

AZERBAIJAN

ETF COUNTRY PLAN 2007

1. Socioeconomic background

Azerbaijan currently has the highest gross domestic product (GDP) growth rate in the world (26.4% in 2005), thanks to the recent boom in its oil economy. Moreover, according to the 2005 UNCTAD report the country attracts the most foreign direct investment, but at the same time it performs unfavourably in terms of the economic freedom rate and corruption index. In 2004 oil represented 30% of GDP, 40% of budget revenues and over 80% of exports, but only 1–3% of employment. Azerbaijan is in many senses a polarised society, with several divides of crucial importance for its development policy. One of these is the oil and non-oil divide, and another is the urban–rural divide.

According to the most recent labour force survey (2003) the unemployment rate was 10.7%, with women affected more than men (12.2% against 9.6%), and younger categories showing rates much higher than the average.

Employment grew in the period 1999 – 2003, but at a slower pace than GDP. Low-productive jobs and underemployment in subsistence farming cause much of the poverty that still affects a third of the population, despite the clear progress resulting from the rapid economic growth of 2003 – 2005¹. Progress has been much faster in urban areas, in particular in the capital, Baku.

Azerbaijan's hopes for sustainable economic growth rest largely on the successful development of its vast oil and gas resources in the Caspian Sea region, but also – and no less importantly – on its capacity to manage effectively the resulting large revenue stream for the purpose of poverty reduction, economic diversification, development of the non-oil regions and branches, and equitable development of human capital. This objective will depend on the consistent implementation of structural reforms, improvement of the investment climate, and continued macroeconomic discipline.

There is general agreement among investors, employers, donors and policymakers that persisting weaknesses in the education and training system as a whole affect the quality of the skills mix of the labour force, and consequently, further economic development, particularly diversification and productivity gains.

2. Key policy issues and strategies in human resource development

The overall educational attainment of the employed population in Azerbaijan is high. According to the labour force survey of 2003, 51% had complete secondary general education, 19% higher

¹ The decrease in the poverty level was more pronounced in the period 2004 – 2005, from 40.2% to 29.3%.

education, 13% secondary technical education and 7% initial vocational education². However, there has been a progressive erosion of technical and scientific segments of the labour force and of middle-level qualifications of the new generations as a result of shifts in educational choices. This is a threat to the competitiveness of the labour force.

However, the decline of net enrolment rates at all levels of education in the period 1990 – 2004, except in primary education, showed a worrying trend regarding the future quality of the supply side of labour. A major fall was registered in secondary education (including vocational) from 64% to 51.4%³, though the decrease in secondary specialised (technical) education was even more marked (from 26.6% to 5.8%)⁴. Net enrolment in higher education followed a similar trend with a fall of 10 percentage points, down to 9.3%.

The rapid growth of the economy is expected to continue and GDP is expected to double by 2010; labour demand and competition for skilled workers will increase, albeit at a much slower pace. However, Azerbaijan is experiencing a growing problem linked to the inadequacy and inequality of the skills of its labour force, particularly of young entrants into the labour market. There is currently an imbalance in the skills mix of the young labour force, in which graduates of tertiary and secondary general education predominate, while the proportion of young people with middle-level professional qualifications (vocational education and training (VET) system) is insignificant. In 2004/05, the figure of 38 higher education graduates per 10,000 of population is very high compared with the 18 per 10,000 of population from VET (primary and secondary/middle).

The rapid economic growth, despite its concentration in the oil economy, has created jobs in recent years. However, the country is experiencing high youth unemployment: almost 50% of unemployed people are young (aged 20–29 years). Another clear indication of the incapacity of the education system to contribute effectively to employability is that individuals with secondary general education represent approximately 70% of the unemployed population. Moreover, education and training for different categories of adults is underdeveloped in Azerbaijan, or is not affordable for the majority of those seeking first jobs or reskilling for better jobs, and a lifelong learning policy is yet to be developed.

VET schools are currently working below capacity, although there is demand for training (initial, continuing, retraining). However, enterprises complain about a lack of appropriate training provision for their development needs. Both sides – schools and enterprises – continue to ignore the potential and strengths of mutual interest.

