

A New Financing Mechanism for Preschool Education in Azerbaijan

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In mid-June, the Azerbaijani president signed a [decree](#) on the introduction of a financing model for preschool education based on parent–state–private sector cooperation. The decree instructed the Cabinet of Ministers to approve rules governing the implementation of such a model within three months. This time, the Cabinet of Ministers acted relatively swiftly: Before even one month had elapsed after the issuance of the decree, it approved the “[Rules for the Implementation of a Financing Model in Preschool Education Based on Parent–State–Private Sector Cooperation](#).”

The development of an alternative financing model for preschool education—particularly the expansion of coverage through parent–state–private sector cooperation—was identified among the measures under Action Area 3.1.1 of the “[Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026](#).” Over the past several academic years, the Ministry of Science and Education has piloted this mechanism through the “Grant Competition for Private Preschool Education Institutions.” According to [statements](#) made to the media by a Ministry representative, grants awarded under these competitions enabled 1.300 children to attend 24 private kindergartens in the 2024–2025 academic year, while grants allocated to 63 private kindergartens in the 2025–2026 academic year supported the participation of up to 5.000 children in preschool education.

Following the presidential decree, the financing model based on parent–state–private sector cooperation is expected to be applied more broadly as a distinct mechanism within preschool

education. What contribution, then, can this new financing mechanism make to the organization and delivery of preschool education? This article seeks to address that question.

Legal and Regulatory Framework for the Organization and Financing of Preschool Education

The “Program for the Modernization of [Preschool Education in the Republic of Azerbaijan](#) (2007–2010)” was approved by an Order of the President of the Republic of Azerbaijan dated April 12, 2007. The Order stated that the Program had been developed “with the aim of establishing a preschool education system in Azerbaijan that meets modern requirements, creating the necessary conditions for the intellectual, physical, and psychological development of preschool-age children, and ensuring that their personal development and preparation for school are carried out in accordance with advanced international standards.” The targets set out in the program were broad in nature, and no specific outcome indicators were defined. During the implementation period, the “State Standard and Program for Preschool Education” was adopted by [Decision No. 137 of the Cabinet of Ministers, dated 16 July 2010](#). No report was published on the results of the program, which concluded in 2010.

The principal legal and regulatory documents governing the organization and financing of preschool education in Azerbaijan began to be adopted from 2017 onward. In April 2017, the Law of the Republic of Azerbaijan “[On Preschool Education](#)” was adopted. Under Article 11 of the Law, preschool education institutions in the country may operate under state, municipal, or private ownership. Article 11 also defines the following types of institutions as providers of education to preschool-age children:

- nursery;
- nursery-kindergarten;
- kindergarten;

- children's homes;
- general education schools with school-readiness groups;
- out-of-school education institutions with school-readiness groups;
- preschool education institutions operating within education complexes;
- preschool education institutions established under enterprises and organizations;
- sanatorium-type preschool education institutions;
- special preschool education institutions for children with disabilities;
- experimental preschool education institutions established under research institutions and higher education institutions;
- family-type small group homes;
- community-based learning groups for children.

The last two, in particular, represent relatively new forms of preschool education provision in Azerbaijan: family-type small group homes and community-based learning groups may be established in areas where no preschool education institution operates.

Following the adoption of the Law, a number of rules, norms, and standards regulating specific aspects of the organization of preschool education were approved by relevant decisions of the Cabinet of Ministers during 2017–2019. These include the following:

- Financing Norms for State Preschool Education Institutions ([January 12, 2018, No. 12](#));
- Rules for Admission to Preschool Education Institutions ([January 19, 2018, No. 16](#));
- Rules for the Organization of Preschool Education in Family-Type, Community-Based, and Short-Term Learning Groups ([February 28, 2018, No. 64](#));
- State Standards for the Education of Preschool-Age

- Children with Disabilities ([February 26, 2018, No. 62](#));
- Rules for the Provision of Additional Treatment and Rehabilitation Services to Children Requiring Additional Examination and Treatment in Preschool Education Institutions ([March 2, 2018, No. 73](#));
 - Rules for Medical Examinations of Teaching Staff in Preschool Education ([January 30, 2018, No. 24](#));
 - Rules on the Social Protection of Learners in State Preschool Education Institutions ([December 29, 2017, No. 622](#));
 - Norms on the Protection of Immovable Property Belonging to State Preschool Education Institutions and the Security of Their Premises ([March 2, 2018, No. 70](#));
 - “State Standard for Preschool Education in the Republic of Azerbaijan” ([August 8, 2019, No. 351](#)).

