

## ACTION FICHE FOR ARMENIA

### 1. IDENTIFICATION

Title	Continuation of vocational education and training (VET) reform and development of an employment strategy (CRIS ENPI/2009/21-066)		
Total cost	€15 million		
Aid method / management mode	Sector budget support (centralised management) € 1 million for Technical assistance/evaluation, audit, visibility		
DAC-code	11330	Sector	Vocational training

### 2. RATIONALE AND COUNTRY CONTEXT

#### 2.1. Country context and rationale for SPSP

##### 2.1.1. Economic and social situation and poverty analysis

After six consecutive years of double-digit non-inflationary growth, GDP increased by only 6.8% in 2008. This was mainly the result of a sharp decrease in economic activity in the fourth quarter amid the deepening global financial and economic crisis. Growth in construction, the main contributor to economic growth in recent years, dropped from 19% in 2007 to 7% in 2008 as the demand for expensive housing and office space eased, accompanied by a slight (2%) decrease in house prices. Notwithstanding the downturn, construction increased its contribution to economic activity from 24.7% in 2007 to 27.1% in 2008 as a result of the drop in industry's share of total output to 13% in 2008 from 15% in 2007. Specific industry sectors experienced the effects of the global downturn. Metallurgy, which accounts for 14% of overall industrial output, contracted by 9.6% in 2008 forcing many industries to cease production and lay off hundreds of employees or put them on indefinite leave. The diamond processing industry also contracted by 15% while the chemical subsector stood idle due to declining global demand for synthetic rubber and other chemicals. These falls in production were partially offset by a 7% growth in the food processing industry, which generated about 33% of industrial output in 2008.

Inflation averaged 9% in 2008 on the back of the surge in the price of fuel and food products, most of which are imported and in effect have been monopolised by a limited number of importing businesses. The drop in fuel prices end of 2008 was therefore not as sharp as in other countries as a consequence of the monopoly situation. The sharp deterioration in the global and, in particular, the Russian economic outlook has a number of implications for the Armenian economy, which point to a severe downward and broad-based real economy adjustment. Both domestic demand and external trade are expected to be hurt by lower remittances and capital inflows and by export commodity prices plunging. Moreover, projects that might be put on hold and rising unemployment are expected to dampen further growth which could be even negative in 2009 should the leading growth drivers become under strain.

Macroeconomic stability, strong growth rates and prudent fiscal and monetary policies contributed to rising incomes and better social conditions in Armenia during recent years. In 2008 the average nominal wage increased significantly (17.7%) compared to recorded average inflation (9%). Based on the success of the first Poverty Reduction Strategy Paper (PRSP), which reduced poverty to 25% in 2007 from 34.6% in 2004, the authorities embarked on the second PRSP in October 2008 through the Sustainable Development Program (SDP). The SDP, which covers the period from 2009-2021, has essentially three targets: reducing poverty, including the elimination of extreme poverty; ensuring human development; and deepening economic growth and accelerating development of lagging regions. In this context, the authorities aim to have established a fully developed fiscal and inflation targeting framework within three years.

##### 2.1.2. National development policy

The second PRSP through the "Sustainable Development Programme (SDA)" aims at identifying further priorities, strategies and target indicators up to 2021 to ensure a further reduction of poverty, the elimination of extreme poverty and of regional disparity through the development of integrated territorial policies.

The aim is to getting the material poverty down from 26.52 in 2006 to 8% in 2012. The consequences of the financial crisis are still unknown, but it is unlikely that poverty will decrease as projected. According to 2005 and 2006 Household Survey data, the poverty incidence is higher in marzes (regions) affected by the earthquake, in bordering regions, in regions with unfavourable conditions for agriculture, especially with

small share of irrigated agriculture land and in marzes with predominantly urban population. The major factors conditioning poverty reduction will be progressive growth of poor population labour incomes and employment level, as well as the progressive growth of the pensions and increase of targeting of the social protection system.

In the employment area the state policy will be focused on sustainable and continued improvement of labour force competitiveness, mitigation of imbalance between the labour force demand and supply, the creation of job opportunities for young people and ensuring employment opportunities for non-competitive groups of the population, particularly disabled.

