



ARMENIA

ETF COUNTRY PLAN 2007

1. Socioeconomic background

Armenia is a resource-poor country, with a per capita GDP of 893.9 USD (2003).¹ However, strong growth in recent years was instrumental in reducing poverty from 50.9% of the population in 2001 to around 42.9% in 2003.² By 1993 GDP had shrunk to less than half the 1990 level, but from 1994 to 2003 GDP growth averaged 8.2% per annum, and between 1998 and 2003, the average real GDP growth rate was 7.7%.³ In 2005, the GDP growth rate reached 13.9%, exceeding IMF forecasts. Although the driving forces behind Armenian growth are debated, it appears that the country's recent performance can largely be attributed to the construction boom, increased exports, and significant transfers from emigrants.

At present Armenia has the smallest population of the three European Neighbourhood Policy (ENP) countries in the Southern Caucasus region, estimated at 3.216 million in 2004 (3.755 million in 1994). The last census (2001) reflected the extent of migration that has occurred since the early 1990s.⁴ The census counted *de facto* and *de jure* populations of 3,002,594 and 3,213,011 inhabitants, respectively. Population mobility is high, with around 200,000 people moving in and out of the country annually.

According to a recent study, unfavourable demographic trends are clouding Armenia's economic recovery prospects,⁵ with high emigration rates and declining birth rates resulting in an ageing population. Although there is recent evidence that the country's emigration rates are declining, the same report concludes that the damage to the Armenian economy may prove long-lasting.

Coexisting in the Armenian economy are a large subsistence economy, operating mainly informally and marked by low productivity and high self-employment rates, and a smaller private enterprise sector, operating in fast-growing areas, that has made a successful transition to the market economy. In addition there are a number of enterprises and organisations operating at well below the capacity of previous years, which have poor prospects of sustainable growth. Armenia has a large and growing informal economy, which according to a recent study⁶, represented around 49% of GDP in the 2002-2003 period.

¹ Government of the Republic of Armenia. Poverty Reduction Strategy Paper: Progress Report (Aug 2003-Aug 2004), Yerevan, Sept 2004, p. 7.

² *Idem*

³ E. Loukoianova and A. Unigovskaya. IMF Working Paper 04/151. Analysis of Recent Growth in Transition Economies, pp. 5 and 7

⁴ A loss of 800,000 people is estimated.

⁵ United Nations Population Fund (2005). Social Demographic Challenges of Post-Soviet Armenia. Available online at: <http://www.eurasianet.org/departments/business/articles/eav030705.shtml>

⁶ Friedrich Schneider, Shadow economies of 145 countries all over the world: estimation results over the period 1999 to 2003, March 2005, pp. 18-19. In this study, the shadow economy is defined as marked-based legal production of goods and services that are deliberately concealed from public authorities for a number of reasons, namely: avoidance of taxes and social security, avoidance of legal labour market standards and certain administrative procedures. It excludes underground and economic crime activities. Armenia has the lowest rate of the three

Unemployment, which was officially recognised in 1992, has shown an increasing trend over time.⁷ Although the 35-49 age group had the highest employment rate in 2004 (54%-56%), it also had a significant unemployment rate (25%-27.4%). The oldest group (60-64 years) had a relatively high employment rate (40.5%) in 2004. The highest unemployment rates, ranging between 32.7% and 65.9%, occurred among younger people (the 15-19, 20-24 and 25-29 age groups). Consistently high unemployment rates occur in the age group 20-24 years (60.1% in 2001 and 55.1% in 2004). Unemployment data provided by the State Employment Agency, however, strongly differ from the above data, with figures that floated between 11.2% in 1999 and 10.4% in 2001, falling to 9.4% in 2002, and with no significant change up to 2004.⁸

Informal employment has grown significantly in urban areas, accompanied by a reduction in formal incomes. Around 70% of total employment is in small enterprises, agriculture and self-employment. Informal labour relations in formal enterprises is also common, with only 20% of employees in the trade and services sector, for example, with labour contracts.

In the transition period, the public education system (vocational and higher education) introduced fee-paying education and reduced the quota of non-paying students. In recent years, a tendency to a steep fall in entrants to vocational education and training (VET) has been reversed, and there has been some growth in the number of applicants to secondary vocational education institutions.⁹ The highest concentrations of vocational students are in public health and sports (23.1%), economics (17%), pedagogy (15.8%), transport and communication (14.1%), arts and film studies (6.8%), and industry and construction (6.2%). There is currently a clear gender misbalance in enrolments in secondary VET colleges, with girls largely predominating; boys tend to pursue higher education—in part to avoid military service.

