

TORINO PROCESS 2014

AZERBAIJAN



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EXECUTIVE SUMMARY

A number of government documents on education, including the State Strategy for the Development of Education have recognised the importance of education and how it is key to the socio-economic development of Azerbaijan. Compared with the 2012 achievements and policy initiatives in vocational education and training (VET) this can now be interpreted as a much more important area than it was two years ago. VET in Azerbaijan is in its reform phase and a number of new pilot projects are emerging. While state funding for VET has been increasing, public VET providers need a more economically sustainable funding mechanism with the involvement of partners.

Reforms and changes in the VET system

- Structural management has improved: the Ministry of Education intends to establish a VET agency and an accreditation agency and the relevant documents have been submitted to the Cabinet of Ministers.
- Cooperation between the relevant agencies in coordinating activities has improved; various initiatives encourage cooperation between public, private and institutional stakeholders.
- Reforms are implemented more widely and there is an emphasis on teacher training and retraining.
- The training and technical capacity of VET schools has improved, although many pilot projects with international partners have still not been launched. However, there are some examples of public-private partnerships (PPPs) that contribute to the overall capacity of schools. Sector-specific projects also cooperate with international partners to prepare the workforce for major projects having socio-economic significance.
- A number of government strategies (Azerbaijan 2020: the Vision of the Future and the State Strategy for Development of Education) highlight VET as a priority sector and a new VET concept will be developed.

Core challenges in VET reform

- Reform of the VET system is in progress, but further strategic coordination between agencies is needed.
- High priority is given to the promotion of VET and partnerships between schools and the private sector; pilot projects have been launched and are at an early stage of development.
- More attention should be given to VET content and the implementation of curricula.
- The quality of VET training courses and qualifications is an impediment to labour market relevance for the required economic sectors.
- Although some projects have been implemented, there is no systematic approach for the analysis of labour market surveys.
- There is no national qualifications framework (NQF); sector committees are being established and occupational standards are still being developed.
- The quality assurance system of VET providers needs to be further developed.
- A financing model for VET providers needs to be established with the involvement of enterprises.
- There is no data management system.

The following priorities are identified for the future:

- establish a VET policy mechanism that is supported by all stakeholders in the field;
- conduct regular labour market surveys and specify employers' criteria for occupational standards;
- enhance the financial capabilities of VET providers;
- improve the quality of vocational education;
- develop and implement qualification standards;
- improve the education infrastructure, including the infrastructure for learners with special needs;
- improve the teaching and learning environment;.
- improve and reinforce active labour market policies (ALMPs)

In conclusion, given the current needs of the labour market, VET is an area that demands more investment and effort to trigger socio-economic development and fight unemployment. More sustainable mechanisms for schools involving the private sector could encourage industry to participate in curriculum development and teacher training and to provide jobs for graduates. Additionally, the implementation of the above-mentioned priorities could play a role in the effective coordination and implementation of initiatives by actors at policy level in terms of reaching key decision makers. This will also bring VET to the next level, where it can reach a larger audience, target diverse groups and achieve a new status by promoting new programmes.

INTRODUCTION

The Torino Process is a participatory review of progress in VET policy launched in 2010 by the European Training Foundation (ETF) with the aim of building up the capacities of national stakeholders in assessing the progress of reform. The Torino Process is carried out every two years by most partner countries with the support of the ETF.

The objective of the Torino Process is to provide a concise, documented analysis of VET reform in each country, including the identification of key policy trends, challenges, constraints, as well as good practice and opportunities, in order to:

- support countries' evidence-based policy making, with a view to improving the contribution of VET to sustainable development and in particular competitiveness and social cohesion;
- serve as a basis for the design of the ETF's support strategy to these countries;
- inform the ETF's recommendations to the European Commission for European Union (EU) future external assistance to the countries.

Azerbaijan has participated in the Torino Process since 2010. The first report was written by the ETF and discussed and validated by national stakeholders. The second Torino Report in 2012 was a national update and revision of the 2010 report. The Ministry of Education coordinated the report, which was consisting 5 main chapters and a benchmarking exercise. On this occasion, the process was implemented by the Azerbaijani stakeholders with a self-assessment modality and fully written by the Ministry of Education. It not only reports on the progress since 2012, but includes information on many new national and international initiatives to support the reform of vocational education. It draws lessons from the evaluation of the State Programme for VET 2007-2012 and provides elements of an emerging VET strategy for the future that builds on the State Strategy for the Development of Education, approved by Presidential Decree on 24 October 2013.

The Ministry of Education has implemented the 2014 Torino Process in coordination with a platform of Azerbaijani stakeholders. The process was accompanied by capacity building activities. The Ministry of Education acted as the national coordinator. The Ministry of Labour and Social Protection of Population¹, Ministry of Economy and Industry, State Statistical Committee and VET providers were also involved in developing the report and collecting data. Within this round of the Torino Process, the Ministry of Education also committed to conducting benchmarking exercises (ET 2020 indicators) as part of the report, to benchmark education and training progress against EU benchmarks.

¹ Full ministry name: Ministry of Labour and Social Protection of the Population of the Republic of Azerbaijan

1. VISION FOR THE NATIONAL VET SYSTEM

1.1 Introduction to the VET system

The following formal VET providers currently operate in Azerbaijan:

- 112 initial VET (IVET) institutions (2 private, 108 public (subordinated to the Ministry of Education), 2 other institutions subordinated to other bodies);
- 61 post-secondary vocational institutions – colleges (1 private, 47 subordinated to the Ministry of Education, 13 other institutions subordinated to other bodies).

IVET

IVET in Azerbaijan is the formal education system available to students after general education and entails the world of industry and work. After the ninth year of schooling, students can choose to proceed by either completing general secondary education or starting vocational education. The period of study at vocational institutions lasts about three years, depending on the programme. Azerbaijan has 110 vocational education institutions; 104 of them operate under the auspices of the Ministry of Education and four of them are run by the Ministry of Education of the Nakhchivan Autonomous Republic. There are also two licensed private primary VET institutions in Azerbaijan.

Initial vocational education and training IVET is part of the continuing education system and operates in two forms: vocational schools and vocational lyceums. Students admitted to vocational schools have the right to an initial vocational education. Students admitted to vocational lyceums that offer a secondary education certificate, on the other hand, have the right to a full secondary education (and the Attestation of Maturity or *Matura*) as well as a vocational education. The Attestation of Maturity certificate provides the right for admission to university and is considered the basis for further education. The academic period is determined for one, two and three years in primary vocational schools and short-term courses last for three to six months. Starting in 2014, the State Students Admission Commission of Azerbaijan (an independent body) has been conducting centralised school leaving examinations for all graduating pupils of secondary general education institutions. The employment rate among graduates is 70%.

TABLE 1.1 INDICATORS OF IVET SYSTEM IN AZERBAIJAN

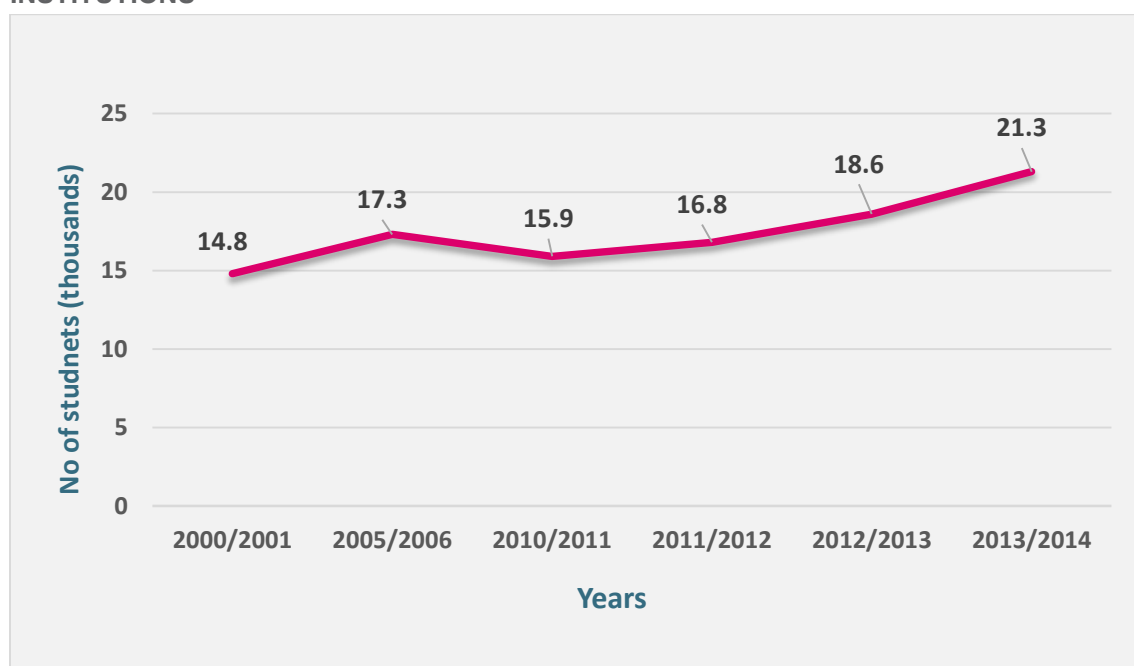
| Number of IVET schools and lyceums | | | Number of students | | |
|--|-----------------------|------------|-------------------------------|-----------|--------------------------------|
| Total | Public | Private | Total | Public | Private |
| 112 | 110 | 2 | 29 234 | 27 461 | 1 773 |
| Number of students (funded by state budget) | | | Number of students (paid VET) | | |
| Total | 9th grade | 11th grade | Total | 9th grade | 11th grade |
| 26 014 | 21 109 | 4 529 | 1 447 | 289 | 1 094 |
| Number of students receiving short-term training | | | | | |
| Short- term courses | 2013/14 academic year | | 2014/15 academic year | | |
| | 40 | | No information | | |
| Number of IVET graduates 2012/13 academic year | | | | | |
| Total graduates | Employed graduates | | Graduates on military | | Graduates continuing education |
| 14 815 | 4 465 | | 4 599 | | 362 |

Post-secondary VET

Post-secondary vocational education is offered in colleges and is completed with a sub-bachelor specialist degree (comparable to level 5 of the European Qualifications Framework, post-secondary VET or short-cycle higher education). Sixty-one colleges provide post-secondary VET directly. The length of study is about three years, depending on the programme. There are 61 053 students in public institutions and 2 109 students in private institutions. Of this total number of students, 27 890 (45.6%) pay fees for education.

Eleven colleges are administered by other ministries. They are Mingachevir Tourism College under the Ministry of Youth and Sport and 10 colleges under the Ministry of Health, both in Baku and in the regions. In addition, Baku Business and Cooperation College operates under the auspices of Azerbaijan Cooperative Union and the Art College is administered by the Azerbaijan University of Arts. The Ministry of Education confirms the education programme developed by these institutions but the relevant ministries and related bodies are responsible for coordinating and supervising their activities. A credit system has been implemented in secondary professional education since April 2014. New education programmes were prepared for 115 qualifications and were confirmed by the Ministry of Education in September. However, they have not used occupational standards to inform curricula because there were no regulations in place concerning their use, although 34 relevant occupational standards were available.

FIGURE 1.1 ENROLMENT RATE IN POST-SECONDARY VOCATIONAL EDUCATION INSTITUTIONS



Source: Azerbaijan's State Statistical Committee

Based on the lessons learned, it was decided to establish more education complexes within universities in future. Colleges also use facilities, equipment, labs and other university resources as it gives them an opportunity to benefit from the teachers who can train the students. It has a major influence on the performance of colleges and the quality of training. These teachers also help to design the curriculum and review textbooks and other methodological materials. Links between colleges and companies are ad hoc and there are a limited number of examples. They include the recently launched cooperation with Baku Shipyard Company to prepare the workforce for the labour market, especially in the shipping industry. The initiative was launched to support colleges in hosting interns, providing modern equipment and establishing labs in the colleges.

The legislation in this sphere has not changed and the concept therefore still exists in the regulations. However, the relevant regulations have not been enforced because admission to higher education institutions is the responsibility of the State Students Admission Commission by passing the centralised examination. Therefore, according to Article 26.2 of the Law on Education and regulations governing admission to higher education institutions on the basis of full secondary education and to specialised secondary education institutions, people can enter higher education institutions through exams conducted by the commission. The Ministry of Education is currently preparing regulations for counting credits for the sub-bachelor degree to determine the credit needed to obtain a bachelor degree. They are expected to be approved by the time that the first graduates of the sub-bachelor degree studying within the credit system graduate from the colleges.

Students can go to college once they have completed nine years of secondary education, in which case the period of study lasts four years; about half the students enter post-secondary education after 11 years of education. In order to continue to higher education, students must pass the university entrance exam, which is organised by the State Students Admission Commission. However, admission to the colleges is still organised by the commission after the results of the higher education admission exams are announced. With the commission already being responsible for the final examination for full secondary education, this national university entrance exam could possibly disappear. The admission exam currently focuses on just a few subjects in the curriculum and this undermines studying for other subjects and leads to a focus on private tutoring in the specific subjects.

Azerbaijan lacks a qualified workforce with the adequate skills and knowledge to meet the growing demands of the labour market. The number of graduates of vocational schools is significantly below the demand required by the economy. In recent years, only 11% of students attending general schools choose to go to vocational schools, indicating a low interest in VET and its lack of attractiveness for young people. Compared to most European countries, access to higher education is also relatively low – around 35% – although the number of students has increased by 25% since 2000.