The SDA redirects Armenia's efforts towards the "activation policy". The activation policy is: (i) improvement of personal, social and vocational skills and capacities; support to social integration; (ii) individually tailored ways of participating in projects given the age, experience, needs and priorities of the person; (iii) beneficiary's use of resources and capacities; (iv) networking with the labour market services, social services, health services, housing sector and communities; and (v) co-operation and interaction between beneficiaries and agencies in planning, shaping and implementation.

## **2.2. Sector context: policies and challenges**

**Sector context:** Education has received a consistent attention as a priority area in policy documents. However, higher education is the only sub-sector of education that has registered a clear growth in the number of entrants, students and graduates. University enrolments are quite unequally distributed, with rich households over-represented. With limited money to spend on private tutoring, children from socio-economically disadvantaged homes and rural areas perform less well in schools, particularly at secondary level, which limits their access to tertiary education.

The VET system underwent several phases of reform. The adoption of the Law on Education in 1999 was followed by a rationalisation programme that reduced the number of VET schools. In this reform phase, preliminary VET was practically disrupted, up to 2004. In 2003 Armenia has engaged in a renewed reform and modernisation of the VET system with EC (Tacis) assistance. In 2004 the GoA endorsed the **Strategy of Preliminary (Craftsmanship) and Middle Professional Education and Training**. Major guidelines of the reform strategy include: continuity of pathways, skills provision according to personal capacities and to economy and labour market needs, quality of educational services, efficiency of expenditure, inclusion of various forms of VET into a single statutory framework, involvement of social partners, transparency and accreditation, lifelong learning.

The **VET law** was drafted with EC Tacis support in 2003-2004 and was adopted in July 2005. The VET Law introduced a number of new elements, in particular quality assessment and quality assurance, new school management body (College Board), credit system and social partnership. Despite the efforts of the MoES since 2005, the legal framework requires further improvement.

The other key policy document, "**VET Modernisation Priorities Paper and Action Plan**" (VET MPP AP) (2005-2008) was elaborated with the support of EC and it was revised (for 2008-2010) and endorsed by MoES in 2007. The VET MPP AP builds on six priority areas: (1) Create methodological and technical support and service provision structure; (2) Optimise VET Financing and Improve VET Governance; (3) Introduce competency-based vocational education and training standards; (4) Increase effectiveness of VET system and improve educational outcomes; (5) Modernise quality monitoring mechanisms and (6) Strengthen and institutionalise social partnership.

In 2006 a policy **Concept on Adult Education** was adopted, reflecting awareness of the society and the government regarding the reform of continuing VET towards a lifelong learning perspective. In 2008 new Concept and Law on Adult Education were drafted with assistance of UNDP and are now under consideration in the MoES.

The **National Strategy and Action Plan for Employment** has been elaborated by the Ministry of Labour and Social Issues in consultation with all the relevant stakeholders and was sent to Government for approval in March 2009. It is currently under discussion in the Government, some of the measures will have to be modified due to budgetary cuts as a result of financial crisis. The Ministry of Labour and Social Issues (MLSI) has also strengthened its capacity as an intermediary between employers requiring skilled labour and the VET colleges providing the training. The State Employment Service Agency (SESAs) conducts labour market analysis and assists the unemployed to find jobs through 51 employment centres located in the regions (marzes). SESA organised in 2008 training for 1.400 unemployed, out of a total number of 70.000 registered unemployed and this shows that the training involves an average of 2% only, which is extremely low when compared to passive measures (3,2 billion AMD in 2009 for passive compared to 232 million AMD for the active ones). To reflect new developments, the new Labour Code has been adopted in 2004 and the new Law on Employment and Social Protection in Case of Unemployment was adopted by the National Assembly in 2005 and effective since 1 January 2006. The new Law is in line with EU approach in particular as regards the importance of implementing active employment measures and thus highlighted the role of annual

employment programmes, which are to be approved by the Government and to be submitted for approval to the National Assembly with draft annual budget law of a particular year.

**Sector budget:** Further development of the educational system has been recognized by the Government as a priority for the country's economic advancement. Relative to the average for OECD countries, Armenia's education system as a whole allocates more to recurrent and less to capital costs. Its allocations between staff and non-staff expenses are comparable to the average for the OECD. Over the recent years, certain positive trends have been observed with regard to the public spending in education. Thus, budgetary allocation for the sector (including additional education allocations), as a percentage share of GDP, totalled 2.96 percent in 2007 against 2.53 percent in 2006 (see Table 1 below).

