

## ARMENIA

### ETF COUNTRY PLAN 2009

#### Summary

The Southern Caucasus region continues to be a priority area for the European Union, whose policy is to promote stability, development and growth, including support to human capital development. In line with EC policy, the ETF has worked closely in Armenia with the national authorities, and provided support to the EC Delegation and EuropeAid in the design of two sector interventions in the field of human capital development and continued to regularly review the overall process of reform in the country. Additional support has also been provided to the Armenian authorities until the end of 2008 in the implementation of complementary initiatives, namely:



- the National Qualifications Framework (NQF) project as a lever for debate on the strategy for human capital development within the country's economic framework;
- the elaboration of an employment review in the context of the Black Sea Synergy Initiative, which may contribute to future EU assistance in the related sector;
- a follow up to the policy learning project, which has focused on governance issues from the specific angle of the social partners' contribution to vocational education, training and employment.
- As a follow up to the above, in 2009 the ETF will continue to:
  - provide support to the newly established National VET Council in order to contribute to its effective and efficient functioning in particular as regards the participation of social partners in the reform of the system;
  - contribute to the elaboration of the National Strategy for Employment under preparation by the Ministry of Labour and Social Issues through the dissemination of the results of the employment review carried out under the Black Sea Synergy initiative;
  - regularly review the progress of VET reform undertaken by the Armenian government with the EU Sector Policy Support Programmes. The feedback from the review will be provided to the EC Delegation and Armenian authorities as part of the ETF's policy advice support.
  - promote donor co-operation in particular in vocational education and training to ensure that actions are implemented in synergy and are complementary.

# 1. Socio-economic background

Continuing the double-digit growth trend of the past half decade, Armenia's GDP grew at an annual rate of 13.8% in 2007 with a robust performance in construction, services and agriculture. This stellar growth record has led to Armenia's emergence as the "Caucasian Tiger"<sup>1</sup>. Construction output expanded by 18.4%, largely arising from the building of new homes and offices in Yerevan; expansion of production capacity in mining, metals and energy; and large-scale construction in transport and communications. Services output grew by 12.5%, underpinned by transport and communications, travel, wholesale and retail trade and finance. With more favourable weather, agriculture recovered from its poor performance in 2006 to expand by 9.6% marking a surge in the outputs of fruit and vegetable, tobacco and wheat<sup>2</sup>.

Strong inflows of workers' remittances and higher wages fuelled private consumption. Significant private investments were channelled into several industries: real estate, mining, gas supply, transport and communications. Public investment increased by over 40% most of which was directed to developing and rehabilitating public infrastructure. Yet despite strong growth, unemployment stayed high at 6.7% only a slight improvement from 2006's 7.2%.

The government has made solid progress in improving the general business environment as is demonstrated in the World Bank's 2008 Doing Business survey, where Armenia's ranking climbed to 39 in 2007 (out of 178 countries) from 46 in 2006.

In spite of the growth, the government recognises that the economic base is too narrow and that in order to achieve a more diversified and sustainable development path it needs to capture other production activities in the value chain, broaden its sources of energy supply and develop new areas such as information technology. It also needs to push through further institutional reforms in the areas of tax administration and collection, customs, the judiciary and competition policy.

In November 2007 with the establishment of the National Competitiveness Council of Armenia (NCCA) the government made a step towards enhancing Armenia's global competitiveness and promoting sustainable development in the country. The NCCA is a public private partnership (PPP) with a national mandate. The NCCA should enable the government and the private sector to make informed choices through studying the dynamics in global and local markets.

The vision of the NCCA is a sustainable growth of living standards of the population. The country will become internationally connected with an economy that is fully integrated with global markets and a world-class infrastructure. The mission of the NCCA is to set a concrete agenda for productivity increases. Armenia will take a leadership role in contributing to the wealth and stability of surrounding nations in the region. The objectives are to create microeconomic foundations for:

- Armenian companies to become globally competitive and enter global markets by integrating into global value chains;
- Foreign firms to compete to locate their operations in Armenia.

In May 2008, the government launched a national programme covering the period 2008-2012, which has been developed taking into account the provisions of the Strategy for National Security and the Strategy for the Reduction of Poverty, which sets a target indicator of 11.2% of poverty to be reached by 2012 down from 26.5% in 2006 with an average of 6.4% in Yerevan, 15.1% in other cities and 12% in rural settlements.

