



VOCATIONAL EDUCATION AND TRAINING CHALLENGES AND OPPORTUNITIES IN THE SOUTHERN CAUCASUS

**CROSS-COUNTRY REPORT
ARMENIA – AZERBAIJAN – GEORGIA**

*Euarda Castel-Branco
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1 INTRODUCTION

1.1 *Context and objectives of the study*

In 2005 a series of studies were initiated to assess the state of the labour market and vocational education and training (VET) in the three Southern Caucasus states of Armenia, Azerbaijan and Georgia. These reports were finalised in 2006, filling important gaps in information and analysis and providing some conclusions that still remain valid today.¹

However, significant policy developments in the region throughout 2007 and 2008 coupled with the new opportunities and challenges raised by the European Neighbourhood Policy (ENP) have prompted the European Training Foundation (ETF) to propose a cross-country analysis of key priorities for VET and employment policies in the Southern Caucasus states.

ETF will build on the findings of the previous study within the framework of ENP Action Plans and current guidelines for national reform. The study hopes to strengthen the effectiveness of the ongoing VET reform processes.²

It is legitimate to ask whether a regional dimension is valid for these countries given the unresolved political and territorial issues and the varied outlooks of their economic development policies. However, these countries share a number of challenges that could be better addressed through a wider regional perspective. Economies and labour markets tend to operate across national boundaries, and national policies can benefit from a perspective that recognises this potential and helps them to address any possible risks.

Finally, all three countries signed ENP Action Plans with the EU in 2006, an element that is essential to the ETF mandate as an EU agency. The three ENP Action Plans include education and training agendas that are comprehensive, embrace a reform perspective, include policy dialogue possibilities with EU Member States and share significant common priority areas. This new framework justifies more common undertakings across the region and helps reduce disparities in the approach to cooperation, notwithstanding the specific country commitments of each ENP.

This study was built on key inputs from national experts in Georgia and Azerbaijan, and updated information gathered by ETF in Armenia in the first half of 2007. The findings of the study were discussed at a regional workshop in Tbilisi in October 2007, which provided an opportunity for well-grounded debate on both the regional and country-specific priorities encountered in ongoing reforms. Further research was completed in Georgia in 2008 as a baseline analysis for a possible EU Sector Policy Support Programme in 2009.

This cross-country report addresses the key challenges faced by the countries, with a view to closer cooperation with the EU.

The outlook for enhanced cooperation with the EU on education and training is significant in all three countries, as can be seen in the respective ENP Action Plans. This is further substantiated by projects and policy-based programmes currently in the preparation stages or recently initiated.

It must be noted, however, that the volatility of regional geopolitics influences the framework for regional cooperation to some extent. A military escalation occurred in the frozen conflict between Russia and Georgia in 2008, and - at the time of writing - a Russian-mediated diplomatic solution has established a tentative peace in Nagorno-Karabakh. Meanwhile, the Russian Federation appears to be strengthening its position through new energy investments and Georgia is threatened by the possible loss of its role as an energy corridor.

The new Black Sea Synergy

Regional cooperation is the main principle behind the new EU Black Sea Synergy³ for the three Southern Caucasus countries. The Black Sea Synergy is not an additional instrument and does not substitute the European Neighbourhood and Partnership Instrument (ENPI). It is not the EC's intention to propose an independent Black Sea strategy, since the broad EU policy towards the region is already set out in the pre-accession strategy with Turkey, the ENP and the Strategic Partnership with Russia.

¹ The studies are available as working papers at: www.etf.europa.eu

² Author of this report: Eduarda Castel-Branco, country manager for the three countries in 2004-2005

³ Black Sea Synergy, EC Communication April 2007, Available at: http://ec.europa.eu/world/enp/pdf/com07_160_en.pdf

This new initiative aims to complement these policies, focussing political attention at the regional level and invigorating ongoing cooperation processes. The primary task is to develop cooperation within the Black Sea region, and also between the region and the EU. The Synergy is intended as a flexible framework to ensure greater coherence and policy guidance. Main cooperation areas include: democracy, human rights and governance; managing movement and improving security; the “frozen” conflicts; energy; transport; environment; maritime policy; fisheries; trade; research and education networks; science and technology; employment and social affairs; and regional development.

The EC Communication on the Black Sea Synergy (European Commission, 2007a) states that cooperation on these issues at regional level could provide additional value, particularly when it comes to the exchange of information and best practices, successful awareness-raising initiatives can also be shared, including training programmes for relevant officials, social partners and civil society organisations.

Employment and research and education networks are some of the priorities explicitly mentioned in the Communication. Armenia, Azerbaijan and Georgia have a particular interest in regional cross-fertilisation in education sector strategy, and this form of cooperation should be stimulated given their pressing goal of integration to the global market and the development of a knowledge-based economy.

1.2 Policy contexts in 2006-2008

Macro-economic developments in the three Southern Caucasus states in 2006-2008 show a few important common features, including continued high GDP growth. However inflationary pressure has been significant in the last two years and macro-economic reforms and fiscal discipline remain important policy objectives, both for the oil producer Azerbaijan and its neighbours Armenia and Georgia.

The armed conflict between Georgia and Russia - and subsequent recognition of the independence of South Ossetia and Abkhazia by Russia in the summer of 2008 - reflects the relatively high volatility of a region where the energy and political interests of the world powers rest uneasily together.

Georgia is showing signs of increased socio-economic stress following the conflict, and its balance of payments will therefore require substantial support from the IMF and other donors throughout 2008 and into the future. The IMF considers that macro-economic reforms undertaken from 2004 have made the economy strong enough to resist the resulting shock.

Educational reform has also been implemented in the region over the 2005-2008 period, and the demographic and labour market trends broadly recognised in various state programmes and policy papers of the period intensify the key challenges facing education policies. Despite their diverse economic and political paths, the three countries face a common development commitment: the need for consistent investment in their human resources development agendas in order to progress toward poverty reduction and economic diversification objectives.

The November 2006 European Neighbourhood Policy (ENP) Action Plans signed with the European Union (EU) provide another incentive for reform. Southern Caucasus states have thus accepted both the challenges and the opportunities offered by the new policy and the related new instrument of cooperation: the European Neighbourhood and Partnership Instrument (ENPI). The three Action Plans emphasise the area of ‘education, training and youth’, aiming to ‘reform and modernise the education and training systems within the framework of country plans towards convergence with EU standards and practice’ in Armenia and Georgia and ‘reform and modernise the education and training systems within the framework of Azerbaijan’s reform programme.’⁴ The ENPI foresees the move from project to programme support. The main intervention modality is expected to be the Sector Wide Approach (SWAp), based on the assumption that the countries are ready and willing for reform and built on their own genuine reform drive.

VET systems in the region have experienced diverse drivers and paces of reform, elements that enrich the learning potential of their experiences. This learning potential is particularly relevant for Azerbaijan and Georgia where reform implementation processes are in an earlier phase.

Armenia

- Key VET reforms started in 2003-2004 with the development and adoption of a sequence of sector policy documents: the Strategy⁵, the VET Law (2005), and the VET Modernisation Priorities Paper and Action Plan (2005-2008).

⁴ EU-Armenia Action Plan ENP, EU-Azerbaijan Action Plan ENP, EU-Georgia Action Plan

⁵ The ‘Strategy of Preliminary (crafts) and Middle Professional Education and Training,’ adopted in 2004 by the Government of Armenia

- In 2007 the country engaged in the preparation of a pioneering first sector policy support programme with the EU. Prior preparatory work on VET sector policy played a determining role in the successful transition from project to sector-based approach. The preparation of conceptual and legislative grounds for VET reform was consistent, but there were weaknesses in the implementation of the planned measures and the scaling-up of pilot reforms prepared with donor support in 2004-2005. Outcomes in the actual activity of VET schools were also lower than expected.
- This clearly demonstrates that balance is needed between policy development on one side and implementation and monitoring on the other. This will enable the reform dynamic to be fed by the authorities while also responding to the expectations of the client base - students, households, schools and teachers, and enterprises. Extensive use of lessons learned in this phase by leading institutions can be used to benefit future development of the VET sector. Institutional reform has progressed at the central policy-making level but several challenges to better governance still remain. In 2007, the institutional basis for the dynamic involvement of key stakeholders and social partners in VET policy and development was broadly established. EU programmes have been major contributors to VET sector development in Armenia since 2003. EU-Armenia cooperation in VET contributed decisively to system reforms, particularly under the recent sector policy support programme (2007).

Azerbaijan

- There has been growing pressure for VET education reforms from both the public sector and private enterprise. The first reform measures of the 1990s produced mixed results, and priorities on education and training were reset in the Employment Strategy officially adopted in 2005. Education authorities presented a VET development programme (2007-2012), that was approved in mid-2007.
- Although this Programme tackles a number of the key building blocks⁶ of VET modernisation, several issues important to the approaching implementation phase still remain open. Successful and sustainable reform will be dependent upon institutional and social dialogue, capacity and leadership during the implementation phase.
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- Unlike the other countries, financial resources are not a key problem for the new younger VET management department in the Ministry of Education - the change process is hampered by weaknesses in human resource capacity at a high ministerial level and in many VET establishments. Resistance to innovation by providers presents another challenge that requires more determined reform. In order to manage change in the best way possible, change-oriented managers must be selected and empowered through capacity building, exposing them to global good practice and providing performance-based incentives.

Georgia

- The focal problems of education have been approached with determination, starting with the serious issue of rampant corruption. In 2005-2007 Georgia adopted new legislation⁷ and a VET reform concept document while implementing key measures to reform finance, governance and quality assurance. VET provision was rapidly restructured, and the previous double system of non-tertiary VET inherited from the Soviet system is being replaced. This system still exists in much of the CIS. VET is now organised in two different pathways, with one occupational secondary scheme and another higher vocational short cycle scheme. However the reform raised a number of issues that need to be tackled:
 - clarification of the communication paths between these levels, in order to avoid 'dead-end' traps in the system;
 - interaction with an employment policy, which at present is non-existent due to total liberalisation, and;

⁶ Building blocks of VET reform: see Annex 2 on Azerbaijan.

⁷ Law on Higher Education and Law on Education

- sound strategic planning to optimise implementation of the multifarious measures and tasks raised by ongoing VET reform.
- Georgia has been praised for its reform dynamism, and for taking concrete steps to fight systemic issues, but the country is still greatly challenged by the need to match state capacity to reform implementation requirements. Doubt has been raised over the sustainability of a reform drive strongly dependent on the government in a context of growing domestic political instability.
- In the course of 2008, VET reform has been subjected to substantial policy changes. This reflects the need for serious open stakeholder debate on system development, including the role and interactions of private and public players and the levels and consistency of public VET financing. Given the capacity of existing and potential offer, the current policy to promote more and better private sector involvement in VET needs to be balanced with social objectives, potential demand from young people with no initial professional training, demand from adults and employers and poverty reduction challenges. The apparent expectation that a significant share of VET provision can be swiftly handed over to the private sector requires more in-depth analysis. Georgia as a whole is currently undergoing a period of changing and even unpredictable options, which directly affect the consistency and stability of VET institutions. This situation could provide a benefit if the action taken in previous years were used to inform and optimise decisions, necessary changes and funding in the years ahead. Experience and open stakeholder and user consultation can be put to better use during this period of uncertainty. The EU is offering Georgia assistance through a substantial VET Sector Policy Support Programme (SPSP) 2009-2011, and current dialogue with sector authorities repeatedly highlights the need for greater analysis and wider consultation.

All three countries face the common challenge of how better to organise vocational pathways within the educational setting. VET is not traditionally seen as a very attractive path for young learners. However, certain policies could help turn this situation around:

- i. the avoidance of ‘dead-end’ initial VET pathways;
- ii. the integration of key competencies in VET content in order to facilitate the adaptability of learners; and,
- iii. the expansion of diversified and flexible learning.

The offer of flexible and credible VET is particularly relevant to of the large numbers of secondary education graduates unable to access higher education. With the essentially academic knowledge provided to them by secondary school and little access to employment information and guidance, large sections of the youth population would benefit from attractive post-secondary employment-oriented education and training.

The key issue for VET reform progress in each country may be summarised as follows:

Armenia: to learn from the reform experience in order to ensure effective progress while optimising the synergies of international assistance, namely, budgetary support. Armenia can share its good practice in the development of new VET institutions and social partnerships.

Azerbaijan: to use leadership and political will to implement the reforms proposed in the recently adopted strategic documents. To bring VET policy makers intelligently in line with all relevant strategies and the ministries of employment, regional development, human capital development and others.

Georgia: to match institutional capacity to the reform agenda in order to ensure effectiveness. Monitor current implementation and coordinate the many fronts of action. Build a broader support base for VET reform in order to minimise the risks linked with political instability. Georgia accumulated a significant level of work on policy and technical areas linked with qualifications and sector strategy development in 2008. One positive feature has been the good level of ownership of these processes, partly anchored in the National Professional Agency (NPA), the new VET institution established in 2008.

A number of topics are relevant to all three nations, and they could benefit from sharing lessons learned on a regional basis. National development could be boosted by sharing experiences on: ‘social partnership’ and the effective development of this area, ‘assessment of the outcome’ of education reforms – linked directly to ‘quality assurance’ and to ‘policy development and implementation.’ An ‘evidence-based policy’ has not yet been put into place, and the countries will require feasible and relevant benchmarks built on the basis of reliable information and analysis in order to do so. Recent experiences in Armenia involving a sector-based

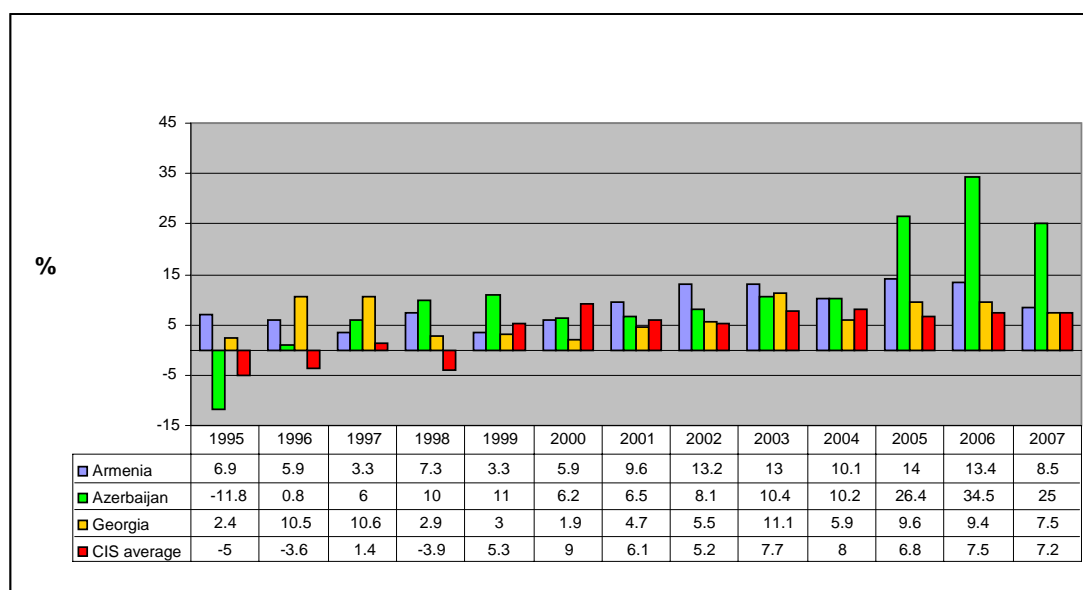
approach with a budget support programme could offer a number of concrete lessons easily applicable across national boundaries given the amount of shared content in the education agendas of the three ENPI Action Plans.

Recent debate suggested that the move to bring secondary VET in line with upper-secondary education initiated in Armenia and Georgia should have the support of an umbrella education development strategy and be reliant on analysis of relevant international experience. The educational tradition of these countries certainly makes this a matter for further discussion.

2 ECONOMIC CONTEXT

The three Southern Caucasus states have been registering the highest GDP growth rates of the CIS.

