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**Replacing University Entry Examinations with Standardized Tests in Russia:**

**Will It Reduce Corruption?\***

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At least 20 percent of Russians enter colleges by paying bribes while many others use their connections with the faculty and administration. This increases inequalities in access to higher education and prevents future economic growth. The reform of higher education in Russia, based on the national examinations and educational vouchers, was intended to be a response to the rapidly changing economic environment and the new social order. It was expected that introduction of the national test will reduce corruption in entering colleges and decrease inequalities in access to higher education. The faculty strongly opposes the reform since it threatens their illegal income and profiteering. The initiative with the vouchers has failed and by now is already forgotten while the national test is planned to be introduced nationwide in 2009. The national test has experienced numerous problems so far and will likely have even more problems in the future. However, the old system of admissions is morally outdated and has to be replaced. We argue that corruption will not be reduced with the introduction of the national test. Instead, access to graft and corruption overall will broaden with the shift from higher education to secondary education. Higher education institutions will prefer to continue taking part in the selection process. A certain compromise will be found in the near future. Undoubtedly, college faculty will retain at least partial discretion over the admissions and hence access to higher education.

Key words: corruption, higher education, national test, reform, Russia

## **Introduction**

Russian education is strong and has a proud tradition. All school-age children have access to school places and 98.9 percent of adults are literate. In 1992 a large part of the education sector was decentralized to the regional level. Most regions benefit from the federal transfers. These transfers, however, has fallen both in relative terms and relative to what the regions themselves spend. Fluctuating between 3.4 and 4.5 percent of GDP, public expenditure on education has fallen during the 1990s. It falls at a rate of 6 percent per year (World Bank, 2001).

The decentralization process coincided with growing regional economic inequality and inequality in access to education. Inequality in access to higher education is considered as one of the major components of social inequalities in the society. The decrease in this type of inequality is expected to be of primary importance for successful economic transformation and future sustainable development. Growing corruption creases inequality in access to higher education and undermines process of nation building (see Appendix I).

The recent survey indicates that 55 percent of Russians believe that bureaucratic incompetence and corruption prevent Russia from achieving economic prosperity; 33 percent had to pay bribes for access to medical or educational services (46 percent for Moscow and St.Petersburg), 55 percent consider even small gifts as corruption; 65 percent think that it is impossible to eradicate corruption. 71 percent believe in the necessity of toughening up the penalties imposed for corruption and 56 percent believe that the law enforcement already has all the necessary means to combat corruption. At the same time 42 percent believe that encouraging the practice of informing will do more harm to society and 33 percent would not report cases of corruption under any circumstances. Only half of the population think that life would become easier if corruption is to disappear overnight (Kofanova and Petukhov, 2006) While the opinions and beliefs are quite diverse and contradictory, rampant corruption in higher education as well as numerous other spheres of social and economic life is a fact.

The Commission for Economic Reform requested the Ministry of Education of the Russian Federation to prepare proposals to increase efficiency and to reduce unit costs in education while improving relevance to the needs of transforming economy. Reform of education financing, including new systems to make fiscal flows to schools and higher education more transparent and the use of the funds more efficient, was an objective. The Development Strategy of the Russian Federation Until 2010 emphasizes the recovery of social capital as a major goal of the reform.

### **Current situation in higher education in Russia**

Higher education in Russia is under pressure because of the reduction in federal funding and the need to modernize curricular content and teaching methods in higher education institutions. Important indications of efforts to adjust to the changing needs of people for education and the needs of businesses for human resources are changes in distribution of admissions and graduations by areas of specialization, an increase in the number of new private colleges that provide training in the most wanted areas, and changes in the standards and content of educational programs. The system responded to the reduced federal funding by increasing extra-budgetary and local budget sources. The higher education sector continues to suffer from a lack of clearly defined responsibilities between the governing agencies together with an incomplete legal framework and a lack of transparency in the allocation and use of public funding. The developing commercialization and widespread corruption on all levels of the governing structure and higher education institutions are also a matter of public concern.

1,100,000 students entered public higher education institutions in Russia in 2000. That is 2.2 times more than in 1992. The number of students who entered both public and private higher education institutions increased 2.5 times. There are approximately 1006 higher education institutions in the Russian Federation, including 621 public and 385 private institutions. Higher education institutions are only those with five-year degree programs. There are also numerous two-

year colleges and vocational schools. The number of students in higher education institutions reached 5.4 million, or 327 per 10000 people, which is the highest rate in the country's history.