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<sup>1</sup> The Caucasian Tiger : policies to sustain growth in Armenia. Country's economic Memorandum Vol. 1 – Saumya Mitra – June 2006

<sup>2</sup> EBRD – country fact sheet, Yerevan June 2008

## 2. Key policy issues and strategies in human capital development

The above-mentioned national programme for the period 2008-2012 includes as a third priority the development of human capital, which covers education, health, culture and the environment.

As regards education, the objectives stated in the national programme include:

- increasing the duration of education for the age group 6-21 to an average of 12.5 years;
- enhancing the quality of education by improving the physical and technical conditions of school buildings (including proper heating mechanisms and computer technologies). By 2012 the investment in education of total public expenditure over the medium term should increase. Education's share of the budget has grown substantially over recent years: from 7.9% of total expenditure in 1997 to 14% in 2006;
- ensuring that foreign languages and computer skills teaching starts from primary school level;
- establishing a national centre for the assessment of quality in order to increase the efficiency of education;
- improving the effectiveness of training, retraining and professional career for teachers;
- improving the links between the world of education and the world of work, through the introduction of best European practices in assessing the demand for skills;
- improving the integration of children with special needs through adequate education measures;
- increasing participation in pre-school education in particular for children from vulnerable families;
- reforming higher and vocational education in accordance with the principles of the Lisbon declaration and introducing a national qualification system at internationally accepted quality standards from 2010. Fundamental steps will be carried out towards modernising the management of universities, including qualifications of scientific personnel and enhancement of the PhD education system;
- increasing the availability of services in professional education through the introduction of student scholarships and loan mechanisms;
- increasing public expenditure to 3.5% of GDP (it was 2.5% in 2005) by 2012;
- fostering the development of scientific research, better linking universities to research institutes and clarifying the role of the National Academy of Sciences;
- introducing modern methods for assessing scientific programmes and awarding degrees with the allocation of adequate budget resources;
- strengthening co-operation and integration with international centres;
- improving distance learning through the development and application of interactive e-education.

As regards employment, the strategy defines the following objectives: to implement active employment policies, forming an efficient and stable labour market, to reduce unemployment, to provide a healthy, safe and dignified workplace and to ensure adequate working conditions. The government plans that about 30% of the next five years' economic growth will be fuelled by

employment growth, and the rest by higher labour productivity, which is expected to grow at an average of about 7% per annum, thus exceeding the growth rate of developed countries.

In accordance with recent data, access to basic education in Armenia is equitable, whereas access to higher education is quite limited for children from poor families. Given the country's income level, Armenia has achieved impressive educational development with nearly 100% of children of basic education (1-8 grade) school age for all quintiles are enrolled at some level of education (pre-primary to secondary)<sup>3</sup>.

The VET system has undergone several phases of reform, in particular after the adoption of the Law on Education in 1999, followed by the rationalisation programme that reduced the number of less relevant vocational schools. In this reform phase, preliminary VET was practically disrupted until 2004. As regards the governance of VET, in 2008 two important steps have been taken: the establishment of a National Council as a tripartite body aimed at driving the reform of the system and the establishment of a National Centre for the Development of VET, as an instrument for implementing the decisions taken by the Council. The 2006 and 2007 Sector Policy Support provided by the EU has played a vital role in strengthening the governance of the system, through pilot measures implemented at school level. The key issue will be to build on the results of these pilot initiatives and to disseminate them to the rest of the system in order to make VET more attractive for young people and families.

Higher education is the only sub-sector of education that has registered a clear growth in the number of entrants, students and graduates. However, university enrolments are quite unevenly distributed, with rich households over-represented. With limited money to spend on private tutoring, children from socio-economically disadvantaged homes and rural areas perform less well in schools, particularly at secondary level, which limits their access to tertiary education<sup>4</sup>.