Figure 2.1: Growth in real GDP



Source: EBRD Update (2007). Data for 2007 are projections. Graph: ETF

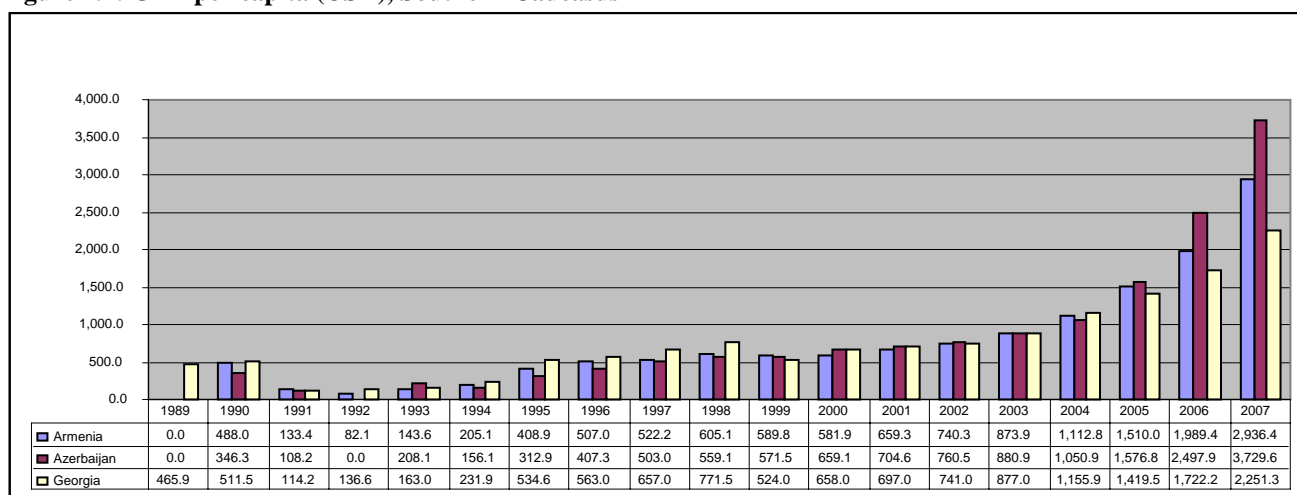
Georgia was the only country that had not recovered the estimated level of pre-transition real GDP. In 2006 Georgia only reached an estimated level of real GDP of 53 (where 1989 figures = 100) while Armenia and Azerbaijan reached an index of 126 and 121 respectively. Drivers for growth vary in the three countries.

Armenia: The main drivers of this strong growth have been the construction sector, services and the retail trade. The construction sector accounts for half of the improvement (construction output rose by 37.1%) and it now forms the largest sector in the Armenian economy. Output growth from services and the retail trade also remained strong, rising at double digit rates. However, industrial output has slowed considerably, recording a 0.9% decline in 2006. Remittances from migrants and official development assistance have supported some of the growth and stabilisation.

Azerbaijan: The economy has fundamentally changed since the increase in oil production and opening of the Baku-Tbilisi Ceyhan pipeline. While average economic growth was around 10% during 2002-2005, real GDP grew at more than 26% in 2005 and reached an unprecedented 35% in 2006, making Azerbaijan the fastest growing economy in the world. The dramatic growth has resulted in a more than two fold increase in per capita GDP over the last two years. The oil sector currently accounts for about 54% of GDP, three quarters of industry and 93% of exports.

Georgia: According to data from the European Bank for Reconstruction and Development report (EBRD, 2007), economic growth was driven by increased output in industry and construction - that contributed approximately 20% and 12% respectively in the first nine months of 2006 - and by the dynamic services sector. Transport and communications also grew by 11% and the financial services sector by over 50%. An opposite trend was registered in agriculture that showed an output contraction of 18.1% in 2006.

Per capita GDP has increased and figures for 2005 are roughly comparable for the three countries.

Figure 2.2: GDP per capita (USD), Southern Caucasus

Source: EBRD Transition Report 2008. Graph: ETF

Challenges

Key challenges for the three countries include the following points.

- i. Continuing market-oriented reforms within further macro-economic discipline and fiscal performance, including prudent and quality state budget spending. Georgia puts a strong emphasis on improved fiscal receipts through the simplification and reform of the tax system, and the attraction of foreign investment. Azerbaijan needs to return to previous prudent expenditure of oil receipts in order to prevent this commodity boom from stunting development of the rest of the economy.
- ii. Limiting inflationary pressure and the overheating of the economy, slowing the excessive appreciation of local currencies that has been accelerating in the last 2-3 years. This is a major objective for the three governments, impacting on poverty reduction objectives and the sustainability of economic expansion. Stabilisation in 2000-2001 has been followed by persistent growth since 2004 in Armenia and 2005 in Azerbaijan and Georgia. Azerbaijan ranks first amongst the CIS economies with projected inflation of 16% for 2007.
- iii. Continuing strong economic performance through broad-based growth, increased productivity and improvement of the business and investment environment.
- iv. Prioritising reduction of the poverty that persists in spite of recorded high growth rates. Georgia certainly has the best record here, while Armenia and Azerbaijan have also recorded good progress. However, poverty reduction in Armenia in 2004-2005 was more a result of improvements in the social assistance policy than a result of greater income from employment, and in both Armenia and Azerbaijan poverty reduction has been much stronger in urban areas - and the capitals in particular - than in rural areas. This situation may exacerbate internal inequalities in the nation.

3 THE LABOUR MARKET

Employment growth has been lower than economic growth - a trend common to many other transition economies.

Armenia is a case in point, where long-term sustained growth has been largely based on increased productivity coupled with employment contraction - a situation known as jobless growth. Labour market indicators in Armenia can be considered a real challenge for government policy, particularly the high unemployment and low employment rates. Low employment is far worse amongst Armenians than it is amongst their neighbours. There are two possible explanations for this. One is that remittances received from migrants make Armenians less willing to accept the precarious, low-paid and casual jobs available to them (Roberts and Banaian, 2004), while the other concentrates on persisting skills mismatches - just one more reason why an adequate response in education and training policy is so pressing an issue.

Georgia, meanwhile, displays a distorted labour market where two-thirds of those employed are actually self-employed. Only a minor proportion of the population are in waged employment, while a large percentage is employed in agriculture. As a result, there are not enough skilled jobs for the large section of the labour force with higher educational levels.

Azerbaijan reports steady job creation rates since 2003. Only two Labour Force Surveys (LFS) have been carried out with support from the International Labour Organisation (ILO) and UNDP in 2003 and 2006. The latter report has not been released yet, limiting more in-depth analysis within the framework of this update. Preliminary data from LFS 2003 cites improvements in labour market indicators, as shown in Table 3.1. According to the State Statistical Committee (SSC), approximately 480,000 jobs have been created since October 2003. Half of these are permanent jobs and the rest are temporary or occasional. Around 40% of these permanent jobs were created by physical persons - a form of business similar to self-employment for small businesses with no legal entity. Manufacturing, construction, trade, agriculture and public administration are the five sectors reporting the highest levels of job creation.

Unlike Armenia and Georgia, Azerbaijan, has a growing population and labour force. However, the country is also experiencing a tense situation in the job market for younger entrants that is partly linked to skills and expectation mismatches. This presents the authorities with major challenges on how to make skills development schemes attractive and widely accessible, how to help informed career choices and how to support effective labour market links.

Table 3.1: Activity and employment rates in Armenia, Azerbaijan and Georgia. Based on ILO criteria and surveys

	Activity rate	Employment rate	Unemployment rate
Armenia			
2001	53.6	32.8	38.9
2002	55.4	35.5	35.9
2003	56.5	38.7	31.5
2004	59.9	40.5	32.3
2005	53.4	36.5	31.8
2006	53.6	38.5	28.1
Azerbaijan			
LFS 2003	69.2	61.7	10.8
LFS 2006	71.1	65.9	6.8
Georgia			
2001	66.2	58.8	11.1
2002	65.0	56.8	12.6
2003	66.2	58.6	11.5
2004	64.9	56.7	12.6
2005	64.0	55.2	13.8
2006	62.2	53.8	13.6
2007	63.3	54.9	13.3
2008 Quarter II	66.9	58.2	13.0

Source: NSS Armenia; SSC Azerbaijan (LFS 2003 and LFS 2006); Department of Statistics Georgia (data prepared for ETF on request) and GEPLAC 2008 Quarter III

The simple methodology proposed by Bartlett (2006) was used to compare the distribution of educational attainment across the employed and unemployed sectors in Azerbaijan and Georgia, using available LFS data. We were unable to apply this comparative analysis to Armenia, for while the LFS were available to every year, there was insufficient data for calculation of shares by category. The rough indicator of ‘excess supply of persons at different educational levels’ is derived by subtracting the percentage of persons in employment in each category from the percentage of persons unemployed in the same education attainment category. Tables 3.2 and 3.3 show the different profiles of this indicator in the two countries.

Table 3.2: Azerbaijan – distribution of educational attainment across employment and unemployment

Shares	2003			2006		
	Employed	Unemployed	Excess supply	Employed	Unemployed	Excess supply ⁸
Higher education (complete and incomplete)	20.2%	9.3%	-10.9%	18.3%	14.4%	-3.9%
Vocational (secondary and primary)	20.1%	12.9%	-7.2%	15.4%	13.3%	-2.1%
Secondary education	58.6%	77.5%	18.9%	64.5%	71.9%	7.4%
No primary, or primary	1.1%	0.6%	-0.5%	1.7%	0.6%	-1.1%

Source: Reports LFS 2003 and 2006. Calculation: ETF

Table 3.3: Georgia – distribution of educational attainment across employment and unemployment

	2005			2006			2007		
	Employed	Unemployed	Excess supply	Employed	Unemployed	Excess supply	Employed	Un-employed	Excess supply
Primary	3.8%	0.3%	-3.4%	3.5%	0.5%	-3.0%	2.6%	0.2%	-2.4%
Basic	7.6%	4.4%	-3.2%	7.3%	4.7%	-2.6%	7.7%	4.9%	-2.8%
Secondary	40.0%	31.8%	-8.2%	41.4%	31.6%	-9.8%	40.0%	31.8%	-8.2%
VET primary	9.5%	8.4%	-1.1%	8.9%	7.1%	-1.7%	6.3%	3.9%	-2.5%
VET secondary	13.8%	15.8%	2.0%	13.6%	16.2%	2.5%	15.6%	16.9%	1.3%
Higher education	25.0%	39.2%	14.2%	25.3%	39.9%	14.6%	27.6%	42.4%	14.8%
Unidentified	0.3%		-0.3%	0.2%		-0.2%	0.2%		-0.2%

Source: Georgia Department of Statistics, unpublished data, provided on request for ETF in June 2008. Calculation: ETF

Azerbaijan has an excess supply of workers with secondary general education. Only a limited number of secondary school graduates are able to enter higher education, and alternative post-secondary learning is seriously under-developed. The deficit supply of workers with higher education was substantially higher in 2003 than in 2006 and a similar improvement was observed in relation to the supply of workers with vocational education. This deficit of workers with professional higher and vocational or technical qualifications appears to have resulted in a steep decline in the excess supply of labour with only secondary general education by more than 50% in the 2003 to 2006 period.

Georgia shows a different profile, where the most significant group is the excess supply of labour with higher education - a trend that grows continuously. Workers with secondary VET qualifications were also in excess supply, although to a lesser extent. The figures suggest that workers with a complete secondary education are those best positioned in the current labour market – a deficit supply in this category occurred consistently over the three years covered by Table 3.3.

Although these figures require deeper analysis and breakdown by economic sector, they can provide indications for education, employment, migration and business policies in these countries. Georgia presents a particularly interesting and challenging case on this front, for while its a growing economy gained the highest ratings for the Eastern Europe and Central Asia group of 25 countries in the World Bank “Doing Business 2009”, the demand for skilled labour with higher education continues to lag behind the supply.

Employment policies vary from one country to another. Armenia and Azerbaijan have strong employment agendas, although only Azerbaijan has developed both an Employment Law and a National Employment Strategy, while Georgia has opted for a very liberal policy.

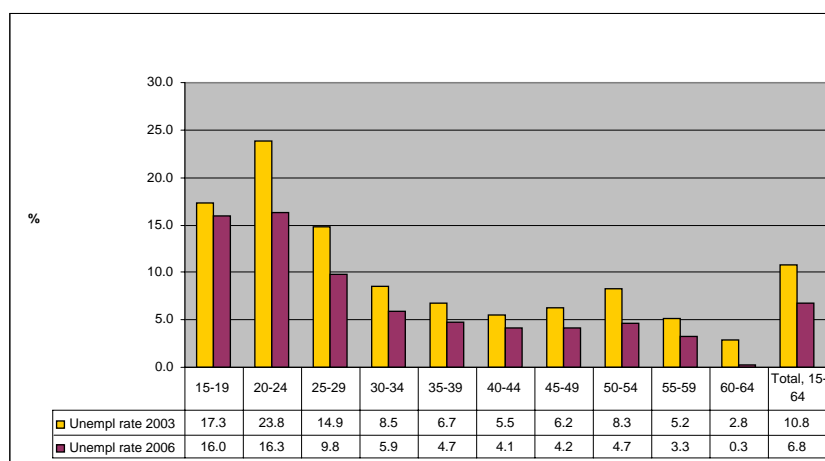
⁸ Negative value indicates a situation of deficit supply.

Youth in the labour market

Youth unemployment is a problem in the three countries, even in Azerbaijan where the labour market indicators are better on average. The ILO is executing a number of activities in the wider CIS region to analyse the situation of youth employment and prospects for this sector. All three countries drafted reports in 2007 and they shared their proposals with CIS peers.

Figure 3.1 shows that the unemployment rate for 20 to 24 year-olds is more than double the average rate in Azerbaijan.

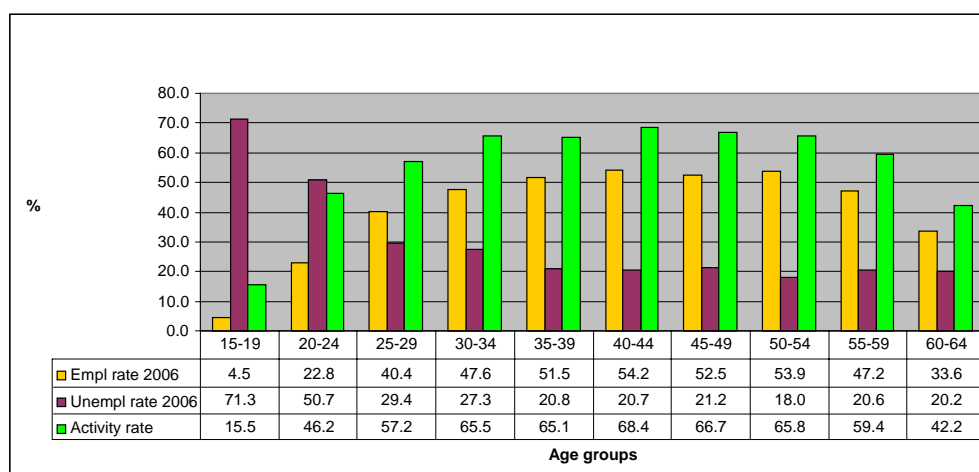
Figure 3.1: Azerbaijan: unemployment rate by age groups, 2003 & 2006



Source: SSC, LFS 2003 and 2006. Graph: ETF

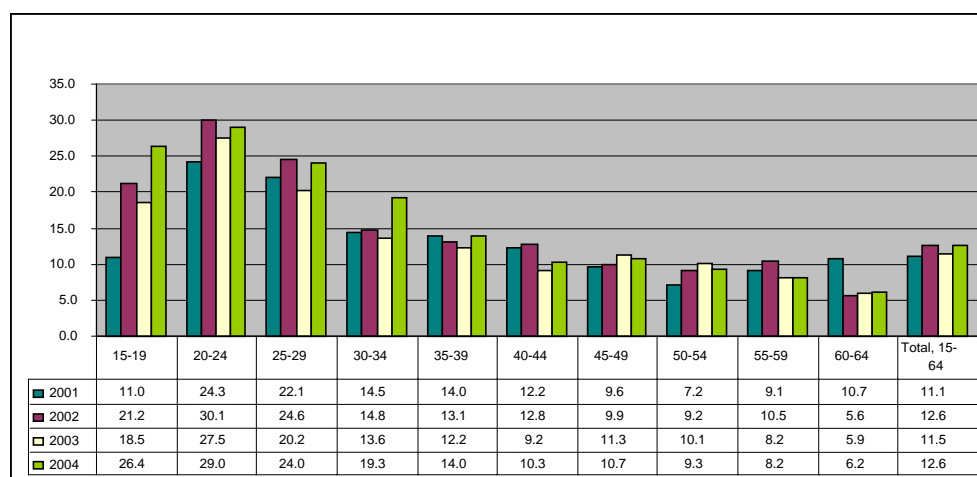
In Armenia the unemployment rate for 20 to 24 year-olds was higher than 50% in 2006 (28.1% on average) despite the recorded improvement. This means that half the active population in this age group was not at work, but was either actively seeking a job, or resigning themselves to inactivity. Armenia records high levels of youth inactivity where young people are in neither education nor employment.

Figure 3.2 Armenia: Activity, Employment and Unemployment rates by age group, 2006⁹



Source: NSS, at request of ETF. Graph: ETF

⁹ Average rates are provided in Table 3.1 (2006)

Figure 3.3 Georgia – unemployment rate by age group

Source: ETF calculation based on data from the Georgia Department of Statistics

Informality

The extent of the informal economy cannot be accurately estimated, but official sources and expert analysis both agree that the three countries have sizeable informality in employment and economic activities.

