

AZERBAIJAN

COUNTRY STRATEGY PAPER 2017-20

2018 UPDATES



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A. COUNTRY CONTEXT

Azerbaijan's economy was classified in 2015 as a higher middle-income country with a GDP per capita of 17,740 (current international \$ in PPP) up from 15,754 in 2011 (World Bank). The growth rate was positive even during the world economic downturn. The economy has slowed significantly over the past two years due to the drop in oil prices. GDP grew by only 1% in 2015, down from 5.8% in 2013. In 2016 the World Bank expects a negative growth rate of 1.9%. The increase in GDP in 2014-15 is due to the non-oil sector (growth of 7.5%)¹. The development of the oil and gas sector has had a direct influence on activity in the non-oil sector, in line with the national oil strategy. The main priority of current economic policy is the further diversification of economic development – shaping the structure of the country's economy, making progress in the non-oil sector, creating an innovative economy, increasing competitive product manufacturing and exports. Investments have been made in several areas of the economy in an effort to replace imports, including: support for the agrarian industry, water reserves, new large techno-parks, cement plants, shipyards, and metallurgy.

Azerbaijan's workforce is medium-qualified (nearly 70% hold at least an upper-secondary qualification), whereas the low-skilled (graduating at most from compulsory education) accounted for less than 10% (one of the lowest in the region). Good progress was made in up-skilling the workforce and the share of high-skilled workers now represents more than a quarter of the workforce.

The situation in the labour market in 2015 was characterised by a slight increase in the activity rate to 65.4% (up from 64.4% in 2011); with minor differences between men and women (68.5% for male and 62.4% for female). The country has a relatively high employment rate that stood at 73.1% in 2015. The employment rate is high for both men and women, reaching 76.8% for men and 69.5% for women in 2015. The youth unemployment rate (for those aged 15 to 24) reached 13.4% in 2015, a slight decrease from 14.7% in 2011. Half of the workforce is employed in services and one-third in agriculture, however only some 7% of GDP is generated in agriculture, suggesting that it is rather subsistence-type. All these numbers suggests a good employability of the workforce.

VET is trying to catch up with these positive labour market developments. The share of vocational students in secondary education represented 19.7% (in 2014), rising from 17.38% in 2011. Enrolment in VET is still a relatively low, but its attractiveness is clearly improving. More than half of upper secondary students followed a vocational programme in 2014, up by 4 percentage points in 2011.

The development concept "Azerbaijan–2020: Look into the Future" aims to improve the conditions for the emergence of a knowledge-based economy. In order to form a modern education system, the concept foresees the reinforced integration of Azerbaijan's education system into global and European environments. It prioritises the development of the non-oil sector, the establishment of an innovative and competitive national economy, the development of human resources and the establishment of a world-standard education system. In March 2016, the President issued a further decree for the development of strategic roadmaps for eight priority sectors that are critical for diversifying the economy, in order to improve export competitiveness, increase the efficiency of domestic markets and substitute imports with local production. The sectors concerned are four manufacturing sectors (oil/gas, agriculture, production of consumable products, heavy and engineering industries), two service sectors (specialized tourism, logistics and trade), and social sector (affordable housing) and vocational training as a transversal issue. The road maps will focus

¹ Torino Process report - Azerbaijan 2014.

on short, medium and long-term development until 2025 and will require a well-qualified human resource base.

In October 2014, the State Strategy on the Development of Education in the Republic of Azerbaijan was approved by Presidential Decree, which outlines five strategic directions:

- the creation of person-oriented education based on competences;
- the modernization of human resources in the education sector;
- the establishment transparent, responsible for results and effective management mechanisms;
- the establishment of education infrastructure which meets modern requirements and ensures lifelong education;
- the establishment of an education financing model which is economically sustainable and in line with standards of leading education systems of the world.

These documents formulate long-term vision for the development of education and partially VET. The “Action Plan on the Implementation of the National Strategy for the Development of Education in the Republic of Azerbaijan” was approved by the Decree in January 2015. Step-by-step transition to 12-year general education has started in line with the Action Plan. 12-year education envisions soft specialisation in the last two years of schooling, which will serve for more effective progression to vocational education. The Action Plan also provides for creation of a legislative framework for recognition of competences acquired through non-formal and informal learning.