Armenia's future social and economic development is likely to benefit from an improved cross-border relationship with Turkey—which adds a new dimension to the political map of the region—and particularly if recently announced positive developments (mid-2005) bear fruit.

2. Key policy issues and strategies in human resource development

The Republic of Armenia embarked on a review of its education policy in the 1990s and new legislation was approved in 1999. A critical review of the VET sector commenced some years later, culminating in the elaboration of a national strategy in 2004 and the subsequent approval of new VET legislation a year later.

The work that led to the formulation of the national strategy was fundamental in assessing the situation and identifying basic reform objectives and related strategic tasks. A strategic task force subsequently issued recommendations on the main priorities to be addressed during 2005-2008. A VET Modernisation Priorities Paper and Action Plan (MPP&AP) was prepared and endorsed by the government in 2005.

The MPP&AP summarises challenges in terms of two key aims, namely, raising the **quality** and improving the **effectiveness** of primary and intermediate VET in Armenia. Six **modernisation priorities** have been singled out, as follows:

- To introduce competency-based VET standards.

Southern Caucasus countries. Azerbaijan is reported as 61% and Georgia as 68%, compared to other ENP countries, such as the Ukraine (54.7%), the Russian Federation (48.7%), Moldova (49.4%) and Belarus (50.4%).

⁷ The figures below, provided at the ETF's request by the National Statistic Service (NSS) in June 2005, show some recovery in the activity and employment rates in Armenia in the period 2001-2004, although unemployment rates remain high. The unemployment rate fell from a 38.9% in 2001 to 32.3% in 2004; the lowest rate in the period was 31.5% in 2003. The employment rate grew steadily from 32.8% in 2001 to 40.5% in 2004. The overall activity rate was 53.6% in 2001 and grew to 59.9% in 2004.

⁸ Total registered unemployed: end 2003, 118,646 persons; end 2004, 108,622 persons.

⁹ Secondary VET is intermediate-level vocational education. Official figures representing the total number of VET students in all years of study are as follows: 1991, 55,980; 1998, 28,390; 2002, 28,600; 2004, 34,184.

- To modernise quality monitoring mechanisms.
- To create technical support and quality assurance infrastructures.
- To improve cost efficiency and educational outcomes.
- To optimise VET financing.
- To build a national capacity for implementing and monitoring the VET modernisation process.

The action plan component of the MPP&AP lists activities, outcomes, achievement indicators and target dates for each of the modernisation priorities. As a whole, the MPP&AP represents a policy that will guide both government decision-making and the choices of the international community of donors operating in the VET sector.

In 2006, a new law on employment was adopted, on the basis of which both passive and active measures have been established and funded. The active measures include a vocational training component for re- or upskilling registered unemployed people (along with other vulnerable groups) with a view to assisting re-entry in the labour market.

Altogether, the priority attached to the VET sector by the Armenian government and the relative consistency with which resources have been allocated to VET appears remarkable. This stems from the objective consideration that the economy is growing and in need of qualified workers, combined with an increasing awareness by employers that the country should not miss out on the opportunities represented by internal and international demands. The economic profile of Armenia has changed considerably in comparison to the Soviet period and is bound to change further, with a greater role to be played by small businesses and the services sector.

3. EU and other donor policies and interventions

The Technical Assistance to the Commonwealth of Independent States (TACIS) programme has supported developments in the VET sector through a number of projects, starting with a short-term project (Support to the Development of a Strategy and Legal Framework for the Implementation of VET Reform) for preliminary policy-oriented work, and followed in early 2004 by a longer-term project (Support to the Development of an Integrated Vocational Education and Training System), which terminated in December 2006. A new policy advisory project has been launched to consolidate the National Centre for VET Development, established under the technical assistance project.

Outputs of TACIS assistance are the VET strategy and the government-approved MPP&AP (mentioned above), as also a VET law adopted in mid-2005. In addition to policy development, the project has worked intensively to develop modular and competency-based curricula, improved school management and coordination between pilot schools and local labour markets, guidance services, and the involvement of employers. The consolidation of the National Centre for VET Development will lead to the development of quality assurance mechanisms and of a national qualifications framework (NQF), as also the building of institutionalised social dialogue among key VET stakeholders. The project will come to an end around mid-2007.

The 2006 TACIS programme includes a 7 million EUR sector policy support programme (SPSP) for child-care and VET reform, plus technical assistance worth 0.5 million EUR, with implementation expected to start in 2007. Whereas the SPSP represents a new undertaking in the Armenian VET field, this particular programme was preceded by EU budget support for food aid, which the Armenian government managed effectively in line with sound financial management requirements.