Informality in employment is typical in societies that have few jobs created within the mainstream economy, or rather, too few good well-paid jobs. Since the labour force maintains high educational attainment levels despite the crisis in education, there is mismatch between the expectations of the many highly educated job seekers and the mainly unattractive jobs available. The informal labour market offers activities for both the low-skilled (market trading, domestic work, repair and construction) and the highly-skilled (interpreting, consultancy, training, teaching and other self-employed professional activities), representing a more attractive alternative for many. In any case, a significant proportion of the working population hold several temporary, seasonal or permanent jobs concurrently.

A recent study (Schneider, 2005: 18-19)¹⁰ showed that Armenia has a substantial informal economy, that represented approximately 49% of GDP in the 2002-2003 period - a percentage far higher than that for 1999-2001. However, the figure for Armenia is the lowest of all the three Southern Caucasus countries, as Azerbaijan is reported to have reached over 61% and Georgia 68%. According to the same source, other ENP countries have the following rates: Ukraine 54.7%, the Russian Federation 48.7%, Moldova 49.4% and Belarus 50.4%.

Migration

Migration has been one of the most common coping strategies adopted by the younger workforce of the three countries, and around 20% of the population emigrated from Armenia and Georgia during the transition period.

Migration and remittances have been key elements in the economic and employment picture in Armenia, and also to a lesser extent in the other countries. Alongside the effects of brain drain, migration has a particularly high impact on the Armenian economy and household welfare. The ratio of remittances to GDP can be as high as 30%. Official estimates from 2006 cite that around one fifth of GDP was made up of remittances.

Researchers have identified three main migration streams from Armenia in the past 15 years (Pogossian, 2000). The first, which followed the earthquake of 1988, led to the departure of some 200,000 people to other Soviet republics. The next, in the 1988 – 1990 period, was linked with the conflict in Nagorno-Karabakh, when Armenia received some 500,000 refugees, and thousands of ethnic Azeri people fled to Azerbaijan. The largest migration stream occurred in 1992 – 1994, when the country was deeply shaken by the energy crisis and economic collapse. According to some sources, around 700,000 people emigrated during this period,

¹⁰This study defines the shadow economy as the market-based legal production of goods and services that are deliberately concealed from public authorities for a number of reasons: avoidance of taxes and social security, and avoidance of legal labour market standards and certain administrative procedures. It does not cover underground activities and economic crime.

reaching a peak of 250,000 in 1993 alone. The end of 1990s saw a new resurgence of emigration, fuelled by further turmoil and political instability. Population outflow subsequently stabilised.

According to a recent survey by the Organisation for Security and Cooperation in Europe (OSCE) office in Armenia, around 130,000 people are involved in short-term labour migration. This amounts to around 6% of the population of working age. Of these, 90% work in other CIS countries, primarily Russia, and 94% are men. Most of these migrants are employed in the construction sector.¹¹

In Georgia and Armenia remittances form a significant part of household income, particularly among the lowest income families. In Armenia, remittances are seen to provide a disincentive for working age people to enter the job market, as they will not accept the less interesting jobs available to them. Remittances are also used to finance education and housing, which would otherwise be less affordable.

Statistics for Azerbaijan tend to underestimate the real migration situation as they do not cover all migration channels. However, SSC figures show that net migration has tended to decrease, falling to -0.16 persons per 1,000 in 2003 (2,500 immigrants to 3,754 emigrants). In 1990 these figures were 4,806 and 9,142 respectively. Another official figure seems to underestimate the situation, stating that between 1990 and 2003 a total of 251,600 people immigrated, while 432,100 emigrated. Unofficial estimates place the net migration estimates rather higher, close to one million people during this period. Emigrants headed mainly to Russia, Turkey and Germany during the main period of migration. Irregular migration to all European countries currently represents a problem for the people who fall into this trap. The International Organization for Migration (IOM) has reported several companies in Baku that are making easy money by deceiving ill-informed emigrants. Motives for emigration are mainly economic. Significant numbers of young people reportedly migrate temporarily to work in Russia, mostly in commercial and informal activities.

There are two main effects of labour migration in the region and state policy must be used to make the most of the advantages offered here. The first good effect is the income from remittances, and the other is related to human capital. Rather than looking at migration simply as a brain drain process, current migration may in fact offer a source of upgraded skills, entrepreneurial attitudes, networking with international business and openness to innovation at all levels, both technological and societal.

¹¹ Presentation by the OSCE Office in Yerevan of the Labour Migration Project at 13th OSCE Economic Forum, Prague, 23–27 May 2005.

4 EDUCATION SECTOR POLICY

This Cross-Country Report aims to highlight the European ‘Education and Training 2010’ strategy (E&T 2010), based on the Draft Cross-Country Analysis of 2007 (European Commission, 2007^b). It will also provide a reminder of the education related agenda included within the ENP Action Plans.

This document will raise awareness of the pan-European reform agenda in the three Southern Caucasus countries. It will ultimately draw attention to the potential challenges of EU approximation, following the adoption of ENP Action Plans in November 2006. We will draw on these two frameworks as points of reference and inspiration in the current debate on education and training policy in the region.

4.1 *The ENP Action Plans*

The three Action Plans emphasise the area of ‘Education, training and youth’, aiming to ‘Reform and modernise the education and training systems within the framework of country plans towards convergence with EU standards and practice’ in Armenia and Georgia, and to ‘Reform and modernise the education and training systems within the framework of Azerbaijan’s reform programme.’¹²

These three Action Plans give greater emphasis to educational reform than the Action Plans adopted for the first batch of ENP countries, and the areas identified for cooperation on education and training have been pinpointed for actual ‘reforms.’ Importantly, the three Action Plans¹³ share a largely common cooperation agenda

- i. Ensure continued access for all to high quality education in line with Millennium Development Goals for the sector inter alia providing sufficient funding, by elaborating a legislative base for education, by integrating gender concerns, by providing transparency and accountability for the sector, by reforming education and training systems, including vocational education and training and by fostering ‘lifelong learning,’ in particular through the implementation of a ‘national education reform strategy’.
- ii. Improve the ‘accreditation’ system.
- iii. Reform higher education in line with the principles of Bologna process and using the mechanisms of the Tempus programme.
- iv. Enhance the ‘local capacity for policy development and implementation’.
- v. Enhance the quality and capacity of institutions and organisations involved in developing and implementing ‘quality assurance’ in the field of education and training.
- vi. Strengthen the adaptation of higher education and vocational education to demands of the labour market and the economy by inter alia increasing the involvement of ‘social partners’ and stakeholders from civil society.
- vii. Encourage student mobility.
- viii. Continue and enhance a ‘policy dialogue with the EU in the field of education, training and youth’.
- ix. Enhance youth exchanges and cooperation.

¹² EU-Armenia Action Plan ENP, EU-Azerbaijan Action Plan ENP, EU-Georgia Action Plan

¹³ Text extracted from the EU-Azerbaijan Action Plan, but neighbouring Action Plans share the same topics for cooperation.

4.2 *The Education and Training 2010 agenda and possible messages for reforms in the three Southern Caucasus countries*

The E&T 2010 work programme contributes to the EU Lisbon agenda for jobs and growth, that focuses on the objective of a highly competitive knowledge-based economy.

The E&T 2010 has set five main benchmarks for the 2010 horizon listed below. Member states have added specific benchmarks in some areas. These benchmarks – valid across a wide range of 32 countries - are a useful instrument for domestic education and training policy and all members have been using them as references for their reform agendas:

- i. reading literacy: at least 20% fewer low-achieving 15 year olds than in 2000
- ii. early school leaving: no more than 10%;
- iii. upper secondary completion: at least 85% of 22 year olds;
- iv. maths, science and technology (MST): at least 15% more graduates than in 2000 and better gender balance;
- v. lifelong learning participation: at least 12.5% of 25-64 year olds.

The 2007 Cross-Country Analysis (European Commission, 2007) is an EC staff document that should be read together with the 2008 Joint Report on the Implementation of the Education and Training 2010 work programme (European Commission, 2008). This report will focus on the progress made by the 32 participating countries, particularly in establishing coherent and comprehensive lifelong learning by the end of 2006.

There are three key areas of the strategy:

- i. lifelong learning strategies;
- ii. transversal policy, including: national qualification systems and frameworks; validation of non-formal and informal learning; lifelong guidance; transnational mobility;
- iii. schools, higher education and VET, including: governance and leadership; learning outcomes-based approaches; quality assurance; relevance of curricula; learning partnerships; widening access and equity in participation; teacher-related issues.

Transversal policy objectives are essential to the implementation of lifelong learning. These objectives include:

- i. the elaboration of national qualification frameworks or systems;
- ii. measures to assess and validate non formal and informal learning;
- iii. establishment of lifelong guidance systems;
- iv. initiatives to strengthen transnational mobility.

When properly combined, these measures promote flexible learning pathways, enabling individuals to transfer their learning outcomes from one learning context to another and from one country to another.

An important purpose of the agenda has been to facilitate access to qualifications, to make transfer of learning outcomes easier and to make progress more straightforward. This requires better cooperation between the actors involved, agreement on explicit levels of qualifications and the introduction of clear pathways between the different sub-systems. The issue thus involves a combined simplification and modernisation of qualification systems, addressing individual learners, employers and education and training institutions.

This combined simplification and modernisation of qualifications systems takes many different forms and focuses on different aspects. While open flexible and coherent systems can be developed without the introduction of an overarching National Qualifications Framework (NQF), the majority of countries have taken this option. The main objectives of developing qualification frameworks are: to establish standards for qualifications (in terms of learning outcomes); to enable comparisons of qualifications; to improve learning access, transfer and progress; and to improve the quality of education and training provision. The following are the common objectives:

- i. creating more open and flexible sub-systems;
- ii. enhancing the coherence of national systems;
- iii. simplifying or systemizing the education and training offer and possibly even developing a unified system in order to ensure the two points above;
- iv. developing and implementing NQFs.

4.3 *The VET reforms*

4.3.1 **Key challenges: skills and employment**

Current thinking on the role of Knowledge, Skills and Competences (KSC) in an economy with increasing knowledge capital conveys some interesting messages (Johanssen, 2005). These are discussed here to emphasise the fact that the proliferation of higher education diplomas alone does not improve either the competitiveness of the economy or the productivity of the labour force, nor does it guarantee a competitive edge for the economy in the long term. Relevant points are:

- Educational attainment and skill levels are only moderately correlated.
- High skill levels do not seem to affect economic growth, though the existence of a high percentage of people with low skill levels tends to retard growth. Low skill levels seem to inhibit rates of technological adaptation and innovation.
- There should be a policy focus on the people with the lowest skills, as they are holding back economic development.
- People lose skills over time. This is not really surprising given societal, technological and organisational changes, but it happens at a rate that offsets the overall rise in educational quality seen over recent decades. The situation would be even worse if there had been no improvement in the quality of education.

One of the corollaries of the above messages is that formal education at any level is no longer sufficient for life.

One of the most essential questions for policy makers and practitioners alike in the three countries is how to better match qualifications profiles and education outcomes to the labour market. There is not enough evidence-based analysis on the extent of mismatch in the existing skills mix of the respective labour forces in relation to the job market. Any breakdown of the registered unemployed by educational achievement is not representative of the whole segment of job-seekers. Some aspects of the frequently mentioned “mismatch” can be clarified by setting educational achievement against the profiles of available vacancies reported to state employment services, but this information is not often available and may not even be collated.

Data from state employment services in countries with extensive informal employment have limited potential for clarification as the registered unemployed form only a very small section of the total, and those who do register with the state employment services may be pursuing other ends than job-seeking support and counselling.

Surveys are either sporadic or very limited in scope and territorial coverage. More needs to be done to produce reliable data to support policy-making.

In principle we are speaking of two kinds of mismatch.

- i. Skills mismatch: between the requirements of demand side (jobs available) and the skills profiles of the supply side.
- ii. Expectations mismatch: most of the labour force has higher formal education indicators. But this feature is not synonymous with competence and skills for work in the current economic contexts. However job seekers have expectations directly correlating to their educational attainment level, rather than their competences and practical aptitudes suited to the jobs available to them in unstable and changing contexts.

The first mismatch is expressed in the fact that many jobs require medium level or lower skills, but the supply side doesn't possess such profiles. This is both a quantitative and a qualitative mismatch.

The second mismatch leads to the situation where people seek jobs and employers seek employees, but without finding a match. There is evidence that many vacancies remain open despite there being unemployment. People with higher levels of formal education are more averse to accepting the unattractive available jobs that offer lower rewards. This category of people accounts for a large proportion of these labour markets.

The issue is not only one of improving matching instruments used by employment agencies, or guiding educational choices to professions that are in demand at a certain moment. In the globalised market economy, changes occur rapidly in terms of the quantity and quality of skills that are in demand. In such volatile contexts education systems can better cope with these challenges when they are more flexible and responsive to change. Offering broader skills profiles to prepare users for mobility of all kinds and possible polyvalence allows for better interaction with the main players of the labour market.

Another perspective of how education can cope with the unpredictable economy lies in lifelong learning - a concept that will undoubtedly stand the test of time as education and training systems adopt this approach in the quest for optimum performance.

4.3.2 More challenges: enrolment and equity

The figures on education reform in Georgia given below from Godfrey (2006) provide an interesting comparative overview across the Southern Caucasus and beyond.

The three figures are self-explanatory. They reveal issues of policy concern that have a medium-term effect on the labour force and society at large, and which require long-term action in response:

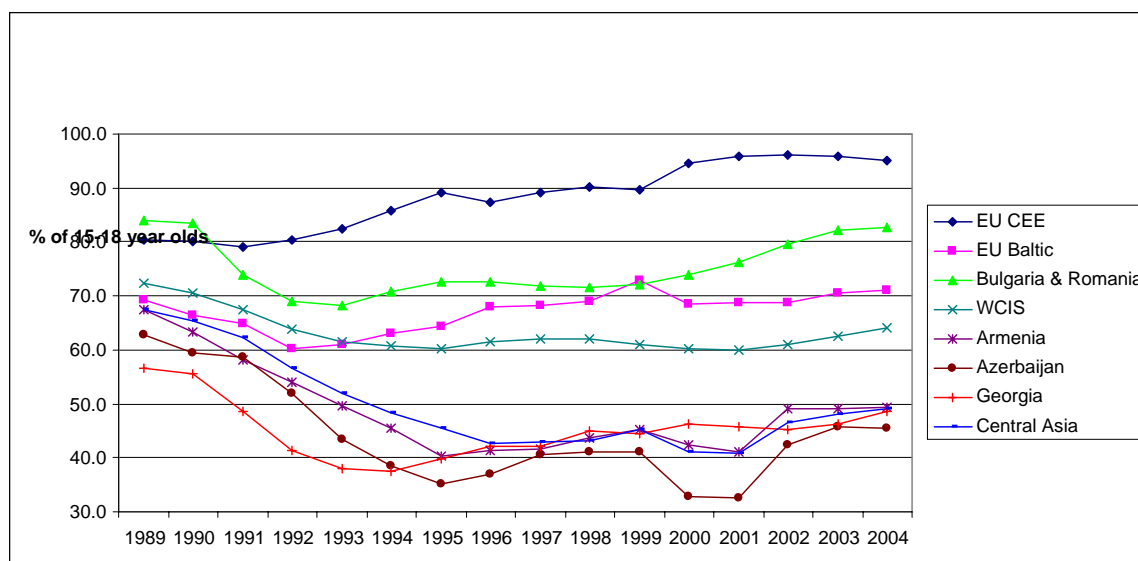
- i. falling enrolment rates in the highest levels of secondary education;
- ii. falling attractiveness of VET pathways (or falling support and financing);
- iii. inequity, expressed by a gap in enrolment of youth from lower income families in upper secondary school levels.

Figures on enrolment are not always consistent across all sources. As Godfrey (2006:10) comments:

At upper secondary level, the gross enrolment rate fell steeply in the early 1990s from 57% in 1989: it has since recovered, to 49% in 2004, but Georgia (with its neighbors and Central Asia) is in the group of countries with lower rates [Figure 4.1]. To confuse matters again, UNESCO (2006) estimates Georgia's gross enrollment rate in 2004 at 68%, presumably based on a different age group. The National Statistics Department estimates that enrollment at this level rose by 12% between 2004 and 2005, which would imply a significant increase in enrollment rate.

The benchmark figure on upper secondary attainment at 22 years-old (and over) in the E&T 2010 is 85%, and the Southern Caucasus countries should be interested in pursuing these benchmarks as part of the ENP.