Federal funding for higher education continues to decrease. In addition to the programs where students study for free and receive stipends, all public universities have programs financed by the tuition students pay. All private universities are for-profit. There are no traditions or practices of donations and charitable giving to higher education institutions. There are no scholarships for students as well. The system of governmental or public and commercial or private educational loans is not in place. Absence of public and private educational loans causes additional difficulties in access to higher education, especially for the poor. The government is now discussing possible development of a system of educational loans. 54 percent of students pay for their education, while 46 percent are paid by the federal government and the local administrations. By law the government funds the education of students according to the rate of 170 students per 10000 of population. In fact, it pays for 190 per 10000, i.e. even more than is required by the law. Free compulsory secondary education of a high quality creates opportunities for individuals. During the period from 1989 to 2000, the share of people with higher education degrees participating in the labor force increased almost twice and reached 25 percent (Vestnik MGU, 2002). At the same time in Russia, a country consisting of eighty-nine regions, a population of one hundred and fifty millions and eleven time zones, there is no one universal national standardized examination for high school graduates. In order to enter any public or private higher education institution, the high school graduates must be present at the college of their choice to pass competitive entry examinations. Competition to enter government-financed programs is high. The number of applicants per 100 places in public and municipal higher education institutions in the Russian Federation increase from 175 to 203 since 1993.

Competition for for-tuition programs is either very low or absent. All public higher education institutions run entry examination sessions at the same time, once a year. There is no

legal way to apply to more than one institution at a time. Those not accepted have an opportunity to enter a for-tuition program at a public university or a private college that requires full tuition. Private colleges do enroll students after the period of entry examinations if they have vacancies. Rampant corruption transforms public universities into “family enterprises,” where government-financed places are distributed among the relatives and friends of the faculty and administration. This creates enormous inequalities in access to higher education.

Some households are unable to cover travel expenses for their children to a university of their choice to take entry examinations. Some candidates with high academic potential do not accept the risk of competing for places in top schools. If not accepted, they will not be able to compete even in lower tier colleges, since the time for entry examinations will be over. The number of places financed from the central budget continues to decrease. State expenditures on education decreased from 3.6 percent of GDP in 1991-1992 to 3.1 percent of GDP in 2000. State expenditures on education in 2000 were 48 percent of 1991 levels. State financing of higher education decreased from 1.2 to 0.4 percent of GDP. The average wage in education decreased from 62 percent of the average for the economy in 1992 to 54 percent in 2000. The average age of faculty members is 55 years in the social sciences and humanities and 60 years in the technical sciences (Vestnik MGU, 2002).

In the Soviet Union information, application, examinations, and housing for prospective students were free. However, each year everyone had an opportunity to take entry examinations only in one of the Moscow universities, and then, if unsuccessful, they could try to enter any other university. All the universities were fully funded by the state while the private sector was absent. At the beginning of the transition, all the public universities realized that the demand on higher education is much higher than the supply of educational services, especially in the social sciences. The public represented a demand for knowledge, diplomas, and prestige associated with higher education. They started to organize for tuition programs within the departments in the universities

and in the branches and affiliations outside, located in different towns. Later many of these departments became private universities. Each public university has departments, where at least some of the students pay for the study. Many students seek diplomas, not knowledge. The state guarantees all the diplomas from the universities that have passed accreditation. Many of the students need a diploma to satisfy a requirement for holding the job they already have. With a high level of unemployment and low real wages, opportunity costs for prospective and current students in higher education are very low. It keeps tuitions low and the demand on degrees high.

Top schools continue to generate excessive demand and select students with characteristics they want by using the system of entry examinations. This is one of the major arguments for the system of entrance, where the applicant has to appear in person in college and pass the examinations. Maintaining selectivity requires the generation of demand and restriction of supply. Before 1990, supply was restricted by the central government. After 1990, colleges created for-tuition programs where virtually everyone was able to enroll. The previously existing system, where high student quality was a result of selectivity, and selectivity, in its turn, was a result of high student quality, was seriously undermined by all different types of corruption.

In 2000 54 percent of all students who entered higher education institutions paid full tuition. Overall, 40 percent of students study for tuition. Students in private colleges constitute 10 percent of all students. Only 20 percent of students for tuition are students in private colleges. Public universities play a leading role in for-tuition programs. The value of all paid higher education services in 2000 was equal to 0.6 percent of GDP. Around 20 percent of all students enter colleges for bribes. Some people prefer to pay a bribe because it may be cheaper than full tuition for the period of study. Another reason is that the bribe is paid once for the entrance to the budget-financed program, while tuition in a for-tuition program may increase from year to year during the four- to six-year period of study. There were more than 1000 cases of bribery for entering higher education recorded in 2001. By estimation, the amount of money spent on illegally accessing higher education

is equal to 0.75 percent of the GDP (Konstantinovskiy, 2001). In households with children under 16 saving for higher education is the highest priority, leaving behind health care, durable goods, housing, cars, and insurance.

Education by correspondence is the fastest growing form of education and now constitutes the sector that enrolls 40 percent of all students, while in 1992 it was only 25 percent. During the 10-year period from 1991 to 2001, the share of graduates from the sciences decreased from 9 to 7 percent, while the share of graduates majoring in economics and business administration increased from 14 to 22 percent (Konstantinovskiy, 2001). Observations indicate that socio-economic factors are most significant when it comes to access to higher education, especially to top schools. Three major factors are household income, place of residence, and quality of secondary education. People in poor households, rural areas, and economically depressed regions have less access to higher education. If in 1990 75 percent of students in Moscow were from the regions, now they constitute only 25 percent (Kuzminov et. al., 2002).