The MTEF 2008-2010 provides for expenditure in education (including that for the maintenance of the administrative personnel and capital construction, as well as expenditure under credit projects and those of the Armenian Social Investment Fund) amounting to 101,648.1 million drams in 2008, 127,870.9 million drams in 2009, and 142,518.0 million drams in 2010. Expenditure increase, as compared with the respective previous year, will constitute 25.8 percent in 2009 and 11.5 percent in 2010. Education expenditure, as to MTEF 2008-2010, will comprise 3.36 percent in 2009, and 3.43 percent in 2010.

**Table 1: Public Expenditure in Vocational Education over 2006-2010, (Million Drams)**

Functional Classification Subgroup	2006 Actual	2007 Adopted Budget	As per MTEF 2008-2010		
			2008	2009	2010
<b>TOTAL EXPENDITURE</b>	<b>67303.3</b>	<b>86481.7</b>	<b>101648.1</b>	<b>127870.9</b>	<b>142518.0</b>
Initial vocational (technical) education	965.4	1467.7	1948.0	2366.3	2712.6
Secondary vocational education	1813.1	2274.5	2548.9	3042.7	3340.5
<i>Change as compared with previous year, percent</i>					
<b>TOTAL EXPENDITURE</b>		<b>28.5</b>	<b>17.5</b>	<b>25.8</b>	<b>11.5</b>
Initial vocational (technical) education		52.0	32.7	21.5	14.6
Secondary vocational education		25.4	12.1	19.4	9.8

**Institutional capacity:** National institutional capacity to effectively manage the reform has been supported by the previous VET SPSPs. The sub-sector of VET is under the policy and legal responsibility of the Ministry of Education and Science (MoES), despite the fragmented administration of around a quarter of public VET establishments by line Ministries (Ministries of Agriculture, Health, Culture, Energy, Sports). The VET Department of the MoES is responsible for the overall policy and administration of VET and it will employ 4 new additional staff from March-April 2009 to strengthen its capacities.

In 2008 the National VET Council has been established as a tripartite body responsible for the implementation of the VET MPP. Social partners are strongly involved as represent 2/3 of the Council. A Centre for the VET Development (NCVETD) has been established with the purpose of guiding the reform (in particular to the content of curricula, teachers training, competence based approach, etc.). The centre is not acting as independent body but is under the umbrella of the National Institute of Education, thus limiting its autonomy and operations. The National Institute of Education supports the MoES through technical assessments in matters of education methods, curricula, textbooks.

The 12 colleges have been selected in Armenia to become Regional Multifunctional Centres for the development of VET. New competence based curricula will start to be implemented on a pilot basis in the 12 Centres starting from the school year 2009 – 2010 and many training courses have been organised by the NCVETD for the teachers and school principals. Additional works are needed in order to ensure a decent learning environment.

The National Institute of Labour and Social Researches (NILSR) carry out various studies and research dealing with gender issues, labour law, social security and human rights. They have also been involved in the review of national classifier of Armenia (list of occupations).

SESA's 51 offices are spread all over the country and are responsible for registration of unemployed, payment of unemployment benefits, and implementation of active employment measures. They have made a remarkable progress during the last years but still need to strengthen the capacities through recruitment and further training of staff and to better organise the local offices in respect of the local unemployment situation. SESA's offices carry out on a regular basis sample surveys' to analyse the demand in occupations for coming 6-12 months and this can clearly contribute at making active employment measures more effective.

**Monitoring the implementation of policy:** The MTEF process for 2008-2010 was seen as an opportunity to start a more strategic expenditures planning for the VET sub-sector. A starting basis for performance measurement is included in the revised VET MPP and Action Plan 2009-2011 developed as part of the adopted Concept on Preliminary and Middle VET Development in form of outcomes presented on an annual perspective. The review identifies achievements and overall objectives of the VET reform for the period 2008-2010, including relevant activities, institutional responsibilities and resources needed. However the VET Department of MoES could not sufficiently fulfil its monitoring responsibilities because of lack of staff with monitoring capacities and experience. Strengthening of the monitoring capacities of the MoES will therefore be addressed by the present SPSP.