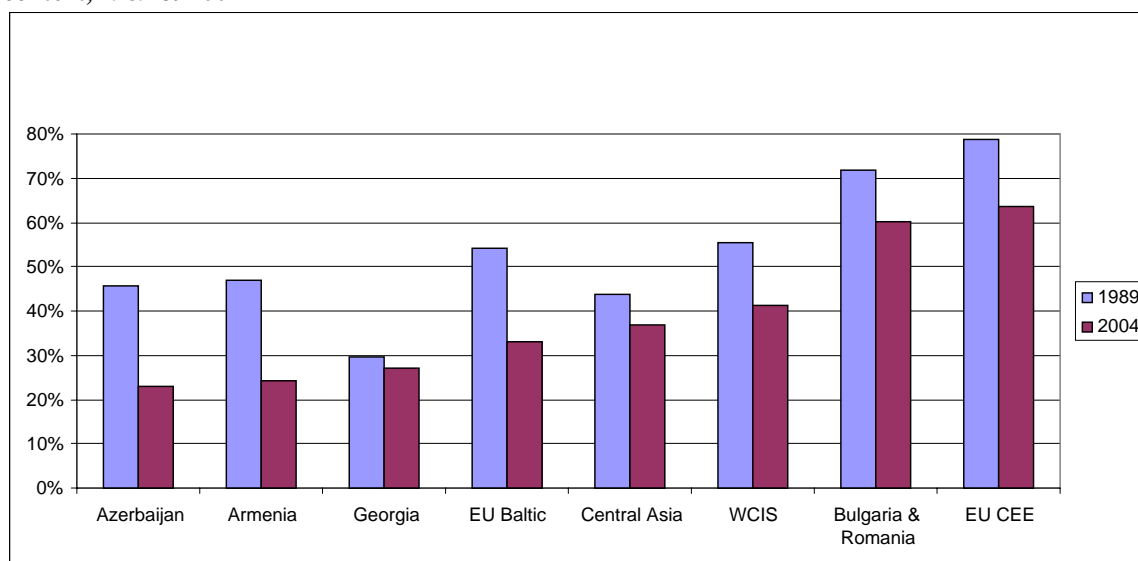
Figure 4.1: Total upper secondary gross enrolment rates, Georgia in a regional context, 1989-2004



Source: UNICEF TransMONEE database. Extracted from Godfrey (2006:10)

The relative position of VET shown in Figure 4.2 reveals that this pathway is not proving attractive in any of the three countries. Moreover, this characteristic has been exacerbated during the transition period, undoubtedly as a reflection of policy-maker disregard for a sub-sector that should be undergoing a process of development.

Figure 4.2: Relative position of VET (% of total upper secondary enrolment), Georgia in a regional context, 1989 & 2004



Source: UNICEF TransMONEE database. Extracted from Godfrey (2006:11)

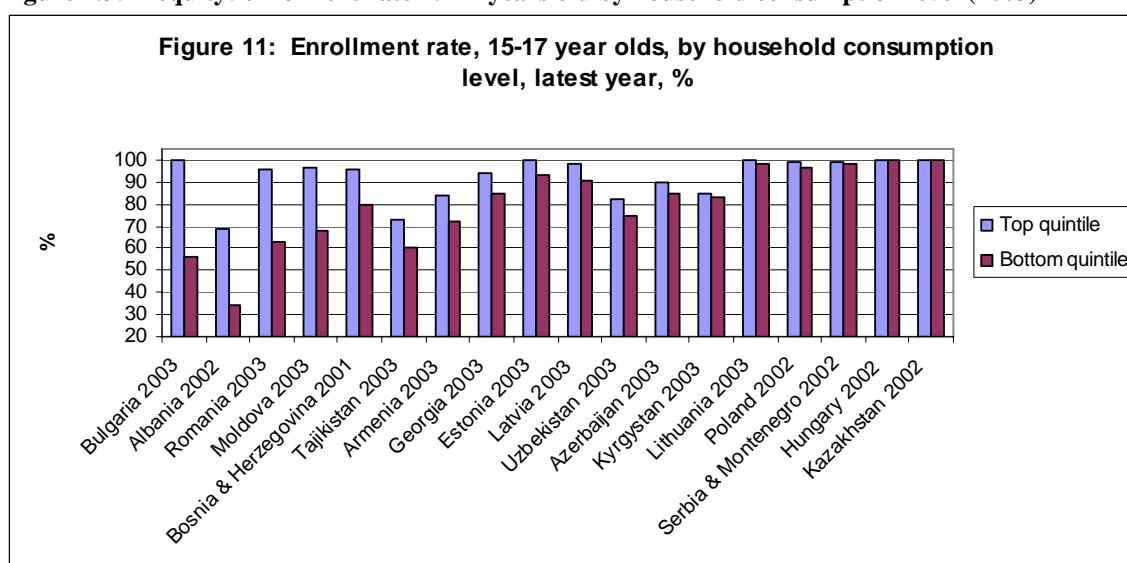
Inequity is much more striking in the case of the secondary school age group. As Figure 4.3 shows, the enrolment gap based on socio-economic conditions is wider in Armenia and Georgia than in Azerbaijan. In Georgia, 94% of 15-17 year-olds from richer families were enrolled in school in 2003, compared with only 85% of those from poorer families. This is larger in Georgia than in ten of the other countries shown in the chart, and in Armenia this gap is even wider, at almost 12%.

Moreover, the disadvantaged are likely to be over-represented in initial and secondary vocational schools, a position from which upward mobility in the education system is more difficult.

Such levels of inequity in countries that are exiting tough economic slowdown threaten to ultimately introduce skills-based vulnerability. This means that the lowest-income population will tend to be trapped in a segment with lower education and skills and worse employability prospects. This is all counterproductive

for national development agendas that aim to eliminate poverty and integrate into global markets through knowledge-based economies.

Figure 4.3: Inequity: enrolment rate 15-17 years old by household consumption level (2003)



Source: From Godfrey (2006:14) on the basis of UNICEF data

4.3.2.1 Financing of education

Public budgets for education in the three Southern Caucasus states have declined in the transition period, as shows Table 4.1.

Table 4.1: Change in Public Expenditures on education and health as percent of GDP in selected transition economies (1991-2005)

	Public Expenditures on Education /GDP (%)		
	1991	2005	Change 1991-2005
Belarus	4.6	5.4	0.8
Moldova	--	5.8	NA
Russian Federation	3.6	3.8	0.2
Ukraine	--	6.3	NA
Armenia	7.5	2.7	-4.8
Azerbaijan	6.9	3.0	-3.9
Georgia	6.4	2.5	-3.9
Kazakhstan	2.1	2.3	0.2
Kyrgyzstan	5.0	4.2	-0.8
Uzbekistan	--	-	NA

Source: draft ETF report “ENPI 08-14 Black Sea Labour Market Reviews - Azerbaijan”, 2009, unpublished

In Armenia public expenditure in education as percentage of GDP decreased steadily in the period 2000 to 2003 (from 2.9% down to 2.2%), but recovered from 2.3% in 2004 to 2.8% in 2006¹⁴. Expenditure on professional education programmes (secondary and tertiary level) declined from 0.45% of GDP in 2000 to 0.30% in 2006. Public expenditure on education as share of total expenditures of consolidated budget peaked in 2007 to 12.7%, after a level below 10% in 2002 and 2003¹⁵.

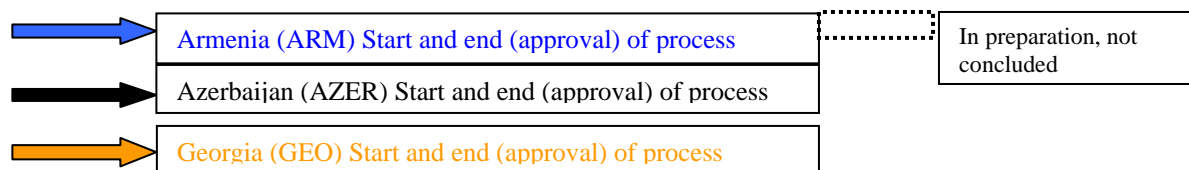
¹⁴ In the period 2000-2006 the average for OECD countries of public expenditure in education as percentage of GDP was 5.4%.














¹⁵ Poverty Reduction Strategy Paper (Revised Version of PRSP – II), 2008, pg 228

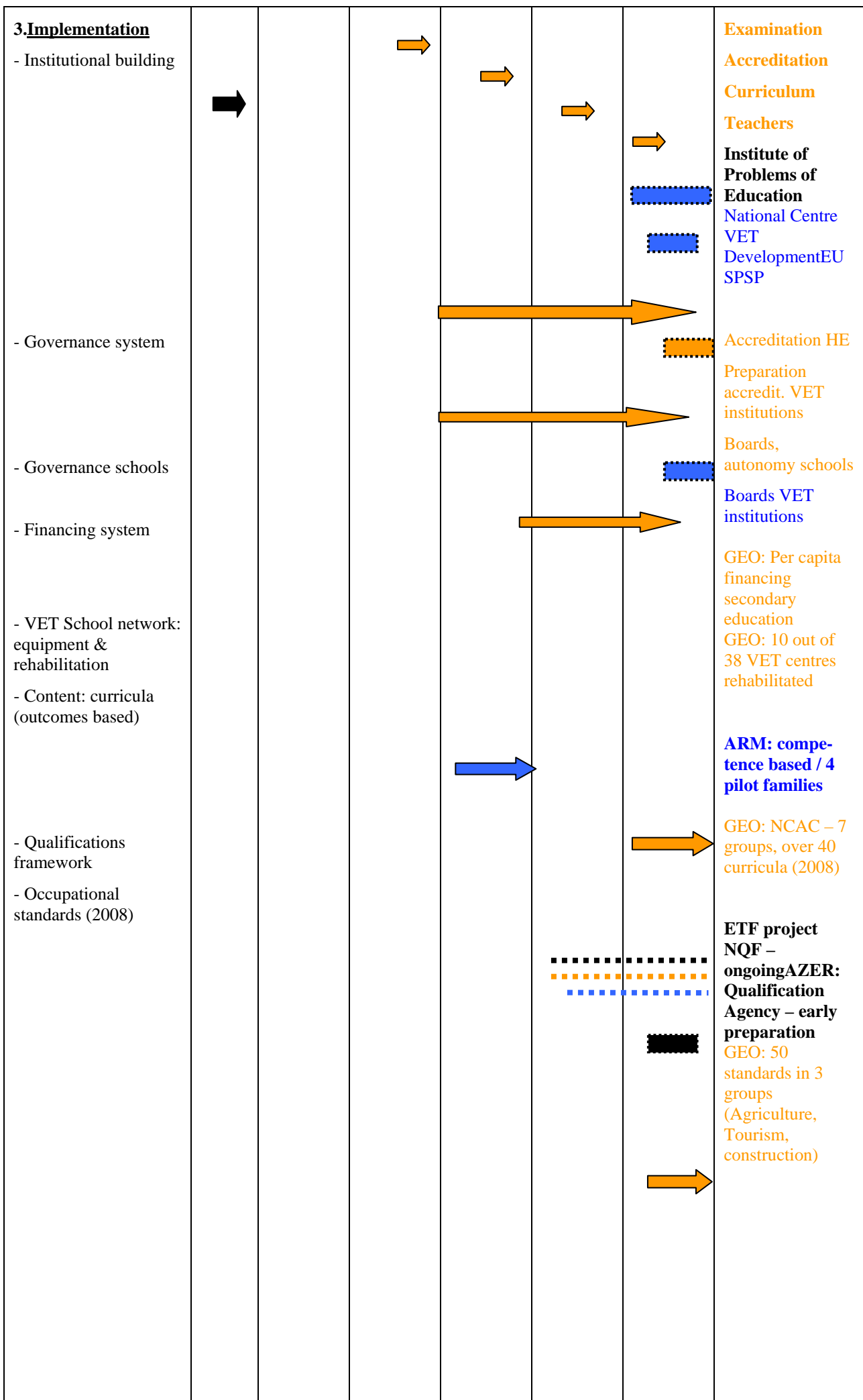
In Azerbaijan, despite outstanding growth of the economy, state budget expenditure on education has floated between 2.66% and 2.87% of GDP (2006 and 2007). Public expenditure on education as percentage of total state budget expenditure has declined in the period 2006 to 2008, from 12.6% to 10%. The share of VET in total state budget expenditure floats from 0.59% in 2006, to 0.61% in 2007. The same figure for 2008 is 0.46% of total education expenditure, according to preliminary estimations provided by Ministry of Economic Development.




Consolidated budget expenditures in Georgia increased significantly – by 58.5% in current prices - in the period 2004 to second quarter 2008, against a background of a 98% growth in consolidated budget revenues in the same period. However despite increased public expenditure on education, as percent of GDP this expenditure has shown a slight decline in 2007-2008, after peaking at 3% in 2006. The share of expenditure in VET reached a peak of 3% of total budget of Ministry of Education and Science (2007), but fell to 2% in 2008.

4.3.3 VET Reform paths in the three countries



Main components	Previous period	2003	2004	2005	2006	2007	Observations
1. Conceptual and strategic basis - VET Strategy - VET Modernisation Priorities Paper & Action Plan (MPPAP) - VET concept - National Employment Strategy (NES) - Programme on implementation NES - State Programme VET development			 	  			ARM: VET MPPAP – under review
2. Legal basis - Law on education - VET Law - Law Higher Education	 			 			GEO: general education AZER: 1992 ARM: 1999 HE: Work started in 2001
							



<p>4. <u>Monitoring</u></p> <p>- Action Plan VET reform</p> <p>- Sector performance indicators</p> <p>- Education management information system</p>							<p> Draft in discussion</p> <p> VET strategy working group (2008)</p> <p>GEO: EMIS</p>
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Reform drivers

This study concludes that the pace and focus of the VET reforms in the region is conditioned by the presence or absence of the following factors:

- **Driver:** a clear socio-political motivating factor able to maintain commitment and political will at the necessary high level. Ideally a driver will be internal, rather than pushed by external forces such as donor policies. There should be recognition that a serious crisis requires a serious remedy.
- **Ownership:** reform should be triggered, conceived and prepared by national stakeholders, and the reform strategy conceived without heavy dependence on external expertise. The strategic guidelines of the reform need to be effectively accepted by key national stakeholders, and sector policy must be consistent rather than flexible or vulnerable to donor policies.
- **Leadership:** there should be a core group of interested stakeholders that cooperates and advises the institution driving debate and change. Stakeholders should recognise the professionalism and commitment of this institution.
- **Capacity:** leadership goes hand in hand with institutional capacity and the adequate setting of objectives and resources. Capable states ensure that their development agendas are consistent with their physical, financial, administrative and organisational capacities. Incapable states generally stretch their agendas well beyond their capacities. By attempting too much, governments actually achieve little. Moreover, what they achieve is often poorly executed. This puts reforms at risk.
- **Political will:** reforms produce change and need to manage the various sources and motives of resistance to change. Reforms require consistent financing to overcome inertia and produce tangible results. This implies that some interests will be hurt and institutions will restructure and evolve. Beyond relevance as a driver, political will is indispensable in critical moments of reforms.
- **Relevance:** strategic orientations of reform need to be appropriate responses for the identified issues and objectives.

The extent of financing is obviously a major constraint on effective implementation. But financing can be resolved if the above aspects are in place.

Country contributions to a possible future pool of regional practice on VET development

Georgia

As was stated in the ETF Country Update report (2007), Georgia has put the issue of rampant corruption under the spotlight of education reform and this issue became the initial reform driver. The value of education outcomes such as diplomas and qualifications had become discredited, rules and procedures were permeable and corruption was rampant at key steps of progression such as access to higher education and trustworthy examinations. This level of pervasive corruption formed a context where networks of future mutual obligations were established on the basis of favours in the past. The simple enactment of legislation was insufficient to counter an endemic problem in need of thorough resolution.

Approaches used to counter the issue included: the rapid implementation of measures; new transparent admission process to higher education (monitored by international organisations); the accreditation of higher education institutions; and, changes of leading staff in key vulnerable institutions (higher education).

Other factors also contributed indirectly to the fight against corruption for example: a new financing scheme based on the ‘money follows the student’ principle; more transparent school management based on the participation of key local stakeholders in schools boards; greater autonomy of schools linked with greater accountability.

In concrete terms, Georgian VET reform has provided:

- i. determination and pace of reform (conceptualisation, preparation of key legal basis and implementation of measures);
- ii. a wider vision of the education reform, integrating VET in the education system;
- iii. structural reform of the VET system, through realignment of the previous two non-tertiary levels into the present secondary and tertiary levels;
- iv. rapid decisions on the rehabilitation of selected VET centres and implementation of the measure within the planned timeframe;
- v. institutional setting, four centres established to deal with the main areas of accreditation, examinations, curricula and teachers, and the refreshment of ministerial staffing;
- vi. financing scheme using the ‘money follows the student’ principle;
- vii. eradication of subjectivity and opaque practice in admission to higher education.

Significant work on qualifications and VET strategy development was implemented in 2008, whereby a good level of ownership has been established. Work is in progress on both fronts, but further consistent progress will depend not only on technical and human capacity, but also on policy stability. This element has been weak in 2008, and the NPA established in line with the new VET Law by the Government of Georgia was dissolved less than a year after it came into operation.

A pilot project aimed at introducing optional vocational optional elements in upper-secondary school was started in 2008 on the basis of proposals by the National Curriculum and Assessment Centre. Meanwhile, the new VET programmes started in 2007-2008 were in high demand amongst young educated adults, many already with higher education qualifications, seeking practical qualifications and skills to enhance employment opportunities, while applicants from the younger categories with only basic and secondary education were far fewer.

