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Main Provisions of the research on “Evaluation of the feasibility of commercial activities by the VET institution” of the Armenian WBL Model

Arayik Navoyan

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## WBL CONCEPT PAPER

With the support of the ETF the “Concept paper and road map for development of the work-based learning in Armenia for 2019-2025” was developed and ratified by the NCVETD back in 2019.

# THE MODELS OF WBL REFLECTED IN THE CONCEPT PAPER

The concept paper envisages gradual introduction and development of different models of WBL in the VET system over time.

Improving the system of current internships - (WBL Model 1);

Establishment of a "Armenian model" of the WBL - "real" enterprises attached to the VET institution (WBL Model 2);

Introduction of apprenticeship (dual) education (WBL Model 3).

# RESEARCH OBJECTIVE

- The aim of the research is to define the legal, economic, pedagogical framework and the necessary conditions for the implementation of the second model of the WBL (commercial organization attached to the VET institution), envisaged by the WBL concept paper.
- The methodology of the research includes the study of various components related to the second model of the WBL: institutional-legal form, pedagogical-administrative organization and feasibility of economic activity.
- The feasibility of the economic activity was assessed by the example of the "Winemaking" specialty of primary (vocational) professional education in the context of Vayots Dzor Regional State College.

# ARMENIAN WBL MODEL OBJECTIVES

- To create conditions for engaging students in WBL activities through the provision of services or production and sale of goods to ensure the provision of necessary professional-personal skills required for a particular profession.
- To use the profits from economic activities to improve the conditions of the VET institution and / or to provide scholarships to students.

## ARMENIAN WBL MODEL OBJECTIVES-2

- To enable the employees of the preliminary (artisan) and vocational education and training institution to participate in the processes of providing services or producing and selling goods to receive additional income.
- To contribute to the continuous improvement of the professional skills of the staff of the VET institution.
- To support the training of qualified specialists in the fields declared a priority by the state (and related fields) and carried out in specific regions.

# LEGAL FIELD

Armenian legislation provides VET institutions with the following organizational and legal options for engaging in economic and legal activities:

- engaging in business activities as directly envisaged by the decision of the founder;
- establishing a separate economic (commercial) company - LLC or JSC;
- reorganizing into a state CJSC by the decision of the founder;
- reorganizing into a foundation by the decision of the founder.

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Conditions for effective implementation of WBL	The impact of organizational-legal form			
	SNCO	LLC or JSC	State CJSC	Foundation
Real involvement of stakeholders necessary for the effective implementation of economic activity.	<p>Low involvement of the teaching and administrative staff of the VET institution in the process of providing service or production of good due to:</p> <ul style="list-style-type: none"> <li>- difficulties of providing additional remuneration</li> <li>- Difficulties of legal regulation to receive a share of the profits by staff involved.</li> </ul>	<p>Partial involvement of the teaching and administrative staff of the VET institution in the process of providing service or production of good due to:</p> <ul style="list-style-type: none"> <li>- difficulties of regulation of the work contracts from two organizations</li> <li>- Difficulties of legal regulation to receive a share of the profits by staff involved.</li> </ul>	<ul style="list-style-type: none"> <li>- Direct involvement of the administrative and pedagogical staff of the VET institution-CJSC in the implementation of economic activities for the purpose of the WBL.</li> <li>- Motivation of involved staff resulting the possibility of remuneration for the provision of services or production of goods.</li> </ul>	<ul style="list-style-type: none"> <li>- Direct involvement of the administrative and pedagogical staff of the VET institution-foundation in the implementation of commercial activities for the purpose of the WBL.</li> <li>- Motivation of involved staff resulting the possibility of remuneration for the provision of services or production of goods.</li> </ul>

Conditions for effective implementation of WBL	The impact of organizational-legal form			
	SNCO	LLC or JSC	State CJSC	Foundation
Real involvement of stakeholders necessary for the effective implementation of economic activity.	Difficulties in directly involving external stakeholders.	Possibility to involve external stakeholders, such as interested individuals, local community or legal entities as founders.	Possibility to involve external stakeholders, such as interested individuals, local community or legal entities as founders.	Possibility to involve external stakeholders, such as interested individuals, local community or legal entities as founders.
Continuous development of professional skills of the teaching and administrative staff of the VET institution	Problems for development of professional skills of the teaching and administrative staff of the VET institution due to low involvement in entrepreneurial activities and their weak motivation.	Difficulties for development of professional skills of the teaching and administrative staff of the VET institution due to partial involvement in economic activities and their weak motivation.	Motivation to receive a share of the profit from the sale of a quality service or product as a basis for effective involvement and the continuous development of the professional skills of the staff of the VET institution.	Difficulties for effective involvement and the continuous development of the professional skills of the staff of VET institution due to impossibility of receiving a share of the profit from the sale of a quality service or product.