The Strategic Roadmap of the VET Sector and its draft from November 2016 sets the following strategic goals:

- Ensure improved normative, legal, economic and information bases for VET;
- Form new positive image of VET;
- Create management structure of VET providers based on improved public-private partnership;
- Create a rationalised and optimised network of public VET providers;
- Increase attractiveness of the VET system for the private sector;
- Create VET providers with modern infrastructure, material, technical and training basis;
- Achieve financing of the VET system on the basis of a new economic model;
- Ensure updated content in VET providers in line with modern requirements;
- Train engineering and pedagogical staff in the VET system to meet requirements of the labour market;
- Increase level of employment of VET graduates;
- Reduce poverty, crime and other negative cases by increasing employment.

Since 1999, the Partnership and Cooperation Agreement (PCA) has provided the legal framework for EU-Azerbaijan bilateral relations in the areas of political dialogue, trade, investment, and economic, legislative, and cultural cooperation. With the inclusion of the countries of the South Caucasus into the European Neighborhood Policy (ENP) in 2004, the EU decided to extend its cooperation with Azerbaijan beyond the 1999 PCA. The ENP action plans (or Association Agendas for eastern partner countries) set out the partner country's agenda for political and economic reforms, with short and medium-term priorities of three to five years reflecting the country's needs and capacities. In this context, it will build solid foundations for further economic integration based on the adoption and implementation of economic and trade-related rules and regulations with the potential to enhance trade, investment and growth. Education is one of the priorities for EU cooperation with Azerbaijan.

B. VET AND SKILLS IN THE COUNTRY: OVERVIEW, PROGRESS AND MID-TERM PRIORITIES

Azerbaijan is an example where skills demand is much higher than the supply of VET graduates. The Ministry of Education declared VET as a mid-term priority for 2016-20. The State Programme for VET 2015-20 was been formulated on the basis of a wide stakeholder consultation, and among other issues, emphasises the preparation of proposals for state-business partnerships.

A total of 112 initial vocational training institutions currently operate in VET secondary education in Azerbaijan. Of these, 108 are public institutions, under the Ministry of Education, two are private and another two are public institutions under other bodies. A total of 61 institutions operate in the post-secondary system. Of these, 47 colleges are under the Ministry of Education, one is a private college and 13 institutions are subordinated to other bodies. Optimisation of the network of public VET providers in the country is ongoing. In November 2016, the Ministry of Education has prepared and submitted to the Cabinet of Ministers a draft decree on rationalisation of the network of IVET institutions in Baku and Ganja cities. The draft decree provides for the establishment of 11 specialised vocational education centres in Baku city on the basis of existing 26 and 2 vocational education centres in Ganja city on the basis of 6. The main reason is to effectively use the available resources for improving quality of VET provision.

Compared to 2014, VET has become more important. In particular, VET reforms are taking place through new pilot projects. While state funding for VET has increased, public-private partnerships (PPPs) started to emerge. In terms of progress and mid-term priorities, the 2016 ETF Torino Process analysis identifies the following:

Structural changes in the Ministry of Education and in the institutional framework for VET are evolving. Secondary VET and adult education moved to the higher education department in 2015, while initial VET remains a department on its own. The President decree on the Establishment of a State Agency for Vocational Education under the Ministry of Education was signed in April 2016.

The Agency is taking functions of the Ministry in the sphere of developing and implementing IVET policy. There are plans to abolish the department for Initial Vocational Education in the Ministry when the Agency is functional. The Agency will have considerably bigger capacity than the IVET department of the Ministry for implementing changes in the area of IVET – 42 staff compared to 6 currently working in the department. The Agency prepares and implements programmes in the

framework of the joint public-private partnership efforts with employers to improve the efficiency of vocational training at initial VET institutions. Some of the tasks of the VET agency include:

- to ensure the development and implementation of competency-based, result-oriented education standards and curriculum (programmes) for initial VET;
- to take part in the preparation and forecasting of training for specialists at initial VET institutions according to the needs of the labour market for professions and specialities;
- to cooperate with entrepreneurs, their unions, sector associations for the development of education standards and curricula for relevant professions;
- to promote the application of innovation in the learning process using modern education technologies;
- to review and drive the implementation of best practice in initial VET.

The links between VET and labour market policies have been considered and highlighted in the ‘*Azerbaijan–2020: Look into the Future*’ development concept. What is missing are mechanisms to improve consultation and coordination processes that ensure the effective participation of stakeholders, including public and citizens at large. This will eventually lead to improvements in VET policy.

Cooperation between schools and enterprises is emerging and needs to be developed further. Most schools limit this cooperation to the placement of interns in industry, allowing them to gain experience in large, medium or small enterprises. Two large enterprises in the country (Azersun and SOCAR) have signed a memorandum of cooperation with the Ministry of Education, which includes the provision of employment. There are plans for future projects to strengthen links and involve enterprises in the VET process (in the construction, tourism and service sectors).