Armenia

In Armenia VET reform moved with renewed impulse in 2003 with the initiation of the first Technical Assistance to the CIS (Tacis) project in the sector. As can be seen in the VET reform paths (4.3.3 above) Armenia prepared strategic and conceptual documents to sustain the reform. A new legal basis was enacted in 2005 and work on the regulatory framework was pursued. However, the actual outcome on VET performance in terms of schools, content and image has been very low and definitely not commensurate with the effort invested in building the policy framework.

In fact the Action Plan for priority VET modernisation measures adopted in 2005 by the Ministry of Education and Science (MES) remained largely unfulfilled. Its original time frame was 2005-2008, but by 2007 the conditions and drivers for its implementation were not yet in place, despite its legal status.

This schism between the officially adopted intentions of the Action Plan and actions to put these into effect is associated with four main factors:

- i. priority setting in education sector policy with VET relegated to a secondary position;
- ii. low level of ownership of the strategic framework for VET reform by the leading institution;
- iii. weak leadership in the key department within Ministry of Education;
- iv. insufficient human, technical and financial capacities for response to the Action Plan.

Tacis assistance in 2003-2005 contributed expertise to a number of essential developments outside the strategy and conceptual framework, resulting most significantly in outcomes and competence-based curricula and a capacity building approach.

This experience would be highly relevant for neighbouring countries, but several factors must be taken into consideration first:

- i. this work was executed only on a pilot basis for a small number of VET areas and with some pilot VET schools;
- ii. there was insufficient dissemination of this experience and its outcomes across the VET system;
- iii. the Ministry responsible did not extend and validate the pilot, towards the mainstream in 2006 as proposed.

Also, no central knowledge-management mechanism was put in place to centralise the deliverables of curricula, recommendations and discussions, whereby information on the experience was not available for further application. Unfortunately, this is a typical situation on international technical assistance projects, where the contributing bodies undertake on behalf of the Ministry rather than working alongside of within the Ministry structure. Sustainable learning takes place through active problem solving, and the same is true for policy-making. Access to international good practice and expertise is not only good, but is indispensable in times of such great globalisation. The pertinent issue is how best to use the asset of international knowledge.

Armenia is fortunate to be a pioneer of the EU Sector Wide Approach (SWAp) to VET in this region. One of the first challenges faced in this initial period was the question of ownership of the existing sector policy framework. Display of an approved Action Plan for VET reform alone is not enough. A nation must be convinced it has the correct Action Plan with an appropriate set of measures and implementation support mechanisms.

Secondly, institutional and human capacities are major considerations in the management and steering of sector reform. These bodies must be held accountable for their actions as these may affect conditional contributions to the budget. This level of activity is simply not the same as the day to day running of the school network, however complex this process may be. Finally, the biggest challenge to the leading Ministry will lie in their capacity to convince the Ministry of Finance of the need for increased financing in order to implement the planned sector policy.

All these challenges are being addressed in the current phase of the EU sector programme in Armenia. But other aspects will need to be developed, in particular, an effective system to monitor sector performance. The capacity and mechanisms for this are not yet set in place, and addressing the issue is a complex matter.

Naturally, this learning process in one country cannot simply be copied and pasted onto another country. However, the experiences, the trials, errors and achievements can offer great learning potential for other countries, if these are shared in a purposeful manner. Peer learning, debate, feedback and participation in joint actions are all approaches that need to be used in regional cooperation, in particular in countries that have many common issues to resolve.

Azerbaijan

Azerbaijan is the newcomer to the group of VET reformers in the region; and also a unique case of a VET modernisation process that was first sought by institutions other than the Education Ministry. In fact pressure for VET reform came from the Ministry of Labour and also, to a lesser extent, from the Ministry of Economic Development. As a result, the key thematic areas for VET reform were formulated as one of the priority pillars of the National Employment Strategy (NES) adopted in October 2005. The NES Implementation Programme moved the work forward by developing an Action Plan for the implementation process.

The Education and Training chapter of the NES thus includes measures typical of employment institutions, but also reforms in the education sector which aim to:

- i. identify demand for groups with various specialties by conducting a situation analysis of the labour market and compiling precise forecasts;
- ii. improve the professional training system to ensure the preparation of groups that will be competitive in the labour market;
- iii. continue education in workplaces, improve continuous professional training, and apply modern forms of education including distance learning and modular education;
- iv. ensure institutional changes in the education sector conform with the requirements of employers in terms of the knowledge and skills of the labour force;

- v. prepare education curricula that meet modern requirements for vocational training, and update professional classifications;
- vi. enhance the application of a new model of professional training and advancement for specialists working in secondary schools;
- vii. identify opportunities for investments focused on human development.

The Ministry of Education later responded by presenting the VET Development Programme which was approved in 2007 following a thorough revision process. The first draft of this document dated from 2004 - 2005, and focused mostly on investment in school rehabilitation and equipment, new curricula and teacher training. The text finally adopted highlights governance as the one crucial objective above all others. This aspect is made explicit across several blocks of measures and outcomes. It also appears as an underlying element in the management model, and themes of autonomy, accountability, transparency of financial management, diversification of funding sources, providing more room for non-public providers and manager capacity. All these elements are both relevant and urgent if Azerbaijan is to raise the credibility and quality of VET provision.

In our view, the Programme is still missing the key issue of system governance. This needs to be formulated in future strategic documents, particularly in terms of gaining a better institutional response to methodology and policy development needs, along with the clarification of roles.

The present VET development Programme in Azerbaijan is a pilot project, which has placed great attention on school governance and management. However, a system governance and institution-building perspective has been sadly lacking.

Other relevant outcomes of the Programme include undertakings to:

- i. establish a social partnership coordination council to monitor and advise the reform;
- ii. analyse and disseminate good practice in the reform;
- iii. widen and improve information mechanisms on the VET system for everyone through a special Internet platform;
- iv. improve the special VET monitoring system, data collection and analysis;
- v. learn from international good practice.

One of the main pillars of the Programme is the staff policy that concentrates on teacher career development, teacher training and staff welfare and motivation services.

As was stated above, this is a first trial of the programme and a National Strategy for VET development will be prepared along with a VET law. These will play a crucial role in defining a number of concepts and formulations that are still vague or incomplete in the Programme, including issues of public VET funding, the structure of qualifications and curriculum content.

The roles and functions of the various institutions directly impacting on VET need to be clarified. A new specialist qualifications agency is being prepared to manage the broad qualifications framework (which will include the issues of standards and certification) under the Programme on Implementation of the Employment Strategy. The mandate of this agency is of paramount importance for education in general, and VET in particular. Recent practice in EU countries shows that national agencies for qualifications are the appropriate forum in which to link the policy and technical efforts of education and labour ministries with employer representatives. Closer acquaintance with such practice would be beneficial to current development in Azerbaijan.

Lessons from reforms in other CIS may help Azerbaijan to avoid inefficiencies and delays that can produce frustration and discredit the new impulse for change. It has already been noted that:

- i. early involvement of social partners is important in order to make the reform credible, to enhance the relevance and sustainability of its proposals, and to create a new drive around a good and important objective;
- ii. the best looking action plan will remain a mere intention if its is the key institutions do not have ownership and if funding is not provided;
- iii. costing of the planned measures is a complex issue, financing must be arranged in good time if the plan is to be translated into concrete action.

Work on curriculum content, the debate of new standards with social partners, the testing of curricula, teacher training in active methodologies and the installation of a new sector information system will inevitably cost money. Moreover, the capacity to deal with these issues must to be considered in the institution building process.

Outstanding issues

Three VET system reforms are ongoing in the Southern Caucasus, each with a different pace and scope for change. These reforms have raised new challenges in the course of resolving their original agendas. In a context of steady economic growth and important employment challenges, there is an urgent need for prompt and tangible results in order to guarantee the credibility of the VET system and the economic competitiveness aimed at by the three states. While significant advances have been made in terms of conceptual and strategic formulation, a number of areas still need resolution. The generally favourable economic situation of the three countries and the pressing need for integration into the global economy means the future VET agenda needs to address the following six issues:

1. Lifelong learning: this is essential in securing flexibility in the labour market, providing up-to-date skills and competitiveness. This item is recognised in the VET Strategy of Armenia, and in the VET Concept and VET Law in Georgia, but further analysis and conceptualisation is required before a comprehensive framework for implementation can be built.

Understanding the concept of lifelong learning can be difficult for these countries, for instance, the issue of limiting this to adult training. The “flexible learning pathways” aspect is perhaps the most pressing for all three countries, given the move toward VET restructuring in Armenia and the changes already underway in Georgia. Multi-level VET provision and open skills centres are in progress in both countries, but care must be taken to avoid the risk of dead-end paths in Georgia and the segmentation of the two-level VET system of the past in Armenia.

Lifelong learning forms an intrinsic part of guidance and information for all throughout a lifetime. Some initiatives are building up practice on career guidance and vocational orientation, but this is all in the very early stages at present.

2. Governance: while the more concrete measures of school management and school autonomy are recognised and are being addressed in the three countries, the wider view of system governance is still outstanding. As the reform progresses, the issues of ownership, stakeholder roles and result-oriented interactions, inter-sector dialogue, accountability and evidence-based policy will come to the fore.

The problem has been compounded by institutional fragmentation, ranging from visible tension in the school network in Armenia, to the inter-ministerial fora. The issue of coordination becomes increasingly important as new specialist agencies are created for policy areas like qualifications, accreditation and the like. These agencies need to identify appropriate methods of coordination with ministries and social partners from very early on.

- **Social partner** involvement is acknowledged without discussion in VET policy across the region. However, there is only limited and fragmented effective partnership between the traditional social partners and public entities. This weakness impacts negatively on: public-private partnerships for VET provision; policy dialogue; proactive social partner proposals for new qualification profiles, new methods, new financing schemes and others.
- **Ownership** is another frequently used term. Practice in this region shows the importance of ownership in: locating the origin of the initiative and drive and deciding whether it is internal or propelled by donor agendas; confirming whether the leading institution is the right focal point to promote and steer the reform; and in deciding who actually has ownership of the reform whether it is just the ministries and other public institutions, or whether social partners and education practitioners are involved.
- **Assessment of the outcomes of the education reforms** is another challenge. A culture of evaluation is not yet established and the basic instruments are not in place for building evidence-based policy.

3. Qualifications: the qualifications framework debate raises issues on the policy, institutional and technical fronts. At present many different streams of work are in progress within public bodies, specifically the education agencies and in cooperation with international donors and specialist NGOs. In Armenia and Georgia this issue is more advanced as the ministries concerned are more open to modernisation. Azerbaijan has yet to clarify the role of qualifications and the related frameworks in sector reform. Competence-based curricula, modularisation, and active learning are all aspects that need to be approached, but which are largely innovative perspectives to the educational tradition of the region.

4. Knowledge management and good practice in the reform: at the moment there is no consistent knowledge-management mechanism to cover the various deliverables of ongoing reforms. Hence, the new curricula, qualification profiles, sound school initiatives, Medium Term Expenditure Framework (MTEF), programme budgeting and other features are neither dealt with nor made accessible for learning and mainstreaming. Various factors contribute to this situation, ranging from poor ownership of many technical assistance projects, to a degree of disregard for the outcomes of many endeavours whether publicly funded or not. Another bar to the new products of reforms is the lack of a clear link to sector policy, the absence of a framework for action within a strategic focus.

5. Enrolment and equity issues: declining enrolment rates in upper secondary education and higher education associated with high youth unemployment should elicit a priority response from governments. Young people who are neither in education nor in employment are highly vulnerable. Career guidance and labour market information platforms are only at embryonic stage and are not widely accessible.

High levels of inequity in countries recently exiting a tough economic slowdown ultimately threaten to introduce skills-based vulnerability. This results in the lowest income population tending to become trapped in a segment with lower education and skills and worse employability prospects. This is counterproductive to the development agendas of countries aiming to eliminate poverty and integrate into global markets through knowledge-based economies.

6. Employment and the labour market:

Major challenges are linked with:

- i. high unemployment rates in Georgia, but most particularly in Armenia;
- ii. low impact of economic growth on growth of employment - particularly in Armenia and Georgia;
- iii. precarious and informal employment across the region that are a result of low job creation in the mainstream economy and high cost of entry in the formal economy;
- iv. largely insufficient funding of active labour market policies and irrelevant system of unemployment protection.
- v. inefficiencies in the use of available human capital, in particular of active population with higher education in Georgia that is overrepresented amongst the unemployed.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Country level

The conclusions and recommendations of the country reports can be found in Annex 1.

5.2 Regional level

These recommendations are linked with the issues formulated in section 4.3 under Outstanding issues.

Two clarifications are useful at this stage in the report.

Firstly, ETF uses ‘policy learning’ as its leading approach to supporting the Human Resources Development (HRD) agendas of partner countries. This system operates on the basis that while the learning process in one country cannot be copied and pasted onto another country with different contexts, the experiences in terms of trials, errors and achievements can offer great learning potential to other countries if shared purposefully. Peer review, debate, feedback and participation in joint actions are key approaches for regional cooperation, in particular for countries facing common challenges.

Secondly, the ENP Action Plans signed by the countries cover most of the pressing matters identified in the respective national education and training sector policies, and a summary of these points forms a good basis for the discussion below.

Main items of the education and training agenda of the adopted ENP Action Plans (Armenia, Azerbaijan and Georgia):

- ‘Lifelong learning’, in particular through the implementation of a ‘national education reform strategy’;
- Improve the ‘accreditation’ system;
- Enhance ‘local capacity for policy development and implementation’;
- Enhance the quality and capacity of institutions and organisations involved in developing and implementing ‘quality assurance’ in the field of education and training;
- Strengthen the adaptation of higher education and vocational education to demands of the labour market and the economy by *inter alia* increasing the involvement of ‘social partners’ and civil society stakeholders;
- Continue and enhance ‘policy dialogue with the EU in the field of education, training and youth’.

1. Lifelong learning: education systems are more able to cope with the challenges of globalisation and flexible employment if they have the following three features: an open and responsive attitude to implementing change; a broad skills profile on offer - to prepare users for all types of mobility and possible polyvalence; and good interaction with the main players of the labour market. Another perspective of how education can cope with the unpredictable economy lies in lifelong learning - a concept that will undoubtedly stand the test of time as education and training systems adopt this approach in the context of optimum performance.

In this context we would like to reiterate the key features of a coherent and comprehensive lifelong learning strategy as presented in E&T 2010:

- It should be viewed as an overarching concept covering all contexts (formal, non-formal, informal) and levels (pre-school, primary, secondary, tertiary and adult, continuing) of education and training.
- A lifelong learning strategy should be an overall framework for education and training policies containing a strategic overview and a coherent set of priorities and the necessary allocation of resources for targeted policy measures. It should be evidence-based.
- A lifelong learning strategy should include flexible learning pathways and effective transition points between all systems and levels of education and training in order to avoid dead-ends. This aspect is perhaps the most pressing for the three countries.

- Lifelong learning strategies should build on partnerships with all stakeholders (including policy makers at national, regional and local levels, social partners, learners and representatives of civil society) and must include the necessary implementation and dissemination arrangements.

The ongoing experience of E&T 2010 is useful for the three countries in principle. It broadens the lifelong learning perspective and points out a number of linked policy areas. The processes reported in the Cross-Country Analysis 2007 give great attention to transversal policy objectives essential to the implementation of lifelong learning: elaboration of national qualification frameworks or systems; measures to assess and validate non formal and informal learning; the establishment of lifelong guidance systems; and, initiatives to strengthen transnational mobility. These combined measures promote flexible learning pathways, enabling individuals to transfer their learning outcomes from one learning context to another and from one country to another.

This means short term goals for the Southern Caucasus should include:

- i. simplification of the education and training structure, by introducing coherence in VET levels;
- ii. educational institutions that cover various levels of education and serve various user groups, thus contributing to increased efficiency and ultimately the absorption capacity of the network;
- iii. encouragement of private sector partnerships with the public sector in order to expand training provision for adults and others, concentrating on the positive aspects of competition;
- iv. full inclusion of VET as part of the education system, giving careful analysis to narrow policy proposals that exacerbate the gap;
- v. establishment of systems for the recognition, validation and certification of skills acquired throughout life – these are a new feature for the region, but both employees and employers increasingly need the support of such systems.

This agenda requires a coherent approach to lifelong learning in strategy and policy development parallel to ongoing reforms in the countries

2. Governance is a function of transparency in the interactions of the various stakeholders, of performance-oriented institutions and of accountability. ‘Accreditation’ is needed in order to guarantee governance and quality of education. the involvement of ‘social partners’ and other stakeholders from civil society leads to a better match between education outcomes and labour market trends and to coordinated policy measures. It is this that forms the basis of system governance. School governance goes hand in hand with system governance as the two issues are interdependent.

Governance is a key theme of the E&T 2010 Strategy, and the E&T 2010 Cross-Country Analysis (2007) addresses the issue in several chapters on schools, higher education and vocational education and training and adult learning. A dominant element of VET system governance reforms in national reports is the trend towards greater autonomy for education providers.