FIGURE 1.2 CHANGES IN STUDENT NUMBERS IN IVET SCHOOLS IN THE LAST FIVE YEARS



Azerbaijan had a total of 1 739 100 people aged between 15 and 24 in 2013; 29 234 of these young people were in IVET. Out of every 10 000 people, 1 163 are IVET students.

Recent statistical indicators show the low interest in and lack of attractiveness of VET: 7.7% of graduates from the ninth grade and 5.8% of graduates from the eleventh grade choose to go to initial

vocational schools (13.5% at IVET level in total). In addition, 7% of graduates from the ninth grade and 6% of graduates from the eleventh grade go to secondary professional education and are admitted to colleges (13% at post-secondary VET level in total). This is reflected in the World Economic Forum's Competitiveness Index, which shows that low skill levels in Azerbaijan have resulted in a shortage of the administrative and managerial skills necessary for a modern market economy.

Around 40% of graduates from secondary education enter the labour market without any work-specific qualifications, do army service or do not take part in admission exams. Based on an analysis of the 2009-2011 graduates of general secondary education, we have seen a steady improvement in the number of people who are specialising over the last three years. This is a very important improvement especially as the number of graduates from secondary education has fallen. However, the number of students who do not specialise is still high.

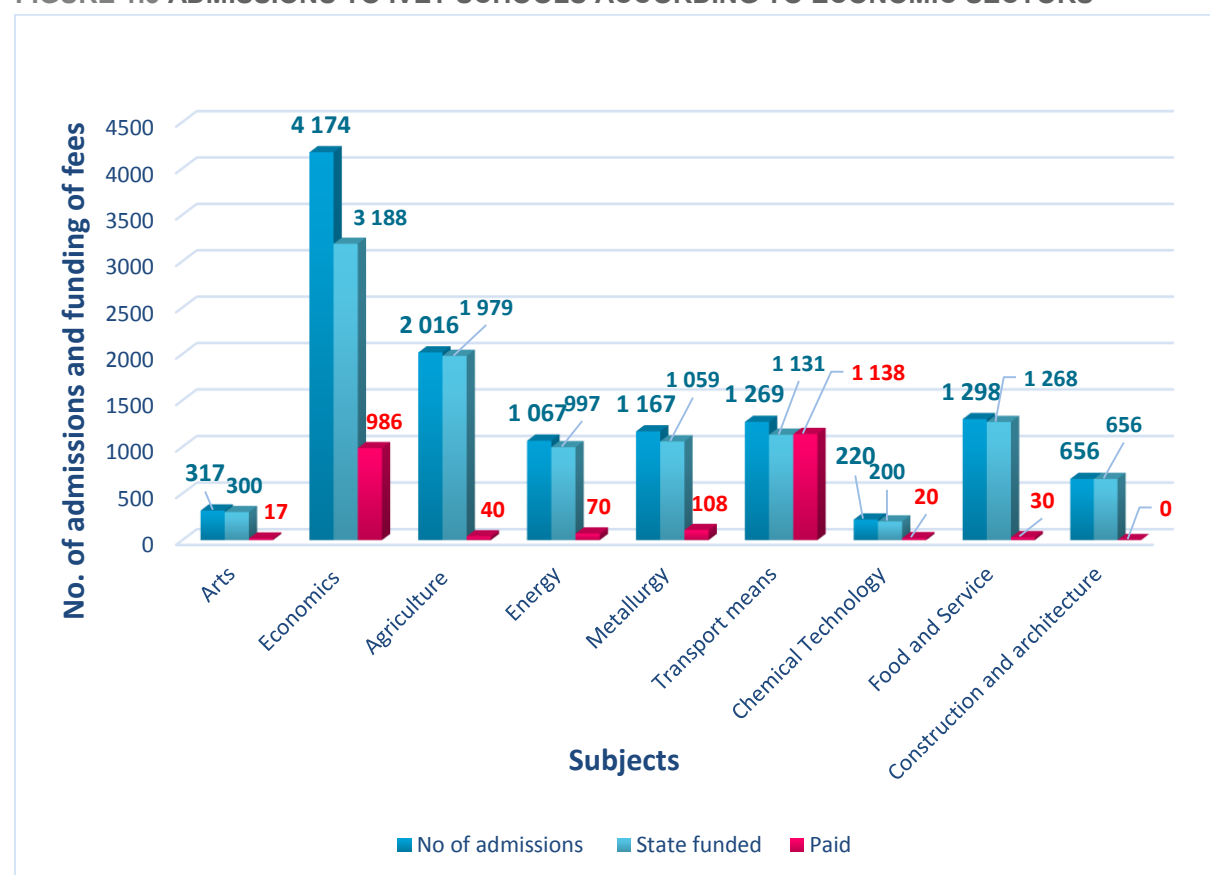
We do not yet have final figures for 2014 admissions to higher education so we cannot see if this trend is continuing to improve.

TABLE 1.2 ADMISSION TO HIGHER EDUCATION INSTITUTIONS

| Years | 2011 | 2012 | 2013 |
|--------------------|--------|--------|--------|
| Number of students | 60 880 | 62 708 | 67 954 |
| Percentage (%) | 40.5 | 49.2 | 52.2 |

None of the studies analyse the situations of students who do not specialise. The trend for increased participation figures is encouraging, showing that more and more people see the relevance of specialisation. A better understanding of this group could help to develop appropriate measures to raise participation levels further.

FIGURE 1.3 ADMISSIONS TO IVET SCHOOLS ACCORDING TO ECONOMIC SECTORS



Continuing VET

Given the above figures on the number of students who specialise in IVET or post-secondary education institutions and/or enter university, and the large share of students who do not specialise, the importance of retraining measures cannot be understated. The increased collaboration between Azerbaijan and foreign countries, the emergence of new production areas and the growth in the demand for high-technology products necessitate the introduction of new training methods and techniques through a high level of vocational training.

Central executive agencies, local government bodies and private organisations provide services for further occupational training. Each ministry is allocated an annual budget for executive professional development. Generally, these services are provided by centres run by the state employment service, the Azerbaijani Teachers' Institute under the auspices of the Ministry of Education and vocational schools under the auspices of various ministries. On-the-job training can only be afforded by large corporations and firms, such as SOCAR, Azersun, BP and other companies that have the significant funds needed to accommodate such training, considering that some training needs to be conducted outside the country.

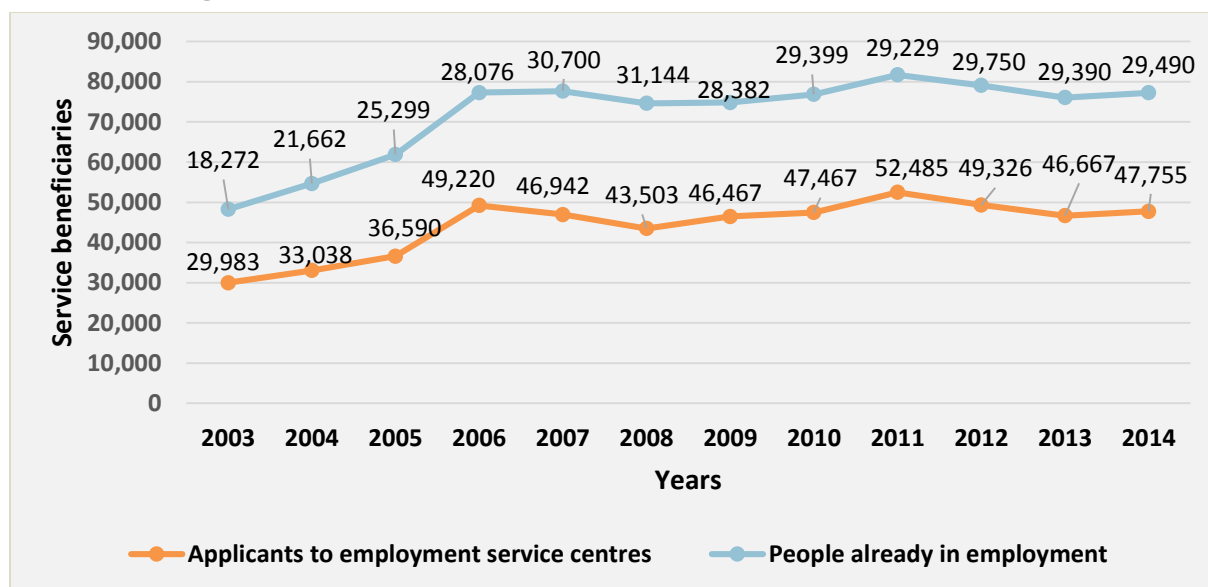
Tertiary education, which is considered a multi-directional operational system in Azerbaijan, is currently going through a complicated restructuring period. However, the lack of a full connection between the requirements of the labour market and the education system undermines the efficiency of education expenditure financed through the state budget, while further increasing financial expenditure for social protection of the unemployed population.

A comparison of the 2003/2004 and 2012/2013 academic years suggests that while the number of specialists graduating from tertiary education increased by a factor of 1.2, the number of vacant positions submitted to the employment services over those years grew by a factor of 2.1. Employers indicated their desire to hire people with the relevant skills, competence and experience.

Vocational training courses for more than 70 professions are provided by regional vocational training centres (in the cities of Baku and Nakhchivan and in the Goychay district) under the auspices of the state employment service; at IVET institutions; or at other licensed education facilities. Training courses are carried out with the agreement of the Ministry of Labour and Social Protection of Population based on education programmes (curricula) approved by the Ministry of Education and are financed by funds allocated from the state budget for the state employment service.

The regional vocational training centres offer vocational training courses to jobseekers and unemployed people in surrounding regions. The courses are based on both traditional and modular training programmes. The application of the above-mentioned techniques should be considered as measures aimed at ensuring flexibility and mobility in the education sector and its compliance with the needs of the dynamic labour market, rather than as alternative actions to the traditional vocational education system.

FIGURE 1.4 STATISTICAL INDICATORS ON TRAINING AND EMPLOYMENT SERVICE BENEFICIARIES



Source: State Employment Service

The organization of vocational training is based on both tripartite (State Employment Service, training institution and trainee) and quadripartite (state employment service, employer, training institution and trainee) agreements which include employment obligations. In conclusion, this leads to lack of efficiency in the way the work is organised and the funds are spent.

Modular training programmes for 15 professions and specialisations, covering mainly worker positions, were developed in Azerbaijan for the first time in 2005 based on the experience of developed countries. The programmes were developed within the framework of the Social Protection Development Project which was established by the government of Azerbaijan and the United Nations Development Programme (UNDP) in order to ensure the vocational training of jobseekers and unemployed people in accordance with the actual needs of the labour market and in line with international standards.

A total of 43 modular training programmes were developed as part of the 'Development of modular training programmes' task of the Social Protection Development Project. They were jointly implemented by the Ministry of Labour and Social Protection of Population and the World Bank. Modular training programmes for 32 professions were approved as basic training programmes on 10 October 2013 by Order No. 832 of the Minister of Education.

Each modular training package includes a training programme, training elements, and guidelines for trainers and selection charts for modular blocks. The shift to modular training is the logical step forward from the basic principles of the Bologna Declaration, which envisages active and independent learning and a credit rating system amid individual education conditions.

The retraining and additional training of adults is a prerequisite for socio-economic development at international level. UNESCO has also acknowledged two fundamental principles of the modern education system: education for all and lifelong education. The modular approach can be considered one of the most up-to-date techniques for applying these principles in Azerbaijan.

Relevant policy initiatives outside the field of education that have an impact on VET reform

In launching the Azerbaijan 2020: The Vision of the Future development concept and other large-scale initiatives, the government of Azerbaijan revealed its increasing attention to addressing the need for a professional workforce and its contribution to the economy. Although most of these efforts are not completely systematic in character, several specific projects either stem from participation in international initiatives or are aimed at addressing particular economic needs emerging at a certain period in time. For example, the establishment of new vocational schools in two important tourist regions in Azerbaijan – Ismayilli and Qabala – and the renovation of about 20 such schools in these areas was followed by an announcement that tourism was an economic priority for the country. A similar story is true for information and communications technology (ICT) and other fields.

Recent initiatives also aim to improve the quality of vocational education. Efforts are being made to enhance the quality of training and to involve the private sector in partnerships with IVET institutions to improve the curriculum for various occupations and to modernize the infrastructure. One example is the Modern Azerbaijan Craftsmen Project, which was launched in 2013. It currently covers more than seven schools but is expected to be expanded in the future. The participation of the private sector in curriculum design and its role in the specification of facility standards is not at a satisfactory level. The Ministry of Labour and Social Protection of Population is also involved in establishing sectoral skills committees to involve the private sector in the design of occupational standards and to establish a bridge between stakeholders. However, this is only at an early stage.

Industry links with post-secondary VET institutions are much weaker than at secondary level. The curriculum at post-secondary level is closer to higher education than to IVET in Azerbaijan. Notwithstanding these facts, the participation level of industry in curriculum design, links to institutions, and the absence of pilot projects is more apparent in post-secondary VET than in secondary VET education.

In addition, a number of projects aim at enhancing the quality of the teaching professionals in cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (GIZ) and the Rogaland Training and Education Centre. The proportion of human resource including teachers, education administrators is undergoing changes at present as new professionals are recruited following examinations and retraining.