The AzQF was developed in 2011/12 based on the new Law on Education (2009). It is mentioned as a tool in the Education Development Strategy (2014) and in a national report on the progress of the implementation of the Bologna Process (2015). The AzQF concept was developed by the Ministry of Education and Ministry of Labour and Social Protection of the Population with the support of the ETF and the World Bank. The AzQF is also directly linked to the country’s efforts to prepare for integration into the Bologna Process. So far, the AzQF Decree has not been adopted. The Minister of Education wants to increase the engagement of stakeholders in the of implementation process before it is formally adopted. The Ministry of Education has formally established in August 2016, a secretariat for coordinating activities for finalising the draft AzQF and for reviewing the Action Plan for its implementation (2016-2022). In the Ministry of Labour a new division for professional standards has been established, which focuses on the development of professional standards, skills needs assessment and anticipation to tackle unemployment issues, and establishing an anticipation system. The draft AzQF is designed for the recognition of lifelong learning and is consistent with the provisions of the two overarching European qualifications frameworks: the Qualifications Framework of the European Higher Education Area (QF-EHEA) and the European Qualifications Framework for Lifelong Learning (EQF).

Overall, important progress in VET reforms has been made. The reforms are now implemented more widely and there is an emphasis on optimising VET provision, management, teacher training and retraining. The training and technical capacity of vocational schools is gradually improving, and pilot projects with international partners have been launched. Nevertheless, to support a well-qualified workforce, the education and training system will need to undergo substantial changes, improving not only the formal education system but strengthening adult learning provision as well and creating more

lifelong learning opportunities. The latter is particularly important as national statistics show (2014, AZSTAT) that only 45% of school graduates specialise, while the majority of young people are still leaving education with general education. This has been a prevailing trend for many years. In practical terms, the majority of the labour force has acquired its skills through non-formal and informal learning, usually on-the-job training.

C. EU AND OTHER DONORS SUPPORT TO VET AND SKILLS

The EU provides substantial support to reforms in the HRD sector in Azerbaijan. The EU provided technical assistance in 2014 and 2015 under a project entitled *Support to the Ministry of Education of the Republic of Azerbaijan in Strengthening VET Sector Management and Reforms in a Quality Assurance System for VET and Higher Education*. The project resulted in 11 recommendations for VET and higher education, including adopting the NQF, bringing VET provision in line with the NQF levels, strengthening external quality assurance for all educational levels and sectors, establishing a national VET agency, improving support services to providers for the content of VET, strengthening coordination between stakeholders, establishing a high level VET committee, rationalising VET provision, introducing apprenticeships, improving labour market intelligence, establishing sectoral councils for priority sectors and school boards including stakeholders from the world of work.

The **Single Support Framework for Azerbaijan 2014-17**, which will be implemented beyond 2019, focuses EU assistance on a limited number of sectors selected which are also on the government's list of priorities. Education and the skills sector is part of this.

The **Annual Action Programme (AAP) 2014** allocated €19 million for education and skills. Specific objectives include: *enhancing the quality and relevance of the education system focussing on higher education and VET; increasing the attractiveness and labour market relevance of all levels of VET; strengthening civic participation, governance and inclusiveness of the education system*. The programme includes:

1. Twinning for the further adherence of the higher education system to the European Area for Higher Education, focusing on quality assurance processes for higher education and the use of learning outcomes,
2. Technical assistance for support to VET reform implementation,
3. Technical assistance for the development and implementation of the NQF, and
4. A grant scheme for multifunctional training centres to support the five strategic directions of the national strategy for education development,

In June 2016, the government approved the fields for cooperation within the **Annual Action Programme (AAP) 2016**. The AAP Technical Cooperation Facility (TCF) is designed to provide targeted capacity development to the economic diversification reform agenda of the government of Azerbaijan in the areas of financial, economic and judicial governance. One of the main results expected in the area of economic governance is related to strengthened institutional and administrative capacity of key economic governance institutions, such as the Ministry of Economy and relevant departments and agencies, the Ministry of Labour and Social Protection of the Population, the Standardisation Committee, the Central Statistics Committee and other relevant bodies and agencies in line with EU standards and best practice. In the area of economic governance (expected results 2), targeted support will be provided to the Ministry of Labour and Social Protection of the

Population to *strengthen capacity for skills anticipation and workforce planning and provide training and skills development to meet the human resources needs of SMEs and other actors in the labour market.*

Apart from a significant EU presence in the sector, other donors are also active. Based on information available from the MoE, in next three years, it is estimated that donors will contribute about €50 million to VET and education and training.