Institutional autonomy is not an end in itself, and the serious challenges of quality assurance, leadership and deregulation still need to be addressed. The trend toward autonomy requires quality assurance systems to balance the increasing managerial autonomy of providers and to ensure the provision of good-quality education. Strong leadership is important if education providers are to become learning organisations that supply education in a knowledge-rich environment.

In order for greater autonomy to be granted, deregulation and ‘de-bureaucratising’ reforms must be enacted. This means detailed regulation must be removed, allowing institutions the opportunity for their own educational initiatives within the framework of clear administrative relationships with the national authorities. Increased institutional autonomy is a key measure in enhancing institutional efficiency and adaptability to shifting educational demands and labour market needs at local level.

Coordination of stakeholder input and roles is essential to the quality and effectiveness of the reform. This implies progressive institutionalisation of council style institutions, avoiding the strict top-down legalistic approach. Some EU countries have established professional councils for the economic sector linked with new Qualifications Agencies, along with National Education and Training Councils linked in at the highest political levels. However, coordination with stakeholders is not only limited to the highest policy instances, it is also institutionalised both at the regional and VET school level.

Such developments are essential for the Southern Caucasus, and accumulated experience proves the importance of consultation with social partners and civil society in building momentum for the initial VET policy documents in Armenia and Georgia. Since mid-2007, Armenia has invested firmly in the legal and conceptual basis of a VET Task Force that will play an essential role in coordinating the new EU sector support programme. This Task Force includes representatives of all relevant ministries and social partners and was established under MES leadership to promote and follow up VET system reform as described in section 5.1. The Task Force is the instance that will review and approve the new Action Plan for VET Modernisation, as well as the organisational and functional restructuring of the VET department at MES.

Despite all the above, there is a long way to go towards more sustainable and effective coordination in education and training.

Partnerships will function where partners share common objectives and interests, and it is the responsibility of everyone involved to break the current negative cycle. At the moment, social partners are frustrated because they need a turnaround of the skills market and the public authorities are not consulting with. The authorities claim there is a lack of awareness and social responsibility amongst the social partners as they are enterprises more accustomed to competition than cooperation. The authorities would rather see social partners in well organised sector associations with established strategic aims. In order for employers to be attracted to the skills development agenda there must be more pressure from competition coupled with the support of a learning state that cares for its clients.

Within the EU space, social partners are consulted by the government on VET-related decisions. They are also free to initiate debate and raise issues and to play a proactive role in HRD policy initiatives, evaluation and feedback. Social partners are indispensable players and not optional participants. The E&T 2010 report stated that new partnerships were established at national and regional levels as a result of the lifelong learning strategy, bringing together representatives from both public and private sectors.

Assessment of the outcomes of the education reforms is another high priority matter that directly links to 'quality assurance', and to 'policy development and implementation'. The foundations of 'evidence-based policy' still need to be built, and this will require feasible and relevant benchmarks supported by reliable information and analysis.

The definition of key outcomes of education and training is a complex matter that must be debated in order to be promoted by sector leaders and key stakeholders. This is not merely a technical matter, but a strategic process that will establish the short and longer-term priorities and planned outcomes for reform in the sector. This process can be helped considerably if educationalists are able to lay their considerations before the world of users and system clients including: the government, businesses, families, job-seekers, workers, technological innovation initiatives and students.

The other more technical aspect of a proper sector performance monitoring system is related to the information basis. Standard information needs to be completed by periodic surveys, for example tracer studies on transition from school to work.

The Organisation for Economic Cooperation and Development (OECD) criteria for assessing the outcome of the reforms can be useful as references. They are:

- Quality of education and science
- Accessibility of education
- Student achievements in international assessment systems
- Funding per student and for scientists, researchers and teachers
- Approximation of material-technical standards to international standards
- Up-to-date information technologies - a coefficient of one computer per student
- International recognition of higher education, science and research
- Inflows of foreign students
- Compatibility of student achievements with educational programme benchmarks
- Numbers of children and adolescents left out of the educational system
- Enrolment ratio of students at vocational institutions
- Brain drain in science and research
- Average age of scientific personnel
- Employability of graduates.

The three Southern Caucasus states are interested in sharing existing experience on a regional basis. Georgia has some good practice that would be particularly useful for Azerbaijan, where the issue of school governance and school management have been given a central position in the new VET Development Programme, but where concrete measures have not yet been taken. The VET reform Task Force in Armenia is another interesting development that could be shared, particularly considering how difficulties have been overcome to ensure the productive operation of this new element of system governance. Meanwhile, Georgia could offer information on its introduction of an Education Management Information System (EMIS) and Azerbaijan has gathered sound experience with tracer studies on transition from school to work (a unique experience in the region under an ETF project in 2004-2005¹⁶ and on youth employment issues (in an ILO project).

Both the Georgian and Armenian reform processes have worked on education 'quality assurance' policy and institutional setting. The Georgian case is of particular interest given its initial anti-corruption drive, as described above, and the focus on 'trustworthy examinations', one of the policy building blocks that has received the lowest explicit attention on the neighbouring reform agendas so far (see 6.2, Annex 2).

3. Qualifications: public bodies, especially education agencies, are undertaking various lines of work in cooperation with international donors and specialist NGOs. In Armenia and Georgia this issue is more advanced as the ministries concerned are more open to modernisation. Azerbaijan has yet to clarify the role of qualifications and the related frameworks in sector reform. This period offers a favourable opportunity for regional interaction as policy, institutional and technical issues are all currently under debate. Armenia has accomplished valuable work on competence-based curricula, Georgia is developing outcomes-based learning, and Azerbaijan is on the threshold of developing new curricula. There is room for joint work on a regional basis.

4. Knowledge-building and knowledge-management in VET has a special meaning for the countries and implies at the very least:

- i. greater investment in applied research and surveys;
- ii. a centralised and accessible database of qualification profiles and curricula, to be used by education providers and users alike;
- iii. accessible information and the publication of education and training related news, including studies, reports and project initiatives on portals;
- iv. links to key relevant EU and other portals.

5. The countries have all stated an overarching objective of ongoing action to achieve integration in global markets and the construction of a knowledge-based economy. This aim is dependent upon the performance of education and training systems, their flexibility and openness to innovation. The countries also need to seriously address the issues of **enrolment** and **equity** if they wish to avoid the development of a skills divide based on socio-economic inequality and other factors. Sustained economic growth and competitiveness are vulnerable to inequality in education and skills. High skill levels do not seem to affect economic growth, but the existence of a high percentage of people with low skill levels tends to retard growth. Low skill levels may inhibit rates of technological adaptation and innovation.

Another matter of concern is the high numbers of young people who do not continue a known education or training pathway after upper secondary education, most of whom probably end up seeking jobs for which they have hardly any professionally relevant skills. This analysis comes through in all three country reports, and highlights the need for greater training capacity in flexible training pathways that will provide the young people with initial professional qualifications. VET capacity is currently extremely low in comparison with potential demand.

The debate on bringing secondary VET in line with streaming in upper-secondary education in Armenia and Georgia should be supported by an overall education development strategy and use analysis of the relevant international experience. This matter is a critical subject for debate given the educational traditions of these countries.

¹⁶ Report on the tracer study available at: www.etf.europa.eu (in Russian), see country specific page.

6. Employment and the labour market

The countries will need to maintain or enhance the priority given to the employment strategy, and focus on the following issues.

- Adapt labour market, tax and social policy to the realities of the labour market, i.e. take into consideration that a part of the working-age population is engaged in informal labour market activities, self-employment and agriculture.
- Improve the quality and quantity of, and access to, labour market information and intermediation for job seekers, young entrants, students and employers. Particular attention needs to be dedicated to young entrants to avoid the curse of long-term unemployment and consequent skills erosion.
- Adopt more evidence based policy, by ensuring timely and reliable labour market data and analysis based on more systematic surveys amongst others.
- Enhance the institutional capacities of State Employment Services, modernise their services (particularly job intermediation) as well as their information policy and tools; and establish networking with education and training institutions.
- Target active labour market policies and programmes to specific needs of individuals and groups, to enhance effectiveness.
- Ensure successful implementation of the priorities set in the employment strategies, including mutually beneficial synergy with other sector policies (business development, education and training, poverty reduction and others). In the case of Armenia and Georgia such a Strategy is not available yet.
- Prepare better grounds to face globalisation, in particular, to mitigate a further depletion of skills and to promote the better use of existing skills aiming at promoting the competitiveness of the labour force via policy and market mechanisms, and avoiding protectionism.

7. Sector policy is necessary, for the new implementation modality of the ENP, but also for the countries themselves and for the effectiveness and focus of their reforms. Policy development is a good way to build up ownership and deal consistently with all key aspects of a sector development perspective.

Meanwhile, a number of areas relating to budget support programmes and sector-wide approaches require assessment. Revision of this sort usually motivates countries to introduce more coherent policies, both within and across sectors. Assessment should cover:

- i. sector policy framework: coherence with the set of short-term and medium term problems to be solved and objectives to be reached;
- ii. leadership: main stakeholders, their interactions and recognition of the role of the leading institution, ownership issues;
- iii. institutional capacity: asking if functional, human and process capacities are able to match the challenges of the sector reform agenda;
- iv. quality of MTEF: consistency of MTEF with sector policy priorities;
- v. strategic coordination of donor programmes in the sector: is the leading institution promoting donor convergence in support of sector policy; and,
- vi. performance monitoring system: ability to provide necessary signals on sector performance.

All three countries have adopted some form of sector strategy, have experience with MTEF process and are piloting actions on programme budgeting. Generally, however, performance monitoring systems are in an embryonic condition, institutional capacity still requires a large level of support and donor coordination is not strategic enough. The adequacy of MTEF to support a sector policy is not always verified or verifiable.

Although each of the issues has a clear country focus, there is still room for cooperation and learning on a regional or cross-country level. This becomes more obvious when approached from the ENP perspective where a sector-wide approach is expected to become the main intervention modality.

6. ANNEXES

6.1 Annex 1: Conclusions and recommendations of Country Update reports

6.1.1 Armenia

Conclusions and recommendations

1. As a whole the conclusions and recommendations proposed in the ETF in-depth study remain broadly valid.
2. Ownership and leadership of the VET reform are recognised as key factors for successful implementation. Ownership is the indispensable element of the sector-wide approach. Although in the 2003-2005 period very important strategic and conceptual documents were developed and adopted, there is evidence that the relevant leading institution lacked ownership. This factor influences all other parts of the policy implementation chain: resource mobilisation, internal organisational adjustments, institutional motivation and performance. This is certainly one of the key lessons from the recent reform path. In 2007 the involvement of the VET department in all recent consultations on the review and update of the Action Plan for VET Modernisation has been of higher quality and commitment than in past technical assistance projects (Tacis), a signal that ownership is building up.
3. Margin of error. High-level MES officials state that the narrow margin of error presents a challenge that could provide both an incentive and an obstacle to a positive search for alternative solutions. The poor image of VET amongst users must be overcome by the thorough implementation of commitments to reform and modernise the system. There must be no further depletion of the value of VET and its outcomes.
4. The lifelong learning context recognised in key education policy documents is an element that can support the modernisation and restructuring of the VET system. Major efforts are needed to develop a lifelong learning strategy, but this is an essential investment if Armenia is to develop its main asset for growth – human capital. In this country lifelong learning is strongly connected to the important employment and labour market issues facing the country: high and persisting unemployment and low employment, the mismatch of existing skills and available jobs. An overarching lifelong learning approach can form an ally in: reforming system governance, content of training, introducing broader qualifications profiles, and much-needed guidance and counselling.
5. The VET system has received significant input from experts and technical assistance over the last five years, and it entered a new phase in 2007 with a sector-based programme based on general budget support. This process has raised significant opportunities and challenges becoming an additional driver for sector reform. Armenia has been the regional pioneer of moving from ENPI project to programme support and the sector wide approach - the main ENPI intervention modality. A sector policy framework is in place with regular reviews and updates; a multi-sector and social partner Task Force is being put in place to promote and follow-up the programme (on an informal basis at present); the state budget for the sector is mobilising higher levels of resources for VET development and capacity building in the leading institution (VET department of MES) – these are secured in the short-term.

All these processes offer a very high level of learning potential for the ENPI and particularly for neighbouring countries.

6. The draft revised Action Plan for VET Modernisation (2008-2010) has basically adopted the same key priority targets as the previous document, enhancing coverage of governance, quality monitoring, and social partnership and improving supports for implementation. The introduction of detailed costing per activity and task, for instance, offers a significant contribution to budget applications and monitoring.

Using a scheme of key VET policy building blocks to roughly assess the comprehensive nature of the draft revised Action Plan; we conclude that it covers most of the named building blocks given in section 4.1.1. However, a number of important building blocks, including dependable labour market information, an open educational system with pathways and reliable examinations, are not tackled in the draft Action Plan. Meanwhile, the actual VET Strategy has addressed some of the blocks that are not specified in the draft revised Action Plan, including dependable labour market information and open educational system issues.

One feature of the Action Plan provides benefits whilst also introducing a gap; for while the document is task and activity oriented, it contains little conceptualisation of expected outcomes and wider objectives. This situation can be improved if definitions are provided for outcomes and key concepts like ‘competency-based standards’ and ‘quality monitoring’ that are open to divergent interpretation.

7. Armenia established Task Force to lead performance monitoring of the sector support programme, an experience that merits sharing at a regional level. This monitoring process was triggered in response to the new challenges involved in managing a SWAp as one of the conditions of the EU programme. Lessons from the 2003-2005 reform period showed social partners were not prepared for involvement with VET policy except when a strong agenda was present. The preliminary constituent members of the Task Force include representatives of the 17 organisations listed below. The large size of the group provides the advantage of wider involvement and sharing of responsibilities, although it also raises the potential for slow pace and decision-making processes. A smaller core group could therefore be established to run the more routine operations.

- Ministry of Education and Science (2 members)
- Ministry of Finance and Economy
- Ministry of Education and Science
- Ministry of Labour and Social Issues
- Ministry of Agriculture
- Ministry of Health
- Ministry of Culture
- Ministry of Energy
- Ministry of Sport and Youth Affairs
- Ministry of Trade and Economic Development
- Ministry of Urban Development
- Ministry of Transport and Communication
- Ministry of Territorial Administration
- Union of Manufacturers and Businessmen (Employers) of Armenia
- Chamber of Commerce and Industry of the Republic of Armenia
- Confederation of Trade Unions of Armenia
- European Commission Delegation to Armenia

6.1.2 Azerbaijan

Conclusions and recommendations

1. As a whole the conclusions and recommendations proposed in the ETF in-depth study remain broadly valid.

Azerbaijan will need a strong reform **driver** if it is to succeed and take full advantage of the ongoing reform impulse. This got off to a good start in 2007 following the adoption of key strategies and programmes like the Employment Strategy Implementation Programme (that includes an important chapter on strengthening HRD) and the VET Development Programme.

The current momentum behind VET reform and the recent change of leadership in the key ministerial department offer opportunities for number of actions that will drive the change process further. Relevant drivers include: the fight against rampant corruption; the building of an evidence-based policy implementation process; and, early and effective co-ordination and sharing of responsibilities with the leading employment institution. The VET Development Programme contains a strong focus on changes in school governance, working towards greater transparency, autonomy and market orientation. The governance issue may also become a highly appropriate driver, and it also offers the potential for tackling the serious problems of corruption.

The weaker aspect of the new VET Development Programme is the lack of integration with secondary specialist VET. The two levels have different forms of institutional reporting and poor levels of cooperation with each other, meaning integration needs to be progressively built on a concrete basis. This could be achieved through the joint coordination of implementation processes, sharing views and expertise on key

common technical matters (qualifications structure, VET profiles and the monitoring system) or a move towards educational establishments with multi-level VET provision. As the new Programme was only recently adopted, there will be other opportunities for this shortcoming to be further addressed, and there is room for improvement. The Action Plan provides for a National Strategy for VET development and a VET law, as well as a coordination council.

2. Simply being an oil exporter is not enough to guarantee integration in the world economy. In fact, most of the emerging economies that performed well in the global economy have not seen enough foreign exchange earnings from natural resources to jumpstart their economies, as was the case for China, the Baltic States, Singapore, Taiwan and Hungary. It is the non-oil economy that will provide the catalyst for integration into the global economy. The vast majority of the Azerbaijani labour force works in outside the oil economy and these are the people who need the skills and dynamism to compete internationally.

A common feature of globalised economies is their development into knowledge-based economies that encourage and facilitate rapid change and adaptation to shifting international market conditions, and that place a high priority on skills training.

Recent studies on how to avoid the oil curse have concluded that significant regulatory and policy change is necessary in order for Azerbaijan to become a knowledge economy and to truly fulfil its ambition to become the economic crossroads between Europe and Asia.