The Ministry of Education needs to ensure the immediate professional development of school principals and other leadership staff in technical and vocational education and training (TVET) institutions so that they can implement the key concepts approved within the State Strategy for the Development of Education in Azerbaijan. The current managerial staff lack the vision and leadership potential to drive the change envisioned by the Department of Initial and Professional Vocational Education. Establishing an adequate framework for the change is considered the primary task. To achieve the change, the Ministry of Education plans to establish a training centre to provide capacity building (training and support) for the current and future leadership staff of TVET schools. The main aim of the centre is to increase leadership (managerial) potential for schools to improve the quality of education. It will provide suitable training courses for potential school principals and other management staff, focusing on the particularities of TVET. It will also provide other capacity building measures on curriculum development, the assessment of occupational and education standards, teacher development, labour market assessment and other key components of TVET.

The Rogaland Training and Education Centre project will be implemented in cooperation with the Norwegian government. It is financed by Norway and EUR 2 million have been allocated for the project. The project aims to establish a centre that is up to international standards and meets the demands of industry. The centre will work on curriculum development, the development of managerial competence and the design of train-the-trainer programmes.

Azerbaijan has a total of 3 392 engineer-pedagogues (1 804 teachers). The table below shows that 55% of teachers and 56% of masters are over 50 years of age.

TABLE 1.3 STATISTICAL FIGURES ON AGE AND EDUCATION LEVEL OF TEACHER AND MASTERS OF IVET SCHOOLS IN AZERBAIJAN

| Age and education level of teachers and masters | | | | | | |
|---|----------------------------------|-------------------------------|------------|-----------------------------|---|-------|
| Age of teachers | | | | | | |
| Younger than 29 | Aged 30-39 | Aged 40-49 | Aged 50-59 | Aged 60-64 | 65 or older | Total |
| 431 | 591 | 640 | 1 312 | 477 | 204 | 3 655 |
| Education level | | | | | | |
| Higher education | Professional secondary education | Completed secondary education | IVET | General secondary education | Uncompleted general secondary education | Total |
| 2 267 | 1 016 | 84 | 152 | 9 | 127 | 3 655 |
| Age level of masters | | | | | | |
| Younger than 29 | Aged 30-39 | Aged 40-49 | Aged 50-59 | Aged 60-64 | 65 or older | Total |
| 118 | 185 | 272 | 547 | 137 | 62 | 1 321 |

1.2 Vision for the VET system

VET is a top priority for the government of Azerbaijan since it is closely related to the socio-economic development of the country. The priority areas in the non-oil development sectors are tourism, IT, agriculture and construction. These areas require the development of a workforce that responds to labour market demands. Many strategic initiatives have been proposed at state level for strengthening the vocational education system so that it can contribute to the development of the economy and its diversification. Examples of such initiatives are the Azerbaijan 2020: the Vision of the Future development concept and the State Strategy for the Development of Education, dated 24 October 2013. Both initiatives were instigated by an Order of the President of Azerbaijan, Ilham Aliyev. The President also declared 2014 the Year of Industry. Large-scale projects are currently being implemented in the country, e.g. the ShahDeniz-2 and South Caucasus Corridor projects, as well as major construction and tourism projects. There is a huge need to provide a workforce for these projects.

In producing the above-mentioned documents, it is also necessary to use or take advantage of the experience of developed countries with strong industrial experience and training background to ensure that such reforms are implemented effectively.

Azerbaijan 2020: the Vision of the Future highlights the importance of the diversification of the economy and the need to develop the non-oil gross domestic product (GDP). Measures are being taken to transform the existing economy into a more developed and structured one by: modernising the oil-gas sector and the petrochemical industry; expanding opportunities to use alternative and renewable energy sources; developing the agrarian sector; strengthening food security; expanding and developing trade and various types of services; and improving the structure of foreign trade and investment. These are all priority areas. By developing these areas the target has been set to increase the average rate of annual real growth in GDP in the non-oil sector to more than 7%. To achieve all of this, the development of skills required in the workforce becomes an important issue, necessitating vital reforms in the VET sector.

A medium-term vision for developing the VET system was formulated in the State Programme for VET 2007-2012. A new vision is being developed for 2015-2020. Feedback from principals, stakeholders

and others has been collected and information has been analysed to cover all the issues and consider the suggestions and interests of all actors participating in the process.

The State Strategy for the Development of Education adopted in 2013 establishes a long-term vision for education development, including VET. International VET projects are also linked to priority sectors. One example is the project that is conducted in cooperation with the Swiss government to develop the quality of VET in the agriculture sector and to increase the rural population's access to innovative, relevant and effective training programmes. The MAP project (Modern Azerbaijani Craftsmen – MAC and Müasir Azərbaycan Peşəkarları - MAP) covers areas such as tourism and construction, and initiatives with GIZ aim to improve training quality at schools over the coming years. The State Strategy for the Development of Education adopted by Order of the President on 24 October 2013 focuses on the development of competence-based education; new management mechanisms based on state-society partnerships and PPPs; the creation of lifelong learning; modern infrastructure; and the development of new financing mechanisms which are economically sustainable and meet the necessary standards. These cover activities such as the following: developing competence-based training standards and curricula for initial vocational and secondary professional education in line with the needs of society; creating the PPP system; establishing regional centres which provide distance education; establishing education and development services for gifted children or children with special needs; delivering adult education; delivering vocational education; setting up advisory services on education-related matters; establishing vocational training centres and complexes furnished with modern equipment. The strategy does not specify any particularly sector, just education. The strategy oversees the VET system as one of the major components ensuring lifelong learning.

The action plan for the strategy was confirmed by the Cabinet of the Ministers by Order of the President of 19 January 2015. Recognition of prior learning and the preparation of the related legal basis for the strategy, which were not highlighted in the strategy itself, were addressed in the action plan. The action plan also provides for the completion of the qualifications framework of Azerbaijan; better research of the labour market; the coordination of activities with the Ministry of Labour and Social Protection of Population; and the building of a centralised data system for the period of implementation of the state strategy. More regional complexes are planned in the future in cooperation with international partners. The employment of graduates, coordination of internships and prospective job placement with business partners, career guidance service for applicants (graduates of general secondary schools) are also included in the projected activities.

The Order of the President on the Appointment of a new Education Minister of 19 April 2003 changed the management of staff and the organisational structure at the Ministry of Education. Mikayil Jabbarov was appointed Minister of Education (he was preceded by Misir Mardanov who was minister for 12 years) and he has initiated reforms in the whole education system, including VET. Firstly, the Initial Vocational Education and Training and Secondary Professional Vocational Education and Training units (previously under the Department of Higher Education) were merged into one department. At present they are known as the Department of Initial Vocational and Secondary Professional Vocational Education, which means that colleges will be part of the VET system rather than the higher education system. All reforms are now focused on cooperation with industry; the role of research and data; services provided by the institutions; quality assurance; and other issues and are now linked together within these two units. The plan is to include both levels of VET in the educational complexes that are to be built in future, for example, the Korean VET project. Strengthening the role of VET is now more important. The creation of a vocational education development agency is planned in order to develop the VET system and coordinate effectively with other stakeholders.

1.3 Capacity for innovation and change

The government has prioritised the sustainable development of teachers and other staff to meet the relevant standards and to implement changes in the system.

In 2013, 5.1% of education expenditure (AZN 72.7million²) was allocated from the state budget for the financing of vocational schools and lyceums. In European countries, the ratio of IVET expenditure to GDP ranges from around 0.5% to 1.2% (with an average of 0.6%). According to the estimates of international experts, this figure is four times lower in Azerbaijan – approximately 0.15% of GDP.

The average monthly salaries of teachers have increased slightly in recent years, and lag considerably behind the growth rate of average monthly salaries in the economy. According to data from the State Statistical Committee, teachers' salaries rose by a total of 4.2% in 2011, 1.3% in 2012 and 1.1% in 2013. It should be noted that these figures indicate nominal growth. The consumer price index rose by 7.9%, 1.1% and 2.4% respectively over the reporting period, suggesting a decrease in the actual salaries of teachers. As a result, if teachers' salaries made up 77.8% of the average salary in the economy in 2011, that figure fell to 72.1% in 2012 and 68.7% in 2013. This situation prompted teachers to search for more profitable types of activities, one of the reasons that led to the decline of their number in IVET. This makes IVET less attractive to highly specialised young teachers.

Infrastructure and material-technical base of IVET schools. Repair works are underway at schools and the necessary measures are being taken to improve their material-technical framework, as well as the provision of machinery. The number of required smartboards has been determined and provided to all vocational schools in the country.

The material-technical framework in the majority of vocational schools in Azerbaijan has not been renewed over the past 20 years. As mentioned above, the amount of budgetary spending on vocational education is rather limited and up to 90% of it is channelled into salary payments. Moreover, a number of schools (Nos. 6, 7, 12 and 18 in Baku, Ganja Vocational Lyceum No. 3 and the Tourism and Hospitality Vocational School in Ismayilli) have been thoroughly repaired, while reconstruction works are underway at others.

The Ministry of Education provided new machinery, equipment, visual and technical aids to IVET schools specialising in agriculture so that their material-technical and training framework could meet current requirements. It should be noted that the last time the necessary machinery, equipment, visual and technical aids were purchased for IVET schools was 25 to 30 years ago.

1.4 Drivers of innovation and change

Some links exist between VET schools and training and research institutions, but these are not widespread. One example is the Institute of Educational Issues, which provides advice and support to schools on training, curriculum design, examinations, methodological aids and the design of forms and documents relating to the organisation of the education process. However, the role of this institute as a research body is not very developed. There is a need for a wider scope of VET research to suggest reforms and to gather feedback systematically.

The Ministry of Education has a new approach to making changes to the VET system via pilot projects and by choosing the best working model and applying the lessons learned for VET. It has already started implementing several large-scale projects. The biggest from a standpoint of both geographical coverage and thematic areas is the national Modern Azerbaijan Craftsmen Project, which is aimed at promoting technical vocational education and ensuring the quality of workforce development in

² AZN = Azerbaijani manat.

cooperation with business partners. This project provides for the establishment of new, modern-style pilot vocational education complexes. Cooperation between industry and VET institutions will be improved and modernised VET will be expanded across the entire country. In developing these projects, the ministry cooperates with local and international partners. Their contribution helps to establish resource centres, provide equipment in schools and improve methodological aids. Examples of such cooperation include: Knauf (Baku Vocational Lyceum No. 18, Baku Vocational School No. 14 – trainings for construction masters) and Bosch (Baku Vocational Lyceum No. 18 – classes for carpenters) where they established resource centres. The Japanese embassy (Sheki Vocational Lyceum No. 1), Belarus government (Baku Vocational Lyceum No. 14 – classes for electric-gas welders) and Eldar Studio (Baku Vocational Lyceum No. 18 and No. 5 and Baku Vocational School No. 5 – classes for barbers and makeup artists). All the schools mentioned here are MAP project beneficiary schools. The list of modern training programmes is being expanded with the addition of trades such as security guard and tailor. More activities will be implemented to promote VET in the regions and provide career guidance services for pupils.

The Modern Azerbaijan Craftsmen Project began in 2013 and resource centres have been established at all the schools involved in the project. These resource centres serve as workshops with equipment, material and methodological aids. The project also addresses the improvement of the quality of teachers and masters. Knauf provided training for teachers and awarded German-standard certificates. Knauf also gave pupils the opportunity to participate in international contests to demonstrate their skills and receive certificates. Eldar Studio also trains teachers and organises exams to check their knowledge and skills. It also helps with the appointment of new teachers to other schools and with hosting interns. Eldar Studio offers new module programmes, opportunities to organise paid short-term courses at vocational lyceums, where masters learn skills. To date, 43 graduates out of 45 have been employed (in cooperation with Eldar Studio), as have 16 graduates in other occupations covered by this project (report on MAP 2014). Bosch has provided support in curriculum development and in training and certifying employees' skills. Representatives of the company participated in the preparation of education programmes, methodology aids, guidelines and tests. In total, 254 graduates have benefited from the MAP project so far and the number will grow as more resource centres are opened.

The Ministry of Education has set up a VET campaign within the project. It has issued leaflets (including MAP leaflets) and improved online guidelines where teachers, parents and students can get broader exposure to VET institutions and schools offering programmes and assistance in choosing an occupation or in retraining as adults. Partnerships have been established with the biggest employers in the country, like SOCAR, AZERSUN and the Baku Energy Company, to provide industry exposure for students and develop links between industry and vocational education. In 2014, SOCAR provided internships for 200 students to complete their studies at vocational lyceums and schools.

In April 2014, an arrangement between the government of the Republic of Korea and the government of the Republic of Azerbaijan regarding a loan from the Economic Development Cooperation Fund for the project of establishing a vocational training centre was signed. This is one of the biggest projects to be implemented by the Ministry of Education and will be implemented jointly with Korea EximBank with a budget of USD 39.28 million. This project will have vital industry, political and economic benefits and will help to provide young people with employment and skills. A new high-tech complex will be created with new classrooms, a library and a resource centre to train professionals in eight industry trades. These trades are prioritised to develop the non-oil sector and meet the requirements of the labour market. It is also expected that education and training programmes for administrative specialists and trainers will be improved and consulting services will be rendered.

An analysis of the system indicates that there are challenges primarily in the promotion of VET due to the expectations of people in terms of finding jobs and the quality of VET schools. People think this is

undignified work and do their best to get higher education even if they do not need it for their career goals. Also, a lack of trust among the community in the quality of the VET system, teacher training and outdated education programmes led to a loss of interest in VET. A curriculum problem still exists at VET institutions, since there is little industry involvement and teaching is mostly theoretically based. With a few exceptions, the infrastructure is obsolete. Quality assurance mechanisms are introduced to improve the quality of training and management of VET institutions.