The new SPSP will naturally bridge the transition from the more traditional technical assistance of TACIS to the new ENP Action Plan, approved in November 2006. This plan reflects the increasingly important role played by Armenia in EU external relations. Emphasis is on approximation to the EU on the basis of shared values and principles, with a view to increasing economic exchanges. At the regional level, the peaceful settlement of the

Nagorno-Karabakh conflict with Azerbaijan and greater integration with the countries on Armenian borders are part of the EU's objectives.

Education and training are among the ENP Action Plan's identified priorities, as also poverty reduction, for which a specific allocation has been set aside under the National Indicative Programme (NIP) covering the years 2007-2010.

International cooperation partners are also active in the area of VET. The German Technical Cooperation Agency (GTZ) is operating a regional programme and a teacher training project. The latter, which focuses on modernisation of teaching methods using participative active methods, is carried out through the usual cascade approach. However, difficulties in implementation of the new learning methods exist within a system that has only recently opened up to innovation. Another German NGO—the Institute for International Cooperation of the German Adult Education Association (IIZ-DVV)—is conducting studies and debates in the area of adult education and is lobbying for the elaboration of a high-level lifelong learning framework. The Swedish International Development Cooperation Agency (SIDA) has provided assistance in capacity building and policy advice activities to three pilot regional employment agency offices. The United States Agency for International Development (USAID) and the World Bank (WB) have also funded studies on labour market trends, employment policy and employment agency development needs. A WB education sector reform project focuses on general education.

4. Mid-term perspective ETF intervention strategies contributing to added value in national, EU and donor reform-support policies

In consideration of the country's commitment to improved VET quality and effectiveness, as well as to the support that the EU has provided and will continue to provide in terms of the reform of this sector, the ETF has ranked Armenia among priority partner countries for 2007, and is likely to do so for 2008 and 2009.

In accordance with its mid-term perspective (2007-2010), in this intensified cooperation with Armenia, the ETF will focus on assisting the European Commission (EC) with achieving the desired objectives and impact, by working together with Armenian authorities and experts to ensure progress in ongoing VET reform, and by providing learning opportunities (especially at the policy and system levels). In particular, the ETF aims to add value by contributing towards structured and institutionalised social dialogue, modernised VET governance, and by developing a stronger labour market intelligence system as the basis for an improved qualifications system.

Stemming from the above, areas where ETF advice at the level of policy decisions can make a difference include the following, interrelated priorities.

4.1. Social dialogue

Coexisting in the Armenian economy are a large subsistence economy, operating mainly informally and with high self-employment rates, and a smaller private enterprise sector, operating in fast-growing areas, that has made a successful transition to the market economy. Employers in promising sectors, such as tourism, agriculture, wine-making, high technology and the information and communications technologies are forming associations to better represent their interests.

Although these sectors require skilled workers with different levels of competence and specialisation, employers are insufficiently organised to analyse their own needs in a satisfactory manner; they thus spell out their requests to the education—and particularly the VET—system. This stimulus to the education and training system and the quality of education provision is ill-defined, and reflects a limited capacity to imagine other forms of partnerships—between schools and companies, between public and private organisations, etc. The possibilities for a range of cooperation, co-financing and complementary functions between employers and the education system thus remain a latent potentiality.

The relevance of a labour market needs assessment and the reliability of intelligence information are at stake in this context. Achievable and time-bound objectives should be pursued using a step-by-step approach. A good basis exists for effective cooperation between the Ministry of Education and Science and the Ministry of Labour and Social Issues, as also with social partners, especially employer organisations.

Any strategy aimed at making the role and functions of lifelong learning social partnerships more visible and effective can only be achieved by involving the main actors in the first place, and by raising their awareness and increasing their responsibilities. Sensible measures to support this strategy imply information provision, exchanges, self-assessment, peer-learning and learning-by-doing, preferably at the sector level. Based on previous experience in Armenia, it is recommended to continue focusing on the tourism sector, for subsequent transversal application to all future initiatives.

4.2. Modernised VET governance

Coordination between the state and social partners would benefit if state entities were relieved of operational functions and assumed a supervisory and quality assurance role. The rather centralised and vertical nature of the VET system in Armenia has been highlighted in recent studies and by the work done in TACIS projects, by the ETF and by others. The functions of the Ministry of Education and Science, for example, include the approval of standards, individual programmes and textbooks, accreditation, certification, etc, while decision-making and responsibilities assumed at the regional and school level remain limited. Increased autonomy of schools and other educational institutions would enable the Ministry to implement higher level policy and development functions, and improve coordination with other national stakeholders. Building on its experience of alternative models of VET governance in other countries and regions, the ETF is well placed to contribute to this crucial policy area by collecting and providing information, organising exchanges on EU member state practices, and advising national authorities. A certain degree of decentralisation is beginning to become evident—arising from the Ministry's desire to assume more responsibility for evaluation, quality assurance and quality improvement functions, policy results assessment, future needs anticipation, etc.