3. Government development policy documents question the quality of VET and emphasise the urgency of adequate measures to modernise the VET system and increase its attractiveness to young people and its relevance to employers. In a country with a growing oil sector and increasing industrial production, flexible schemes for skills development are indispensable in order to maintain the competitiveness of the labour force. The reforms initiated in the 1990s had a very limited impact, and remained only partially implemented. As a result, the available offer of VET provision remains one of narrow specialisation and rigid pathways. In 2002-2004 there was intensive production of new curricula (training plans and programmes) for initial VET, but the purpose and content was not updated. These new curricula are firmly based in a traditional focus and provide no openings for life skills and key competences.

Azerbaijan has a great imbalance in the educational mix of the young labour force. In 1999 there were 13 secondary VET graduates per 10,000 of the population a figure which rose to 19 per 10,000 in 2003. At the same time, higher education graduates were much more prevalent, with 25 per 10,000 of the population in 1999 and 35 per 10,000 in 2003. The young labour force represents a very small proportion of people with medium-level professional qualification.

In Azerbaijan the fate of graduates with completed secondary general education¹⁷ is a very large scale issue that is critical for the formation of a qualified labour force. It is also a matter of equity. Some 65-70% of each annual cohort of graduates from public general secondary schools move out of higher education and VET to enter the world of work with only the pure academic and general knowledge provided by a typical general public education curriculum. This is a consequence of the fact that only 23,000-25,000 secondary graduates are admitted to higher education each year, and another small group is accepted into vocational education (professional study centres and technical colleges) for vocational courses of one to two years duration. The extent of the problem reflects the inadequate capacity of the VET system. It lacks the physical resources and the necessary quality and image, and is unable to provide initial work training for young people. It also suffers from an absence of policy and programmes on the urgent question of school to work transition. This situation will affect the aggregate skill mix and the competitiveness of the emerging labour force in the medium-term, further increasing skills-based segmentation.

4. In contrast to Armenia and Georgia, Azerbaijan has shown natural population growth, although this has slowed over the past decade. The population of Azerbaijan was estimated at 8.3 million in 2005, and was projected to reach 10.2 million by 2025, meaning that education will be of strategic importance in the decades ahead.

¹⁷ The Constitution of Azerbaijan guarantees the right to free compulsory general secondary education. The Ministry of Education stipulates full secondary education (11 classes) as compulsory, although this question is the subject of debate. Thus 11 grades of education are, in practice, compulsory. Grades 10 and 11 can be undertaken in general education schools or vocational establishments (lizei and colleges).

The quality and credibility of formal education is a much debated issue in Azerbaijan. The general public, employers and the government are all aware of the problems presented by corruption, the uninformed education choices of youth, degradation of the value of diplomas and the low competencies of graduates to enter the situation of real work. Reforms initiated in the 1990s have had a limited impact in terms of improved relevance to the economy and the employability of youth with professional qualifications.

Unemployment data and anecdotal information on low performance from various recruitment tests suggest the employability level of youth with higher education has in fact worsened. The level of knowledge and skills acquired at the various stages of education is considered unsatisfactory in all recent reports. As many as 40% of applicants for higher education courses performed at an unacceptably low level in the centralised exams in 2004-2005. Knowledge tests carried out by several ministries for recruitment in 2005 revealed success rates of below 0.5% of the total number of applicants.

The number of registered unemployed with higher education has increased steadily to become a leading group. This is a signal for policy that:

- i. formal education is not necessarily associated with credible skills;
- ii. despite the recognised high education indicators of the labour force, access to adequate continuing training, retraining is indispensable to maintain competitiveness;
- iii. accessible and reliable guidance and information for all on the skills and education requirements of the current and future economy can help close the gap between educational choices and the real labour market.

5. Reliable information on the education and training system, performance indicators, and analysis of the current problems, are recognised as priorities in Azerbaijan. However, access to reliable information and analysis is hampered by factors including the institutional setting, reluctance for inter-sector cooperation, and poorly coordinated activities between the two vocational education levels.

The newly adopted VET Development Programme gives high priority to monitoring, including improvement of statistics and data analysis, and the establishment of an exclusive system for VET monitoring and evaluation. It is therefore important to build an institutional evidence-based culture that is performance-oriented and evaluation-compatible, but this is not a simple and straightforward matter.

The criteria for assessing the outcome of education reforms based on indicators elaborated by the OECD are useful for establishment of a sector monitoring system. These are:

- Quality of education and science
- Accessibility of education
- Student achievements in international assessment systems
- Funding per student and for scientists, researchers and teachers
- Approximation of material-technical standards to international standards
- Up-to-date information technologies - a coefficient of one computer per student
- International recognition of higher education, science and research
- Inflows of foreign students
- Compatibility of student achievements with educational programme benchmarks
- Numbers of children and adolescents left out of the educational system
- Enrolment ratio of students at vocational institutions
- Brain drain in science and research
- Average age of scientific personnel
- Employability of graduates.

6. Education (VET) policy needs to recognise that:

- VET reform cannot be separated from reforms in the overall education system, and in other relevant sectors, such as employment and economic policies;
- the value and credibility of formal education needs to be restored, but this will depend on the credibility of reform measures and the appropriate participation of the civil society and employers in policy development and follow-up.

Major challenges for an effective VET sector include:

- Effective social and institutional dialogue, public-private partnerships
- Relevance and attractiveness of VET for youth
- Structural adaptation to a lifelong learning frame
- Evidence-based policy implementation, based on reliable analytical information, in particular: labour market trends and transition from school to work, performance of the sector policy.

Pressure for VET reform originated within the employment and labour institutions. Two strategic documents - the NES (2005) and the Programme on Implementation of the NES - prioritised educational reform, and VET reform in particular, as part of the medium-term priorities for employment.

In 2007 education sector authorities presented the VET Development Programme (2007-2012). The strengths of the proposed measures included:

- i. a focus on new management model for VET schools, based on greater autonomy, better governance, public accountability, diversified funding, modern management methods, consideration of market needs, capacity building of staff and extended opportunities for private VET;
- ii. raising the status and image of VET;
- iii. a VET teacher development policy;
- iv. establishment of a coordination council to organise social partnership relations;
- v. an upgrading of VET content.

A scheme of key VET policy building blocks was used to roughly assess the comprehensiveness of the draft revised Action Plan, leading to the conclusion that it covers only a selection of the named building blocks (section 4), in particular:

- Education sector institutional capacity – in terms of ‘professional Ministries’. This issue is essential for reform planning, implementation and monitoring, as is shown in the recent past of Azerbaijan and other CIS.
- Open pathways
- Accreditation of institutions
- Social protection of students (students are not mentioned in these documents)

The Programme included coverage of a number of relevant outcomes that are not explicitly mentioned in the above scheme of building blocks:

- i. low status and image of VET;
- ii. furthering of the National Strategy on VET development;
- iii. dissemination of good practice in VET;
- iv. modern information platform: a web portal that centralises information and analytical data on the whole VET system.

Other major challenges for an effective VET sector in Azerbaijan include:

- Capacity- and institution-building in order to enable the institutions to address the new challenges and innovations in a professional manner. Institutional capacity must be matched to the reform agenda in order for the reform to succeed. If this is not the case, implementation may lose effectiveness and credibility.
- Apart from mention of improved school management, the Programme does not address the reform of institutions responsible for sector policy or the various thematic and technical aspects. The VET department in the MES has demonstrated lack of human, technical and organisational capacity to handle the reform agenda. Similar observations can be made on the Institute of Problems of Education. From the experiences in Georgia it is clear that agencies can be created to lead and coordinate the decisive elements of a new education policy (assessment and examinations, curriculum and evaluation, accreditation and teacher development) and they also have plans to establish a National Professional Agency.

- Clarification of the roles and functions of all institutions involved. New specialist agencies for particular topics or policy issues must be well accepted by the overarching institutions and well equipped in terms of organisational, financial and expertise resources.
- Preparation of a new wide-ranging qualifications framework agency to cover standards and certification as part of the state programme on the implementation of the Employment Strategy. The mandate of this agency is of paramount importance for education, and VET in particular. Recent practice in EU countries shows that such national qualifications agencies provide an appropriate forum for links between the policy and technical efforts of education and labour ministries and employer representatives. Exposure to such practice would be beneficial to current development in Azerbaijan.
- Integration with other VET levels and the planning of flexible pathways across the whole education system.

7. As mentioned above, Azerbaijan has found it difficult to implement VET reforms in the past, and these lessons must be used in this new phase of VET development. There is no room for error in the present situation for any of the countries of the region. As was said in Conclusion 1, the reform needs strong drivers, as well as evidence, sharing and co-ordination, above all with employment authorities. A decree dictating reform alone is simply not sufficient. Reform must respond to a recognised need, it must be oriented toward clearly formulated and measurable results and wider objectives, and it must benefit from professional and recognised leadership.

The reform will undoubtedly damage vested interests and impact on other social issues. However, one of the main focal outcomes of the VET Development Programme is school governance. School autonomy, transparency and public accountability, monitoring, modern management, and market orientation are all aspects emphasised in the programme. This set of targets will undoubtedly require strong political will and leadership, as well as a new younger staff in the leading department.

8. One of the most complex issues will be the formation of an operational social partnership coordination council of (as per the VET development programme). Centralisation and the traditional strong-hand approach of government bodies, along with their relative aversion to cooperation with other institutions and enterprises, may form an initial barrier to effective dialogue. Employers are not yet organised into sector associations with a high level of social responsibility, and this affects their capacity and readiness to participate.

Some mistrust is inevitable given the sensitive nature of these councils. It will be a major undertaking to establish a sense of common good and common targets, and strong leadership will be needed in order to overcome this potential difficulty. However, there is ultimately no alternative to working together. VET reform is far too complex a task to be approached solely from a ministerial level, and such a course of action would render it void of future impact.

9. Another initiative that impacted directly on HRD was the project entitled “Converting Black Gold into Human Gold,” (BGHG) operated under the auspices of the State Poverty Reduction and Sustainable Development Programme. This programme proposed an ‘Accelerated Skill Development Strategy’.

These initiatives, directly or indirectly related to HRD witness that relevant players are concerned about the passive nature of the education system, and some good expertise work is being deployed in various key ministries, raising reflection on the human development strategy and challenges facing the country.

One of the interesting elements of this project was the establishment of a cross-sectoral BGHG Advisory Board, responding to the call for greater integration in the areas of HRD.

Unfortunately, these various relevant streams of thought and policy initiative lack convergence and interaction, as each tends to remain close to its supporting ministry. The lack of synergy impacts negatively on their effectiveness and the positive outcomes will be lost if the good aspects and products of this work are not disseminated into the mainstream.

The Ministry of Education needs to be involved in, and aware of, these initiatives and proposals. Sharing and coordination are fundamental to an increased quality of reform strategy, widening its scope in order to avoid fragmentation and isolation within departmental boundaries, and enriching the conceptual basis of reform proposals.

6.1.3 Georgia

Conclusions

1. Summary of key aspects of VET reform

Georgia has undertaken significant reforms to the education sector, particularly since 2004. One of the key outcomes was the elimination of rampant corruption throughout the education system. At the same time Georgia targeted quality, greater school autonomy and international comparability in the education system. The VET system underwent structural reform, with the establishment of two new levels of education in 2007. These offered occupational courses in VET centres and higher professional courses in short cycle tertiary, higher education institutions and accredited colleges. The former division between primary and medium-specialised VET was therefore abolished, with the transition period legally ending before the start of the 2008-2009 academic year.

In 2008 a new leadership was appointed at the MES. Changes in VET policy relate mainly to:

- i. the state budget for VET financing;
- ii. the option to promote growing private sector participation in VET financing and provision.

Up to the fourth quarter of 2008 MES worked on capacity-strengthening, coordination and the leading functions of the newly established NPA, but by the end of October it was decided to dissolve the NPA and establish a small dedicated department within the MES structure instead. This decision has had legal implications, as it does not adhere to the VET Law of 2007. Other issues were also raised, including the future shape of the institutional interface for social partner involvement in VET policy, and future management of occupational standards and the qualifications framework.

The MES medium-term expenditure framework for 2009-2012 shows a declining trend in public spending on VET, with capital expenditure reduced to zero over the programming period. MES expects further investment in the rehabilitation and modernisation of VET infrastructure to be provided by private investors.

In March 2008, a programme was announced to privatise VET infrastructure on the legal basis of decrees and amendments issued between March and May. However, significant uncertainty hangs over the prospects of recently rehabilitated VET centres, the scale and forms of public financing of VET provision and the possibilities of public-private partnerships that have not yet been sufficiently explored. Other open issues include: governance of the VET system, access and equity, and the coherence of qualifications within a system that will build on diversified ownership and forms of provision. At the time of drafting this report, there is a general understanding in MES that none of the renovated VET centres will be sold to private investors, at least for a the time being. Privatisation will mostly concern former VET colleges that are being removed from the system. The NPA and MES expect most of these open questions to be discussed by the VET strategy working group and key stakeholders. They will be reflected in the options and measures developed in the VET strategy, which is expected to undergo the discussion and consultation process with stakeholders by the end of 2008 or in early 2009.

In 2007, Georgia allocated significant public resources to the rehabilitation and modernisation of 10 of the 38 public VET centres that constituted the network following the rationalisation process¹⁸. With the entry into force of the new VET Law in May 2007, a number of measures were implemented to shape the reformed VET system. One of these measures was the creation of the National Professional Agency, as the central institution to coordinate and lead VET, although the Agency only actually came into operation in January 2008. MES decided to plan a road map for VET reform, including a strategy and action plan, by March 2008, and the NPA was entrusted with coordination of this important task. At the time of drafting this report, the NPA is currently working on the VET Strategy, new occupational standards and preparations for the new academic year. At the same time, they are dealing with emergency assistance for many VET centres damaged by the conflict of August 2008 and those occupied by refugees and the internally displaced. A number of technical options are also under discussion, especially the avoidance of over-regulation in a sector the government wants to open to private participation.

MES expressed interest in new, extensive cooperation with the EU under the ENP in support of the national VET sector development plans. The Government of Georgia Basic Data and Directions 2009-2012 document describes their medium-term perspective and strategy where VET is given as one of the key priority areas of MES - something that has not been achieved so far.

¹⁸ 29 VET colleges were removed from the network follow a downsizing process, and 8 VET schools are ready for liquidation.

Despite measures to enhance human and institutional capacity and sector coordination, the NPA and specialist curriculum and assessment, teacher development and accreditation agencies face the challenge of delivering timely and quality outputs for the reform of VET programmes. This concerns new curriculum, teachers' development, quality criteria and accreditation of VET providers and improvements of the legal basis. The results of a first survey of all VET centres was organised by the NPA in July 2008, but the sector information and monitoring system is still in an embryonic stage and is as yet unable to deliver the analysis needed for decision-making.

Youth experience of the reformed VET programmes demonstrates that VET is attractive and in demand by all population groups. There is evidence that the traditional client base of young people leaving basic and secondary school represents only a section of all applicants and students. This is a demonstration of the role of a more attractive VET offer in lifelong learning. The renovation and modernisation of the 10 VET centres and information used in relation to their inauguration helped raise the credibility of VET.

VET programmes represent a major potential resource for the population of all ages in Georgia. In 2008 approximately two thirds of the cohort of graduates from secondary education was presented with no alternative or adequate education and training pathways, as less than 20,000 places are offered in higher education by bachelor and short cycle programmes. While this problem is not new, the situation has worsened since 2004-05, and places were available for only around one third of all students completing secondary education in 2007-2008.

Proof of the importance of VET provision in Georgia was also evident in the large demand for VET in the first year of the reformed VET programmes (2007-08). According to MES data, there were approximately 8,000 applicants for such programmes in public VET centres without even though no particular effort was made in promotion and advertisement. Remarkably, two thirds of the applicants were in the over-18 age group (40% - over 22 years-old), and 40% had already completed higher education. Meanwhile, the effective capacity offered in total by the 38 public VET centres was approximately 6,000 training places in 2007/08¹⁹.

VET reform in Georgia faces the triple challenge of quantity, quality and the complexity of the many technical tasks in hand. Reduction of budget allocations is certainly not the most appropriate option at this stage as the private sector is not yet ready to participate with the necessary level of financial resources, the reform is very young and several policies and technical areas are not well enough developed yet. The state will play a crucial role in the facilitation, promotion and coordination of VET policy whilst monitoring equity and quality issues.

One particularly positive feature of the ongoing VET policy development process is the relatively strong national ownership. Unlike other transition countries, Georgian experts and institutions lead both the conceptual and technical areas of VET strategy rather than international consultants. However ownership and leadership will need good implementation management, debate and consultation as well as sound analysis in order to ensure consistent implementation and action.

VET sector analysis raises the question of how an active market and employment oriented VET policy will operate given the current lack of labour market policies and corresponding institutions and programmes. MES, NPA and VET providers cannot currently count on the support of employment services, job-seeker registries or data on labour market trends. The new, very liberal Labour Code of Georgia has a poor record due to infringements of a number of ILO labour conventions. Georgia will have to seek a finer balance between policies aimed at job creation, support of employability and competitiveness of the labour force and labour market flexibility.