GIZ has been working in the VET sector for the past three years in the country, originally attempting to create bridges between the private sector and the education system. GIZ is involved in vocational qualification development as well as in the development of the VET system through leadership training and with policy advice. The British Council has been active with two initiatives targeting competences of students and teachers (2015-16) and developing an apprenticeship system in the hospitality sector (2015-17).

Rogaland Education and Training Centre funded by the Norwegian Ministry of Foreign Affairs implements a project entitled “*Developing and strengthening VET in Azerbaijan*”. The project envisages support to the Ministry of Education in the development of a policy matrix for the monitoring of VET priorities. The project will also develop curricula for three pilot vocational schools in regions and provide appropriate training to education providers in the schools.

In April 2014, an arrangement between the governments of South Korea and Azerbaijan for a loan from the Economic Development Cooperation Fund for a project to establish 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 the Korean EximBank with a budget of USD 39.28 million. 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 provided.

D. ETF MID-TERM INTERVENTION STRATEGY IN THE COUNTRY

Given the intensity of activities in the sector of education and skills and the fact that currently there are number of donor related activities in the field, the **ETF mid-term intervention strategy 2017-20** is to support a sustainable approach to policy objectives, as they have been defined in the EU Single Support Framework 2014–17. The expected long-term impact will be the strengthening of the education and training sector, taking into consideration its high priority for sustainable socio-economic development, competitiveness and employment.

Specific objective 1: To support the EU Delegation in the different phases of the EU external assistance project cycle in the field of VET and employment in Azerbaijan.

Rationale: EU support for the education system is substantial and divided over different inputs, as the government declined the opportunity for a sector operational programme with direct budget support. The ETF's expertise is seen as essential in ensuring the quality of the different actions proposed. This has been confirmed by an exchange of letters with the EU Delegation.

The ETF provided support for the design and operationalisation of the AAP 2014, the implementation of which will start in 2017. In particular, the ETF contributed to the technical assistance for VET

Support to VET reform implementation project that aims to enhance the attractiveness and labour market relevance of all levels of VET. Specific objectives are as follows: to improve VET policy and the regulatory framework, thereby promoting lifelong learning opportunities and activating participation of social partners; to improve the VET multi-level management system and governance including sector coordination at the central and local level; to develop VET qualifications (education standards) and curricula linked to occupational standards and introduce it in priority sectors; and to support the Ministry of Education in the monitoring of VET reforms. In this project, certainly the most important issue is to support the development of the newly established VET agency, which will become fully operational by the start of the project. The agency is a direct beneficiary of the intervention.

The ETF also designed the technical assistance for the NQF *Support to the implementation of an NQF in Azerbaijan*; with the main objective of enhancing the quality and relevance of the education and training system supporting economic diversification, creating opportunities for lifelong learning, and fulfilling the Education Development Strategy in line with European and international best practice. The specific objectives are: to ensure the effective implementation of NQF, to test education standards for competency-based education provision and to introduce relevant education standards in pilot sectors; to improve assessment and quality assurance of assessment and certification processes; to facilitate lifelong learning through the validation of non-formal and informal learning and credit transfer. Its design is expected to be completed by the end of 2016, with ETF support.

The ETF will ensure expert/content support as requested by the EU Delegation:

- Inputs to monitoring and evaluation of the “Education Support Programme in Azerbaijan”, including the technical assistance project on VET, the technical assistance project on NQF, the twinning project on modernising the State Employment Services and grant schemes for vocational schools (AAP 2014)
- Identification and formulation of skills anticipation and workforce planning project (AAP 2016)

Expected result by 2020: The relevance, efficiency and effectiveness of EU external assistance in the field of human capital development in Azerbaijan is enhanced by ETF support and expertise in the different phases of the project cycle as requested by the EU Delegation.

Specific objective 2: To support the national key stakeholders to improve Inter-Agency/ Interinstitutional cooperation and coordination in the NQF reform process, as part of overall VET reform.