**Assessment of PFM system:** Armenia continues to pursue a comprehensive public finance management (PFM) reform programme. Over recent years, development has taken place in budget and MTEF preparation, treasury management, tax and customs reform, procurement, internal and external audit. The process is on-going and has undoubtedly proved to be more complex and, therefore, slower than originally envisaged. While the reforms have been readily absorbed within the MoF, dissemination across the budgetary agencies has been less successful, not least because of a perpetuation of former orthodoxies. Nonetheless, advances continue to be made, both with and without external assistance.

The EC has recently examined issues surrounding the introduction of an effective system of Public Internal Financial Control (PIFC) and noted the absence of a PIFC policy paper, incorporating management accountability based on functioning financial management and control systems, functionally independent decentralised internal audit, and central harmonisation and coordination of both. To date, however, efforts have been directed at establishing a system of internal audit and little steps have been taken in other identified areas. Nonetheless, significant strides have been made both in internal audit and procurement systems, though while the latter is fully functional, the former is as yet only in its early stages.

### 2.3 Eligibility for budget support

The sector strategy is represented by the "VET Modernisation Priorities Paper and Action Plan" (VET MPP AP) which was revised (for 2008-2010) and endorsed by MoES in 2007. The VET concept paper was adopted in December 2008 though it needs updating, especially the action plan. National Strategy for Employment and its Action Plan was elaborated in consultation with all the relevant stakeholders by the Ministry of Labour and Social Affairs. It was submitted to the Government in March 2009 and is currently under discussion pending approval of the GoA.

The Government of Armenia has gained quite a considerable experience in budget support with the Food Security programme and the Ministry of Education, in particular the department of VET through the implementation of the TACIS AP 2006 SPSP and ENPI 2007 VET SPSP and is now fully familiar with the process and demonstrated good capacities of implementation. The MoES is one of the pilot ministries introducing performance-based budgeting, with a system of financial and non-financial indicators. This pilot experience has been applied to the whole sector of education. The MTEF process for 2008-2010 is considered as an opportunity to start a more strategic expenditures planning for the VET sub-sector.

As regards the total costs of VET reform:

- In recent years the Government of Armenia has considerably increased public expenditure on education, but the total spending is still relatively low when compared to countries with similar income level<sup>1</sup>. GDP for education was 2.5% in 2006 and with the private spending of 1.9%, the total spending was 4.5% of GDP in 2005. In accordance with the new PRSP (Poverty Reduction Strategy Paper) GDP for education should be 4% by 2015, only considering the public budget.
- Education has been a priority sector since 1990 and the share of budget has grown from 7.9% of Total Public Expenditure (TPE) in 1997 to 14% in 2006. However Armenia TPE as a percentage of GDP is only 18-19% compared to average 40% of OECD countries.
- Public expenditure on general secondary education has increased in recent years at the expense of vocational and higher education and increased from 72% in 2001 to 79% in 2007.

It should be mentioned that:

- Primary and secondary education are free
- VET public expenditure represents on average 30% of the total cost and private – 70%
- Higher education public expenditure represents on average 15%.

In 2008 total budget funding for VET was AMD 2,420,024, i.e. equivalent to approximately €6 million but, representing only 30% of total number of seats available, which means that the real cost of VET for Armenia

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<sup>1</sup> Armenia Public Expenditure in Education the World Bank – Europe and Central Asia Region – The World Bank – June 2008

is around €20 million/year and that for this amount the society should get an efficient and effective system which is relevant to the needs of the labour market. This is well understood now at political level and this is why national stakeholders are willing to continue the process.

## **2.4 Lessons learnt**

A number of actions have been implemented since 2004 with the aim of promoting improvement of the system and reform, namely policy and strategy development, teachers and managers training, skills needs analysis, revision and implementation of new curricula and of occupational standards. However, the outdated and unsuitable infrastructures of VET and the fact that it didn't receive any investment during the last 20 years when compared to general secondary education continues to reflect the situation of social and economic inequity. The 2006 and 2007 SPSP provided by the EC has played a vital role in improving the physical conditions for the delivery of VET and strengthening the governance of the system through pilot measures implemented at colleges' level. However, the SPSP 2007 has only allowed the start of the process of modernisation of the infrastructures which need to be completed. There is still a long way to go in making the VET system attractive and a key factor is its physical infrastructure.