### **The problem of corruption in higher education**

There are over one thousand higher education institutions in the Russian Federation, of which some are funded by the federal government, others by the regional authorities and local municipalities, and some are private for profit colleges. In addition, there are numerous public community colleges and vocational schools. Public higher education institutions accommodate around 80 percent of all the nation's students while other 20 percent attend private colleges. Half of all the students in public colleges and universities are funded by the government. The admissions to governmentally funded places are corrupt. Course grades can also be bought from faculty members.

There is a variety of forms of corruption that may be found in higher education in Russia. Forms of corruption include bribery, embezzlement, extortion, fraud, nepotism, cronyism, favoritism, kickbacks, transgressing rules and regulations, bypass of criteria in selection and

promotion, cheating, plagiarism, research misconduct, discrimination, and abuse of university property. A bribe can be in the form of cash, merchandise, service, or a monetary donation.

There were over eight thousand economic crimes in education reported in Russia for the period of 2000 to 2005. Only in 2005 there were more than three thousand crimes committed, including 849 cases of bribery and 361 cases of embezzlement, gross waste, and misallocation of the resources that come from the central budget. Most of these crimes were committed by the heads of colleges and schools, members of the admissions committees, students, and high school graduates.

According to the Chief of the Department of Economic Security of the Ministry of the Interior S. Lavrov, in 2005 the sum of the material damage caused by the criminal activities was equal to more than 430 million rubles. Sixty-seven criminal cases concerning heads of educational institutions and officials of selection committees, including six members of the selection committees, nine officials of the territorial educational organizations, five rectors and deans, seven professors and senior lecturers, forty directors and assistants to directors of educational institutions have been investigated. Criminal charges were brought against the members of the admissions committees in Omsk, Volgograd, and Lipetsk oblasts. Criminal investigations were launched against educational officials and administrators in Yuzhno-Sakhalinsk, Kazan', Tver', Ufa, and other cities. The charges included embezzlement, extortions, and bribery. Lavrov concludes that bribery can be found in all different areas of educational industry. He also reports that forged educational documents turned into a big business with international connections, pointing to a price of up to \$20 thousand for some forgeries. Criminal groups involved in production and distribution of diplomas and other educational documents and certificates were exposed all over the Russian Federation, including Sakhalin, Hakassia, Kaluzhskaya oblast', Kaliningradskaya oblast', Moskovskaya oblast', Tul'skaya oblast', and Krasnodarskiy kraj (Ministry of the Interior, June 21, 2006).

The scale and scope of corruption in Russian education industry is impressive, indeed. It might be no different from many other countries, and is likely less than in Central Asia, but the rate of growth of the criminal activities in education is alarming. From Kaliningrad in the West to Sakhalin in the Far East and from Moscow to Krasnodarskij kraj in the South, corruption in education is exposed and investigated. At the same time the number of accused corruptioners is incredibly small. Seven professors and instructors for the country where system of higher education employs many thousands of faculty members is literally nothing.

The majority of investigated cases appear to be related to the educational officials, including rectors of colleges and directors of schools, who embezzle from the state budget. This means that those involved in corrupt activities other than embezzling from the state funds are virtually invulnerable. The message is well taken by educators and by the public. If education corruption is spread all over the country and at the same time only a few corrupt educators are prosecuted, then participating in bribery and extortions appears to be a relatively safe business for the faculty members and students and their parents. Also, this information strengthens public's perceptions that everything can be bought and sold and that there is no reason to try to appeal to the law. An increase in such perceptions further facilitates an increase in corrupt activities.

Until recently, corruption in education was encountered predominantly in higher education. Admissions to higher education institutions, based on the entry examinations and decisions of the admissions committees, were considered as notoriously corrupt. Now teachers and administrators in the country's secondary education are gaining some access to benefits of corruption as well, thanks first of all to the nationwide introduction of the standardized tests. Admissions to better elementary, secondary, and high schools can also cost money to the prospective pupils' parents.<sup>15</sup> Process of corruption has now rotten admissions and enrollments from higher education down to kindergartens.

## **Description of the projects**

There are two educational policy projects implemented by the federal government: The General State Examination (GSE), begun in 2001, and The Reform of Financing of Higher Education through the Implementation of the State Personified Financial Obligations (SPFO), also known as educational vouchers, begun in the academic year 2002/2003 and running through the 2003/2004 academic year. The first is a project with a standardized, computer-graded examination, which will be used for entrance to universities; the second is a project that introduces a voucher-based system of higher education funding. The General State Examination is analogous to the US national educational tests (such as the SAT and ACT), and the French Baccalaureate, and is referred to as the national test.