Rationale: Whereas the EU *Support to VET reform implementation* project and the grant scheme for multifunctional centres have a clear beneficiary with the recently established VET agency, the situation with *Support to implementation of NQF in Azerbaijan* is more complex. Due to staff changes in the Ministry of Education, most of the staff that were involved in developing the NQF have been changed, and the structure of the ministry has been modified significantly, making it necessary to find a suitable institutional home for the NQF. Another challenge is the lack of good coordination mechanisms between the Ministry of Labour and Social Security of the Population and the Ministry of Education. The Ministry of Labour and Social Security of the Population is responsible for the anticipation of skills needs, the maintenance of the classifier of occupations and the development of occupational standards that are the basis for modernising state education standards and curricula by the Ministry of Education. The Ministry of Education is the beneficiary of the *Support to the implementation of NQF in Azerbaijan* technical assistance project. Support is foreseen only under the AAP 2016 for the anticipation of skill needs for the Ministry of Labour and Social Security of the Population, but the actual implementation is not expected to start before 2018. To this complexity is

also added the newly established VET agency. The Director was appointed in July 2016 and approval has been requested for the appointment of around 45 staff for the different departments.

In these circumstances, ETF support is necessary, to ensure that key stakeholders can gradually ensure better coordination between the two technical assistance projects that cover the development of different standards relevant for the NQF. It has been agreed with the EU Delegation that the ETF will use its expertise to support the Ministry of Labour and Social Security of the Population to prepare for future EU actions. In that context, the ETF will evaluate the development and use of occupational standards in 2017 (under the responsibility of Ministry of Labour and Social Protection of Population) and how to link them better with state education standards. The ETF will also update the NQF inventory, as a cross-country monitoring tool, and together with the Work based learning report, and the results of the 2016 Torino Process report these will be the basis for monitoring and information sharing with national stakeholders, EU projects and other donor initiatives.

Expected result by 2020:

2.1. The Ministry of Education, Ministry of Labour and Social Protection of Population, VET Agency and other relevant stakeholders cooperate effectively for the implementation of the NQF and VET reform process.

2.2. Ministry of Education and Ministry of Labour and Social Protection of Population have operationalised NQF and an ambitious programme for modernising VET standards is in the process of implementation.

In addition to activities related to the specific objectives of the ETF mid-term intervention strategy 2017-20 in Azerbaijan, the ETF will support **EU external assistance related bilateral policy dialogue**:

- Annual country fiche to DG Employment
- ENP Action Plan Progress assessed for the education and skills components upon request
- Inputs to the Mobility Partnership dialogue and monitoring upon request

In the context of the ETF corporate initiatives, the ETF will continue involving Azerbaijan in the **Torino Process**: the system-wide policy analysis and monitoring progress exercise implemented periodically by the ETF. The 2017-20 period will cover the closure of the 2016 round and the implementation of the 5th round in 2019. The specific modalities for national implementation in 2019 will be agreed according to the 2016 results and the specific development of the monitoring processes in the country. In between the two rounds, the ETF will continue the policy dialogue with all countries on policy analysis and system-wide progress monitoring through VET monitoring forums at regional and international levels.

In the period 2017-20, the ETF will continue to support the EC (DG GROW) with analysis and reporting on the country's progress on the human capital pillars of the Small Business Act for Europe (SBA). The ETF's SBA work forms an integral part of the wider EU support to the country in the framework of the Eastern Partnership.

The SBA assessments are run biennially and focus on entrepreneurial learning, women's entrepreneurship and SME skills. The next assessment will take place in 2018. The entrepreneurial learning dimension will be assessed in line with the new European Entrepreneurship Competence

Reference Framework [1]. Follow-up, customised support to the partner country on human capital areas will depend on the specific requests from the government, the European Commission and according to available resources.

Azerbaijan will also participate in other **regional transversal actions**. Under EaP Platform 2 the **Make-it-Match network** will continue operating in 2017 to strengthen a coordinated approach to skills anticipation and matching. Furthermore, the **regional project ‘Skills Connexion’** to strengthen work-based learning (WBL) actions in the Eastern Partnership and Kazakhstan will finish in 2017 by providing work-based learning policy recommendations and developing capacities. Follow-up actions are expected to include a regional work-based learning platform and targeted country actions to support work-based learning implementation in selected countries.

E. 2017 ACTION PLAN

Specific objective 1: To support the EU Delegation in the different phases of the EU external assistance project cycle in the field of VET and employment in Azerbaijan.

The ETF will provide inputs to monitoring and evaluating the *EU Education Support Programme*, including the technical assistance project on VET, the technical assistance project on NQF, twinning project on modernising the State Employment Services and grant schemes for vocational schools (AAP 2014). This will include developing a monitoring plan, inputs to monitoring and project progress reports and the observatory role in the steering committees of the projects.

The ETF will support the EU Delegation in the identification and formulation of a project in the field of skills anticipation and workforce planning (AAP 2016). The work starting already in the second half of 2016 will focus on stakeholder consultation and drafting the necessary project documents such as the Action Document.