Alongside developments in terms of school autonomy, it is worth noting that a recently established VET centre (one of the many achievements of the TACIS projects in the VET sector) has as one of its tasks the design of a new legal entity, a VET council. This council will represent the VET system at the highest institutional level, and, for the first time, will bring together education, labour and social partners on equal terms and with well-defined, complementary roles. The ETF strategy is based, among other factors, on the functioning of this prospective council, which it considers to be an urgent requirement.

The design of the VET council's institutional architecture and the recently approved SPSP will provide the Ministry of Education and Science and the Ministry of Labour and Social Issues with an opportunity to improve their vision of modernised VET governance. The ETF, working closely with the European Commission (EC), could also contribute to improving governance.

4.3. Labour market intelligence and the qualifications system

There is a need to open flexible pathways within and across sectors and between levels and types of education and training, e.g., between VET and general and higher education. From the perspective of a lifelong learning approach, recognition of non-formal learning, learning opportunities for adults, and flexible entry and re-entry points should be part of this strategy. At stake are the attractiveness of VET and the subsequent availability of the middle-level qualifications that are much in demand.

The existing qualifications system in Armenia does not allow for flexible pathways between levels of a qualification or between qualifications. Methods for certifying competence acquired (whether formally, non-formally or informally) are not systematized, and incentives to continuous learning are limited. The question of how to define key occupations, related profiles and a national qualifications structure, as also of who should do this, are closely related and interdependent.

A transparent and accessible system of qualifications relies on robust approaches to assessing labour market requirements, yet labour market intelligence is of little use if high-quality learning opportunities are not made available to citizens and workers throughout their lifetime. Understanding this issue as being two sides of the same coin helps place it in perspective, and reveals how it should be tackled in stakeholder dialogue. All system components are potentially touched upon by this major question, including the elaboration of broad occupational and educational profiles, the review of occupations and qualifications, the improvement of curricula and assessment methods, the development of quality assurance mechanisms, adequate guidance in support of education choices, etc. The ultimate aim should be to emphasise lifelong learning and make the education system more attractive and open.

ETF can add value in these strategic areas by seeking opportunities for policy guidance, information provision on EU policies and practices, and regional exchanges and joint work. Tourism, as a fast-growing and relatively new economic sector in the country, offers a fertile ground for both policy advice and pilot operational work.

5. Work programme 2007: objectives and indicators

ETF objectives for Armenia 2007: A sound sector policy support programme designed to support the implementation of the Armenian VET sector programme, with strengthened national capacities to implement the reform particularly in regard to national qualifications and social dialogue.

| PROJECT NUMBER | PROJECT TITLE | SPECIFIC COUNTRY OBJECTIVE | EXPECTED OUTCOMES | ACHIEVEMENT INDICATORS | SOURCES OF VERIFICATION | (YEARLY) OUTPUTS Products and services resulting from activities | PROJECT DURATION |
|----------------|------------------------------------|--|---|--|---|---|---|
| ENPI07-01 | Facility to respond to EC requests | Support EC services in the monitoring of EN Action Plans To improve the quality and relevance of TACIS and ENPI interventions in the VET field in Armenia | VET stakeholders aware of the challenges posed by the SPSP and of their roles Information provided to relevant EC services on state of implementation of ENP Action Plans and country developments in the HRD area The support provided for the preparation of the SPSP (TACIS 2006 and ENPI 2007 Action Plans) in the field of VET of the expected quality in the view of both the EC and VET stakeholders Support to the EC Delegation for the successful launch of the TACIS 2006 Action Plan / SPSP on Poverty Reduction, Education (VET) and Social Affairs (Childcare) | Monitoring reports on implementation of ENP Action Plan include some ETF findings Conditionalities and technical assistance needs for TACIS 2006 Action Plan / SPSP approved by EC services Project identification fiche for ENPI 2007 Action Plan / VET SPSP Formulation fiche for ENPI 2007 Action Plan / VET SPSP including conditionalities Financing agreement for ENPI 2007 Action Plan / VET SPSP | EC Delegation, national stakeholders ENPI committee minutes ETF quarterly reports | Short report on implementation of ENP Action Plan on VET-related issues TACIS 2006 SPSP financing agreement ENPI 2007 SPSP identification fiche, formulation fiche and financing agreement 1-2 workshops or other forms of participatory involvement of key stakeholders for discussion and agreement on conditionalities as needed and if requested | 2007 - Support for start up will extend to 2008 |