The projects were conducted in the sixteen regions that represent all different types of regions in the country. All high school graduates in the sixteen regions take the national test in one of the 1938 places, where the national test is conducted, in number of subjects, to be defined in each region. Set of the subjects included in the national test varies from region to region. Mathematics is included in the national test in all the sixteen regions, Russian in twelve, Physics in ten, Chemistry in ten, Biology in nine, Geography in six, History in six, and Social Science in four regions. Samarskaya oblast\* includes all the nine subjects in the national test; Saha (Yakutiya), Novosibirskaya oblast, and Chuvashiya eight; Novgorodskaya oblast seven; Rostovskaya, Pskovskaya, Orenburgskaya, and Kaliningradskaya oblast five; Mariy El four; Krasnoyarskiy Kray, Tomskaya oblast, Cheliabinskaya oblast, and Mordoviya two; Bashkortostan and Udmurtiya one. Results of the examinations are graded on a scale from one to five, that is A+, A, B, C, and D (letters adapted to Latin alphabet by the author). Every high school graduate, except those who receive a D, obtains an educational voucher with a value corresponding to the grade received. The vouchers are grants that can be spent only on higher education and should not be refinanced. One of

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\* Oblast – an administrative territorial unit, analogous to a region.

the major characteristics of educational vouchers is portability. A portable voucher can be taken by a prospective student to any higher education institution that participates in the project. Anyone from non-participating regions or graduates from previous years can take the national test. It is set up so that the top 5 percent get an A+, the next 15 percent an A, next 40 percent get B, the next 25 percent a C, and the lowest 20 percent a D. No vouchers are assigned to those with a D score (Kuzminov, et. al., 2002). Each institution-participant indicates the admission test score and tuition three months prior to the application deadline. Application is free of charge. Access to the information is free and available to the public. It is expected that colleges will compete for better students, since they will bring vouchers with higher monetary values. It will result in an increase in quality of higher education.

The reform anticipates that a decrease in corruption and inequality in access to higher education and redistribution of the state funds among public and private higher education institutions will lead to an increase in quality of students and higher education services, and more efficient and effective functioning of the system. It will facilitate accumulation of human and social capital and strengthening of social cohesion in the nation.

The projects, as well as the idea of the reform, are heavily criticized. Those opposed to the policy experiments consider higher education as a public good. Since it is not available to all, opportunity to get higher education for free is considered as a public good. They support selection on the basis of competitive entry examinations and full financing of all students. Some of the critics accept the existence of private higher education, but insist that it should be separate from public education (Kolesov, 2002; Sadovnichiy, 2002). They believe that the reform will lead to an increase in inequality and corruption, eradication of free higher education, decrease in its quality, weakening of free secondary education and its commercialization. Educational voucher create wrong incentives for many high school graduates. First, many think that it is better to live with diploma than without one. Second, entering college means deferment from the military service. Admission to a college is

considered as granting a leave from the draft. People, who receive a voucher of certain, even if low value, will be willing to use it by entering low-quality college, and would use it even if they had not planned to attend college. Critics of the reform predict an increase in educational bureaucracy and transaction costs, necessary to regulate voucher financing schemes and the national test. Kolesov conforms that “A mythical billion in bribes, referred to heads of the top hundred higher education institutions in an offensive manner, will be materialized and distributed among thousands. Corruption in this way will be “democratized” for sure.” (Kolesov, 2002)

Opinions on corruption in higher education vary. For instance rector of Moscow State University (position next to the Minister of Education) gave the following comment on the news about the arrest of two corrupted professors in one of the Russian regions: “Until the country will start to think whom, what, and how it teaches, to organize demonstrative prosecutions for bribers in universities is immoral and not clever. To require from a professor, who lives on \$50, high moral principality is a blasphemy.” (Sadovnichiy, 2001) Sadovnichiy sees causes of corruption among college teachers not in them, but in the way government treats them. He also suggests that: “...education in universities should be free. Of course, commercial education also should have a right to exist, but it should exist separately from public education.” (Sadovnichiy, 2001)

The reform presents a real threat of the redirection and redistribution of bribes and illegal benefits in the highly corrupted sphere of entering higher education institutions from the college faculty to the teachers in secondary education and the test administrators. In the present system the faculty of higher education institutions make selection of prospective students and decisions about the enrollment. If, however, entry examinations in colleges will be abolished and the National Test score will become the major factor for granting the admission, secondary education administrators and the school administrations are more likely to obtain most significant control over the college admissions and enrollment by obtaining control over the elaboration and administering of the national test. Presence of truly independent agencies in this sphere is very doubtful.

Russian media openly discusses the relatively new for the country process of school delineation on good schools and bad schools. Along with the private schools, some of the public schools are considered as elite, well staffed and well funded, while others cannot provide high quality instruction and lack funding. Wealthy parents try to secure places in elite schools, agreeing to contribute to the school's funds. This increases inequalities in access to a quality instruction in secondary and high schools and limits disadvantaged students' abilities in entering publicly funded colleges. The press exaggerates the problem suggesting that the times when children were attending the nearest school are gone and that now one has to pay bribes and make donations in order to place one's child in a good school. Monetary pledges, gifts, and bribes are commonplace.

