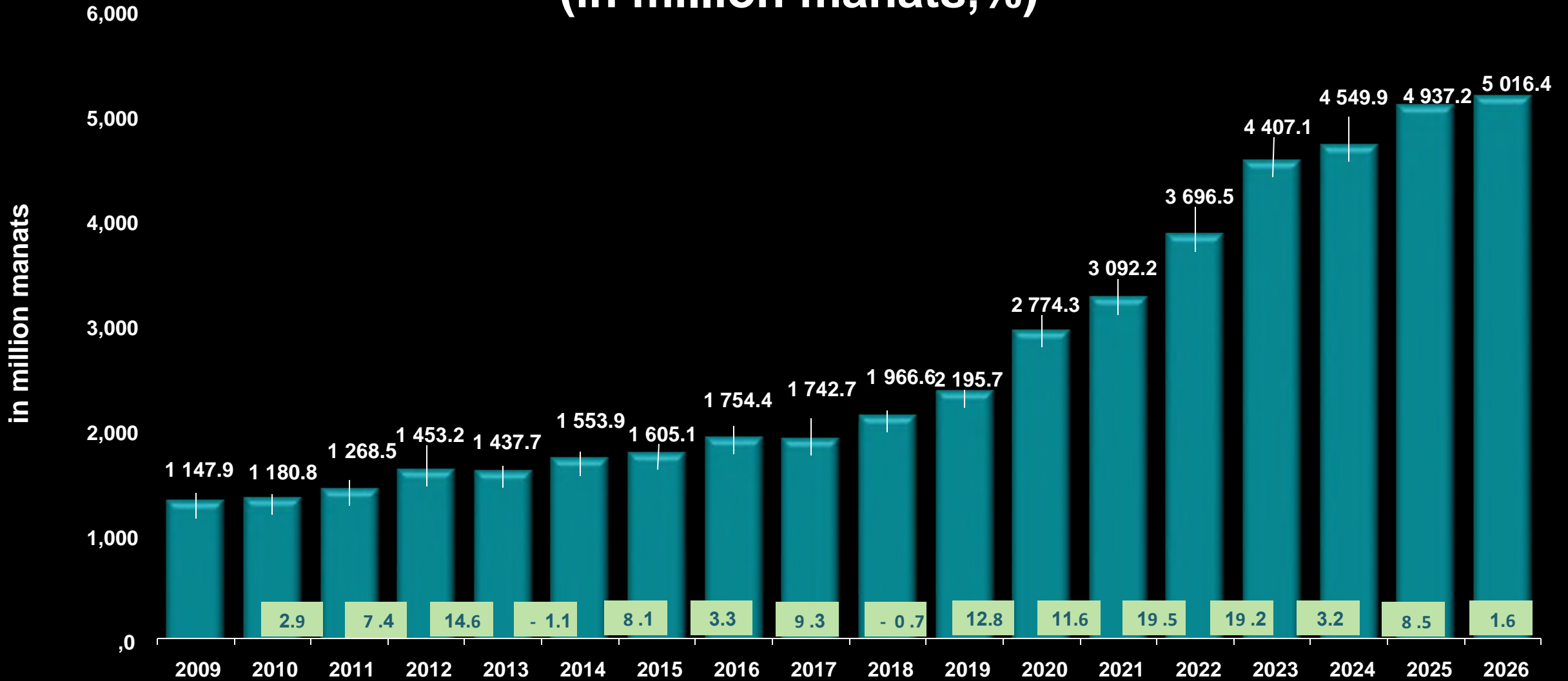
“In Azerbaijan, public expenditure on education accounts for approximately 3.5–3.7% of GDP in recent years

The state budget preparation process in Azerbaijan involves several key steps: strategic planning by ministries; preparation of the draft budget, including the education section prepared by the Ministry of Science and Education and other relevant ministries; submission to the Ministry of Finance; review by the Cabinet of Ministers; consideration by the President; and final approval by the National Assembly

The highest proportion of the education budget is dedicated to general education, covering both primary and secondary levels