VET is recognised as a key item in the development agenda of the government of Azerbaijan, as stated in both the poverty reduction (2003) and the employment (2005) strategies. In 2005 the need for VET reform was given additional impetus and the highest political support, particularly through the approval of the National Employment Strategy⁵ (NES), which includes among its priorities the reform and modernisation of the education system.

The newest strategic development programme, the State Programme on Poverty Reduction and Sustainable Development (2006 – 2015) (SPPRSD) which is not yet approved, reinforces the previous attention given to education and training. The document considers investment in human capital to be a key factor in continuing the reduction of poverty, and places a high priority on fighting the growing inequality in educational opportunities. Completion of comprehensive general education by all boys and girls by 2015 is one of the main targets of the SPPRSD.

The SPPRSD (2006 – 2015) puts the accent on a key issue: the VET strategy. The programme addresses education and training through two separate functional groups (chapters): training and retraining (under group 1), focusing on economic development and productive employment; and education (under group 2), on social policy and human development, which focuses on general and higher education. The Action Plan supporting group 1 foresees the following policy measures under the title 'Adjusting training of human resources to the needs of the labour market':

² In order to understand these figures, it is important to bear in mind that the proportion of students in general education in 2003 was 90%, against 6.4% in higher education, 1% in initial VET and 3% in secondary VET.

³ This decline can be partly attributed to the steep fall in enrolment rates in VET.

⁴ This is another level of vocational education and training (VET), under the administration of the Department of Higher Education, with few or no links (policy, institutional, pathways) to primary VET.

⁵ Strategy approved by presidential decree of 26 October 2005. Chapter 3 'Priorities of the Employment Strategy', paragraph 3.4, Education Policy and Labour Market.

- establishment of a forecasting system to adjust training to labour market needs;
- establishment of marketing services in educational institutions;
- formulation and implementation of a strategy on development of the vocational education system;
- introduction of an adult education system, including legislation, resource centres for vocational guidance and training, and curriculum development.

Other policy measures also feature plans for vocational training centres, established at regional level, but linked with employment institutions.

The government of Azerbaijan has adopted education reform programmes since 1996, and has implemented a number of measures with a view to moving closer to international education standards. However, education policy remains too closed within its institutional boundaries, and does not cooperate sufficiently with other relevant sectors, with national development policies or with social partners in general. A shift towards a more integrated and coherent education and training strategy, with a lifelong learning perspective, will be a challenge for policymakers.

There is growing official recognition that education policy and the labour market remain separate worlds and that none of the reforms undertaken have significantly improved the situation. One of the major obstacles to effective education reforms has been insufficient policy and programme coordination and cooperation among critically relevant state institutions. Although this problem is important, there are prospects for positive developments. The multi-sector approach of the overarching state programme (SPPRSD) and the recently enhanced donor-driven incentive for inter-sector dialogue in the area of human resources development (HRD), in particular the future Tacis VET reform project, are likely to result in more and better policy and programme interaction and integration.

3. EU and other donor policies and interventions

The education sector has received comparatively little support from international donors, in particular the EC. Previous EC-supported activities in the education sector were limited to Tempus. Tacis neither assisted the reform in the education sector, nor provided institutional or capacity-building support to the Ministry of Education. Tacis projects with training components had low systemic impact, although some helped to support the establishment of non-public specialised sector training organisations (such as the Azerbaijan Bank Training Centre).

The most recent Tacis Action Programme (2006) includes a large VET reform and policy project, with an intervention based on two objectives: the implementation of a pilot operational partnership between a VET institute and an economic sector; and support for the definition of a new VET national strategy in accordance with the NES adopted. This project is intended to pave the way for likely future sector support under the European Neighbourhood and Partnership Instrument (ENPI).

The EU has taken note of Azerbaijan's expressed European aspirations and invited the country to enter into intensified political, cultural, security and economic relations with the EU. The EC Country Strategy Paper (2007 – 2013) sets out as the principal objective of the cooperation between the EU and Azerbaijan the development of an increasingly close relationship, which goes beyond previous levels, with a view to strengthening economic and political cooperation, energy, foreign and security policy. The document sets out as a priority assistance in reforming and upgrading the education system, with a view to working towards convergence with EU standards and practices, as an essential contribution to democratic development, social stability and economic competitiveness. The EU will give particular support to regional exchanges, another important factor in confidence building and the settlement of conflicts.