It is obvious that the college faculty will strongly oppose this threat to one of the major sources of their illegal income. The monopoly on regulation and selection in admissions and entrance to higher education budget-funded places will be defended by any means. Preserving certain number of fully funded from the state budget places may become a compromise between the authorities and the faculty. Another weak side of the projects is that future full-scale implementation of the reform still has some unclear positions that create room for critiques. The national test is going to be introduced nationwide in 2009 (Lemutkina, 2006). Many doubt its objectivity and point toward the fact that the test was initially approved for the nationwide use in 2006, that followed by the two postponements, in 2007, and 2008. Even before its introduction nationwide, it is clear that the test is not free of corruption. In few regions the results of the test have been annulled over the suspicion of massive falsifications and violations of the protocol.

Supporters of the new examination system argue that the reform will create equal opportunities in access to higher education, prevent corruption, and make higher education a demand driven industry. Intervention is based on the assumption that since low-income households cannot pay tuition, cannot afford their children to travel far from home to take entry examinations,

and that entry examinations are corrupted, implementation of the national examinations will increase access to higher education for children from lower-income households.

With respect to the voucher plan, the supporters assume that the vouchers will give real value to the academic credits and achievements of prospective students in secondary and high school in the market of higher education and will increase quality of students because of the anticipated decrease in inequality in access to higher education. It will increase role of personal academic achievements in obtaining higher education and decrease role of household income. Among other expected positive effects are decreases in corruption, better budget distribution and allocation of the state budget, and increase in quality and adequacy of higher education.

Competitiveness in the national higher education will also be influenced by demographics. Kuzmin points out that between 2000 and 2008, the number of pupils in secondary education will decline by seven millions. The number of students in secondary education institutions will decrease from 21 million in 1999 to 14 million in 2008. In 2000, 1.5 million have graduated from high schools and 1.3 million entered higher education (Kuzmin, et al., 2002). It points toward an expected increase in the level of competition between higher education institutions and decrease in competition for the places in higher education. However, the statistics point to the opposite. Number of students per each 10000 population increases steadily and so does level of competition for the government-funded places in higher education institutions. These trends are presented in Figures 1 and 2.

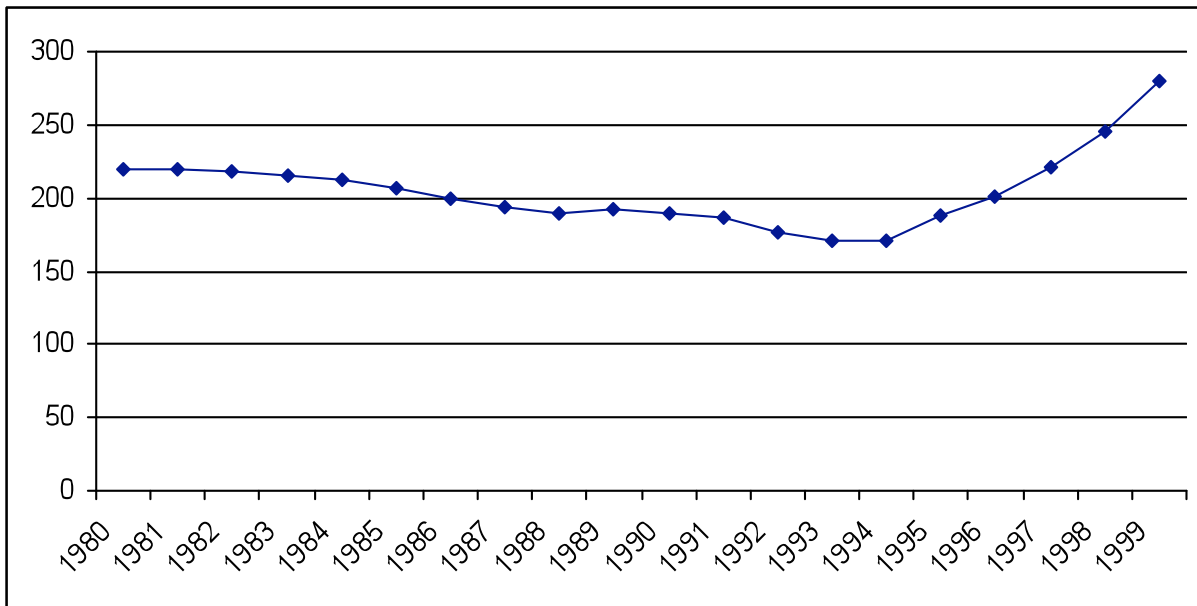


Figure 1. Dynamics of the number of students in higher education institutions per 1000 population in the Russian Federation in 1980-1999

Source: Commonwealth of Independent States (CIS) - Official Statistics, retrieved from the database in August 8, 2006.