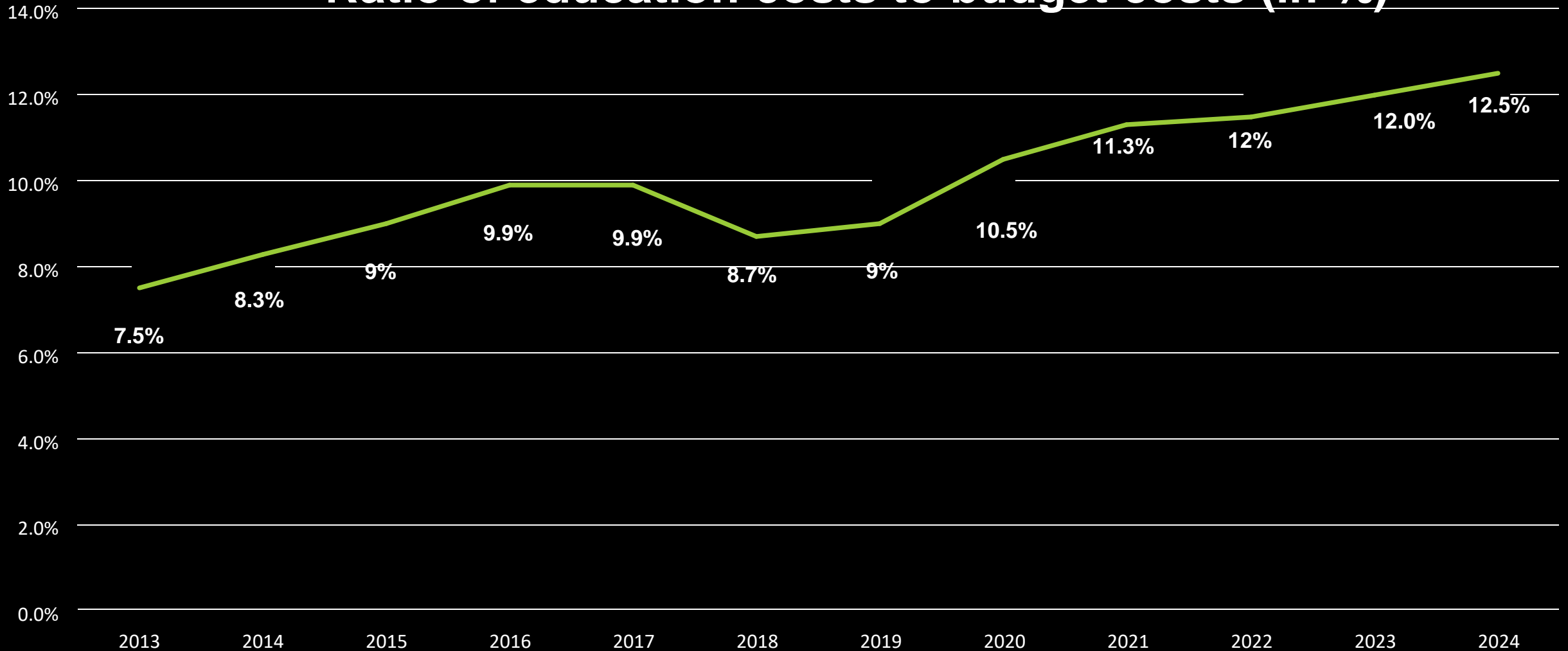
- General (primary & secondary) education: ~ 2 414.8 M manat
- Higher education & state ordered places: ~ 801.5 M manat
- Preschool education: ~ 468.2 M manat
- Vocational education: ~ 105.5 M manat

Education expenses and its growth rate (in million manats,%)