As the main donor in the VET sector, the EU established an Education Support Programme in Azerbaijan as part of the Annual Action Programme 2014. The EU contributed EUR 19 million to the 72-month programme. The overall objective of the programme is to contribute to the modernisation of the education and training system in Azerbaijan, enhancing quality, equality, relevance and access in line with European standards and practices. It aims to enhance the quality and relevance of the education system in general with a focus on higher education and VET. In this regard, it aims to increase the attractiveness and labour market relevance of all levels of VET and to strengthen civic participation, governance and inclusiveness in the education system. Within the programme, experts in VET, quality assurance and higher education will assist the Ministry of Education with policy and management advice and will analyse the legal framework of the system.

In recent years, a number of international initiatives have assisted VET reform. New curricula were developed and tested with the support of World Vision and UNESCO projects. The TACIS3 VET reform project in tourism and Twinning project in agriculture were funded by the EU. The latter project was implemented between 2010 and 2013 in the northern regions of Ismayilli, Gabala and Goychay. It developed a concept for vocational education, established workshops and created occupational standards and education programmes in five specialisations, based on labour market studies.

The ETF has been working with Azerbaijan since 1995 in various areas and in recent years has been cooperating very closely in the area of VET. It has supported Azerbaijan in developing a concept for its national qualifications framework. It also conducted two rounds of policy analysis for the Torino Process and provided policy advice, capacity building and assistance in shaping and consolidating the results of the EU-funded projects. Together with the Ministry of Labour and Social Protection of Population and representatives of social and business community partners, the ETF has been very supportive in developing sectoral committees. The focus of this project has been on achieving efficiency in the preparation of standards and relevant programmes. Skills councils were established in tourism and construction, because there would be a high demand for specialists in these areas as large international companies will be based in Azerbaijan and the country is focused on developing tourism in the regions as well and improving standards of living in remote areas. The ETF has also supported skills anticipation in cooperation with the International Labour Organization (ILO) and skills for entrepreneurship with the European Commission and the Organisation for Economic Co-operation and Development (OECD). A regional dialogue with the countries of the European Neighbourhood and Partnership Instrument (ENPI) has been facilitated with the support of the ETF in order to discuss common reform challenges. In 2013, the ETF evaluated the State Programme for VET 2007-2012 at the request of the Ministry of Education.

The Ministry of Education plans to work with the ETF between 2014 and 2017 to develop and implement reforms in the VET system in line with the new State Strategy for the Development of Education, signed by the President in 2013. The future development of the VET system will focus mainly on the national qualifications framework, the adoption of the curriculum, the strengthening of cooperation with enterprises, the lifelong learning VET system and the modernisation of VET facilities.

³ Tacis – Technical Aid to the Commonwealth of Independent States

It will also focus on strengthening links between business and VET schools in order to improve employment and career opportunities.

The National Qualifications Framework of Azerbaijan is expected to be adopted by the Cabinet of Ministers. The new EU project will give targeted support to the implementation of the qualifications framework. In order to prepare national stakeholders for the project, the ETF, in close cooperation with the EU Delegation and as agreed with the Ministry of Education, is considering a number of initiatives:

- raising awareness and building capacities of national stakeholders with regard to the national qualifications framework, starting with the staff of the Ministry of Education.
- reviewing and updating the draft implementation plan for the qualifications framework of Azerbaijan.
- preparing the work on content, i.e. qualifications standards and curricula, in order to populate the qualifications framework of Azerbaijan with relevant qualifications.

2. EFFECTIVENESS AND EFFICIENCY IN ADDRESSING ECONOMIC AND LABOUR MARKET DEMAND

2.1 Economic and labour market factors that shape demand for skills

In recent years, especially in 2013, additional value amounting to AZN 32.6 billion was generated in the non-oil sector – an increase of 10.0% compared to previous 10 years. The specific weight in GDP of the additional value in the non-oil sector has increased to 3.1% compared to the previous year. According to the indicators, the increase in GDP over the last two years is due to the non-oil sector. As noted in the Doing Business report produced by the World Bank and the International Finance Corporation, Azerbaijan is ranked in 39th place among the countries of the world for the competitiveness of its economy.

FIGURE 2.1 GDP PER PERSON (IN AZN)



Diversification of economy and priority areas. As a result of the oil strategy implemented in Azerbaijan, the development of the oil and gas sector directly influenced the increase in activity in the non-oil sector. The main priority of current economic policy is the further diversification of economic development – shaping the optimum structure of the country's economy, making progress in the non-oil sector, creating an innovative economy, increasing competitive product manufacturing and export. Investment has been made in several areas of the economy in an effort to replace imports:

- support for the agrarian industry complex.
- the Shamkirchay and Takhtakorpu water reserves.
- large technoparks, cement plants, shipyards, the construction of a metallurgy complex.

TABLE 2.1 GDP INDICATORS IN AZERBAIJAN

| January 2013 – December 2013 | January 2014 – September 2014 |
|--|--|
| Non-oil sector accounted for 5.3 percentage points of the 5.8% GDP increase. | Non-oil sector accounted for 3.4 percentage points of the 2.5% GDP increase. |
| Non-oil sector grew by 4.2% and had a positive impact of 0.2 percentage points on the increase in GDP. | Non-oil sector grew by 7.5% and had a positive impact of 0.3 percentage points on the increase in GDP. |
| Agriculture rose by 4.9% and had a positive impact of 0.3 percentage points on the 5.8% increase in GDP. | Agriculture decreased by 3.7% and had a reducing impact of 0.2 percentage points on the 2.5% increase in GDP. |
| Service production rose by 7.2% and had a positive impact of 2.1 percentage points on the increase in GDP. | Service production rose by 7.1% and had a positive impact of 2.1 percentage points on the increase in GDP. |
| Trade in services increased by 0.6 percentage points; social sector by 0.7 percentage points; tourism by 0.3 percentage points; information and telecommunications by 0.2 percentage points; and transportation by 0.3 percentage points. | Trade in services increased by 0.7 percentage points; social sector by 0.7 percentage points; tourism by 0.3 percentage points; information and telecommunications by 0.2 percentage points; and transportation by 0.2 percentage points. |

Industrial policy was highlighted as the main target of the reforms carried out in the areas of industry and the economy. Measures were taken to reduce as much as possible dependency on exports; to diversify the export capacity of the country; to attract local and foreign investment; to modernise industry in general; and to strengthen competitive ability at international level. The 2011-2013 Action Plan on Stimulation of Export of Non-oil Products was implemented with a view to implementing a set of measures aimed at ensuring a more conducive environment in the area of foreign trade activity. This entails further simplifying export procedures; arranging financing and credit financing for manufacturing products intended for export; improving insurance mechanisms for the export of products and services; establishing Azerbaijan trade houses in the countries of prospective export markets; and introducing international and regional standards in the priority areas of the Azerbaijan economy. The establishment of an export-oriented economy and the high priority of the non-oil sector are the major directions of development in the country. In this respect, there is a constant focus on state support for the development of the non-oil industry and the creation of new enterprises.

The declaration of 2014 as the Year of Industry and the 2015-2020 National Programme for the Development of Industry stimulated the development of the non-oil industry. It was developed further by the State Programme for the Development of Industry 2015-2020, approved by Presidential Order No. 964 of 25 December 2014, which also targets challenges in workforce development.

In an effort to create a knowledge-based economy, innovation activities are to be moved to a new quality level, extending the application of innovations in the area of production and implementing measures in the area of industrialisation. Given its importance in the economy, the government plans to continue supporting the intensive and efficient development of the agrarian sector in compliance with international practice in the coming years. Special attention will be paid to the production and processing of agricultural products. A range of measures will be implemented to increase the production capacity of existing agricultural processing enterprises through the application of modern technologies and to establish new enterprises in this area. Processing of agricultural products made of local raw materials will increase. Such products will include meat and dairy produce, preserved fruit and vegetables and wine products. In addition to meeting the needs of the Azerbaijani population, it will also help to enhance export capacity. Accordingly, 2015 was declared Year of Agriculture by the Presidential Order of 12 January 2014 to support and encourage activities to develop this sector.

TABLE 2.2 REAL SECTOR AND PRODUCTION STRUCTURE OF GDP – REAL GROWTH RATE INDICATORS

| Sector | Unit of measure | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-----------------|--------|--------|--------|--------|--------|
| Real sector | | | | | | |
| GDP, real growth rate | % | 9.3 | 5.0 | 0.1 | 2.2 | 5.8 |
| Non-oil sector, real growth rate | % | 3.7 | 7.8 | 9.4 | 9.7 | 10.0 |
| Oil sector, real growth rate | % | 14.0 | 1.9 | -9.3 | -5.0 | 1.0 |
| Production structure of GDP | | | | | | |
| Industry, real growth rate | % | 12.0 | 2.1 | -8.4 | -3.9 | 1.2 |
| Non-oil industry, real growth rate | % | -13.8 | 6.7 | 9.4 | 11.0 | 4.2 |
| Agriculture, real growth rate | % | 3.5 | -2.0 | 5.8 | 6.6 | 4.9 |
| Construction, real growth rate | % | -8.2 | 22.4 | 20.0 | 18.2 | 23.0 |
| Trade, real growth rate | % | 8.9 | 10.3 | 10.2 | 9.6 | 9.9 |
| Transportation, real growth rate | % | 9.3 | 4.4 | -0.8 | 5.0 | 6.3 |
| Communication, real growth rate | % | 13.1 | 31.1 | 11.8 | 15.9 | 10.7 |
| GDP per capita | Manat | 4033.2 | 4753.0 | 5752.9 | 5966.1 | 6207.3 |
| GDP per capita | USD | 5018.2 | 5922.0 | 7285.0 | 7594.3 | 7912.5 |

Regional variations in economic development and distribution of industries. Regional variations in economic development and the distribution of industries within various sectors have been more pronounced over the last few years. The following enterprises were established in the regions in recent years: in Baku: the Norm cement plant, shipyard construction plants for the Department of Marine Security in the State Border Service, solar power stations, the Baku Sewing Factory; in Sumgayit: a group of paper and cardboard production factories, a oil factory, a copper processing plant; in Ganja: Det-AI Aluminium LL (producing aluminium sheets and coils), high-pressure processing and dyeing plants; in Agdash: fruit processing enterprises; in Fuzuli: a sewing factory; in Lankaran: a bread production factory; in Goranboy: an electricity distribution point; in Nakhchivan Autonomous Republic: Arpachay 2 Water Electric Station (WES) (a hydroelectric plant), second part of the Garadagh construction plant, Absheron brick plant, Massalli brick plant, Khachmaz cannery plant, Garadagh nappies and napkin plant, Ismayilli brick plant and Mingechevir bread factory.

Measures to strengthen industrial capacity in the regions will continue. Large-scale investment projects are expected to be implemented to establish an oil and gas and petrochemical complex in the Garadagh region of Baku city and a steel manufacturing complex covering all stages of production, starting from the extraction of iron ore to the manufacture of steel in Ganja city and the Dashkasan region.

The Sumgayit Chemical Industrial Park, Balakhani Industrial Park and Pirallahi High Technologies Park receive state support. There are also plans to establish modern industrial parks in the cities of Ganja and Mingachavir and industrial zones in other cities and regions in the country.

Development of small and medium-sized enterprises and support for the business environment

The main aim of the Azerbaijan 2020: Vision of the Future development concept is to develop small and medium-sized enterprises (SMEs). The concept is based on an export-oriented economic development model. The private sector accounts for more than 80% of GDP when it comes to developing entrepreneurship in the country. The State Policy on the Development of Entrepreneurship will be implemented between 2014 and 2017. The National Fund for Entrepreneurship Support will provide funding for investment in technology-related projects. The policy also provides for the establishment of industrial parks and enterprises and support for the employment of people with limited health capabilities, internally displaced persons (IDPs), young people and women in small enterprises.

Efforts to support SMEs are implemented at national level to ensure they get skills to develop their business. The Ministry of Economy and Industry supports entrepreneurship activities via the Baku Business Training Centre (BBTC) by providing services such as consulting, enlightenment, corporate training and workforce development for start-up business owners. The centre has organised distance training since 2014. Measures were implemented to inform entrepreneurs about electronic portals (www.icazeler.gov.az, www.b2b.az), rules for their use and opportunities that the portals can offer to promote efficient business organisation and development. A network of trainers working in the priority areas of education has been developed and enhanced with a view to improving the work for entrepreneurs' enlightenment, and enhancing the efficiency of consulting and innovation services. The BBTC cooperates regularly with the local higher education institutions and relevant education centres (organisational units in the Ministry of Economy and Industry, Azerbaijan State Economic University, Khazar University, University of Tourism, Scientific Research Institute for Economic Reforms, Azerbaijan State Agricultural University). In 2013, the centre improved the educational and methodological aids developed for the extension of the trainers' network and presentations were prepared for a new educational course. Over nine months in 2014, the centre and its branches (Ganja, Lankaran, Shaki, Gazakh, Goychay, Yevlakh, Khachmaz) conducted 20 training courses and organised other types of events covering 33 topics; 51 consultations were provided to 47 business owners. The Guba-Khachmaz Regional Development Centre, a business incubator, was also created and is now operational. Twenty young people were selected to participate in the centre based on a competition.