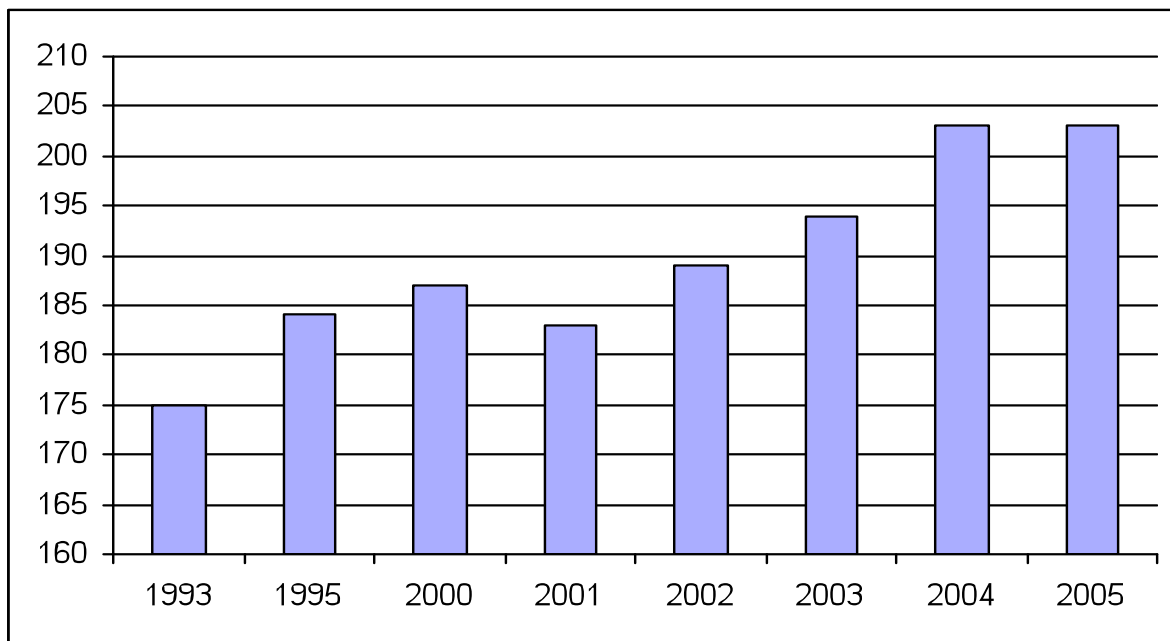


Figure 2. Contest for admittance to public and municipal higher education institutions in the Russian Federation, 1993-2005 (number of applicants per 100 places).

Source: Composed from: Corruption process in Russia: level, structure, trends. In: G. Satarov, ed. *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006 from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

Top schools, as well as number of other higher education institutions -participants, are forced to have quotas on admissions for the applicants with the national test scores. With the quotas in place, more applicants will be accepted in the top schools, than would happen otherwise. The stipend support that comes from the old system will also apply to the holders of the national test scores. In the future, however, when the system will be implemented nationwide, admission quotas for the national test score applicants will be abolished and top schools will enroll on the basis of the national test score plus the voucher value and an extra payment. No stipend will be provided to such students by the government. It will cut applicants from low-income households off of the top schools almost entirely. The size of an extra payment will be determined based on the increasing competition and justified by the fact that the voucher value will not cover total cost of provision of education in the top higher education institutions.

One of the major misleading assumptions that are being made by the supporters of the projects is that the growing competition between the colleges and universities will result not only in an increase in quality of educational programs they offer, but in the reduction of the cost of education as well. The model, developed mathematically by the supporters of the projects, that manifests expected decrease in inequality in access to higher education, is based on such assumption. In our view, the real price of education is not voucher-value-driven. It depends heavily on the costs of provision of educational services. A decrease in voucher value will not push price of higher education services down. Instead, an extra payment collected in addition to the voucher value will increase. It may result in higher extra payments in the top-ranked schools, and, as so, cut applicants from low-income households off of these higher education institutions. Along with corruption this will make top schools completely unaffordable for the poor. Also, everyone will prefer to stay as close to home as possible, preferably attending college in ones home town, in order to avoid extra costs of living in a different city. As a consequence, diversity of the student body in colleges will decrease. All concentration will appear within the regions and within the educational

centers. It will lead to weakening the ties between the regions, a negative process for the nation building.

### **Conclusion**

The reform of higher education in Russia, based on the national examinations, is a response to the rapidly changing economic environment and the new social order. Higher education is recognized as one of the major engines for future sustainable economic growth. Decrease in inequality in access to higher education is one of the key sources of improvement of higher education and future economic development. The national test gives an opportunity to apply in many of universities and makes academic achievements in secondary school significant for entering the university.

The reform is an attempt to move from the publicly funded higher education to the higher education industry based on the market principles and mechanisms. In this industry the immediate consumers, i.e. students, are expected to pay for the educational services rendered to them. In this way the high level of corruption, currently present in the system of higher education, is expected to fall dramatically thanks not to the traditionally used mechanisms of control, but due to the process of commoditization of the higher education services. In fact, corruption may indeed be replaced by the market mechanisms, with informal payments being legalized and formalized, yet not necessarily redirected.