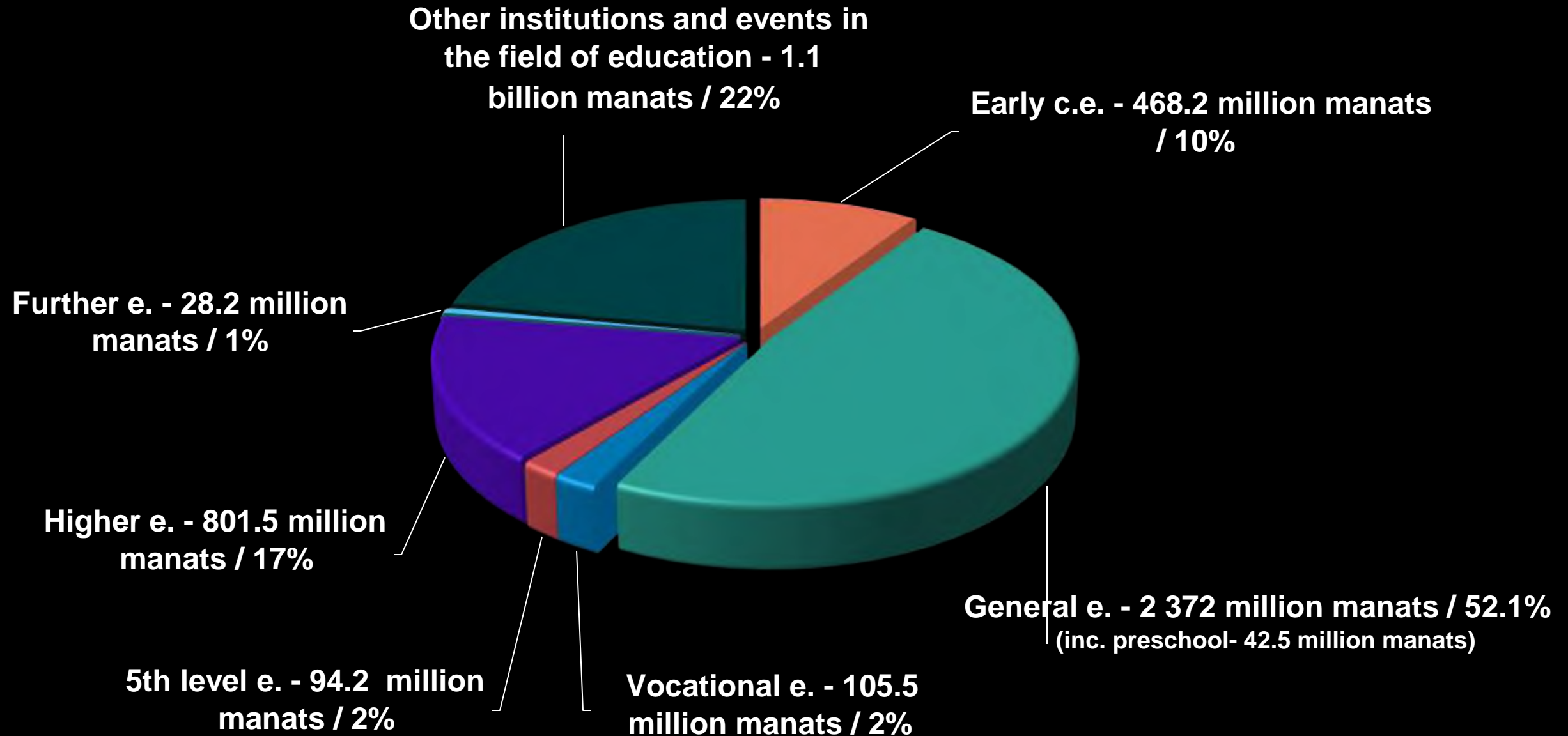


%, previous year

Ratio of education costs to budget costs (in %)



DIRECTIONS of EDUCATION EXPENDITURES (2026)



Governance of the financing chain

Management of the Education Financing Chain in Azerbaijan

The education financing chain in Azerbaijan refers to the process of planning, allocating, executing, and monitoring funds from the state budget to the end users (schools, universities, teachers, and students). The system is primarily based on a centralized model.

1. Strategic Planning Stage

- The state policy on education is defined.
- Medium- and long-term expenditures are planned.
- Budget orders are prepared.
- Budget project formation is carried out by the Ministry of Finance of the Republic of Azerbaijan.

2. Budget Approval Stage

- The draft state budget is prepared, with education expenditures presented as a separate section.
- The budget is approved and comes into legal force.
- Approving authority: Milli Majlis (National Assembly of Azerbaijan).
- This stage establishes the legal basis of the financing chain.

3. Fund Allocation and Execution

- After approval, spending limits are set for ministries and subordinate bodies.
- Funds are transferred to schools and universities.
- Execution includes payroll, utilities, and other operational costs.

4. Monitoring and Control

- Internal control: Audits within the ministry, financial reporting of schools and universities.
- External control: Inspections by the Accounts Chamber of Azerbaijan and the Ministry of Finance.
- Key Challenges in the Financing Chain
- High degree of centralization.
- Low financial efficiency in small schools.