Together with GIZ, the BBTC is implementing a joint Azerbaijan-German programme to develop human resources skills in the area of business management in Azerbaijan. This programme contributes to the development of SMEs, whose staff study the international practices of entrepreneurs and managers and thus increase their knowledge. As part of the exchange programme financed by the German government, free courses are organised in Germany for entrepreneurs working in different sectors of the economy. According to the indicators, the number of participants increased between 2009 and 2013 and 17% of participants are women. In the future, the BBTC envisages implementing projects in borderline regions (the Guba-Khachmaz economic area) to promote the employment of young people, IDPs and refugees and to engage women and young people with disabilities in entrepreneurship activities.

Promoting entrepreneurial key competences and skills is regulated at a highly political decision-making level to set up sustainable mechanisms and legislation. The Ministry of Education has included an entrepreneurial key competences and business skills programme in the national curriculum for lyceums, technical and vocational education schools and general secondary schools. Also, as part of the VET curriculum, basic skills and knowledge on subjects such as economics, tax, finance and accountancy are taught to young people at school. VET schools have 'tax classrooms' where basic skills about entrepreneurship and tax are taught. However, at secondary education level, entrepreneurial enlightenment is at an early stage. There is little cooperation or activities with

enterprises (any activities are ad hoc and not systematic). At higher education level, SABAH groups have been created in seven higher education institutions to support closer ties between education and the labour market and which will ultimately result in the establishment of technoparks.

The Cabinet of Ministers, the Azerbaijan Trade Union Confederation and the Azerbaijan National Confederation of Employers concluded a general collective agreement for 2014 and 2015 (Decision No. 227 of 10 July 2014). According to this agreement, several activities will be implemented: developing occupational standards; preparing public-private joint proposals on reforms in TVET based on international practice; teaching labour legislation at educational institutions of all levels; teaching new occupations to young people and women (especially in the 20 to 30 age group); and adding new specialisations to the Classification of Occupations. This will help to meet labour market requirements and involve employers across all sectors in the process.

At the same time, challenges regarding labour market needs are addressed with a series of activities conducted by national authorities to fill the human resources gap in economic sectors. The Ministry of Economy and Industry is setting up a vocational education centre at the Sumgayit Chemical and Industrial Park (Cabinet of Ministers Order No. 68 of 19 April 2013). This institution will provide a highly qualified workforce for three industry specialisations that have been highlighted as priorities (megatronics, chemistry construction and construction materials). The technical vocational and professional programmes will be in line with labour market demand. In 2014, GIZ conducted a survey of 41 organisations. The survey identified occupations in six professions. The details were presented to the ministry so that occupational standards, textbooks, methodological aids and curricula could be prepared.

Social partnership and links between the education system and the economy

The establishment of partnerships between the education sector and employers is one of the priority areas that the Ministry of Education puts forward in its activity plan. As evidenced in activities and future plans, the MAP project is an obvious example where specialists are prepared at vocational education institutions; a distinguishing feature of these specialists is that their skills meet the needs of the labour market. In cooperation with Eldar Studio, more than 79% of the specialists are already employed, which indicates compliance of the new education methods with the expectations of employers. In April 2014, the Ministry of Education and the National Confederation of Employers launched a partnership with a view to strengthening links between employers and educational institutions and implementing joint projects. An agreement was also signed between the Azerbaijani Steel Production Complex and the Ministry of Education to cooperate in workforce development and provide assistance with employment.

2.2 Mechanisms for identifying demand for skills and matching skills supply

In 2014, during the preparation of admission plans for IVET schools, meetings with stakeholders were held to determine their needs and trends in the labour market were assessed in surveys carried out by different bodies. During the regional visits, all the facilities, human resources and technical bases of the schools were also considered when developing programmes for workforce development. Feedback for preparing admission plans was provided by the Ministry of Labour and Social Protection of Population, and the Ministry of Economy and Industry regarding labour market needs and admission plans and suggestions were considered. In total, 14 620 places in different occupations were allocated to schools for the 2014/2015 academic year.

Key strategic documents (the Decent Work Country Programme 2011-2015, the National Employment Strategy, the State Programme for the Implementation of the Employment Strategy 2011-2015)

contain numerous references to the need to bring the skills supply in line with labour market demand, improve identification of the demand for skills and develop related analytical and information systems.

The establishment of the national qualifications framework and a stronger public-private partnership for vocational education is creating a conducive environment for more permanent sectoral structures. Together with the Ministry of Labour and Social Protection of Population, the Ministry of Education, the ETF and sectoral representatives in various companies, social partners, business organisations and public bodies, possible functions for such sectoral councils have been explored. In the DIOS (improved occupational standards) project, which was tasked with developing occupational standards, sector representatives also worked with the Ministry of Education on TVET curricula. Sectors are interested in ensuring that occupational standards are used in education standards and curricula for different types of qualifications (including initial TVET and adult learning).

Some sector studies have been implemented in Azerbaijan, e.g. a study on ICT performed by the Ministry of Labour and Social Protection of Population's Scientific Research and Training Centre on the request of the Ministry of Economy and Industry. However, there is no systematic coordinated approach in this area and the role of sector representatives in participating in or validating the findings of these kind of studies is unclear.

The government aims to develop occupational standards as part of its employment policy to achieve a high quality of labour reserves and an effective labour market. Due the World Bank-funded DIOS project, 200 standards (in the areas of tourism, processing, construction, energy, agriculture, transport and service) have been produced and now it is a matter of actively using them and starting a review process. Forty occupational standards were used to guide the development of new curricula and 100 companies are using them. In addition, 65 projects on qualification standards have been discussed by sector councils. However, monitoring of their effectiveness and initiatives for improving and adapting them is not systematically coordinated. There is a big need to clarify the roles of the different stakeholders involved in the process and the close participation of companies. It is important to avoid the risk of making the exercise a merely bureaucratic tool. The leading role can be taken by the Ministry of Labour and Social Protection of Population since it is the leading actor responsible for the development of occupational standards and the coordination of monitoring. The Ministry of Education can play the same role in relation to education standards.

A number of public bodies conduct initiatives to anticipate skills needs but there is a lack of coordination and systematic inter-institutional cooperation. The Ministry of Labour and Social Protection of Population believes that more anticipation for the future is needed. The Ministry of Economic Development, supported by the Research Institute for Economic Reforms, produces macro and micro economic forecasts. The State Statistical Committee conducts quarterly household and labour force surveys, and annual surveys (sampling) of the turnover in the workforce. The public employment service is developing territorial employment plans and short-term one year projections. The Ministry of Labour and Social Protection of Population, together with representatives from companies, has developed occupational standards for priority occupations in seven sectors. The Scientific Research and Training Centre at the Ministry of Labour and Social Protection of Population develops and tests skills anticipation models.

The Ministry of Education piloted a qualitative analysis of regional skills development needs in order to inform future decisions for VET system development. This really helped to show the importance of a more regional approach. After the study, all VET schools were instructed to collect and analyse more labour market information in order to get a better understanding of labour market dynamics. These included regional development programmes, public employment service data on employment (qualitative and quantitative), data about economic entities in the region, data about opportunities for continuing education, and last but not least, data about what happened to their own graduates. It is important to move from these initiatives to a system that anticipates skills needs and brings together

the existing labour market analyses of all the relevant stakeholders in order to improve the quality of information through cross-referencing. The designated Workforce Development Agency under the Ministry of Labour and Social Protection of Population could take the lead in this.

An explicitly forward-looking vision of VET comprising indicators needs to be formulated to replace the backward-looking nostalgia for the Soviet system. New VET reforms must be coherent with other national policies for social and economic development (i.e. horizontally coherent) and they must be vertically coherent with all the stakeholders involved in the VET system. This requires a different policy planning process and reform structure. VET is closely linked to business, technological development, markets and reputational issues from the perspective of parents and students. A new VET outline must consider these links and identify more effectively the different interests of the players involved in the VET system.

A new classification of specialisations for VET has been developed that includes 700 different occupations. Only 130 of the occupations are actually taught and 60% of students study one of the following 15 profiles: accountant – PC operator; computer operator; accountant – operations officer; fashion designer – tailor; women's hairdresser – manicurist; electric-gas welder; car mechanic – driver; tailor – sewing equipment operator; car mechanic; mechanic – welder; tractor operator – machinist; tractor operator – mechanic and driver; tractor operator – mechanic; pastry-chef – confectioner; mechanic for agricultural machinery; and electrician. The new profiles for cook, hotel receptionist, barman, waiter and farmer have not been that widely introduced yet. With better labour market information and new occupational standards, better information for families and students, these profiles are likely to change regularly over the coming years.

In conclusion, links between schools and enterprises are emerging and need to be developed further. Most schools limit this cooperation with placement of interns in industry, allowing them to gain exposure to large, medium or small enterprises. Azersu and SOCAR also support this type of cooperation and have signed a memorandum of cooperation with the Ministry of Education. A few pilot projects, such as the MAP project, include cooperation with stakeholders, and other projects provide international experience for participants in Switzerland, Germany, the UK and Norway in different areas of the economy. However, other projects are also planned to strengthen links and involve enterprises in the VET process and in the provision of employment. There are plans for future projects (in the construction, tourism and service sectors) to provide a workforce for the labour market in the non-oil sector. These projects are to be implemented with international partners.

3. EFFECTIVENESS AND EFFICIENCY IN ADDRESSING DEMOGRAPHIC, SOCIAL AND INCLUSION DEMAND

3.1 Demographic and social factors that shape demand for VET

Azerbaijan is a demographic leader in the Caucasian region and its population has been growing rapidly since regaining independence, increasing by 30% or 2.1 million people. Although the population has increased in size over the last decade, a decrease in the pace of urbanisation has been observed. In addition, people searching for new jobs following the collapse of the Soviet Union have migrated to large cities and this has resulted in internal migration as well as emigration of the labour force.

Rapid growth was observed in Azerbaijan in the period between 2003 and 2013 and the labour force increased by more than 100 000 people during the same period. The change in the size of the labour force is determined, on the one hand, by the arrival of young people in the labour market and on the other hand, by the departure of those who have reached retirement age. The dynamic of the people entering and leaving the labour market in Azerbaijan fluctuates and population grew rapidly by 2007 with majority of young people and this indicator has been sufficiently increased. If we take into account that the qualifications of the population and the areas of employment differ, we can conclude that jobs are not immediately provided for young people entering the labour market. If, having reached a certain age or having finished their education, young people cannot find a job matching their qualifications and expectations, they will join the ranks of the unemployed.

TABLE 3.1 COMPARISON OF CAUCASIAN COUNTRIES

| Country | GDP (USD billion) | Population (millions) | Unemployment (%) |
|------------|----------------------|-----------------------|------------------|
| Azerbaijan | 73.56 | 9.356 | 5 |
| Georgia | 17.14 | 4.476 | 15 |
| Armenia | 10.43 | 2.976 | 17 |

Since 2009, labour migration quotas are approved for each following year in line with the rules on the determination of labour migration quotas approved by Decree No. 86 of the Cabinet of Ministers of 4 June 2009. The labour migration quota for 2010 was set at 10 700 people in accordance with Decree No. 8 of the Cabinet of Ministers of 13 January 2010. The labour migration quota amounted to 11 315 for 2011, 11 970 for 2012, 12 000 for 2013 and 12 000 for 2014 according to Decree No. 402s of the Cabinet of Ministers of 30 December 2013.

Considering the availability of national specialists in the field of construction due to the implementation of large-scale construction projects in recent years, as well as the decline in the demand for foreign labour in a number of economic sectors as a result of the specialist nationalisation project in the mining industry (a partnership agreement regarding migration and nationalisation for the period between 2014 and 2018 was signed between SOCAR and BP on 14 November 2013), the labour migration quota for 2015 was set at 11 000. BP plans to achieve 90% nationalisation of the skilled workforce by the end of 2018. According to the plan, local people will constitute 90% of the skilled workforce by 2018 which means the nationalisation of the majority of positions currently held by foreign staff.

Labour market analysis in Azerbaijan

The Ministry of Labour and Social Protection of Population plays a vital role in studying the labour market. In 2012, the Ministry of Education and the National Centre for Productivity and Competitiveness studied labour market demand and the situation of vocational technical education in Guba-Khachmaz, and the mountainous Shirvan and Aran regions. However, the survey did not comprehensively cover the labour market. As part of the study, a survey was conducted among employers. They were asked about their preferred criteria in selecting employees. The survey found that 40% of employers dealt with vocational technical schools and some employers complained about the lack of qualified staff. At the same time, the study found that it is not easy to find employees who will work for 100 to 150 manats per month, i.e. there is a discrepancy between supply and demand.