Specific objective 2: To support the national key stakeholders to improve Inter-Agency/ Interinstitutional cooperation and coordination in the NQF reform process, as part of overall VET reform.

The ETF will **evaluate the development and use of occupational standards** in 2017 (under the responsibility of the Ministry of Labour and Social Protection of Population) and how to link them better with state education standards. This will include mapping the development and use of occupational standards and drafting of an evaluation report. The ETF will also update the NQF inventory, as a cross-country monitoring tool, and together with the work-based learning report, and the results of the 2016 Torino Process report these will be the basis for monitoring and information sharing with national stakeholders, EU projects and other donor initiatives.

[1] Joint Research Centre, EntreComp: The Entrepreneurship Competence Framework, JRC Science for Policy Report, European Union, 2016.

F. 2018 UPDATES

Short update on key country developments in the field of VET and skills and on EU and donor cooperation

2016 was a year of economic recession for Azerbaijan, the first in two decades. The Azeri economy contracted by 3.8% in 2016, driven by a fall of 5.4% in non-oil sector output. Azerbaijan's economy is likely to experience another year of negative growth in 2017 despite the anticipated recovery of oil prices. Azerbaijan has been proactive in reforming its business environment, introducing, for example, a one-stop-shop company registration scheme and a best practice e-government portal. The country ranks 65th out of 190 countries in the 2017 Doing Business report². Globally, Azerbaijan is in fifth place in the ranking of 190 economies on the ease of starting a business, and shows overall improved performance.

Important policies have been developed in the last two years, focusing on VET and skills issues. In 2016, VET became one of the top priorities and it features across all Strategic Roadmaps that were adopted in December 2016 to boost the economy and competitiveness. These policy documents focus on diversifying the economy, the stock of knowledge and skills available, developing the knowledge economy, adjusting education to labour market requirements, etc. In January 2017, the Ministry of Education, supported by the Agency for VET, started drafting the first ever Law on VET in Azerbaijan. The Law will serve to establish a sound and modern VET system in the country.

In August 2016, the Ministry of Education formally established a secretariat to coordinate activities to finalise the draft AzQF and to review the action plan for its implementation (2016–22). The draft AzQF is designed to recognise lifelong learning and is consistent with the provisions of the two overarching European qualifications frameworks: the Framework for Qualifications of the European Higher Education Area (QF-EHEA) and the European Qualifications Framework for Lifelong Learning. A new division for professional standards was established in the Ministry of Labour and Social Protection of Population (MoLSPP) during the summer of 2016. It is focused on the development of professional standards; skills needs assessment and anticipation to tackle unemployment issues; and the establishment of an anticipation system. The Draft Employment Strategy for 2017-30, has been prepared and is currently in the process of internal consultation.

The EU provides substantial support to education and training. The Annual Action Programme (AAP) 2014 contributes a total budget of €19 million to the sector. Within this programme, substantial focus is placed on the development of VET in Azerbaijan. The intervention covers:

- Technical assistance for support to VET reform implementation (EUR 3.2 million) which became operational in February 2017. The key beneficiary is the Agency for VET;
- Technical assistance for the development and implementation of the NQF (EUR 2.8 million) which is expected to be in place Q4 2017. The key beneficiary is the Ministry of Education;
- A grant scheme for multifunctional training centres to support the five strategic directions of the national strategy for education development (EUR 6.2 million). The implementation of the grant scheme started in October 2017. The key beneficiaries are selected VET schools in the regions.

Donors are very active in VET sector in Azerbaijan:

² World Bank. 2017. *Doing Business 2017: Equal Opportunity for All*. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO

British Council supports the VET sector and the following projects are being implemented:

- Skills for the World of Work Project; whose objective is capacity building of selected VET school teachers; and introducing an apprenticeship programme for selected students by AzerCell (2015-17);
- Access to the Hospitality and Apprenticeship Scheme Project; whose objective is developing curricula in partnership with industry; training teachers in the hospitality management qualification and introducing an internship programme for students (2015-17).

In 2016, **GIZ** completed the implementation of the leadership and management pedagogical training project. The objective of the project was to strengthen leadership and management skills among VET school senior managers, didactical and pedagogical skills of teachers, and masters in the participating vocational schools. A Master Trainer in TVET Programme course, i.e. training programme for selected experts from TVET at regional level, was completed. GIZ also completed a project to support the establishment of a VET Centre based on the model of dual education. The objective was to support the establishment of vocational training centres in selected sectors and regions, by introducing education programmes to meet the demands of the sector. The focus was on Gabala VET Centre.