In 2005 the non-tertiary VET system comprised: 26 schools of preliminary (craftsmanship) VET (28 in 2006-2007), with an enrolment of 6,100 students in 2006/07; 83 public secondary vocational schools (colleges), with 27,800 students (2005/06); 34 private secondary vocational schools; three universities providing secondary VET programmes (university colleges). In the aftermath of the resumption of craftsmanship education in 2004, 28 vocational profiles were offered in different types of establishment in the academic year 2006/07. Secondary VET schools offer approximately 185 vocational profiles, out of 257 inserted in the classifier, which has been reviewed and updated over the last three years and still ongoing.

### 3. EU and other donor interventions

The Poverty Reduction Strategy Paper (PRSP) has until recently been the major forum for dialogue and co-ordination of donors around the overarching socio-economic development programmes of Armenia. After the adoption of the PRSP, several donors, in particular UN organisations, DFID, and USAID have aligned their country strategies in close co-ordination with the government.

The Ministry of Finance and Economy is the leading institution as regards donor financial support (grants and loans) and the Aid Co-ordinating Unit reports to this ministry. The MFE has introduced a unified information system covering donor strategies and projects. However, the leadership and ownership of the government in effective co-ordination of donor strategies around the adopted VET strategy and policy priorities is still at an early stage.

There are approximately 20 donors in Armenia active in the field of education and vocational education and training. The support goes from wider systemic reform as is the case of the EU and the World Bank, to bilateral assistance to a specific school or college. The list below includes the main donors:

#### **The World Bank**

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<sup>3</sup> Armenia's public expenditure review, education sector – Human Development Department (ECSHD) Europe and Central Asia Region, the World Bank – draft version 5 – April/March 2008

<sup>4</sup> *ibid*

The World Bank Education Sector Reform is based on the implementation of the project on "Education, and relevance of education", which has contributed to revising the curricula for basic education, teacher training and the production of textbooks. A new loan is under discussion with the Armenian Government which should provide further support for increasing participation and quality for pre-school, secondary, including both general and vocational and tertiary, education. The new programme should start in 2009.

#### **UNDP**

In 2006 the UNDP started the project "Support to the reforms of VET system in Armenia", involving pilot school renovation, competency-based standards, curriculum development. The project has a two year duration.

#### **UNICEF**

The following projects are jointly implemented with the Ministry of Education and National Institute of Education: (i) national study on school wastage and absenteeism in Armenia; (ii) training to support the transition to twelve-year schooling for teachers of second grade students; (iii) revision of the preschool curriculum; (iv) development and publishing of a guidebook for training pre-school administrators and educators; (v) preschool education administrative statistical data management system; (vi) assessment of boarding schools and transformation of 17 special schools into mainstream schools or temporary boarding schools (jointly with the Ministry of Labour and Social Issues); and (vii) advocacy for the integration of a healthy lifestyle in the national curriculum.

#### **The British Council**

The British Council is involved in Armenia through the implementation of a regional vocational education and training project in South Eastern Europe: skills@work. The aim of the project is to promote closer links between the world of work and vocational education and training.

#### **GTZ**

GTZ has been supporting agriculture middle level VET department since 2003 through training and provision of equipment (e.g. computers, tractors, soil analysis equipment). Practical training through demonstration fields activities has a high priority in this assistance. The revenue from the sale of agriculture products is re-invested into the colleges, thus giving an incentive to both teachers and students. As a result of the project, students' enrolment has doubled in the colleges since 2003. The project duration has been recently extended until 2009. Because of this success, the project has been assessed as very satisfactory by the Ministry of Agriculture.

#### **USAID**

USAID/Armenia is developing aspects of education within other objectives across the mission's portfolio to ensure that critical programmatic gaps in formal education are being systematically addressed. The following are examples of the mission's education interventions: the American University of Armenia (AUA) endowment; economics education in secondary schools; a law faculty development programme at Yerevan State University (YSU); development of accounting and audit curricula at three universities: YSU (Yerevan State University), State Institute of Economy (SIE), and the Slavonic University; development of a unified family medicine curriculum at the State Medical University (SMU); development of a business curriculum at the State Engineering University of Armenia (SEUA); assistance for curriculum reform, adult education, and outreach programmes in computer science departments at three universities – YSU, SEUA, and SIE and assistance to the Ministry of Education and Science in strategic planning and institutional reform. These USAID-managed activities complement the current US Embassy education activities in Armenia.