Conditions for effective implementation of WBL	The impact of organizational-legal form			
	SNCO	LLC or JSC	State CJSC	Foundation
Form of economic activity and tax environment in accordance with the statutory goals of the VET institution	<ul style="list-style-type: none"> <li>- Possibility to organize and coordinate economic activity for WBL and educational process of the VET institutions within the framework of entrepreneurial activity</li> <li>- Lack of permission to sell goods or services limits the types of business activities.</li> </ul>	<ul style="list-style-type: none"> <li>- Possibility to organize and coordinate economic activity for WBL and educational process of the VET institution within the framework of separate company</li> </ul>	<ul style="list-style-type: none"> <li>- Organization and coordination of economic activities for WBL and educational process within one company.</li> <li>- Functions of the administrative and teaching staff of VET institution-CJSC are defined based on the directions of the company's education and economic activities.</li> </ul>	<ul style="list-style-type: none"> <li>- Organization and coordination of economic activities for WBL and educational process within foundation.</li> </ul>
Form of economic activity and tax environment in accordance with the statutory goals of the VET institution	<ul style="list-style-type: none"> <li>- Difficulties in accounting for non-commercial and commercial activities in the VET institution.</li> </ul>	<ul style="list-style-type: none"> <li>- Difficulties in reviewing and redistributing the functions of the administrative and teaching staff of the VET institution needed for their involvement in the economic activity of the company.</li> </ul>	<ul style="list-style-type: none"> <li>- Tax accounting for commercial organizations within a separate company.</li> </ul>	<ul style="list-style-type: none"> <li>- Functions of the administrative and teaching staff of VET institution-foundation are defined based on the directions of the company's education and economic activities.</li> </ul>

Conditions for effective implementation of WBL	The impact of organizational-legal form			
	SNCO	LLC or JSC	State CJSC	Foundation
Form of economic activity and tax environment in accordance with the statutory goals of the VET institution	- Difficulties in reviewing and redistributing the functions of administrative and teaching staff for non-commercial and commercial activities.	- Tax accounting for commercial organizations within a separate company.	- Need to fix the obligation to provide free education within the defined annual places and professions.	- Tax accounting for entrepreneurial activities within the VET institution-foundation.
Possibility to establish tax and customs privileges by the State for the acquisition of fixed assets necessary for economic activities towards effective implementation of the WBL.				

Conditions for effective implementation of WBL	The impact of organizational-legal form			
	SNCO	LLC or JSC	State CJSC	Foundation
Organizing the educational process in the VET institution	Need to review the educational process at the VET institution in order to use the entrepreneurial activity for the purpose of WBL.	Need to review the educational process of the VET institution based on the cycles of economic process of the company adjacent to the VET institution.	Possibility of effective combination of teaching and learning in the classroom and in the workplace due to the joint organization and management of the educational processes and economic activities.	Need to review the educational process of the VET institution for entrepreneurial activities towards WBL.
Review of VET modular programs and academic organization.	The organizational-legal type of the economic activity for the implementation of the WBL does not have a significant impact on the revision of the modular programs and academic organization at VET institution. VET modular programs and academic organization are defined according to the process of service delivery or production of good.			

# PREFERRED INSTITUTIONAL-LEGAL FORMS FOR THE EFFECTIVE IMPLEMENTATION OF THE WBL

From the point of view of providing the above-mentioned conditions, the legal status of the foundation is proposed as the most suitable institutional-legal form.

# MOTIVATION AND CAPACITY BUILDING OF VET STAFF

- In the case of all institutional-legal forms, in order to carry out profitable economic activities for the implementation of the WBL, it is pivotal to have employees with the necessary professional and managerial knowledge as a guarantee of quality service or production of goods.
- In addition to motivating the staff of the institution, it is necessary to conduct trainings with the VET institution's teaching and administrative staff on teaching and assessment approaches for the provision of services or the production and sale of goods for the purpose of WBL.

## ACADEMIC PROCESS -2

Practical training of students in the framework of the provision of services or production of goods by the VET institution implies a review of the educational process and approaches.