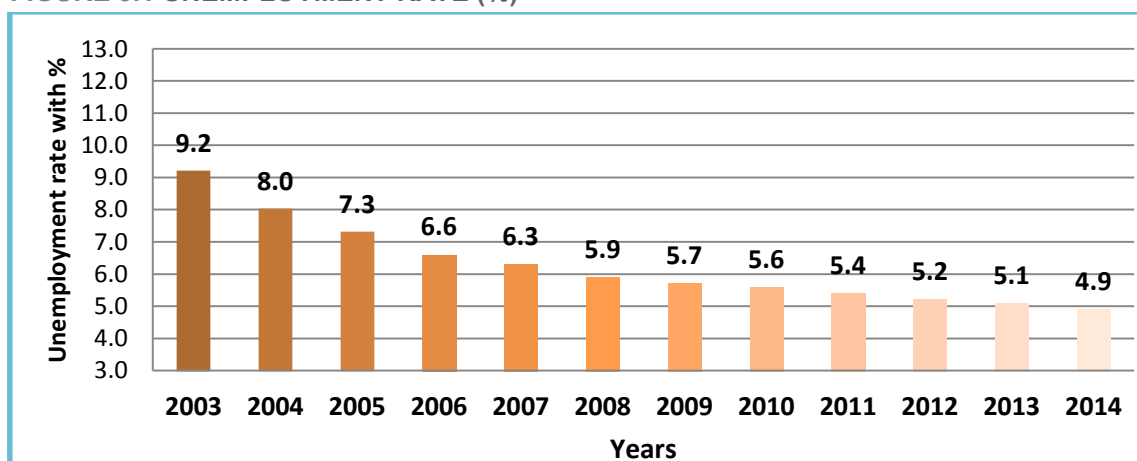
TABLE 3.2 MAIN LABOUR MARKET INDICATORS (IN THOUSANDS)

| Indicators | 2005 | 2008 | 2011 | 2012 | 2013 |
|--|---------|---------|---------|---------|---------|
| Population | 8 447.4 | 8 779.9 | 9 111.1 | 9 235.1 | 9 356.5 |
| Labour reserves | 5 421.3 | 5 816.8 | 6 101.2 | 6 166.9 | 6 260.1 |
| Number of people at working age who are capable of working | 5 304 | 5681.2 | 5 974.6 | 6 042 | 6 132 |
| Number of economically active population who is older of working age | 103.8 | 125.5 | 126.6 | 124.9 | 128.1 |
| Number of young people employed in the economy | 13.5 | 10.1 | 0 | 0 | 0 |
| Economically active population | 4 380.1 | 4 477.7 | 4 626.1 | 4 688.4 | 4 757.8 |
| Employed population | 4 062.3 | 4 215.5 | 4 375.2 | 4 445.3 | 4 521.2 |
| Unemployed population | 317.8 | 262.2 | 250.9 | 243.1 | 236.6 |

The economically active population increased by 1.5 % between 2012 and 2013, reaching 4 757 800. The employed population also increased by 1.7% over the same period, reaching 4 521 200. The number of people hired increased by 2.2% and reached 1 510 100. However, one of the challenges in the labour market is youth unemployment: young people account for 52% of the entire unemployed population. Men dominate slightly in the statistics of the employed population (women: 48.3% and men: 51.7%).

Between 2003 and 2014, more than 1 237 236 jobs were created and 905 816 of them were permanent jobs. New jobs are created mostly in the regions (78.2%) and 87.8% of them are in the non-government sector.

FIGURE 3.1 UNEMPLOYMENT RATE (%)



Most of the population work in the agriculture sector, accounting for about 40% of economically active people. However, from an income point of view, this sector is not attractive and incentive mechanisms are needed to interest people in the sector.

FIGURE 3.2 SHARE OF ECONOMICALLY ACTIVE POPULATION PER SECTOR (%)

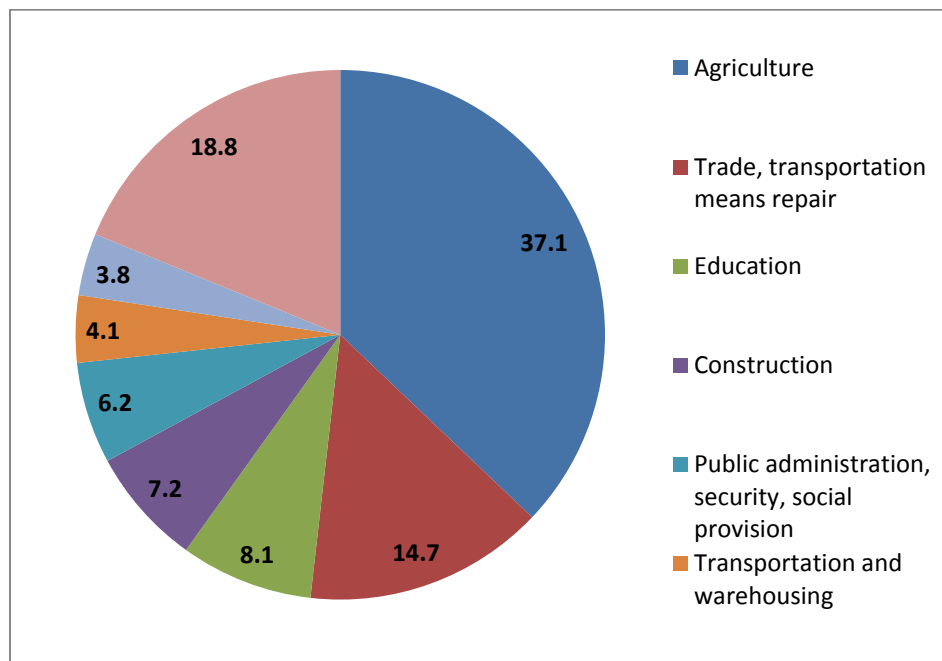
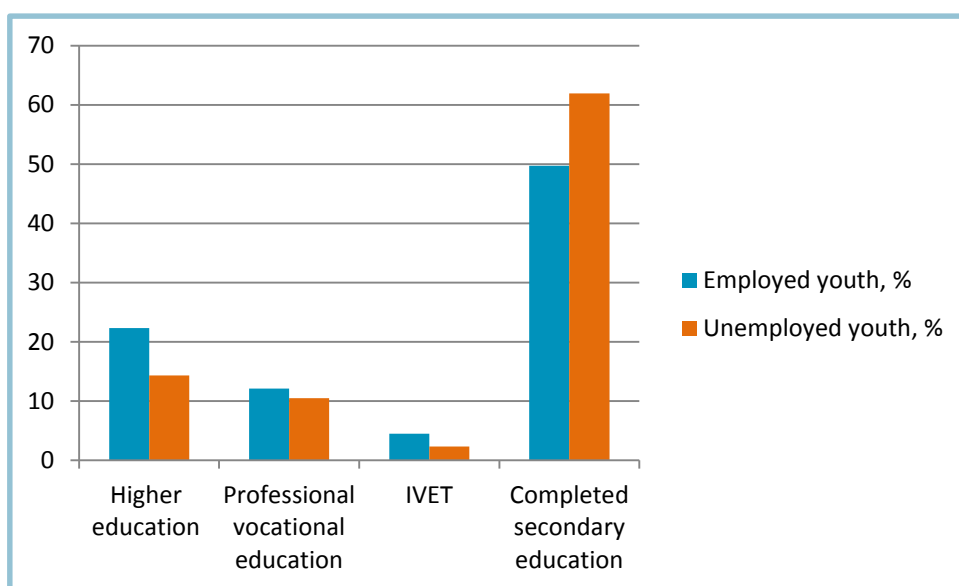
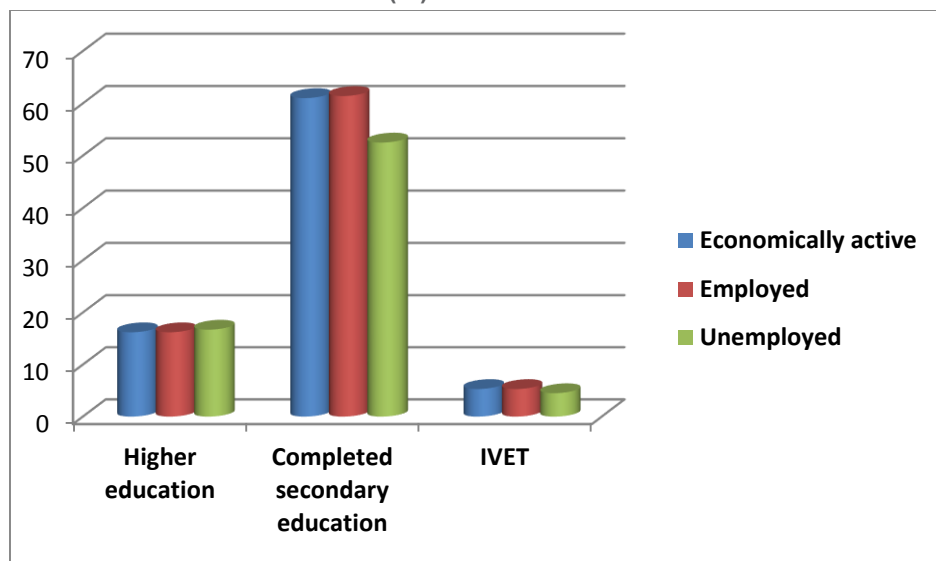


FIGURE 3.3 EDUCATION LEVEL OF EMPLOYED AND UNEMPLOYED YOUNG PEOPLE AGED 15 TO 29



According to the statistics regarding applicants to educational institutions, about 40% enter the labour market without proper skills. The statistics show a very small proportion of the labour force is VET educated. In Azerbaijan, people tend to have higher education since it is useful from the standpoint of accessibility and it is a path to finding employment. There is therefore a growing number of employed people with higher education or college education. As the quality of VET is very low, employers are obviously not interested in VET-educated employees with low quality of training and skills.

FIGURE 3.4 EDUCATION LEVEL OF THE ECONOMICALLY ACTIVE, EMPLOYED AND UNEMPLOYED POPULATION (%)



Notwithstanding whether the demand for labour force is equal to supply or greater than supply, young people entering the labour market need time to find relevant jobs aligned to their qualifications and geographical location. Therefore, as a rule, the youth unemployment rate is higher than the average unemployment rate in the country (52% of all unemployed people). In 2009, total unemployment in Azerbaijan was 6% and the share of unemployment among young people aged between 20 and 24 reached 16%. The rate was 14% for men in this age group and 17% for women. The number of people considered unemployed by the state employment service in 2013 was 36 749 and the number of people receiving unemployment benefit was 887. Note that, although certain projects are being implemented separately, a mechanism for sustainably studying the labour market has not yet been established.

IDPs and refugees

More than 4 000 agriculture enterprises and 300 000 jobs were lost due to occupied regions in 1993. This had a big impact on the social status and employment of the population. At the moment, 3 260 internally displaced families are temporarily living in initial technical and vocational schools in Azerbaijan and this impacts negatively on the teaching process. In accordance with the State Programme for the Improvement of Living Conditions of Refugees and Internally Displaced Persons and Increasing their Employment approved by Presidential Decree, the refugees will be moved from the vocational lyceums and schools 2016 and 2017.

ALMP programmes – young people at risk, young people with disabilities, women in the labour market

Training programs for young people at risk, for women and for people with disabilities, are financed by state employment service centres run by the Ministry of Labour and Social Protection of Population. However, these centres are funded on an ad hoc basis (via external grants). The state employment service and the Ministry of Labour and Social Protection of Population hold events such as career events, seminars and consultations as part of the state programmes to reduce poverty and develop the regions. A number of strategic rather than core changes were made to address skill constraints and improve training provision for the disadvantaged population.

In order to address the provision of occupational skills and the rehabilitation of people with disabilities and to help them find employment in the labour market, the Ministry of Labour and Social Protection of Population established the Vocational Rehabilitation Centre for Young People with Disabilities. Previously known as The Resting House of Young People with Disabilities, it was equipped with

modern facilities and equipment and was opened in December 2013. It has multiple functions, such as a medical service for young people with disadvantages and a building with 53 rooms to accommodate people visiting the centre from various regions in Azerbaijan. There are also different workshop and training rooms for occupations such as computer operator, carpet maker, weaver, tailor, barber, carver, artist, and for culinary, music and art-related occupations. A total of 340 people with disabilities were attracted to vocational training courses; of these, 250 received vocational training certificates as tailors, weavers, carpet makers, cooks, computer operators and barbers. These skills were taught in the vocational centre for young people with disabilities located in the new Ramana settlement in Baku. Having trained 200 people in 2014, the centre will train more than 800 people in 2015 and will assist them in entering the labour market and finding employment opportunities.

The Ministry of Education is in charge of Guba Special Vocational School, which is tasked with involving neglected and troubled children in vocational training. The Ministry of Education also coordinates the placement of the boarding school leavers in vocational schools.

The EU deems it vital that attention is paid to inclusive education and targets disadvantaged people. So the aim of one of the components of the Education Support Programme will be to increase capacity and the participation of civil society in the education sector by promoting dialogue and systematic consultation among authorities, institutions, civil society, business and social partners. In this sense, the activities will be aimed at: supporting sector performance monitoring activities carried out by civil society; supporting civil society advocacy for vulnerable and minority groups; supporting initiatives to establish strengthen democratic school governance that includes parent, pupil and student representation and participation in the governance and management of education institutions. The activities will also focus on assisting the Ministry of Education with the development of a policy and regulatory framework that focuses on increasing access to all children in a way that is tailored to their developmental requirements and disabilities. It will also focus on developing various inclusive education models; preparing new education standards and curricula which ensure the physical and intellectual development and socialisation of children including those with disabilities; the upgrading of the teacher training system; and supporting education providers in delivering and assessing pilot programmes.

3.2. Delivering to the individual demands and aspirations of learners: access, participation, progression

Information on access, progression and transition to and from VET is provided in Section 1.1. The 2008-2014 World Bank Social Protection Development Project has been improving the delivery of labour market and social protection interventions through stronger institutions, enhanced institutional and human resources capacity, and the improved targeting of social safety programmes. It has a number of relevant dedicated components, including support for improving the service to unemployed people and socially vulnerable groups. It also deals with the state employment service's management and information system; the institutional advancement of the state employment service and the state controlling service; and the development of vocational training programmes for young people. In addition, a project supporting the reform of disability assessment criteria and practices is planned for 2014 and 2015 and is to be implemented in conjunction with the EU Twinning project in the same area.