Let us now examine what changes the implementation of the Preschool Education Modernization Program, the adoption of the relevant law, and the development of the legal and regulatory framework have brought about in the organization of preschool education in the country.

Trends in Preschool Education Coverage

According to [data](#) from the State Statistical Committee (SSC), at the beginning of 2007 when the “Preschool Education Modernization Program” was adopted, a total of 1.760 preschool education institutions were operating in Azerbaijan. Only three of these were non-state kindergartens, enrolling 189 children. Of the 1.757 state institutions, 1.214 operated as nursery-kindergartens, 542 as kindergartens, and one as a school-kindergarten. The total number of children enrolled in these state preschool education institutions was 109.300. A further 8.200 children were enrolled in school-readiness groups in general education institutions. Thus, at the beginning of 2007, children participating in preschool education in all forms accounted for 20,4% of the total

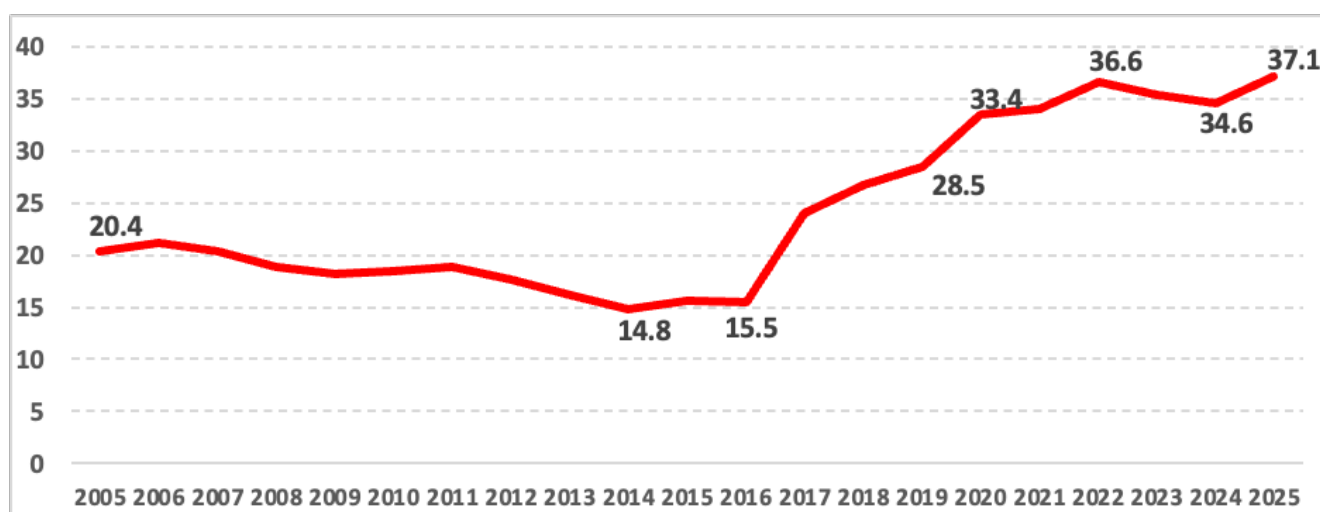
population of children aged 1–5.

At the beginning of 2017, when the Law “On Preschool Education” was adopted, a total of 1.750 preschool education institutions were operating in the country, including 1.663 state and 87 non-state institutions. Of the state institutions, 1.070 were nursery-kindergartens (enrolling 86.200 children), 586 were kindergartens (28.700 children), and seven were sanatorium-type and special preschool education institutions (691 children). Altogether, 115.600 children were enrolled in these state institutions. During the same period, 3.063 children were enrolled in 87 non-state institutions. A further 82.200 children attended school-readiness groups in general education institutions. Thus, at the beginning of 2017, the total number of children enrolled in preschool education in the country stood at 118.700, representing 24,0% of the total population of children aged 1–5.