The review refers in particular to:

- the state educational standard for a specific profession, which defines the minimum conditions necessary for the implementation of the WBL;
- vocational training curriculum and modular program which include WBL based on the process of service delivery or product release and sale and the cycles of the latter;

## ACADEMIC PROCESS -2

- on-the-job general training framework on teaching and learning organization, on-the-job training based on modules, annual schedule of internships and their rotation according to production cycles and locations;
- necessary support for the implementation of the WBL rendered by the pedagogical and administrative staff of the VET institution;
- quality assurance of the WBL, including the evaluation of the outcomes defined in the VET institution and the company;

## ACADEMIC PROCESS -3

- the expertise and the outcomes gained in the projects implemented by international donor organizations; in particular GIZ and the Strategic Development Agency (SDA) NGO, can serve as a good basis for reviewing the academic process.

# VOLUMES OF ECONOMIC ACTIVITY BY VET INSTITUTION

Within the framework of the Armenian model of WBL, the maximum volumes of services, production activities and sales are determined on the basis of the amount of investments required for the production of goods or provision of services and the terms of their compensation necessary for the effective provision of WBL.

# FISCAL REGIME FOR THE ECONOMIC ACTIVITIES OF THE VET INSTITUTION

- There is no provision for separate tax and customs privileges for the VET institutions or companies implementing the Armenian model of the WBL.
- In case the activity requires large investments of fixed assets, it is proposed to establish VAT/Duty exemptions in case of import of production goods.
- Such an approach would facilitate the effective implementation of the statutory objectives of VET institutions through the WBL without disrupting free economic competition.

# STATE INCENTIVES TARGETING ECONOMIC ACTIVITIES OF THE VET INSTITUTIONS

- Non-financial incentives should be provided at the state level in order to support the increase in the consumption of products or services of a separate company or the VET institution where the Armenian model of the WBL is implemented.
- In particular, it is possible to praise the work of the institutions involved in the WBL at a country level in order to popularize their products or services.
- It is possible to consider purchasing the products or services of VET institutions for the needs of the state.

# PILOT IMPLEMENTATION OF THE ARMENIAN MODEL OF WBL

- Based on the fact that the status of foundation has already been introduced in the education system, particularly in the case of higher education institutions, it is expedient to pilot the introduction of the Armenian model by reorganizing VET institutions from a SNCO legal entity into foundation.

# NECESSARY WORKS FOR THE PILOT IMPLEMENTATION OF THE ARMENIAN MODEL OF WBL

Following the example of Vayots Dzor Regional State College, the following specific works are needed for the effective pilot implementation of the Armenian model of the WBL:

- Preparation and adoption of the decision of the Government of the Republic of Armenia on the reorganization of the VET institution from a SNCO legal entity into foundation;
- Review of the presented economic model of wine production in accordance with the context and development of a business plan:
  - Detailing of investment and cost estimates presented in the study;
  - Elaboration of a marketing and developmental plan based on the provisions of the strategy proposed in the research;
  - Review of the functions of the staff of foundation;
  - Planning trainings for college lecturers on pedagogical approaches necessary for the implementation of WBL.

# NECESSARY WORKS FOR THE PILOT IMPLEMENTATION OF THE ARMENIAN MODEL OF WBL - 2

- Preparation and submission of a proposal for attracting investments from international donor organizations to finance fixed assets and working capital necessary for undertaking entrepreneurial operations within the framework of the foundation.
- Review of pedagogical approaches and tools appropriate to the specifics and timing of entrepreneurial activity.
- Organizing training on WBL teaching, assessment and tools in line with the entrepreneurial needs of the foundation.

# NECESSARY WORKS FOR THE PILOT IMPLEMENTATION OF THE ARMENIAN MODEL OF WBL - 3

Elaboration of a WBL guide that allows:

- To consolidate the expected WBL outcomes for a specific profession, the approaches and tools needed to achieve those;
- To provide pedagogical-administrative staff of the VET institution with tools for tracking and evaluating the student's learning at the workplace, to assist companies in the process of implementing WBL;
- To distribute the work assigned to the student at the workplace to the persons involved in the provision of services and products according to the defined learning outcomes and receive pedagogical and organizational support during the practical training provided;
- The student to be actively involved in the learning process.

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**E-mail**

[info@etf.europa.eu](mailto:info@etf.europa.eu)



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