Social partners' organisations and other public institutions have actively participated in the implementation of all activities of the VET SPSP 2006 & 2007 and all of them provide a very positive assessment of the programme, which is considered a "milestone" in the process of reform of VET system in order to make it more attractive and relevant to labour market needs. Various monitoring reports have been produced during the implementation of the programme, which are in general quite positive.

## **2.5 Complementary actions**

There are approximately 20 donors in Armenia active in the field of education and VET and also some in labour market and social inclusion policies. The support goes from a wider scope of systemic reform as it is the case of the EU and the World Bank, to bilateral assistance to e.g. a specific school or college.

A project financed by the UNDP for a total amount of USD 1,200,000 has almost been completed in 4 Marzes (provinces) for the revision of curricula and renovation/rehabilitation of buildings and refurbishment of 4 colleges in the agriculture, industrial and tourism sector.

The World Bank has provided support for the training of 7.000 subject specialists. A new programme for the reform of pre-school, general secondary and higher education will be negotiated by the bank and Armenian government in 2009. GTZ funded a regional programme and a teachers' training project, oriented to introduction of participative methods. Other international NGOs develop studies and debate in the area of adult education (IIZ-DVV, Germany) and lobby for the elaboration of a high level framework for lifelong learning. However, so far, these interventions haven't had a systemic impact.

As regards the Ministry's of Labour and Social Issues involvement in international projects, the following three main projects can be mentioned: (i) SIDA through the Swedish National labour Market Board (1999-2008) providing assistance in the organisations of job fairs; (ii) the World Bank, through the "Strengthening of Social Administration Project (finishing in 2008); USAID through a 5-year project, which started recently with a programme in the field of social protection.

## **2.6 Donors coordination**

The PRSP is the major forum for dialogue and co-ordination of donors around the overarching socio-economic development programmes of Armenia. After the adoption of the PRSP several donors, in particular UN organisations, DFID, USAID have aligned their country strategies within close co-ordination with the government.

The Ministry of Finance and Economy (MFE) was in the past the leading institution coordinating donors' financial support (grants and loans) and the National Co-ordinating Unit reported to this ministry. Following the appointment of a new government in 2008, this unit has been transferred from Ministry of Finance to Ministry of Economy and therefore new capacities for donors' co-ordination will have to be built up.

Leadership and ownership of the government in effective co-ordination of donor strategies has improved in particular from the side of the MOES Department of VET, whose management capacities have improved during the implementation of the budget support programmes 2006 and 2007.

## **3. DESCRIPTION**

### **3.1. Objectives**

The overall objective of this programme is to continue to provide support the PRSP of GoA through increasing the quality of VET sector in order to make it more relevant to the needs of the labour market and of the individuals.

Key elements of the government sector programme as defined in the VET MPP Action Plan covering the years from 2009-2011, are the following: (i) introduction of competency based vocational education, (ii) modernisation of quality monitoring mechanisms, (iii) creation of technical support and quality assurance infrastructure, (iv) improvement of cost efficiency and educational outcomes, (v) optimisation of VET financing, (vi) building of national capacity for VET modernisation, implementation and monitoring.

### **3.2. Expected results and main activities**

#### 1) Improved conditions for VET reform

1.1. A National VET Council is operational and provides overall guidance to the implementation of the reform and ensure the necessary political support.

1.2. - A National Centre for VET Development aims at becoming an autonomous body with its legal entity, acting as operational arm of the National VET Council in all matters related to reform of VET, including guidance to the 12 sectoral committees established for the development of standards. The Centre will operate on the basis of annual work-plan approved by the National VET Council identifying also the resources needed and expected outcomes.

1.3. - Management boards have been created in 2008 in the 12 Regional Multifunctional Centres with participation of local authorities and social partners organisations. It is important to have these boards really effective to make VET offer, both initial and continuing, really matching the needs of local labour market. A work-plan to guide the activities of the colleges will be developed as an instrument also for assessing the performance of teachers/college principals.