At the beginning of 2025, there were 1.872 preschool education institutions in the country, including 1.708 state and 164 non-state institutions. Of the state institutions, 1.154 were nursery-kindergartens (enrolling 84.300 children), 547 were kindergartens (22.800 children), and seven were sanatorium-type and special preschool education institutions (634 children). Among the non-state institutions, 92 were nursery-kindergartens (4.100 children) and 72 were kindergartens (3.200 children). The total number of children enrolled in all preschool education institutions was 115.000. In addition, at the beginning of 2025, 1.177 community-based preschool learning groups were operating across the country, enrolling 19.400 children. A further 91.200 children attended school-readiness groups in general education institutions. Thus, at the beginning of 2025, the total number of children participating in preschool education and school-readiness programs in all forms reached 225.600. According to the SSC, this represented 37,1% of the total population of children aged 1–5 in the country.

The chart below illustrates how the share of children attending preschool education institutions and those enrolled in school-readiness programs in general education schools, as a percentage of the total population of children aged 1–5 in the country, changed over the period 2005–2025.

Figure 1. Preschool Education and Learning Coverage among Children Aged 1–5 in Azerbaijan (share of the total population of children in this age group), %, at the beginning of the year



(Source: Authors' calculations based on data from the State Statistical Committee)

As the chart clearly shows, despite the implementation of a dedicated program during 2007–2010, preschool education coverage in the country declined from 20,4% in 2005 to 14,8% in 2014, a decrease of 5,6 percentage points. Since 2017, however, the indicator has shown a consistent upward trend, rising from 15,5% in 2016 to 37,1% in 2025—an increase of 21,6 percentage points, or more than a twofold rise. The statistical data below illustrate how this increase occurred:

- In 2025, 47,8% of children participating in preschool learning and education were enrolled in state preschool education institutions. However, the number of children in these institutions declined from 114.800 in 2016 to 107.800 in 2025, representing a decrease of 700

children, or 6,1%;

- In 2025, 40,4% of children participating in preschool learning and education were enrolled in school-readiness groups in state general education institutions. These school-readiness groups are one-year programs and admit children from the age of five. The number of children enrolled in this form of education increased sharply beginning in 2017: from just 11.900 in 2016 to 82.000 in 2017 and 107.800 in 2020, before reaching 91.200 in 2025. Of this total, 90.100 children were enrolled in state general education institutions. This expansion contributed to an increase in the participation of five-year-old children in education. (the [UNESCO Global Education Monitoring Report](#) assessed this as a significant achievement);
- In 2025, 8,6% of children participating in preschool learning and education attended community-based preschool learning groups. Such groups began operating in the country in 2022. In 2025, 19.400 children were enrolled in these groups;
- In 2025, only 3,2% of children participating in preschool learning and education were enrolled in non-state (private) preschool education institutions. The number of children enrolled in private institutions increased from 2.400 to 7.300 between 2016 and 2025, representing more than a threefold increase.

Another important point is the substantial disparity between urban and rural areas in preschool learning and education coverage. In 2025, while the participation rate of children aged 1–5 in preschool learning and education stood at 37,1% nationwide, it reached 51,1% in urban areas compared with only 24,0% in rural areas.

Even without comparison with other countries, it is evident that these indicators remain far from desirable levels. According to a [World Bank study](#), this situation contributes to

the early emergence of inequalities in society, which in turn can have significant effects on later-life outcomes. It is also worth recalling that the [“Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026”](#) set a target of increasing the share of children aged 1–5 enrolled in preschool education to 50%.

The New Financing Mechanism: Its Rationale and Implementation Framework

As noted above, the [“Rules for the Implementation of a Financing Model in Preschool Education Based on Parent–State–Private Sector Cooperation”](#) were approved by [Decision No. 218 of the Cabinet of Ministers dated July 17, 2026](#).

Under the rules, financing is provided on a competitive basis: Private preschool institutions submit project proposals to the Ministry of Science and Education, while the Ministry’s Working Group evaluates the proposals and selects the winners. Private education institutions that have obtained a license to provide preschool education in accordance with the applicable legislation are eligible to participate in the competition as applicants. Following the evaluation of the proposals, the applicants who receive the highest scores are declared winners, and information about them is published on the Ministry’s official website or disseminated through the media.

The monthly amount of state support for educational services provided to each child under the project is set at 70% of the tuition fee, subject to a maximum of AZN 350 (three hundred and fifty) in Baku and AZN 250 (two hundred and fifty) in other regions.