#### **Eurasia Foundation**

USAID/Armenia is continuing to fund Eurasia Foundation activities in Armenia, in line with its core grant. The Eurasia Foundation's Grant and Loan Programme focuses on: development and growth of the private sector, promotion of good governance and strengthened civil society, enhanced media and communications capacity, strengthened regional cooperation, and promotion of social science research. The Armenia-Turkey Cross-Border Dialogue and

Cooperation Programme, launched in 2006 by Eurasia Foundation aims to contribute to the normalisation of relations between Armenia and Turkey by strengthening the capacities of non-governmental, local government and business sectors to develop and maintain cross-border partnerships, and by supporting initiatives that establish cross-border links.

## **France**

France is very active in the field of education providing support to a French lycée as well as a university which was established in co-operation with the University of Lyon in France, and detaches annually 50-60 lecturers for a short period of time. The main objectives of the university are:

1. to facilitate the opening up of Armenian higher education to international relations
2. to create a French speaking elite which will stay in Armenia
3. to promote partnerships with the world of work.

They have three faculties on law, management and trade and from the third year, French becomes the working language.

The courses last for four years and lead to a baccalaureate diploma recognised both in Armenia and France and six years which leads a French master.

In the fourth year a placement is organised in a private company in France to give an insight into a real work environment.

## **The EU**

Armenia entered the group of countries sharing the European Neighbourhood Policy in 2004, and the Armenia–European Union Action Plan (to 2010) was approved on 14 November 2006. Closer integration with the EU in key political, legal, social and economic areas will be given new impetus over the coming decade.

The country strategy for the period 2007-2013 identifies assistance for reforming and upgrading the education system with a view to convergence with EU standards and practices as a top priority in order to strengthen democratic development, social stability and economic competitiveness.

EC assistance to Armenia for the period 2007-2010 is based on a National Indicative Programme, which identifies three strategic objectives:

1. strengthening democratic structures and good governance;
2. further supporting regulatory framework and administrative capacity building;
3. supporting poverty reduction efforts

## **Higher education**

EU support to higher education has been provided through the Tempus programme, which, from 1995 to 2006, has financed 32 projects lasting up to three years and 60 individual mobility grants for a total of around €5.5 million. A total of 96 institutions have participated and, among them, 70 EU universities, 2 US universities, one from Japan, 10 Armenian state universities, 10 non-academic organisations and three universities from the Caucasus region.

In line with the priorities set by the European Commission and the local authorities, Tempus activities have been developed in the following areas:

- Reforms of university management systems;
- Curriculum development and training of teaching staff in areas such as social sciences, medicine, engineering sciences, library IT, audit and international banking systems, air transportation, sustainable energy economics, biomedicine, agriculture, occupational therapy, strategic planning, library development and modern European languages;
- Networking and multiplier projects.

In the light of Bologna Process with Tempus support Armenian universities have been able to improve their administrative and organisational structures and study programmes. Promoting teacher training, student mobility, language abilities, consultation with the entrepreneurial world, and cooperation with stakeholders, the universities will make significant steps towards the European Higher Education Area.

### **Vocational education and training**

EU support to Armenia in the field of vocational training entered a new phase in 2007 through non-targeted budget support of €3.5 million under 2006 Tacis assistance and €16 million under the ENPI 2007 Sector Policy Support Programmes for poverty reduction policies through the development of human resources in a modern and efficient vocational education and training system.

The programmes are aimed at strengthening and modernising the system through:

1. enhanced institutional capacities for policy definition, implementation and monitoring
2. improving the quality, efficiency, accountability of the delivery system to meet the demands of the labour market
3. strengthening social dialogue
4. promoting better donor co-ordination
5. optimising VET financing and governance of the system.

The Ministry of Finance and Economy is the leading institution coordinating donor support (grants and loans) and the National Aid Co-ordinating Unit reports to this ministry. The Ministry of Finance introduced a unified information system covering donor strategies and projects. However, leadership and ownership of the government in effective co-ordination of donor strategies around the state VET strategy and policy priorities was still in early development during the implementation of the EC budget support programme, and will need to be further assessed.