Under Priority Area support to democratic development and good governance, the Azerbaijan–EC National Indicative Programme 2007 – 2010 includes sub-priorities addressing education, science and people-to-people contacts. Assistance in this area is expected to contribute to strengthening democratic development, economic competitiveness and social stability, through the reform and upgrading of education and training systems and further integration into the European Research Area.

The EU–Azerbaijan European Neighbourhood Policy (ENP) Action Plan consistently draws attention to the systemic development of the education and training sector, within the framework of Azerbaijan’s reform programme. The priorities set out in the EU–Azerbaijan Action Plan encompass far-reaching reforms in the education and training sector, in particular through assistance to the implementation of a national education reform strategy (in the period up to 2013), and reform of the education and training systems, including VET, by fostering lifelong learning, by elaborating a legislative basis for education, and by enhancing the transparency and accountability of the sector. Other objectives set out in the Action Plan include such important elements as enhancing the involvement of social partners and civil society to support the responsiveness of education and training to the labour market and the economy; the development and implementation of quality assurance in the field of education and training, by using tools of the Tempus programme as an example; and enhancing the policy dialogue between EU and Azerbaijani authorities in the field of education, training and young people.

The strengthening of regional (cross-country) cooperation, in particular through the enhancement of participation in regional cooperation initiatives in education and other areas, is one of the priority areas of the EU–Azerbaijan Action Plan.

The government of Azerbaijan, with a loan from the World Bank, started a project to reform general education that has experienced some delays in implementation, while some fragmented support for teacher training was undertaken within bilateral cooperation agreements (Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)).

In 2006, on the basis of the results of its first in-depth assessment for a future VET development project, Japan International Cooperation Agency (JICA) ceased its preparations for the project until the government showed a determination to create an effective interministerial and social dialogue to work on a VET policy.

The United Nations Development Programme (UNDP) has assisted the project ‘Transform Black Gold into Human Gold’, the recent elaboration of the new SPPRSD, and the NES. The International Labour Organization and the UNPD have also provided technical assistance for the development of a new training facility targeted at job seekers and run by the Ministry of Labour. The latter project has had limited results because of the absence of a policy for adult learning and the lack of institutional technical and financial capacity to consolidate and introduce more widely the proposed approaches (modular learning, entrepreneurship learning).

Adult learning policy is the focus of the activities of the German organisation IIZ-DVV, but in the absence of technical assistance and policy advice instruments, and given the difficulties of cooperating with public educational institutions, the impact of this donor’s assistance is fragmented.

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

Azerbaijan is an essential player in this region, and its stability is important for Europe and its neighbours, in particular as an independent energy partner. Successful efforts to settle unresolved conflicts in the region will depend on all three of the countries concerned – Azerbaijan, Georgia and Armenia – and on their democratisation and economic growth processes. Balanced human capital development is both a factor in and an outcome of such processes, and education needs to play a wide role that goes beyond the formation of an employable labour force, and contributes to more tolerance, citizenship and equity values, in particular among the young generations.

The EU–Azerbaijan Action Plan adopted on 14 November 2006 is a first step in the process towards a more significant degree of integration. As previously mentioned, the Action Plan consistently focuses on reform throughout the education and training system, and on policy development, rather than only on fragments of the sector or on exchanges of people and between institutions. This attention to reform and policy creates a favourable framework for the medium-term perspective of ETF activity in Azerbaijan, which meets the ETF’s own strategic objectives.

The future Tacis project (VET reform) will dedicate one component to the development of a VET strategy, and its pilot school component will focus on the tourism sector. However, more specific information on the shape of the project is not yet available.

The ETF will continue to support EU efforts to enhance Azerbaijan's own reform programmes in the broad area of human resources, in particular through the priorities of the future Tacis project (VET reform) and further developments under the ENP Action Plan. The ENPI priorities previously mentioned may create more demand for ETF assistance, in particular in areas linked to policy development, social partnership in education and training, lifelong learning and quality assurance. The ETF's role in supporting the EU interventions will be maximised by putting in place capacity-building measures, assistance to targeted policy development through exchanges and peer review, and expertise support to the Commission services, including to the new EC Delegation expected in Baku in 2007.