Annual interest rates for Standard and Social student loans



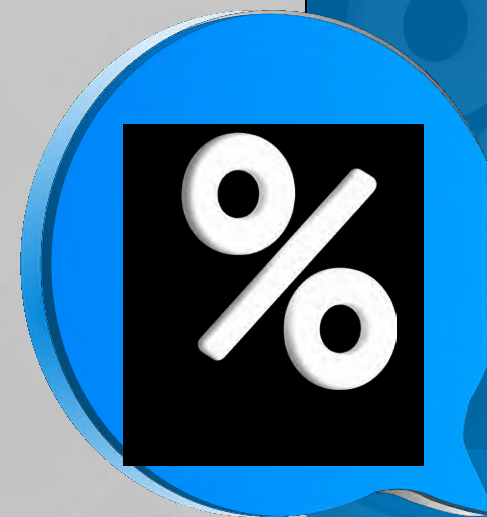
Annual interest rate for social



Annual interest rate for standard



No collateral or guarantee is required



General requirements for applying for a student loan



Social loan students

- Members of families receiving state social assistance.
- 3rd degree disability (Disruption of body functions by 31-60 per cent).
- Both parents (in case of having a single parent, that person); those ones belonging to any of the following categories listed below:
 - those ones with 1st or 2nd degree disabilities; (Disruption of body functions by 61-100 per cent);
 - those ones who are registered as unemployed;
 - recipients of labor pension due to age;
 - recipients of social benefits due to age.
- Recipients of social benefits for the loss of the head of the family.
- Recipients of a pension for the loss of the head of the family.
- Persons awarded the title of war veteran for participation in military operations for the territorial integrity of the Republic of Azerbaijan.
- if one parent has been diagnosed with a disability due to 81-100 percent impairment of body functions, and the other parent receiving the pension of the President of the Republic of Azerbaijan for taking care of the person with 81-100 percent impairment of body functions or disabled persons under the age of 18".
- Students whose one parent has been sentenced to imprisonment or confinement, and whose other parent falls into any of the other categories specified in the regulation.

Note: Eligibility for social student loans is subject to any of the following of the above conditions

Standard loan students

- Those ones who are not eligible for social loan.
- Students who achieved GPA (the overall average success indicator) 71 points and above.
- Paying at least 20 percent of the annual tuition fee.
- 110 points for the sub-baccalaureate level.
- 250 for the bachelor's degree level; (majors requiring special qualifications-100 points).
- 50 for Masters level.

Note: Eligibility for a standard student loan arises if all of the above conditions are met if all of the above conditions are met simultaneously.



THE DURATION OF THE EDUCATIONAL STUDENT LOAN

The general requirements for loans granted by the Fund are as follows:

	Education period	Grace period	Repayment period	Deferral period	TOTAL
Bachelor's degree	4-6 years	2 years	10 years	2-4 years	18-22 years
Master's degree	1.5-2 years	2 years	10 years	2-4 years	15.5-18 years
Sub-bachelor's degree	2-3 years	2 years	10 years	2-4 years	16-19 years

Note: No interest is calculated on the loan and no payment is required during the education, deferral and grace period



DEFERRAL AND INSURANCE

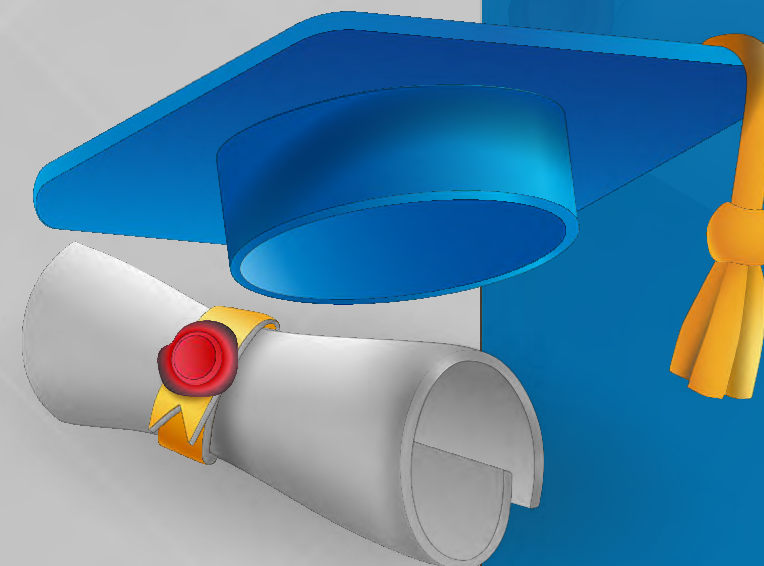
The deferral period and insurance of student loans are proceeded in the following cases

Deferral cases:

- higher education on a full-time basis;
- period of actual military service;
- conviction - imprisonment;
- in the case of an employed borrower, the period during which borrower is on partially paid social leave due to pregnancy and childbirth and to take care of child until the child turns three years old;
- period of care for children under 18 years of age with limited health capabilities and persons with I degree disabilities.
- The average term of the deferral period calculated for 1 student is 2-4 years.

Insured cases:

- Death;
- Complete or partial loss of work capability (disability);



Note: The parties to the insurance contract are the student who has received a student loan and the insurance company. The amount of the insurance benefit for one loan is calculated in accordance with the loan agreement and added to the amount of the loan taken out by the student on behalf of the bank.



BENEFITS APPLICABLE TO LOANS

The benefits, which are at the expense of the Fund applicable for student loans are the following:

For those who are eligible for social loan:

- **No interest is charged** on the loan taken for a given semester if the student has GPA of 71 or higher;
- If a student who has received social loan has GPA of 91 or higher in all academic semesters during the normative period of study, he/she is **exempt from 50% of the credit received.**

For those who are eligible for standard loan:

- **No interest is charged** on a loan taken out for a given semester if the student has a grade point average of 91 or higher.
- If a student who has received Standard Loan has GPA of 91 or above in all academic semesters during the normative period of study, he/she is exempt from paying **25% of the loan received.**