However the “coordination” ensured by the Ministry of Finance does not qualify for real donor coordination, in the required sense. The line ministry in charge of the sector and especially the VET department is not involved in the process, due to its institutional weakness. There is however regular information exchange among donors, but real donor coordination is still in need of implementation at sectoral level.

### **Continuing training**

The Ministry of Labour and Social Issues has strengthened its capacity as an intermediary between employers requiring skilled labour and the VET colleges providing training. The new employment law (2006) is in line with the EU approach in particular as regards the importance of implementing active employment measures. The State Employment Service conducts labour market analysis and helps unemployed people to find jobs through 51 employment centres located in the regions (marzes). Donors support the Ministry of Labour, through three main projects: (i) SIDA through the Swedish National Labour Market Board (1999-2008) providing assistance in the organisation of job fairs; (ii) the World Bank, through the Strengthening of Social Administration Project (finishing in 2008); USAID through a 5-year project, which started recently with a programme in the field of social protection. Other international NGOs develop studies and debate in the area of adult education (IIZ-DVV, Germany) and lobby for the elaboration of a high level framework for lifelong learning.

## 4. ETF intervention strategy in the mid-term perspective 2009-2013

In consideration of Armenia's commitment to improved VET quality and effectiveness and to employment promotion, as well as to the support that the EU has provided, the ETF has ranked Armenia as a mid-level priority partner country for the period 2009-2013.

As regards the policy framework, the sub-sector of VET is under the political and legal responsibility of the Ministry of Education and Science, despite the fragmented administration of around a quarter of public VET establishments by line ministries (ministries of agriculture, health, culture, energy, sports). There is a consistency in the sector policy expressed by the VET Modernisation Priorities Paper (VET MPP) that was revised and updated in line with Condition 2 of the SPSP, alongside confirmation of MPP status at the highest level.

Because of the low status of VET in government policy, the prevailing culture of reform is donor-led: a policy is endorsed if the necessary financial resources are available. However, the drive for reforms, and the awareness that urgent changes are needed is well embedded at every decision-making level.

As previously mentioned, the vocational training system underwent several phases of reform, driven mainly by the EU through both Tacis assistance and ENPI sector policy support.

Actions foreseen under the implementation of the EU SPSP 2006 were mainly related to strengthening the institutional environment for reform through (i) the establishment of a Task Force representing main public bodies and social partners, with the function of promoting and following up the reform; (ii) reviewing the structure of the VET department in line with requirements of the reform; and (iii) reviewing the VET modernisation priority paper and action plan prepared under the implementation of the VET Tacis project 2003 to reflect achievements so far and the overall objectives of reform for the period 2008-2010, including relevant activities, institutional responsibilities and resources needed.

The SPSP 2007 is aimed at further supporting the reform through a more systemic approach in the delivery of the system through the upgrading of infrastructure and equipment of 11 colleges to become modern regional centres for the provision of both initial and continuing vocational education and training. A National Centre for the Development of Vocational Education and Training was established in May 2008 with the overall objective of guiding VET reform in particular through the establishment of a National Qualifications Framework, which has been supported by the ETF in 2007 and 2008.

Therefore, the aim of ETF will to intensify cooperation with a focus on assisting the European Commission to work with the Armenian authorities and experts to ensure progress in ongoing VET reform through the effective implementation of the Sector Policy Support Programmes and by providing learning opportunities (especially at the policy and system levels) to national stakeholders during the process of reform.

In particular, the ETF aims to add value by concentrating the activities from 2009 to 2013 on the following main pillars:

- a) Continuing to provide support to the EC services in strengthening the institutional capacities of the Armenian authorities in implementing and monitoring the progress of VET reform;
- b) Providing advice in the formulation of strategic policies related to teacher training;
- c) Supporting structured and institutionalised social dialogue at national and local levels within a policy learning perspective based on EU examples of good practice and experience;
- d) Reviewing labour market and employment patterns in the Black Sea region with the objective of promoting institutional policy formulation, implementation and monitoring in particular of active employment measures;



- e) Co-operating with the newly established National Competitiveness Council of Armenia in particular in connection with the contribution that human capital can give to the promotion of Armenia's competitiveness;
- f) Ensuring co-operation with the World Bank which is planning to finance a programme to bring more coherence and unity to the education system, especially at upper secondary level, including vocational education and training.