The Employment Strategy of the Azerbaijan Republic approved by the Order of the President of 15 November 2011 has an impact on workforce development and on improving the effectiveness and efficiency of economic and labour market demand. On 10 July 2014, at a meeting of the Cabinet of Ministers on social economic development results and priorities, it was decided to create a long-term employment policy and prepare a new employment concept.

The Ministry of Labour and Social Protection of Population has launched a database system to register the details of jobseekers and unemployed people, covering all employment centres in the country to address accountability and access to information on jobs, the job status of people and details of people who are receiving vocational training (www.mlsp.gov.az). Information about vacancies, especially in the regions, is collected from the centers and placed on a website (www.ses.gov.az). Process of setting up electronic information terminals which gives information about vacancies is still going on at the educational institutions.

As part of the Social Protection Development Project, a survey to measure the living standards of the population is being conducted to analyse changes in the life of the population and to make the social security system more efficient.

In accordance with Order No. 11/7-191 issued by the Ministry of Labour and Social Protection of Population on 15 September 2014, forecasting methodologies on the future budgeting year and indicators in the field of labour, employment and social security for the next three years are being developed.

3.3 Delivering to socio-economic and inclusion demand

Continuing VET and training-related ALMPs are important as vulnerable groups and low-skilled individuals account for a large proportion of the economically active population in Azerbaijan. SMEs account for a large share of enterprises in Azerbaijan and employ significant numbers of workers. However, they do not always have strategic business plans, nor do they have the capacity to invest in workforce training. Individual employers finance their own employees' training and rarely engage in defining workforce training priorities. Government incentives are limited.

The government's priorities are to improve the quality of skills in the labour market, increase the number of job opportunities and make the labour force more competitive. From this point of view, it is vital to provide proper occupations, specialist skills and continuing VET training to unemployed people and to those who are looking for a job. Providing jobs to unemployed people depends on whether they have the occupational skills that meet the demands of the labour market. The state employment service centres run by the Ministry of Labour and Social Protection of Population provide short-term training to citizens in about 80 occupations and offer guidance in searching for jobs based on an individual's skills.

A group consisting of representatives from the Ministry of Education and the Ministry of Labour and Social Protection of Population was established and tasked with studying and evaluating the labour market; improving VET; preparing occupational and education standards based on international employment classifications; and facilitating the integration of vulnerable groups into society.

3.4 Action and assessment of progress since 2012

In general, the employment of young people, who constitute a large part of the economically active population, is receiving growing attention especially by the Ministry of Labour and Social Protection of Population and the ILO. At the same time, government bodies also need to focus on other disadvantaged groups. This requires multiple interventions, including the diversification of pathways for skills acquisition, recognition of prior learning and ease of movement between academic and non-academic tracks.

Recognition of prior learning (RPL) is highlighted in the Law on Education and is included in the action plan of the State Strategy on Development of Education, which will give further consideration to the preparation of legislation on which the process can be based.

The following shortcomings challenge VET and have an impact on various socio-economic areas.

- There is an imbalance in the labour market between the demands of employers and the quality of workforce skills. Despite this, many jobs have been created in the country. The employment rate has declined and entrepreneurship (especially in the case of small enterprises) has grown. This has an effect on employment.
- VET lacks modular training programmes, innovative technologies and new methodologies.
- VET schools do not prepare the required qualified workforce because of insufficient modern equipment and facilities.
- There are still few programmes that provide employment, career guidance, special training and retraining programmes for vulnerable groups and people with disadvantages.
- Employers do not announce information about vacancies.
- The links between the various bodies (both public and private) responsible for providing vocational training for jobseekers and employed people are weak.
- On-the-job training should be strengthened and the Azerbaijani qualifications framework should be approved to promote lifelong learning.

4. INTERNAL EFFICIENCY OF THE VET SYSTEM

4.1 Quality assurance

The quality of the training of specialists at IVET schools is determined by the competitiveness of graduates in national and international labour markets and their role in the socio-economic development of the country. VET quality is duly assessed by the state accreditation service based on the relevant state standards.

The quality of education is directly linked to the knowledge and competences of trainers. Teachers teaching theory classes lessons in IVET schools usually start their professional activities after graduating from various higher education institutions. Although some measures have been implemented in this area, the teaching process is mainly teacher-oriented and teachers determine the content of the lessons for students. Furthermore, the outdated content of textbooks used by teachers to teach theory significantly undermines the quality of the lesson. Practical training at IVET schools is provided by industrial training masters. Like the theoretical aspect, practical training is also teacher-driven.

Although teachers of specialist subjects working in institutions have higher education or industrial training and masters have higher education or college education, the reality indicates a lack of pedagogical skills. As a result, they are not able to use modern teaching methods, including ICT, during the training process, which affects the quality of the education process. Thus, a teacher-oriented methodology is applied in the training and education process and active pedagogy (an interactive teaching approach) is rarely mentioned. A blackboard and chalk or inferior workshops are the means used by teachers outside the computer room in most cases. During the training process, ICT is applied mainly in information science lessons and in the course of teaching computer skills. The fact that about 70% of all staff have not participated in any training or upgrading courses is another factor that negatively affects the quality of education.

4.1.1 Planning

The Ministry of Education is responsible for the quality assurance of VET providers in Azerbaijan. It supervises public training provided by institutions with some autonomy. The quality of education is also controlled by the Regulation on Accreditation of Educational Institutions, approved by the Cabinet of Ministers. The Ministry of Education determines the criteria and requirements for the implementation of accreditation. It establishes a commission of experts (a separate commission for each educational establishment) to implement the accreditation of the education institution.

4.1.2 Assessment and evaluation

The Accreditation Committee within the Ministry of Education is responsible for the quality assurance of training providers. Financial audits are conducted by the Ministry of Finance. In order to improve the quality in schools, the newly adopted State Strategy for the Development of Education highlights the activities which provide incentives, such as financial support or a grant system, and make for an innovative approach in education. The Ministry of Education formulates recommendations for low-performing institutions and a probation period is given to improve performance. The Ministry of Education usually asks them to work with specialist institutions on these problems (Institute of Educational Issues). Weak schools are given technical support for a period of one year and they are then re-evaluated to ensure compliance. If their problems have been adequately resolved they are provided with a licence.

The EU Technical Assistance Programme also provides policy advice support to the Ministry of Education on quality assurance in VET and higher education. An expert team will be assigned to work reforming the quality assurance system in VET and higher education.

4.1.3 Accreditation of VET providers and programmes

The Accreditation Council defines the status of the education institution prepared in accordance with the requirements of state education standards and criteria approved by the Minister of Education. The standards are not periodically reviewed, but the Ministry of Education is currently revising the system and is more likely to have stakeholder consultation incorporated. Accreditation is required for an entity to perform its duties in the next term (the institution is shut down if two subsequent attempts to acquire accreditation status are exhausted with no positive result) and all entities must operate within the country.

Programmes are launched based on labour market requirements and the opportunities to place graduates in companies. Also infrastructure, facilities, human resources and training materials of the school is taken into consideration while launching programs. The process is approved by the Ministry of Education. VET institutions need to prove that they have all the facilities needed to launch a new programme or curriculum, e.g. personnel and infrastructure needed for the specialisation and methodological capacity. Once the Ministry of Education has reviewed and approved their application, they are allowed to launch the programme. The closure of programmes depends on monitoring results and the number of applicants in a certain specialisation.

There are few educational institutions currently operating that do not have accreditation and few of them have been shut down. A variety of reasons can lead to an institution being shut down: a deteriorating technical base; incompliance of the courses offered with the curriculum; or overall training and education quality. This in turn is one of the few incentives for unaccredited institutions to seek accreditation, as it means that their licence will be renewed and they will be eligible for public funding. However, the enforcement of accreditation is still an issue and needs particular attention to ensure the quality of training provided by separate institutions. Experts believe that the accrediting body should be autonomous or at least have a board of management represented by a majority of non-government stakeholders.

4.1.4 Qualifications

Occupational standards are widely used by the Ministry of Education within the World Bank's DIOS project and other projects in the preparation of pilot curricula for primary vocational education. In this way, the needs of the labour market are taken into account in new educational programmes for vocational training. The results of training in new curricula in initial vocational education are based on the competences determined in occupational standards.

The number of occupational standards is limited. A total 230 standards have been developed in various occupations and specialisations covering all levels of education; 210 occupational standards have been developed within the World Bank's DIOS project. Of these, 102 standards are in the area of IVET, where there is still a bigger demand for the development of occupational standards than at other educational levels.

No framework of cooperation between industry and VET providers has been identified in the education standards. This means that VET is supply led rather than demand led. Moreover, the standards do not have a framework for involving experts in the evaluation of students' training achievements (outcome). Because of the above-mentioned gaps, the standards result in a predominance of theoretical education over practical education and this leads to a significant skills imbalance in the labour market. Consequently, the number of applicants to IVET is falling (currently 11% of general school graduates) and at present 5% of people in the labour market have vocational education.

The successful completion of a draft law for a national qualifications framework and the development of professional standards for 210 occupations is a good practice that can stimulate the systematisation of reforms in the whole education system. This can make it easier to coordinate efforts to provide relevant and quality-based education and create easy pathways and transfer between different levels of education. The development of a competence-based testing and certification system can boost employers' trust in the quality of education and serve as a stimulus for their increasing contribution to the system and also improve students' prospects for employment and earnings, correcting the image of VET.

4.2 Policies for VET trainers and directors

The Department of VET Education in the Ministry of Education is in charge of organising the selection process for the heads of secondary-level training institutions. Executive committees usually nominate the candidate before they are appointed. Previously, the principals of IVET institutions were recruited by local executive committees and departments of education in the regions and by the Ministry of Education in Baku.

At present, the Ministry of Education is developing new rules for recruiting via a testing process. Special criteria apply for the post of principal since they need to know both the methodological and the industry side of the job. Principals are required to have at least five years of pedagogical experience, leadership skills, academic qualifications and pedagogical awards. Applicants with previous experience in the position of assistant principal are given preference over other applicants and candidates' previous academic publications and awards are also taken into account when making the selection decision. The Ministry of Education is working on organising professional development courses for principals as part of pilot projects with partner organisations such as GIZ.

Over the years, the Azerbaijan Teachers' Institute has trained teachers every year in the areas of methodology, curricula and planning. However, the institute lacks up-to-date skills and capacity for administrators to work in the VET sector as professional leaders who are in tune with contemporary needs. The Ministry of Education is therefore looking to establish alternative institutions. For example, GIZ will support the establishment of a training and support centre for VET teachers and administrators. This centre will provide sustainable training and involve international specialists in the project. Alliance Consult is currently selecting applicants. Vice principals and other staff members have an opportunity to apply and take part in the Training and Skills Development for Future VET Leaders programme.

4.3 Teaching and learning

4.3.1 Teaching and learning environment

Although industry is not sufficiently involved in the learning process, there are some good examples of pilot projects. A number of schools cooperate with enterprises which support them with resources and share experience with them (for example, Knauf supports two schools in Baku and intends to expand this support to other schools). Eldar Studio also provides work-based learning with hairstylists and helps to organise exams for teachers and employment for graduates.

Classes in VET schools usually consist of 20 pupils per group. Attendance in class, a readiness to perform assignments, passing exams and completing an industry internship are necessary to get excellent grades.

Textbooks and libraries. The number of textbooks and visual aids is not sufficient. Although VET providers are provided with textbooks on general subjects, the level of provision of textbooks on specialist vocational subjects is not satisfactory. Only 35 different textbooks covering a variety of professions have been published over the last two years. Except for the above-mentioned textbooks,

no new training aids have been prepared over the past 20 years. The small number of textbooks available are inherited from the Soviet era and do not meet the requirements of the current labour market.

The existing library infrastructure is generally not fit for purpose. E-libraries and e-textbooks are almost unheard-of except in modern resource centres established as the basis for four IVET schools as part of the Modern Azerbaijan Craftsmen Project. With the support of different public, private and foreign partners, some electronic textbook materials have been produced for this project.

Use of ICT in training (school websites, networking). A project in direction of career guidance to support people in choosing a profession, school and evaluate skills was established in conjunction with Edumedia, an Azerbaijan company that provides interactive learning solutions. Its aim is to improve professional guidance and attract more young people to vocational education. The www.psds.edu.az website was created as part of career guidance project. Its purpose is to attract young people to modern professions based on the needs of the labour market and to ensure that they have access to interactive information resources on the demand for particular professions and information and consulting services on professional guidance. This has helped to increase the number of people willing to continue their education at IVET schools.

Currently, only 10% of IVET schools (11) have a website. There is no dedicated networking system among schools.

4.3.2 Learning content

The learning process is conducted with textbooks from the old Soviet era, which do not meet modern requirements. The development of outcome-based curriculum is in process: Curriculum on 56 of 216 specialization group On IVET level Approved by the Cabinet of Ministers, were updated and developed based on modern requirement of education. In addition, a new curriculum was developed based on occupational standards. The rest of the standards were prepared during the Soviet era and do not reflect the requirements of the modern labour market. They are based on the unified pay scale manuals (single-tariff specialty reference books). There is a need to develop curricula based on modular training programmes and introduce a credit system. This will help to improve efficiency among the various education levels and increase flexibility (both vertical and horizontal).

In total, 56 new curricula have been developed: 16 were created with the support of UNESCO, the EU TACIS programme, the EU Twinning project and World Vision and 40 were created last year by the Ministry of Education through a project involving the Institute of Educational Issues.