Under the rules, parents participate in the project as partners. Private kindergartens selected as competition winners are required to ensure the participation of parents in the project in order to enroll the number of children specified in their proposals. This process is carried out in

accordance with the “Rules for Admission to Preschool Education Institutions.” Parents apply to participate in the project through the Electronic Government Information System (EHIS). Under paragraph 8.4 of the rules, priority is first given to persons belonging to the preferential categories specified in Article 8.9 of the Law “On Preschool Education” (for example, socially vulnerable groups), after which registration is confirmed on a first-come, first-served basis. Parents whose registration is confirmed automatically become participants and partners in the project.

It is also worth noting that the Ministry of Science and Education has already announced a [financing competition based on parent–state–private sector cooperation](#) in the field of preschool education for the 2026/2027 academic year. According to the Ministry, the competition is expected to provide financing for 8,000 children enrolled in private preschool education institutions during the 2026/2027 academic year.

Azerbaijan’s Mixed Financing Model: Expectations, Success Factors, and Risks

In international practice, financing models based on parent–state–private sector cooperation are regarded as an important mechanism for expanding preschool education coverage and improving the quality of such education by reducing the financial burden on low-income and vulnerable population groups. However, the success of such a model depends, above all, on the objectives and underlying rationale of its implementation.

The [Presidential Decree](#) identifies the objective of the model as “increasing coverage in preschool education through alternative education and financing models.” The [rules](#) approved by the Cabinet of Ministers likewise state that “the model is implemented with the aim of expanding preschool education coverage.” The model as currently designed in Azerbaijan has only one explicitly stated objective: to

improve the level of preschool education coverage.

This raises an important question: how much potential does the private sector have to increase preschool education coverage? The answer depends on a range of factors, including the number of private preschool education and learning institutions currently in operation, their geographic distribution across the country, their enrollment capacity and scope for expansion, the prospects for new private providers to enter the sector, and the scale and incentive effects of the state support (subsidy) allocated for this purpose.

According to [data from the State Statistical Committee \(SSC\)](#), as of the beginning of 2026, 172 private preschool education institutions were operating in Azerbaijan, enrolling 8.736 children. The data indicate that there were 74 children per 100 available places in these institutions, meaning that 74% of existing capacity was being utilized (grants allocated by the Ministry also contributed to this level of utilization). This suggests that these private institutions could potentially accommodate an additional 3.000 children.

As noted above, in the 2025–2026 academic year the Ministry allocated grants to private institutions for 5.000 children. Under the competition announced for the implementation of the new financing model, funding is envisaged for 8.000 children. This means that the existing capacity of private preschool education institutions could be fully utilized in the next academic year. It follows that, on the one hand, the model may provide limited scope for competition among existing private providers; on the other hand, in subsequent years it will be necessary to facilitate the establishment of new private institutions and an increase in the number of places available in existing ones. This, in turn, will depend on two main factors:

i) How attractive is the establishment of new private preschool education institutions to investors? According to

SSC data, the number of private preschool education institutions in the country has increased by an average of 5–7 institutions per year in recent years. Moreover, these institutions are being established primarily in major cities;

ii) To what extent do the state-support ceilings applied under the model provide sufficient incentives for investors? Investors need clarity on how the number of childcare places covered by the state-support mechanism is expected to change from year to year. Publishing projections for this number over the medium term would be useful for investment planning.

Another issue is how the state-support ceilings applied under the model may affect the behavior of investors and parents:

- The basis for setting the state-support ceiling per child—up to AZN 350 in Baku and AZN 250 in the regions—and the extent to which these amounts correspond to the actual costs of providing quality preschool education require separate analysis. The question of whether these amounts should be indexed in line with inflation also remains open;
- Our research indicates that monthly tuition fees at operating private preschool education institutions range from AZN 500 to AZN 1.500. In this context, the risk that the subsidy (state support) could translate into higher prices should be taken into account. Private providers may gradually raise their fees in response to the subsidy, with the result that part of public expenditure could be captured as additional provider revenue rather than improving affordability for children. Alternatively, private institutions may seek to reduce costs by lowering service quality and tuition fees in an effort to attract more subsidized enrollment. To mitigate these risks, it is important for the Ministry to monitor changes in both prices and service quality among institutions participating in the model;

- The model is also intended to improve access to preschool education for children from low-income households. In practice, however, there is a risk that higher-income families may also seek to benefit from the support mechanism. This raises an important question: apart from persons belonging to the priority categories specified in Article 8.9 of the Law “On Preschool Education,” will participation be open to all remaining applicants on equal terms, or will household income levels also be taken into account? If this issue is not addressed, the support mechanism could partly become an instrument for subsidizing relatively affluent households. Although the first-come, first-served principle is applied through the electronic system, the risk of manipulation may arise if the procedures for identifying and verifying priority categories are not sufficiently clear.