Foundation Rogaland Training and Education Centre (RKK), is implementing the project AzNec – to develop and strengthen vocational education and training in Azerbaijan, which will come to an end in 2017. The objective of the project is to support the creation of content, methodology and infrastructure meeting modern VET system requirements. Priority areas of the project are: capacity building of teachers and managers; establishment of pilot regional VET schools; development of curricula and education resources.

Korea Eximbank is supporting the project to establish a modern Vocational Training Centre for industrial occupations. The objectives are to ensure the availability of a new workshop and dormitory, including construction and equipment supply; development of curricula and textbooks for eight VET profiles and training of teachers.

British Petroleum is supporting the establishment of a modern Vocational Training Centre, with development of curricula and training materials; teacher training; school management and income generation in the VET school.

Assessment of the progress towards achievement of ETF mid-term objectives and results with horizon 2020

Specific objective 1: To support the EU Delegation in the different phases of the EU external assistance project cycle in the field of VET and employment in Azerbaijan.

Upon request from the EU Delegation, the ETF drafted the terms of reference for the above-mentioned technical assistance for the NQF and contributed intensively to the terms of reference of the technical assistance in VET and the design of the grant scheme. The EU Delegation has also requested ETF support to monitor the EU Education Support Programme.

Therefore, in 2017, the ETF started joint monitoring an accompanying exercise with the EU Delegation and the national key stakeholders, focusing on the Action Grants. A workshop brought together representatives from the EU Delegation, donors, VET TA and the Grants was organised on 3 and 4 October in Baku to clarify and raise awareness about the objectives of the grant scheme and activities and to set-up a participatory approach to monitoring it. The workshop also provided an opportunity for the VET grant beneficiary schools to learn about two examples of school development

from EU Member States. The workshop was followed by a joint field mission (EU-ETF-donors-ministries-final beneficiaries) to one of the selected schools.

The four Action Grants (each worth about EUR 1 million) are the following:

- Establishing dual-like VET pilots in agriculture and tourism in the Gabala, Ismayilly and Gakh districts, GIZ;
- Supporting the establishment of Regional Industrial VET Competence Centre in Ganja, UNDP;
- Establishing a Regional VET Centre of Excellence in Lankaran Economic Region, UNDP;
- Modernising Barda Vocational Lyceum, LGA.

Specific objective 2: To support the national key stakeholders to improve Inter-Agency/Interinstitutional cooperation and coordination in the NQF reform process, as part of overall VET reform.

The ETF is supporting key stakeholders in Azerbaijan to understand the underlying features and advantages of having an overall national qualifications framework. At the request of the Ministry of Education, the ETF supported the development of a new implementation plan for the NQF which was discussed with more than 100 stakeholders in February 2016 <http://edu.gov.az/en/page/9/12071>.

Based on a request from the EU Delegation, the ETF developed draft Terms of Reference for Technical Assistance for the development and implementation of the NQF which were discussed with colleagues from the Ministry of Education and EU Delegation staff in April 2016.

In order to ensure a better use of occupational standards, the ETF worked closely with the Ministry of Labour and Social Protection of the Population to raise awareness among ministry staff of international good practice in the use of occupational standards. A study visit took place to Estonia in autumn 2016, supported by TAIX and co-funded by the ETF. The ETF supported the training of two ministry staff in Turkey in 2017, and assisted the MoLSP in the developing the regulatory framework for occupational standards. In 2017, the ETF carried out an evaluation on the use of occupational standards in Azerbaijan.

Specific objective 3: To support key national stakeholders to develop a sustainable observatory function of the labour market and skills dynamics

Rational: Based on links and partnerships within the ETF regional Make it Match action, in 2017 the ETF intensified its cooperation with the MoLSP, in preparing conceptual and methodological bases for a future Labour Market and Skills Observatory. The cooperation is based on the conclusions from the presentation and debate on systematic approaches to skills anticipation, organised by the Ministry of Labour and Social Protection of Azerbaijan (MLSP), for the minister and the staff, in February 2017 in Baku. The follow-up steps have been undertaken, and this included a paper outlining the generic vision, objectives and possible development steps for the Skills and Labour Market Observatory of Azerbaijan (drafted by the ETF); a policy and technical note addressed to the Minister of Labour and Social Policy (drafted by the department of Employment Policy and Demography – DEPD). These steps confirmed the importance and relevance of ETF support in 2017 to prepare the necessary conceptual and methodological basis for a future Labour Market and Skills Observatory.