A number of initiatives have been introduced with regard to the provision of textbooks and methodological aids in schools but these initiatives have not been sufficient. Even though schools are provided with textbooks on general subjects, the level and quality of specialist textbooks is not at a satisfactory level. In the last two years, 35 textbooks were published. Except t these textbooks, no textbooks were provided to VET schools. The libraries of VET schools are not updated and many of them are obsolete. Within the framework of the Modern Azerbaijan Craftsmen Project, various public, private and international partnerships have resulted in successful pilot projects which provided an opportunity to establish modern resource centres at four IVET schools. However, electronic libraries and electronic textbooks are not widely used throughout the country.

4.3.3 Parental and student involvement

Parental involvement in VET is very weak since there are no parent-teacher-student associations or support. Also, any initiatives by principals are on an ad hoc basis. In several cases, they just request parents to visit the school when there is a concern regarding the education of their child. However, in future more activities are envisaged to involve more community members in VET school management and decision-making processes in schools.

An online support system for choosing a trade was created in April 2013 to help school graduates to evaluate their skills and find an appropriate vocational school to attend. This project is implemented in conjunction with EduMedia. It aims to promote VET and provide consulting, guidance and information about modern trades. The service is helpful in terms of informing parents, teachers, graduates and MAP project beneficiaries about programmes and career guidance. The platform functionality is currently being developed.

4.4 Efficiency of use of resources

VET financing from the state budget is based mainly on the previous year's budget. There are no institutional review mechanisms in place to revise the funding criteria, therefore there are limited formal initiatives to assess the effectiveness of education funding. The Ministry of Education collects some statistical data from schools, which is both limited in scope and is not used for analysing the budget allocation. The state employment service requests its next year's budget based on the results of a survey among employers, even though general funding criteria from the state budget are not revised. However, as part of the new State Strategy for the Development of Education, the government is considering a shift to per-student funding in vocational education. This new mechanism, which will offer skills-based and results-oriented teacher remuneration, is expected to provide performance-based financing for schools and stimulate competition among them.

Budget resources for VET have increased with a focus on infrastructure and renovation. The number of applicants is growing and more applicants are interested in new programmes at the renovated schools than at VET institutions lacking basic equipment. Many infrastructural renovations and curriculum updates in such schools are financed by employers within the framework of the MAP project. This project could also offer potential job opportunities for students in the future, thus increasing interest in those VET providers.

Financial allocations for IVET are made mainly via the state budget to the related ministries (the Ministry of Education, Ministry of Labour and Social Protection of Population, the state employment service and other ministries receive annual budget allocations for IVET). No specific formal indicators are used at a national level to revise funding for particular schools. There are general budget expenditure categories for school funding that change slightly from year to year. However, depending on the priority economic areas, certain schools may receive more or less financing. For example, depending on the emerging needs for skills (e.g. hairdresser, construction master), some schools which cooperate with the private sector under the auspices of the Department of VET Education in the Ministry of Education are financed with significant business input and some government funding. The Ministry of Education formally decides on human resources development in the public VET providers based on requests for skills needs prepared annually by employers. The next year's allocation from the state budget is thus determined and consideration is given to the previous year's budget. While the process formally considers emerging workforce needs, its application is limited in practice.

5. GOVERNANCE AND POLICY PRACTICES IN THE VET SYSTEM

5.1 Defining vision and strategy for VET

At national level, the Ministry of Education is mainly responsible for educational issues and the whole process. The Ministry of Labour and Social Protection of Population looks after employment and social issues, while the Ministry of Economy and Industry is responsible for economic issues and the Ministry of Finance looks after financial issues. Apart from that there are several ministries which coordinate VET providers (Ministry of Health, Ministry of Tourism and Culture, Ministry of Justice). The regulation and management of VET throughout the country is the core responsibility of the Department of IVET and Secondary Professional Education in the Ministry of Education. This introduces VET at both secondary and post-secondary level.

At regional level, executive committees play a role in coordinating administrative issues such as infrastructure. However, new legislation adopted in relation to the structure of the Ministry of Education will take it to another level, establishing regional education departments and a new mechanism for the effective administrative and operational management of VET.

At provider level, there is a board (Pedagogical Council) within VET schools which takes part in the decision-making process and in disputes. It also works on methodological activities and assigns responsibilities for improving the performance of institutions.

Overall, the Ministry of Education is the coordinating body for general education-related issues and can request funding from the Ministry of Finance or the Ministry of Economic Development for capital investments for VET, defining the priorities in this field. The Ministry of Education, like all other ministries, requests a budget from the Ministry of Finance for particular priority areas, but it is the Cabinet of Ministers and the Ministry of Economy and Industry that make decisions on allocations in the 'investment' line of the state budget. The decision is based on priority economic development areas that have been established and the directions for large-scale capital investments issued by the Ministry of Energy and the Ministry of Economy and Industry. The Ministry of Labour and Social Protection of Population has similar authority as the Ministry of Education but more in the area of continuing VET and training-related ALMPs.

The Ministry of Education, the Ministry of Labour and Social Protection of Population and to some extent the Ministry of Economy and Industry are the main coordinating bodies for VET strategy whereas the Cabinet of Ministers coordinates the implementation of state programmes with the involvement of several ministries or other government agencies. The coordination of workforce development measures is generally institutionalised, but not systematic.

Wider stakeholder participation at national level has been institutionalised recently through a tripartite agreement with the country's Trade Union Confederation and National Confederation of Employers in which mutual involvement and cooperation between the Ministry of Education and the social partners in each other's initiatives was agreed. There are no permanent bodies for social partner involvement, apart from the Council for the National VET Strategy which meets annually to monitor the implementation of the National VET Program 2007-2012. This council also includes representatives from the other ministries such as the Ministry of Labour and Social Protection of Population and the Ministry of Economic Development as well as school principals.

The ETF's evaluation on the State Strategy for Vocational Education concluded that that VET coordination council does not work well. Accordingly, while the Ministry of Education was committed to

high-level participation in the coordinating body, the other ministries were represented by lower-level representatives, who basically served as messengers rather than decision makers.

The Ministry of Education:

- establishes, restructures and closes TVET institutions.
- approves the list of qualifications, education regulations and rules.
- makes proposals on the development of the budget and funds for the development of education.
- defines state standards for education funding. and
- regulates scholarship and salary payment.

Training providers collect and report administrative data on an annual basis (in October) and publish annual reports. However; these reports are for internal use and are not made public. There are significant gaps in the reporting system, considering that non-state providers do not report and there is a lack of database systems. Information on graduate labour market outcomes for most schools is not reported publicly but is for internal use. The system is not monitored adequately but is observed using ad hoc initiatives.

MATRIX 1 DISTRIBUTION OF RESPONSIBILITIES

| | Objective setting | Implementation | Monitoring |
|---|--|---|---|
| Who is responsible Who is accountable? | Presidential Administration Cabinet of Ministers | Ministry of Education Ministry of Labour and Social Protection of Population Ministry of Economy and Industry VET providers | Cabinet of Ministers Presidential Administration Ministry of Finance |
| Who is consulted? | Ministry of Education Ministry of Labour and Social Protection of Population Ministry of Finance Ministry of Economy and Industry Working Commissions (consist of members representing different stakeholders) | Working Commissions (consist of members representing different stakeholders) | Working Commissions (consist of members representing different stakeholders) |
| Who is (only) informed? | | Cabinet of Ministers | Government ministries |

5.4 Internal efficiency and effectiveness of the VET system

MATRIX 2 DISTRIBUTION OF RESPONSIBILITIES FOR QUALITY STANDARDS

| | Responsible for setting | Accountable for compliance | Monitoring and assessment |
|---|-------------------------|----------------------------|---------------------------|
| Quality standards: learning environment | Ministry of Education | VET providers | Ministry of Education |
| Quality standards: teaching | Ministry of Education | VET providers | Ministry of Education |
| Standards for provider ¹ accreditation | Ministry of Education | VET providers | Ministry of Education |

(1) This can also refer to individual programmes.

MATRIX 3 MODE OF DECISION MAKING WHEN SETTING QUALITY STANDARDS

| | Unilateral | Obligatory consultation | If consultation, with whom |
|---|-----------------------|-------------------------|---|
| Quality standards: learning environment | Ministry of Education | Required | Institute of Educational Problems Accreditation Council |
| Quality standards: learning outcomes | N/A | N/A | N/A |
| Quality standards: teaching | Ministry of Education | Required | Institute of Educational Problems Azerbaijan Teachers Training Institute |
| Standards for provider ¹ accreditation | Ministry of Education | Required | Institute of Educational Problems Accreditation Council |

(1) This can also refer to individual programmes.

MATRIX 4 RESPONSIBILITY FOR CURRICULUM CONTENT AND TEACHING STANDARDS

| | Responsible for determining | Obligatory consultation | If consultation, with whom |
|--------------------------|-----------------------------|-------------------------|---|
| Curriculum content | Ministry of Education | Required | Institute of Educational Problems |
| How curriculum is taught | VET providers | Required | Institute of Educational Problems Azerbaijan Teachers Training Institute |

ANNEXES

Annex 1. EU benchmarking in Azerbaijan

| TRP14 code | Indicator and definition | | Azerbaijan 2013 | EU Target 2020 | EU-28 2013 | | |
|------------|---|--|-----------------|----------------|---------------|------------|-------------|
| | | | | | EU-28 Average | EU-28 Best | EU-28 Worst |
| TRP14.55 | Early school leavers (ET 2020 headline target) | % of 18-24-year-olds with at most lower secondary education and not in further education or training | 6.2 | 10 | 12.0 | 3.7 | 23.6 |
| TRP14.46 | Tertiary educational attainment (ET 2020 headline target) - | % of 30-34-year-olds who have successfully completed university or university-like education | 24.1 | 40 | 36.9 | 52.6 | 22.4 |
| TRP14.68 | Achievement in reading, maths and science (ET 2020 target) – 2012 | % of pupils with low performance in the reading scale (Level 1 or below) | 18 | 15 | 17.8 | 9.1 | 39.4 |
| | | % of pupils with low performance in the mathematics scale (Level 1 or below) | 28 | | 22.1 | 10.5 | 43.8 |
| | | % of pupils with low performance in the science scale (Level 1 or below) | 35 | | 16.6 | 5.0 | 38.0 |
| ADD.1 | Lifelong learning (ET 2020 target) | % of 25-64-year-olds participating in education and training | No data | 15 | 10.5 | 31.4 | 1.7 |
| TRP14.30b | Employment rate (20-64-year-olds) (ET 2020 headline target) | | 73 | 75 | 68.4 | 79.8 | 53.2 |

Lessons learned from this exercise and recommendations

- More state programmes are needed for lifelong learning, ALMP programmes.
- More statistical data collection.
- Work group with Ministry of Labour and Social Protection of Population, Ministry of Education, State Statistical Committee of the Republic of Azerbaijan.

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| Early school leavers (ET2020 headline target) Below 10 % | 6.2 % of 20-24 years old with at most lower secondary education and not in further education or training |
| Tertiary educational attainment (ET2020 headline target) At least 40% | 24.1% of 30-34 years old who have successfully completed university or university-like education |
| Achievement in reading, maths and science (ET2020 target) – 2012 15% | 18% of pupils with low performance in the reading scale (Level 1 or below) |
| | 28% of pupils with low performance in the mathematics scale (Level 1 or below) |
| | 35% of pupils with low performance in the science scale (Level 1 or below) |
| Lifelong learning (ET2020 target) 15% | No data available % of 25-64 years old participating in education and training |
| Employment rate (20-64) (ET2020 Headline Target) 75% | 73 % |

- No data was available for those aged 18 to 20 but indicators are for early school leavers in the 18 to 24 age bracket. In Azerbaijan, school dropouts are mostly in rural areas but in urban areas those who drop out are mostly IDPs, refugees or other vulnerable groups.
- Azerbaijan is not taking part in PISA, the data is available for the 2011 TIMMSS evaluation.
- Tertiary education attainment among those aged 30 to 34 is low. The reason for this is a cultural tendency to study at an early age for a bachelor degree and then to enter the labour market, which indicates a lack of interest in lifelong learning or adult education.
- There is no data available on lifelong learning.
- According to the statistics, the employment rate of 73% for 20 to 64-year-olds is close to the EU target. However, youth unemployment is still a problem and young people account for 52% of unemployed people. There is a need for the workforce and human capital to match labour.

ACRONYMS

| | |
|--------|--|
| ALMP | Active labour market policy |
| AZN | Azerbaijani manat |
| BBTC | Baku Business Training Centre |
| ENPI | European Neighbourhood and Partnership Instrument |
| ETF | European Training Foundation |
| EU | European Union |
| GDP | Gross domestic product |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| ICT | Information and communications technology |
| IDP | Internally displaced person |
| ILO | International Labour Organisation |
| IVET | Initial VET |
| NQF | National qualifications framework |
| OECD | Organisation for Economic Cooperation and Development |
| PISA | Programme for International Student Assessment |
| PPP | Public-private partnership |
| RPL | Recognition of prior learning |
| SME | Small and medium-sized enterprise |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| VET | Vocational education and training |

REFERENCES

The statistical information was provided by the following sources:

- the Ministry of Education of the Republic of Azerbaijan
- the Ministry of Labour and Social Protection of the Population of the Republic of Azerbaijan
- the Ministry of Economy and Industry of the Republic of Azerbaijan
- the State Statistical Committee of the Republic of Azerbaijan

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