To mitigate this risk, parents should be able to view, at a minimum, the following information for each kindergarten on the portal: tuition fees; the amount of the state subsidy; the amount payable by parents; available places; the teacher-to-child ratio; operating hours; quality indicators; and parent ratings. Providing this information would reduce information asymmetries. Otherwise, better-informed and higher-income families may be better positioned to navigate and benefit from the system, while lower-income families, although formally entitled to exercise choice, may in practice be less able to do so.

Another issue concerns the regional distribution of existing private institutions and the extent to which implementation of the model may help reduce regional disparities. As noted above, there is an approximately twofold difference in preschool education coverage between urban and rural areas. Statistics comparing coverage in Baku–Absheron with that in the rest of the country would also be highly informative.

[According to SSC data](#), as of the beginning of 2026, 159 of the 172 private preschool institutions operating in the country (92,4%) were located in the Baku–Absheron area, including 144 in Baku itself. There are no private preschool education institutions in rural areas, and their emergence there also appears unlikely under current conditions. It is noteworthy that in [Uzbekistan](#), during the expansion of private preschool education, subsidy rates were differentiated across regions, with higher levels of support provided in remote areas.

Finally, another important issue concerns parental participation and transparency. By treating parents primarily as financial partners, the “Rules” limit their ability to influence the quality of education. It is true that Article 15 of the Law “[On Preschool Education](#)” provides for the establishment of self-governing bodies on a voluntary basis within preschool education institutions, including parent councils. However, the government-approved “Rules” governing the implementation of this model contain no provisions concerning the role of parents in organizing public oversight of the process. One of the key lessons from international experience is the importance of strengthening parental participation in governance within parent–state–private sector cooperation models. By complementing the financing mechanism with social partnership, such participation could contribute to a more sustainable and higher-quality preschool education system.

A key principle underlying successful international practice in the application of such models is that “the state should finance the child, not the kindergarten.” Under the model applied in Azerbaijan, however, public funding is allocated to selected private kindergartens. This is a significant distinction. If the state simply provides financing to selected private institutions, the mechanism may effectively become a subsidy to the private sector. If, by contrast, funding follows the child, private providers compete to attract parents and children.

It would therefore be more appropriate to view the implementation of this model not merely as a social program, but as part of a broader shift in the state's role from being solely a provider of services to also becoming a purchaser of services. The success of such initiatives should be assessed on the basis of the outcomes they generate. Drawing on international practice, the following indicators may be used to evaluate these outcomes:

1. Coverage – the share of children enrolled in preschool education as a result of the implementation of the model;
2. Additional coverage – the number of children who entered the system but would not have attended preschool in the absence of the program;
3. Equity – the share of low-income families participating in the program;
4. Regional equity – changes in the gap between Baku and the regions;
5. Financial affordability – the share of the parent's monthly payment in the household's monthly income;
6. Quality – changes in the service quality index;
7. Cost-effectiveness – public expenditure per additional child enrolled in preschool education. This indicator can be calculated by dividing total public expenditure allocated to the implementation of the model by the number of additional children enrolled, and comparing the resulting amount with the marginal cost of creating one additional place in a state kindergarten.

Among these indicators, additional coverage is particularly important. One of the key questions in assessing the model's actual impact is how many additional children gain access to preschool education through state support who would otherwise not have been able to participate. If the subsidy primarily covers part of the tuition fees of children who would have

attended private kindergartens anyway, public expenditure may increase without producing a corresponding increase in preschool education coverage. The model should therefore be evaluated not by the total number of children receiving financing, but primarily by the number of additional children brought into the system as a result of the subsidy.

Overall, the model can be considered successful if it delivers the following three outcomes simultaneously:

- more children are enrolled in preschool education;
- access improves for children from low-income families;
- the public cost of enrolling one additional child in quality preschool education is lower than the cost of an alternative public investment.

If these three outcomes are achieved together, the model could evolve into a strategic public–private financing mechanism for Azerbaijan that may also be applicable to other social services in the future.