1.4 - The transformation of the 12 colleges selected under the 2007 VET SPSP into models of Regional Multifunctional Centres for the provision of initial and continuing VET will be completed under the present programme. They will become models of modern VET institutions in particular in terms of learning environment as a result of further improvement of the infrastructure and equipment, and piloting/launching courses according to the new competence based modular curricula for at least 30 occupations included in the national classifier of occupations revised by the Ministry of Labour. Learning outcomes based curricula start to be implemented in the 12 Regional Multifunctional Centres from the school year 2009-2010 and their implementation will continue. First completion of the learning cycle will be at the end of the school year 2011-2012.

1.5. There is no database at the moment in the VET Department to support management information for the VET system. A database has been set up through the World Bank Project as Management information system for the reform of general secondary education. The possibility of expanding the existing database or creating a new one will be considered as it is of vital importance for monitoring also the impact of the VET reform.

#### 2) Increased importance to employment strategies

2.1. The elaboration of the National Action Plan for Employment has been in the agenda of the Ministry of Labour and Social Issues for quite a long time. Currently it has been submitted to the GoA and is under discussion. The strategy reflects a need for creating employment at national level but it should also be based on the employment priorities of the Marzes and linked to the overall context of socio-economic development of the country. On the basis of the identified strategies, active measures should be implemented to promote employment, setting quantitative indicator about number of participants to be involved, targeted employment objectives, overall mid-long priorities.

2.2. Regional Conciliation Councils (RCC) are operational at marze level and they are chaired by the Local Employment Centres, managed by the SESA. These RCC play a vital role in promoting employment but at the moment they are made up only of local authorities and social partners. Therefore, in order to ensure that VET provision meets the requirements of the labour market, it is crucial to extend the participation also to educational (including VET) institutions. These RCC are not considered so effective in terms of employment promotion, they mainly deal with labour law or collective bargaining. Therefore their efficiency must be improved through more effective contribution to employment policy in the region.

2.3. The National Classifier includes the overall list of occupations in Armenia and this is managed by the Ministry of Labour and Social Issues because it is linked to working permit, collective bargaining, etc. Descriptors for at least 30 occupations included in the classifier will need to be developed by the Institute for Labour and Researches in order to define the functions and the level of knowledge and competence required by a specific occupation.

2.4. The occupational standards for the 30 descriptors specify the tasks under each occupation and they are used in the development of educational standards, curricula, teachers by the NCVETD.

2.5. The issue of poverty linked to employability of vulnerable groups need to be analysed and findings and recommendation for actions need to be elaborated in a report for social inclusion to be adopted by the Government.

### 3) Improved conditions for the delivery of vocational education.

3.1. Under the SPSP 2007 the rehabilitation, refurbishment and up-grading of equipment of the 12 identified Regional Multifunctional Centres has started but it needs to be completed following EU technical requirements and in terms of cost/efficiency. In order to receive this support the Centres will cover the cost of maintenance and running expenditure.

3.2. In order to create the conditions for the dissemination of the knowledge and experience of the 12 Regional Multifunctional Centres, networks will be established to rationalise the VET offer in the region; (merging of existing colleges will be considered as a possibility on the basis of existing needs of the labour market, demographic trends and overall socio-economic development).

3.3. The NCVETD continues to develop educational standards and curricula in line with occupational standards.

3.4. A key instrument in making the reform of education, at any level, successful, are the teachers and their level of motivation and involvement in the process, which will be achieved through adequate teachers training sessions and mechanism for financial reward/incentive.

3.5. The issue of transferring all middle professional and preliminary education institutions under the administrative authority of the Ministry of Education and Science has been subject of debate since many years and included in all strategic documents. With this programme a strategy will be adopted to formalise this transfer in a mid-term period as well as for the overall rationalisation of the system at country level and a policy for the dissemination of the reform to the rest of the system.

3.6. The budget of the Ministry of Education and Science to VET is based on a per/capita cost through the allocation of a certain number free seats in each school/college. Therefore the Government will have to show the commitment to the reform through an increase of free seats by 50% in the MTEF 2011-2013 with respect to budget 2008.