Given the intensity of activities in the sector of education and skills, including a number of donor related projects in the initial VET sector, it is proposed that in 2018 ETF work on skills in Azerbaijan is further integrated into the ETF mid-term intervention strategy 2017-20. Support to skills policies is an important area of the EU Single Support Framework 2014–17, and it also features high on the agenda of the government. Furthermore, as VET policies focusing mainly on initial VET are well supported

through the interventions of the EC and various donors, it is recommended that ETF emphasis is also placed on skills issues. In 2018, ETF should invest resources through the SP Employment project.

Expected results by 2020: 3.1. Ministry of Labour and Social Protection of Population have operationalised labour market observatory function and its ambitious programme for modernising VET standards is in the process of implementation.

2018 Action Plan

Specific objective 1: To support the EU Delegation in the different phases of the EU external assistance project cycle in the field of VET and employment in Azerbaijan.

In 2018, ETF will continue to provide support to the EU Delegation in Baku to ensure input in the monitoring of the on-going EU interventions. Overall, as per the exchange of letters with the EU Delegation, emphasis will be put on providing inputs to monitoring the "Education Support Programme in Azerbaijan" (AAP 2014).

EC technical assistance supporting AzQF will be operational in 2018. Expertise support will be needed, particularly in Q1 and Q2 of 2018, to ensure that methodological approach on the QF is clarified, and this will be integrated into EC technical assistance activities. As the current VET reform project also has a curriculum component (focused on learning outcomes), it is expected that ETF expertise support will be needed in particular in relation to monitoring progress and better methodological integration of areas of concern in the development of the AzQF.

Furthermore, the ETF will provide support to the EU Delegation in the identification and formulation of the workforce planning and skills anticipation EU intervention to be financed under the AAP 2016.

Upon requests from the European Commission or the EU Delegation, ETF will provide support to the EU – Azerbaijan bilateral policy dialogue:

- Follow-up of Mobility Partnership;
- Delivery of annual country fiches to DG Employment.

Specific objective 2: To support the national key stakeholders to improve Inter-Agency/Interinstitutional cooperation and coordination in the NQF reform process, as part of overall VET reform.

ETF support will be needed to continue to integrate occupational standards into the AzQF but also in skills policies in Azerbaijan. ETF work will continue in relation to raising awareness about the outcomes of the evaluation implemented in 2017 on the usage of occupational standards in Azerbaijan. The evaluation is providing clear recommendations as to how to better use existing standards, and how to develop new mechanisms to increase the ownership of new standards that need follow up with specific international and national expertise on redesigning the development process and improving access and awareness about standards. In 2018, the NQF inventory on Azerbaijan will be updated, based on monitoring the developments. ETF will also provide content inputs for EU Delegation, MoE, VET Agency and MoLSPP to ensure a coordinated approach to the implementation of the AzQF.

Specific objective 3: To support the national key stakeholders to develop sustainable observatory function of the labour market and skills dynamics.

The MoLSPP is committed to a gradual approach to build a sustainable observatory function of labour market and skills dynamics. In 2018, ETF will continue to work with the MLSP, following the agreed roadmap for development of a labour market and skills observatory (or observatory function) in

Azerbaijan. It is expected that by end of December 2017, Azerbaijan will sign the 2016 EC Action Document, where about EUR 2 million are foreseen as EC Technical Assistance for developing skills anticipation policies. The support under SP Employment will be preparing key stakeholders for this upcoming technical assistance on skills matching.

Furthermore, the ETF will continue its support in the area of evidence-based policy analysis and system-wide progress monitoring. All countries will be invited in early 2018 to kick off preparations for the fifth round of the Torino Process, with the scope of agreeing on terms of implementation by end of 2018. The preparation phase will involve countries primarily through online consultations and capacity building activities involving appointed national coordinators and key working group members.

All countries will be invited to join the kick-off meeting which will take place in Q4 2018 in Turin. Countries aiming at implementing the Torino Process at sub-national level too will be offered specific support in 2018 in view of preparing regions and cities for the round of analysis. A new national data collection exercise aimed at acquiring more in depth data, mapping gaps, mapping sources and recurrence of data collection in the area of VET and Skills will be launched in 2018.

Also as part of evidence-based policy analysis in the second half of 2018, a next round of SBA assessments will kick off with national launch meetings followed by country-based assessments in 2019.

Azerbaijan will also participate in other regional transversal actions. The ETF will continue to support the Make-it-Match network which aims to strengthen the coordinated approach to skills anticipation and matching. Furthermore, the follow-up action to the regional project 'Skills Connexion' aiming to strengthen work-based learning (WBL) in the Eastern Partnership and Kazakhstan, will focus on capacity building through a modular blended learning course on WBL capacities and a regional WBL Platform.