Georgia needs to build on its political and economic potentialities by developing policies and implementing measures that ensure sound and equitable development of its human resources. It needs to recover from the effects of the technical and scientific brain drain that quickly eroded the quality of its labour force. It also needs to address the effects of the shift in educational choices during the transition period that led to excessive numbers people holding higher education diplomas devoid of effective market value, while leaving a shortage in the numbers of holders of intermediate level qualifications in recognised skills.

2. Employment policy: the VET reform processes underway will not yield the expected overarching effects of improved employability and better job-skills matching without appropriate complementary measures in terms of employment policies, investment in new economic options and more dynamic job creation in non-

¹⁹ The new VET programmes provided places for 6,198 students. Over 2,500 attended short-term courses (3-9 months) and graduated. Over 1,100 attended the renowned new modern Tbilisi ICT centre, which mainly offered courses of 3-9 months duration. Capacity is determined by physical and financial constraints.

agricultural sectors. The Georgian economic fabric has evolved towards low productivity, a subsistence culture and informality dominated by self-employment and small individual firms.

Employment and enterprise promotion policies need to address the issues of upgrading informal enterprise and self-employment through multi-level instruments including the provision of finance, regulatory simplification, the provision of access to relevant training and technology, and the provision of incentives for cooperation among rural enterprises. The rural economy will remain tied to a subsistence culture as long as industrial processing and marketing fail to offer incentives for higher productivity.

Recommendations

1. The competitiveness of the Georgian economy will depend on the following:

- Efficient use of available human capital in the economy, namely of relatively large layer of active population with higher education.
- The availability of workers with up-to-date technical skills and core competencies; and with sound qualifications across various levels.
- The availability of active population with business and management skills.
- Effective innovation and research linkages between the business sector and education and training institutions.
- Effective collaboration by social partners and within economic sectors with education policy-makers and relevant players in the training market.
- Organised employers, within sectoral or other associations, able to fulfil functions of social responsibility.

The challenge facing VET reform is to strategically meet the new skill requirements of predominantly small employers while remaining flexible enough to respond to skill requirements for new economic activities and organisational cultures. The new VET programmes need to include key competences along with technical skills. They must be accompanied by reliable and up-to-date information and guidance networks for users including learners, parents, firms and communities, and they should incorporate alternative and flexible forms of skills acquisition, validation and refreshment.

VET policy needs to be well articulated with the overall education sector vision and development perspective in order to avoid running along parallel lines and into dead-end paths. Of course, this is easier said than done, as there is no established education-wide development plan or vision at present. One of the essential challenges of the current phase of education reform concerns the capacity and attractiveness of education and training pathways at the post-secondary school level.

2. Employment and enterprise development

The extremely liberal government labour and employment policy adopted in the wake of the Rose Revolution is in urgent need of revision in terms of its potential to be counterproductive to sustainable growth and social inclusion, and also in terms of medium-term political objectives.

VET policy needs to be linked with other sector policies and cross-sector policies concerning the business environment, incentives for job creation, and also high priority social issues – poverty, refugees and internally displaced persons. The absence of a coherent employment policy and respective institutions represents a major gap for VET policy. The MES is therefore confronted with additional challenges in its efforts to drive this reform further and make it a success. Revisiting the employment agenda and strategy could increase levels of coherence between various sector policies on job creation and development of the economic sector and skills.

3. VET reform

In the wake of the conflict of August 2008, the main challenge facing the government of Georgia will be how to maintain macro-economic stability.

The VET reform is still very new, it has not been finalised and its strategic orientation has not been consolidated. Although the government has made important investments in the relevance of VET and 10 new VET centres in 2007, the motivation and participation of the VET centre managers must be encouraged, and the learning opportunities demanded by both the population and companies must be provided.

Other transition countries mainly face problems of the quality and relevance of VET programmes in terms of labour market trends and requirements, but in Georgia this challenge is exacerbated by a clear problem of quantity where the present capacity of VET providers is insufficient for the training demands of the population. This issue was repeatedly underlined in ETF documents in 2005 and 2007, and was discussed at a number of meetings and debates with MES and other experts.

Institutional capacity is also challenged by the planning, implementation and monitoring of the reform process, particularly in view of the breadth of areas to be covered. Having opted for a wide-ranging and deep education reform, the Government of Georgia cannot expect to cope appropriately with change to so many building blocks of VET without sufficient resources and consistency in policy options.

Teacher development, curriculum, learning support, school management and development, social partnership, the qualifications framework, occupational standards, operational public-private partnerships, effective financing, equity issues, school infrastructure, and the piloting of vocational streams in upper-secondary education are all currently on the reform agenda.

In 2008, the initial VET monitoring system at NPA level encountered great difficulties in collecting reliable data from VET centres. Reform management is a priority matter and the institutional capacity of the leading institutions shows evidence of being over-stretched.

MES faces the complex task of leading the modernisation of a sub-system that has obvious links to employment and the labour market, in a context where specialist active labour market programmes and employment support policy and institutions are practically non-existent. As a result, MES and the NPA have not enjoyed the benefits inter-sector cooperation with employment institutions – either in terms of information and analysis, or in support for the implementation of training and employment programmes. This situation threatens the governance of the VET system, which is largely conditioned by good links with employment policy, employers and other social partners at national, regional and local levels.

Yet another challenge came into play in 2008 with the privatisation of VET provision. The benefits of substantial private sector participation in VET, both in terms of diversity of provision and better links with employers, are presented in the latest government policy documents. This option is also in line with the Government of Georgia overall policy to privatise services and focus the government role on policy, facilitation and quality. However, the decision to privatise VET centres was based on insufficient information, raising many questions on the wider issue of system governance, the government role in VET and the matters of equity and quality. The decision to privatise VET centres was accompanied a cut in annual state budget allocation for capital expenditure in VET, which was reduced to nothing in 2008 and the following three years. These two measures together imply severe disruption of the state-funded process to upgrade VET infrastructures, despite a growing need for increased and improved training offer. This comes early in a young VET reform and modernisation process, when the quality and coverage of the system were far from consolidated.

The new MES leadership installed in February 2008 expect this change of approach to reform in 2008 may result in improved rationale and greater efficiency in decisions and measures.

We consider the success of the reform depends very much on the quality of participation of those delivering training and implementing the actual VET policy with the client base, in other words, the VET centres themselves. The new legal and policy basis is open to innovations in training, private sector participation and partnerships, and broadening of offer to all customer categories and age groups. It only remains to be seen if VET centres can be agile and proactive enough to manage the new opportunities and challenges. The NPA is aware of this issue.

Finally, our analysis underlines the change in VET budget policy in 2008 mentioned above. This government withdrawal from further investment in VET infrastructure is partly justified by their expectation that the private sector will take over and generate necessary and appropriate investment.

In our view the education scheme established in the new legislation of 2007 contains the threat of dead-end pathways in occupational education (initial VET) for entrants who have not completed secondary education. This issue was discussed with MES and NPA, resulting in an evasive reply that generally indicates the possibility of attending a VET centre alongside secondary school; or the option of taking secondary school exams as an external candidate. VET centres are currently proving attractive to young adults with higher education but poor employment prospects, and secondary school graduates - many of whom are barred from higher education where potential demand outstrips capacity. This is another element that should be examined by the VET strategy that would work toward proper links across the system and an operational system to recognise prior learning

The proposed draft VET strategy is both wide-ranging and deep. This means that a proper and consistent management system will be necessary, forming an important part of the Sector Policy Support Programme (SPSP). The action plan should be commensurate with capacity and resources, and set priorities.

Governance

Our core set of recommendations focus on the following:

- Aiming at a suitable comprehensive view of VET, based on purposes and enhancing the linkages across education pathways and throughout life. At present the dominant view of VET is solely based on institutional and legal boundaries, and overlooks the wider strategic goals of professional education and training.
- Addressing the current labour market institutional and policy gap. This gap can represent a substantial threat in a VET sector development strategy. VET needs adequate links with labour market institutions, active labour market programmes and employment information systems.
- Coordination across the institutional setting of VET as a major pillar in the success of an extensive sector development programme. Perhaps one solution could be the establishment of a ‘VET sector coordination unit’ at Ministerial level, with real coordination and follow-up functions over all entities of public law involved in the system including specialist Agencies and VET centres. This coordination point would be an important player in the VET strategy management system as well, undertaking coordination functions.
- Progressive strengthening of stakeholder capacity for policy dialogue, sector analysis and social partnership, in a more or less independent format, but operating as a common focal point for consultation between stakeholders and the government of Georgia.

Expertise

In parallel with other initiatives for the development of national technical expertise in other segments of education, VET requires an adequate knowledge-management basis, data analysis and research into areas of thematic interest for the sector. As was stated above, national expertise on VET and topics of interest in the international debate was progressively increased through various donor projects and national efforts at human capacity-building.

Knowledge management and the valorisation of national expertise need to be considered more seriously, with support provided for the consolidation and legalisation of VET expertise groups, web resources, and the promotion of debate opportunities. Participation in international events and VET expertise platforms and associations are indispensable in ascertaining the necessary exchanges, updates and mutual confidence.

Financing

The issue of VET financing in terms of budget size, predictability, sources and management, should be given a high priority in stakeholder consultation and debate. Reduction of resources at this stage of the VET reform is a risky option that may undermine preliminary achievements.

Re-evaluation of the current status and needs of the 10 renovated VET centres would be a good course of action, with funds provided to complete the modernisation process wherever relevant and necessary. Such an effort would consolidate the attractiveness of these centres and raise their competitiveness. Most of the centres need renovation and re-equipment. Both management and teaching also require investment as do learning materials and textbooks. Some motivated and trained VET teachers and managers have shown positive initiative in the curriculum and social partnership areas, but these bottom-up inputs to VET system development must be nurtured by the MES and NPA.

5. Adult learning development

Adequate policies, training offers, renewed curricula, new learning methods, quality assurance and recognition are all key elements in ensuring that education reform embraces an effective and operational lifelong learning framework. In order to respond to the short- and medium-term challenges of an economy whose main resource is human capital, adult learning needs to be awarded a strategic position in future development plans. Technical assistance and exchanges on international practices are needed to develop measures that support the development of policies, the design of curricula, the effective combination of training methods (structured and non-structured, formal and informal) and the development of quality assurance concepts. Financing, recognition and validation are important aspects where technical assistance is needed.

6.2 Annex 2: Analysis of 'building blocks of VET policy' (Armenia and Azerbaijan)

6.2.1 Armenia

Building block	Action Plan	Other VET policy documents
Professional ministries	Capacity building. Governance (Task 2.3 and others). Establishment of specialist body proposed (NCVETD) to handle methodological and technical issues	
Reliable labour market information		VET strategy
Professional teachers	Partial: training in marketing, management, but not on technical and other areas of training and new learning methods	
Adequate funding	High attention: budget applications, higher budget allocations	
Open educational system with pathways		VET strategy
Social partners involved	High attention: priority target 6, task 3.3, other activities (1.4.2,)	VET Strategy, VET Law
Good curricula and textbooks	High attention: competency based standards (priority target 3). NCVETD	VET Strategy
Motivated students		
Professional school management	Not a focal point. Diluted in various Priorities (4.2, 4.5, 2.2, 5.3)	
Modern infrastructure	High attention: priority target 4	
Qualification structure	Task 3.3	
Trustworthy examinations		
Permanent monitoring	High attention: priority target 5.	VET Strategy
New legislation	Cross-cutting	
General vs. specialised VET	Implicit in Priority area 3	
Accreditation of institutions	High attention: priority target 5	
Social protection of students		
Respond to regional needs	Partially tackled. Implicit in task 4.2	

A number of important building blocks like reliable labour market information, open educational system with pathways and trustworthy examinations are not tackled in the draft Action Plan. However, most of these building blocks are covered in the Action Plan. The VET Strategy addressed some blocks not specified in the draft revised Action Plan, including: reliable labour market information and the open educational system.

6.2.2 Azerbaijan

Building block	Programme VET development	NES	Programme implementation NES
Professional ministries			
Reliable labour market information	Addressed as mirror: new standards / curricula will comply with labour market requirements. But not clear how this matching will be done, what information sources will be used.	High priority. Linkage with education sector outcomes, standards, curricula.	High priority. Methodology for skills needs forecast. Linkage with education sector outcomes, standards and curricula. Tasks 5.3, 5.4, 5.6
Professional teachers	Addressed as comprehensive VET school staff development policy, incl. teacher training, welfare and motivation / salaries, retain good teachers.	High priority	Training of teachers on new teaching technologies and methods, modular learning. Task 5.7
Adequate funding	High priority: diversification of sources of funding, transparency and efficiency of financial management at school level. Create favourable environment to attract investments in VET. Invite international donors to participate in VET development.	Diversification of financing of education	Diversification of financing of education. Task 5.15
Open educational system with pathways			
Social partners involved	Addressed as an objective of the programme: coordination council of social partnership in VET. And as activity in the Action plan: develop Charter that regulates the activities of employers with VET schools.		Task 5.14 – cooperation of employers with employment services and VET schools
Good curricula and textbooks	High priority	High priority	
Motivated students			
Professional school management	Main focal point of the programme: modern management, transparent governance, diversification of funding at school level. Autonomy of VET schools.		
Modern infrastructure	Another focal point in Action Plan. Besides rehabilitation of existing VET schools, also construction of new state-of-the-art regional training centres, as well as training centres specialised on sector skills. ICT.		Addressed as part of rehabilitation of school capacity, but it is not a focal point of the programme – task 5.12
Qualification structure		High priority	Standards, certification of qualified labour. Task 5.6
Trustworthy examinations			Methodology to assess the quality of labour force – Task 5.4

Permanent monitoring	High priority: Addressed as activity in the Action Plan: monitoring of VET; improvement of statistic data. Exclusive monitoring and evaluation system for VET. State monitoring of quality in VET schools.		High priority. Inter-sector cooperation for monitoring of education sector policy
New legislation	Cross-cutting: VET law; new model for school management; co-ordination council of social partnership with VET		
General vs. specialised VET	Both are considered. Sector specialised VET for high profile and advanced technologies and production.		
Accreditation of institutions			
Social protection of students			As part of other sections, in particular those dealing with youth employment
Respond to regional needs	Addressed: construction of new state-of-the-art regional training centres directed to local needs		

Interestingly the programme tackled a number of relevant issues that are not explicit in the above frame of building blocks. In particular:

- i. low status and image of VET has deserved focal attention in the programme;
- ii. school autonomy;
- iii. National Strategy on VET development;
- iv. dissemination of good practice in VET;
- v. modern information platform: web portal that centralises information and analytical data on the whole VET system.

A number of important building blocks are not tackled in the above documents, in particular:

- i. education sector institutional capacity (“professional Ministries”). However this issue is essential for reform planning, implementation and monitoring, as is shown in the recent past in Azerbaijan and other CIS.
- ii. open pathways
- iii. accreditation of institutions
- iv. social protection of students (no mention of students in these documents)

Other major challenges for an effective VET sector in Azerbaijan include:

- Capacity and institution building to enable the institutions to address the new challenges and innovations with professionalism. Matching institutional capacity with the reform agenda is crucial for the success of the reform, otherwise implementation may lose effectiveness and focus.
- Clarification of the roles and functions of the various institutions involved. New agencies specialising in particular topics or policy issues must be well accepted by the overarching institutions and well equipped in organisational and expertise terms.
- Structural adaptation to a lifelong learning framework.

LIST OF ABBREVIATIONS

AMD	Armenian dram (national currency)
AZM	Azerbaijani manat (national currency)
AZN	New Azerbaijani manat (national currency from 2006)
BGHG	Black Gold into Human Gold
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECSHD	World Bank Sustainable Human Development Unit
ECVET	European Credit system for Vocational Education and Training
EMIS	Education Management Information System
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
E&T 2010	Education and Training 2010
EU	European Union
GDP	Gross domestic product
GEL	Georgian lari (national currency)
GEPLAC	Georgian-European Policy and Legal Advice Centre
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HE	Higher Education
HR	Human resources
HRD	Human resources development
IFC	International Finance Corporation
ILO	International Labour Office
IOM	International Organization for Migration
IMF	International Monetary Fund
KSC	Knowledge Skills and Competences
LFS	Labour Force Survey
MDG	Millennium Development Goal
MES	Ministry of Education and Science (Georgia)
MPPAP	Modernisation Priorities Paper and Action Plan
MTEF	Medium Term Expenditures Framework
MTS	Maths Technology and Science
NCVETD	National Centre for VET Development
NES	National Employment Strategy
NPA	National Professional Agency
NQF	National Qualifications Framework
NSS	National Statistical Service
OECD	Organisation for Economic Cooperation and Development

OSCE	Organisation for Security and Cooperation in Europe
PRSP	Poverty Reduction Strategy Paper
SPPRSD	State Programme Poverty Reduction and Sustainable Development
SPSP	Sector Policy Support Programme
SSC	State Statistical Committee
SWAp	Sector Wide Approach
Tacis	Technical Assistance to CIS (EU)
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollar
VET	Vocational Education and Training
WCIS	Western Community of Independent States

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