In terms of assistance and complementary action to EU mainstream programmes, in a mid-term perspective the ETF will place its strategic focus on policy advice relevant to three areas, which are in line with, and complement, the priorities expressed in the draft EU–Azerbaijan Action Plan, while matching the priorities of the government:

- human resources sector policy: development and monitoring – through targeted expert assistance and peer learning;
- qualifications: system review, quality assurance, validation and recognition of competencies – through the National Qualifications Framework project (NQF);
- dialogue: institutional and social, to strengthen inter-sector policy and programme coordination on one side, in particular between the Ministry of Education and the Ministry of Labour, and on the other side to achieve more effective involvement of social partners in policy-shaping processes – through capacity-building activities (exchange of experience, knowledge sharing, support for networking with EU partners) and primarily the activities of the NQF.

The objectives for ETF–Azerbaijan cooperation over the next three years are:

- to support the EC in the implementation of EU projects and interventions on education and training reform, in order to establish the basis for a lifelong learning policy;
indicator: the future Tacis VET reform project complements the actions started by the NQF and allocates adequate resources for the implementation of the key policy elements prepared with the help of the NQF;
- to facilitate and strengthen policy dialogue and social partnership in tandem with the technical review and policy reform of the qualifications framework;
indicator: the national qualifications framework policy paper is drafted with wide participation and discussed by the relevant institutions; a core expertise and dialogue group is sustainable and used as a resource by policymakers;

In 2007 the ETF will continue its contribution to the systemic reform of the education and training system through a more systematic approach, built initially on the activities and outcomes of the NQF. The following are the key objectives of the work of the ETF in Azerbaijan in 2007:

- analysis of education and training sector policy, based on the in-depth study of 2005, as part of the cross-country Caucasus study of 2007; cross-country report on VET and labour market drafted and discussed in the end-of-year all-Caucasus conference in Armenia;
- NQF policy development, in particular improved dialogue among the experts and institutions involved; a revised tourism sector qualifications framework; and a draft policy paper on an overall national qualifications framework
- regional cooperation with the other Southern Caucasus states on ongoing and emerging reform challenges and perspectives, in line with the approved ENP Action Plan objectives and orientations.

In 2006, with the formation of a stable working group of experts from public and non-public institutions (education and labour) and the initiation of the debate on reform options and policy

challenges facing the HRD sector, the NQF project gave impetus to the debate in Azerbaijan. In the future the project will need to combine further technical work with fostering the policy impact of the project, beyond the limited boundaries of the core group of experts.

In 2007 the NQF will focus on two results: the finalisation of the sector qualifications framework and the initiation of the policy proposal regarding the national qualifications framework. In 2007 – 2008 the NQF will foster the creation of effective bridges (informal) between the expert group and policymakers, a much-needed element for the appropriate use of the project findings in system reform. In addition, the NQF will contribute to an increase in the awareness and interest among social partners concerning the qualifications framework agenda and likely implementation challenges. The combined effects of the two elements – the commitment of relevant policymakers and the interest of social partners – will give an impetus to the more decided positions of the government of Azerbaijan. These forces can help to move forward the reform of education and training, and overcome the institutional inertia that has characterised the sector for a decade. The NQF will build strongly on regional cooperation to enhance the efficiency of the project.

Previous ETF work in Azerbaijan in 2004 – 2005 established a good knowledge base (studies) and contacts with the relevant authorities and centres of expertise; these will be useful in the emerging phase of the ETF mandate, and for the start-up of the ENPI. The ETF will maintain an appropriate level of networking in Azerbaijan, as part of ETF ENPI Networking project.

The ENPI Networking project, together with the Instrument for Pre-accession Assistance project, aims to find new ways for the ETF to relate to its environment in the partner countries in line with its evolving mandate (new Council Regulation expected to come into force in 2008) and functions (more focus on policy and system development in the broader field of HRD).

This effort in relation to partner countries is part of the ETF's greater efforts to revise its approach to and management of relationships with corporate networks at various levels (including relationships with member states, international organisations and donors and internal bodies, such as the establishment of an International Advisory Panel).

Since the current Advisory Forum will be in place until the new Council Regulation becomes effective, there will be sufficient time in 2007 for extensive internal discussions and piloting exercises about the new forms of networks. This should guarantee a proper bottom-up approach to the improvement of the outputs that have so far been produced by the ETF networks.