Corruption will not be reduced with the introduction of the national test. Instead, access to graft will broaden with the shift from higher education to secondary education. Higher education institutions will prefer to continue taking part in the selection process. A certain compromise will be found in the near future. Undoubtedly, college faculty will retain at least partial discretion over the admissions and hence access to higher education. The national test has experienced numerous problems so far and will likely have even more problems in the future. However, the old system of

admissions is morally outdated and has to be replaced. One should not exclude the chance that once implemented nationwide and become predominant form of admissions to higher education, the national test will be more successful than it has been so far.

Introduction of the market mechanisms in the Russian higher education is necessary to reduce corruption and make public funds work more effectively. The system of higher education in the Russian Federation is being reformed in accordance with Bologna Declaration. The funding mechanisms will be reformed to construct a system similar to that in the US higher education. Public and private educational loans will to a significant degree replace direct funding of public colleges and universities by the government. Student loans will open access to higher education for those who are currently disadvantaged and at the same time facilitate competition among the higher education institutions. Informal and illegal payments, including bribes, will be replaced by the formal payments. The industry itself will obtain the funds much needed for restructuring while shifting to more efficient and effective *modus operandi*.

## APPENDIX I

## Everyday corruption practice in the Russian Federation

Table 1

Everyday all-Russian corruption market characteristics in the Russian Federation, 2001 and 2005

Corruption characteristics	2001	2005
Corruption coverage (share of citizens captured by the corruption, %)	50.40	54.9
Corruption risk (risk to face the necessity to pay a bribe, %)	25.70	35.0
Corruption demand (readiness to bribe, %)	74.70	53.2
Corruption intensity (average number of bribes per annum for bribers)	1.19	0.882
Average bribe amount for bribers (rubles)	1817.00	2780
Average bribe portion within cost of living (for 2001 and 2004 respectively)	1.21	1.17
Average annual contribution for a briber (rubles)	2162.00	2452
Annual volume of the everyday corruption market (US\$ billion)	2.825	3.014

Source: Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

Table 2

Special everyday corruption market characteristics in the Russian Federation, 2001 and 2005

Problem (everyday corruption market)	Corruption risk		Corruption demand (readiness to bribe)	
	2001	2005	2001	2005
Free medical service (outpatient clinic, hospital)	23.5	37.7	80.4	62.0
School: to enter the school and to finish successfully, education process	13.2	41.0	76.2	60.8
Higher education institution: to enter HEI, transfer to another HEI, course examinations, term papers, midterms, theses, etc.	36.0	52.1	66.7	63.2
Pensions: paperwork, calculations, etc.	11.3	11.4	50.0	17.1
Social payments: paperwork, calculations, etc.	16.2	19.8	47.4	30.6
Solving problems related to the conscription procedure (military draft)	32.6	57.7	50.0	63.4
Employment: to get a required job or career development	24.6	29.2	80.0	35.0
Land: to obtain some territory (for a country cottage or farming)	14.9	39.8	75.0	51.1
Dwelling: to obtain and/or legalize a relevant proprietary interest	28.9	34.3	75.6	41.9
To get dwelling maintenance and repair work services	32.2	29.5	60.5	31.6
To obtain justice in court	26.2	39.5	59.4	43.6
To get assistance and protection from police	27.4	40.2	77.3	54.7
To get registration, domestic or foreign passport at the place of residence	19.7	32.7	76.0	48.9
To solve problems with road police authorities (obtaining driver's license, technical examination, minor traffic violations)	59.3	59.6	86.0	68.9

Source: Composed from Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

Table 3

Dynamics of the special everyday corruption markets' annual volumes in the Russian Federation, 2001 and 2005

Problem (everyday corruption market)	Market size, million USD		Total market share	
	2001	2005	2001	2005
Free medical service (outpatient clinic, hospital)	602.41	401.10	0.2870	0.148
School: to enter the school and to finish successfully, education process	70.10	92.40	0.0333	0.034
Higher education institution: to enter HEI, transfer to another HEI, course examinations, term papers, midterms, theses, etc.	449.37	583.40	0.2138	0.215
Pensions: paperwork, calculations, etc.	0.29	7.90	0.0001	0.003
Social payments: paperwork, calculations, etc.	6.62	80.30	0.0031	0.030
Solving problems related to the conscription procedure (military draft)	12.66	353.60	0.0060	0.130
Employment: to get a required job or career development	56.16	143.40	0.0267	0.053
Land: to obtain some territory (for a country cottage or farming)	20.09	84.40	0.0096	0.031
Dwelling: to obtain and/or legalize a relevant proprietary interest	123.02	298.60	0.0585	0.110
To get dwelling maintenance and repair work services	22.67	15.60	0.0108	0.006
To obtain justice in court	274.48	209.50	0.1306	0.077
To get assistance and protection from police	29.95	29.60	0.0142	0.011
To get registration, domestic or foreign passport at the place of residence	65.84	87.70	0.0313	0.032
To solve problems with road police authorities (obtaining driver's license, technical examination, minor traffic violations)	368.38	183.30	0.1752	0.068

Source: Composed from Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

Table 4

Dynamics of the average bribe amount (in rubles) by sector in the Russian Federation, 2001 and 2005