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| ENPI07-04 | Policy learning to support VET reform processes | To support the ongoing VET reform process, in effectiveness and quality, by strengthening social dialogue on VET, particularly at the policy level, via inputs to the establishment of a VET council as a true tripartite model ¹⁰ | <p>The parties become aware of their respective roles and responsibilities in regard to increasing the relevance and quality of the VET system</p> <p>Roles, responsibilities and modus operandi of VET council agreed</p> <p>Capacities of national stakeholders enhanced for a meaningful and quality social VET dialogue</p> | <p>Intelligence of EU policies and practices in the sphere of social dialogue available and accessible</p> <p>Roles of the parties spelled out in a proposal</p> <p>The institutionalisation of social dialogue agreed between parties (at least main orientations in terms of roles and responsibilities)</p> | <p>Draft proposal on roles and responsibilities</p> <p>National stakeholders</p> <p>ETF quarterly reports</p> | <p>Exchanges, or joint work with, relevant counterparts in EU member states - i.e. VET authorities or agencies, associations of employers, coordinating and awarding bodies, and/or other key actors</p> <p>Proposal to government on functioning of VET council</p> <p>A national action plan for further support</p> | 2007-2008 |
| | | To support regional cooperation in the Southern Caucasus by providing intelligence on VET and labour markets and identifying areas of common concern | <p>Analysis of key VET and labour market issues in the region</p> <p>Information provided to policy-makers and donors on key issues for regional VET development and possible areas for regional cooperation</p> | <p>ETF cross-country report produced and validated</p> <p>Report disseminated in regional NQF workshop</p> | <p>ETF website</p> <p>ETF annual activity report</p> | ETF draft report | 2007 |

¹⁰ The area of social dialogue was identified with national stakeholders as key to improving the quality of VET reform. In the context of EU interventions and particularly the two VET SPSPs, the proposal should be validated and, if necessary, modified as necessary to ensure that there is no duplication of efforts between the proposal and the technical assistance provided by the SPSPs, and/or, that the proposal is complementary to the SPSPs, while contributing to the most urgent needs in terms of capacity building for successful implementation of the SPSPs.

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| ENPI07-05 | NQF | <p>To increase knowledge and understanding of NQF policy implications on the part of all stakeholders</p> <p>To increase awareness at the policy level of the advantages and disadvantages of NQFs</p> <p>To improve technical capacity to make use of labour market intelligence for improving planning management and adaptability of education systems</p> <p>To increase the compatibility and harmonisation of VET systems within the Caucasus region</p> | <p>Preconditions, mechanisms, and processes behind the NQF are known to a range of stakeholders</p> <p>Specific capacity to define and work with learning outcomes built</p> <p>Increased cooperation at regional level in the VET field to identify minimum common standards</p> <p>Stakeholders aware of respective roles</p> <p>NB: All the above outcomes will be generated with specific application to the tourism sector</p> | <p>Stakeholder discussions of preconditions, mechanisms, processes and implications of the NQF in regional seminars and in national policy papers</p> <p>Understanding of and capacity to put learning outcomes at the centre reflected in the pilot tourism sector qualifications framework</p> <p>Compatibility (or potential capacity) between the pilot qualification frameworks for the three Southern Caucasus countries</p> | <p>National stakeholders</p> <p>International experts</p> <p>ETF quarterly reports</p> | <p>Key occupations in the tourism sector and respective profiles identified</p> <p>Tourism qualification framework comprising learning outcomes-based qualification profiles, level descriptors, assessment approaches</p> <p>National policy paper</p> <p>Compatible frameworks at the regional level</p> <p>Social dialogue and identification of specific needs to be addressed by the ENPI 07-04 project in 2007-2008</p> | 2007-09 |
| ENPI07-07 | ENPI networks | To reinforce regional exchanges of experiences on sector policy development and implementation | <p>Policy formulation and implementation capacities of national stakeholders in overall or specific reform issues strengthened</p> <p>Dissemination and networking activities that expose national stakeholders to EU policies and other partner country experiences on education and training sector reform</p> | <p>Selected stakeholder participation in network activities and provision of relevant input when requested</p> <p>New networks are fully working in an integrated operational at the national and regional levels and in coordination with other ETF networks</p> | <p>ETF quarterly reports</p> <p>Project plan for 2008</p> | Concept note and work plan prepared | 2007-2013 |