5. Objectives and indicators for the Work Programme 2007

In 2007 the ETF Work Programme in Azerbaijan has a profile compatible with the current status of the ETF's knowledge of ENPI programming and further specific steps in the country. More clarity will be achieved in 2007, and opportunities may arise for the greater involvement of ETF expertise in questions linked to HRD sector analysis, education sector reform and other relevant priorities expressed in the ENP Action Plan.

The ETF will continue its contribution to policy development through various instruments and means, which correspond to the current priority status of Azerbaijan in the ETF Work Programme. These include further support to the development of key policy proposals on a national qualifications framework, through a policy-learning approach based on a core group of experts from relevant institutions. This work has substantial ramifications in terms of the wider education reform debate, and contributes to the establishment of a dialogue group on questions of HRD development.

In 2007 regional cooperation with the neighbouring Caucasus states will be enhanced, through the sharing of knowledge and experience on the issues of the ongoing projects. The cross-country study on VET and labour market policies will be a basis for cross-fertilisation and debate, and will contribute to the reinforcement of interstate cooperation in the Caucasus on HRD policies. This regional dimension meets the objectives of the ENP Action Plan.

ETF 2007 Activities and Services in the Republic of Azerbaijan

ETF country objective 2007: Enhanced networking with experts and policymakers, country intelligence and inputs to EU services and country stakeholders in HR sector policy development, in particular a national qualifications framework for better-integrated employment and education and training policies.

| Project Number | Project Title | Specific country objective | Expected outcomes Outcome = short-term and medium-term effects of an intervention's output (during or at the end of the project) | Achievement indicators Quantitative or qualitative variables measuring achievement against the expected outcomes | Sources of verification | (Yearly) Outputs Products and services resulting from activities | Project duration |
|-----------------------|---|---|---|--|--|--|-------------------------|
| ENPI 07-01 | Facility to respond to Commission requests | To provide policy analysis to enhance the role of education and issues in the design and implementation of EU policies in the region To provide input on the state of implementation of ENP Action Plans | Information provided to relevant EC services on state of implementation of ENP Action Plans and country developments in the area of HRD | Monitoring reports on implementation of ENP Action Plans include some ETF findings | ETF Q reports and Annual Activity Reports | Input provided to EC for monitoring of VET issues in ENP Action Plans | 2007 |
| ENPI 07-04 | Policy learning to support VET reform processes | To support regional cooperation in the Southern Caucasus by providing intelligence on VET and labour markets in the three countries concerned and identifying areas of common concern | VET and labour market in the region carried out Information has been provided to inform policymakers and donors on key issues for regional VET development and possible areas for regional cooperation | ETF cross-country report produced and validated Report disseminated in regional NQF workshop | ETF Annual Activity Reports EB minutes ETF website | ETF draft report produced and validated | 2007 |

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| ENPI 07-05 | National Qualifications Framework | <p>Transforming occupational standards in the tourism sector into a learning outcome-based qualification framework</p> <p>Reviewing pilot tourism sector experiences in the context of drafting an informed national NQF policy paper</p> | <p>Completion of a pilot tourism sector qualification framework in each country, consisting of agreed learning outcome-based qualification profiles, level descriptors, assessment approaches (formal, informal, non-formal learning)</p> <p>National qualification framework policy paper drafted by each country; the papers will review the pilot experience, identify policy issues, report on national consultations and make proposals for further steps</p> | <p>Complete Tourism NQF dossier produced by national working groups and national NQF coordinator</p> <p>NQF strategy paper produced by national working groups and national NQF coordinator</p> | <p>Project documents, mission and progress reports of ETF and experts</p> | <p>Learning outcomes/qualification profiles</p> <p>Level descriptors</p> <p>Country technical report</p> | 2007–2008 |
| ENPI07-07 | Networking | To reinforce regional exchange of experience of sector policy development and implementation | <p>Strengthening of the policy formulation and implementation capacities of national stakeholders in overall or specific reform issues</p> <p>Dissemination and networking activities carried out to expose national stakeholders to EU policies and other partner country experiences on education and training sector reform</p> | <p>Selected stakeholders participate in network activities and provide relevant input when requested</p> <p>The new networks are fully working in an integrated manner at national and regional level and in coordination with the other ETF networks</p> | <p>ETF quarterly reports</p> <p>2008 project plan</p> | <p>Concept note and work plan</p> | 2007–2013 |