Problem (everyday corruption market)	Value		Rank*		Change, percent
	2001	2005	2001	2005	
Free medical service (outpatient clinic, hospital)	1093	1423	8	11	0.57
School: to enter the school and to finish successfully, education process	1238	2312	7	8	1.64
Higher education institution: to enter HEI, transfer to another HEI, course examinations, term papers, midterms, theses, etc.	4305	3869	2	4	-0.19
Pensions: paperwork, calculations, etc.	50	2250	14	9	-
Social payments: paperwork, calculations, etc.	250	3467	13	6	-
Solving problems related to the conscription procedure (military draft)	3250	15409	3	1	7.06
Employment: to get a required job or career development	963	2448	9	7	2.91
Land: to obtain some territory (for a country cottage or farming)	2000	3713	5	5	1.62
Dwelling: to obtain and/or legalize a relevant proprietary interest	2529	5548	4	3	2.25
To get dwelling maintenance and repair work services	292	400	12	14	0.70
To obtain justice in court	13964	9570	1	2	-0.59
To get assistance and protection from police	1715	930	6	12	-0.86
To get registration, domestic or foreign passport at the place of residence	664	1426	11	10	2.17
To solve problems with road police authorities (obtaining driver's license, technical examination, minor traffic violations)	896	920	10	13	0.05

Source: Composed from Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

\* The rank 1 is assigned to the sector based on the largest average bribe.

Table 5

Dynamics of the corruption intensity within various everyday corruption markets by sector in the Russian Federation, 2001 and 2005

Problem (everyday corruption market)	Value		Rank*		Change, percent
	2001	2005	2001	2005	
Free medical service (outpatient clinic, hospital)	1.098	0.847	4	7	0.883
School: to enter the school and to finish successfully, education process	2.213	0.950	1	5	2.205
Higher education institution: to enter HEI, transfer to another HEI, course examinations, term papers, midterms, theses, etc.	0.820	0.875	10	6	-0.259
Pensions: paperwork, calculations, etc.	0.669	0.339	13	14	1.906
Social payments: paperwork, calculations, etc.	1.065	0.657	6	12	1.480
Solving problems related to the conscription procedure (military draft)	1.010	0.650	7	13	1.377
Employment: to get a required job or career development	0.950	1.053	8	2	-0.419
Land: to obtain some territory (for a country cottage or farming)	0.655	0.698	14	10	-0.254
Dwelling: to obtain and/or legalize a relevant proprietary interest	0.848	0.809	9	8	0.178
To get dwelling maintenance and repair work services	0.771	0.954	11	4	-0.917
To obtain justice in court	0.681	0.672	12	11	0.051
To get assistance and protection from police	1.787	0.809	2	9	2.115
To get registration, domestic or foreign passport at the place of residence	1.107	1.030	3	3	0.269
To solve problems with road police authorities (obtaining driver's license, technical examination, minor traffic violations)	1.089	1.120	5	1	-0.110

Source: Composed from Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm).

\* The rank 1 is assigned to the market with the most intensified corruption activities.

Table 6

Dynamics of the demand on public services in various corrupt markets (percent) in Russian Federation, 2001 and 2005

Problem (everyday corruption market)	Value		Rank*		Change, percent
	2001	2005	2001	2005	
Free medical service (outpatient clinic, hospital)	16.1	23.6	1	1	46.6
School: to enter the school and to finish successfully, education process	6.1	2.9	9	12	-52.5
Higher education institution: to enter HEI, transfer to another HEI, course examinations, term papers, midterms, theses, etc.	8.1	7.4	4	6	-8.6
Pensions: paperwork, calculations, etc.	7.1	7.0	6	8	-1.4
Social payments: paperwork, calculations, etc.	7.4	10.2	5	2	37.8
Solving problems related to the conscription procedure (military draft)	4.6	1.8	13	14	-60.9
Employment: to get a required job or career development	6.4	8.5	8	3	32.8
Land: to obtain some territory (for a country cottage or farming)	4.0	3.1	14	11	-22.5
Dwelling: to obtain and/or legalize a relevant proprietary interest	5.3	8.0	11	4	50.9
To get dwelling maintenance and repair work services	8.8	7.6	3	5	-13.6
To obtain justice in court	4.8	2.8	12	13	-41.7
To get assistance and protection from police	5.6	3.4	10	10	-39.3
To get registration, domestic or foreign passport at the place of residence	6.4	7.0	7	7	9.4
To solve problems with road police authorities (obtaining driver's license, technical examination, minor traffic violations)	9.3	6.7	2	9	-28.0

Source: Composed from Corruption Process in Russia: Level, Structure, Trends. In G. Satarov (Ed.). *Diagnostics of Corruption in Russia: 2001-2005*. INDEM Foundation. Retrieved May 12, 2006, from [http://www.indem.ru/en/publicat/2005diag\\_engV.htm](http://www.indem.ru/en/publicat/2005diag_engV.htm)

\* The rank 1 is assigned to the segment of the public services market with the highest demand.

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