### 4) Targeting of active employment measures improved

4.1. SESA organise tenders for the organisation of training as active employment measures and both private and public providers can participate. However, because of the quality of the structure and equipment, VET colleges are not so well placed and they don't win many tenders. Through this programme the quality of the facilities will improve and therefore the Regional Multifunctional Centres should be capable to implement at least 10% of the training.

4.2. A pilot test for a training fund will be implemented on the basis of the feasibility study, which has been carried out with SPSP 2007.

4.3. In order to assess the impact of education, it is very important to carry out tracer studies to assess the opportunities/choices of school graduates both in terms of insertion in the labour market and access to university or other educational institutions. The NCVETD will carry out these 3-4 studies on a pilot basis.

### **3.4. Risks and assumptions**

Risks:

- Real willingness to reform by the Ministry of Finance through full allocation of resources
- Real willingness by the MoES to use resources on the basis of the needs and priorities
- Willingness and capacity by the Ministry of Labour and Social Issues to revise the National Classifier and also the occupational standards and to adopt the National Action Plan for Employment.
- Risks related to geopolitical situation in the Caucasus region.
- Potential resistance of VET institutions and the staff towards the reform that implies extra work, reorganisation (potential institutional mergers) etc.

Assumptions

- Institutional capacity to revise, implement and monitor the VET reform will be reinforced with support of this programme (particularly by a part of the TA component).
- The capacity of SESAs and the MoLSI will be reinforced
- Present political stability and economic growth remain the same

### **3.5. Stakeholders**

#### **Supply side**

The MoES is the main body responsible for the development and administration of education (including VET) while MoLSI and its SESAs are responsible for the National Action Plan for Employment and also work closely with the MoES in serving the unemployed with professional trainings. The Ministry of Finance is also a key partner in ensuring the budget necessary to implement the envisaged reform actions.

The Ministry of Health, Agriculture, Youth and Culture and Energy are also responsible for managing vocational schools in the related field of specialisation. The list of other key actors of implementing the present VET SPSP also includes the National VET Council, the National Centre for VET Development, the 12 Regional Multifunctional Centres at least but other VET delivery institutions too and the Institute for Labour and Researches etc.

### **Demand side**

Social partners' institutions are very committed to reform the VET system as they recognise the importance of human resources as a contribution to the competitiveness of the enterprises and, consequently, the country's economic growth. The Republican Union of Employers of Armenia was established in 2001 and is the most important union representing large and medium sized enterprises. It contributed to the preparation of the VET Modernisation Priorities Paper and other strategic documents. The Chamber of Commerce and Industry was established in 2002 and its pursuits, among other objectives, "the enhancement of the system of training and up-grading of the business personnel". Regional Conciliation Councils,

### **3.6. Crosscutting Issues**

Given that the main objective of vocational education is to provide a qualified labour force capable of working in a competitive environment, subjects like health, environmental protection and safety at work will need to be introduced in the curricula in order to raise understanding and awareness on the issue. Gender issues will also be considered during the implementation of the SPSP and both the VET and employment policy reforms. A recent study carried out by the National Institute for Labour and Researches states that measures should be taken to improve the status of women by increasing their role in the society for which employment is identified as a key measure.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

Centralised management

### **4.2. Procurement and grant award procedures [/programme estimates]**

All contracts implementing the TA component of the programme must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

### **4.3. Budget and calendar**

The budget of this sector programme is of €15 million, indicatively broken down as follows:

- sector policy support €14 million
- technical assistance/evaluation, audit, visibility €1 million

Based on the immediate need for refurbishment of the VET colleges in Armenia, the indicative disbursement calendar will be as follows:

	Q1-2010	Q2-2011	Q2-2012
Amount	€5million (fixed tranche)	€4.5million (variable tranche)	€4.5 million (variable tranche)

Indicative operational duration: 36 months

### **4.4. Performance monitoring and criteria for disbursement**

A starting basis for performance measurement is the expected outcomes and achievement indicators presented in 2009-2011 Action Programme of VET reform measures. The Action Programme forms a part of the "Concept on Development of Preliminary Professional (Craftsmanship) and Middle Professional (Vocational) Education" adopted by the RA Government in December 2008. The concept paper represents a strategic approach to reforms in VET sector reflecting a mix of process oriented measures and tangible outcomes, which act as incentives to consistent sector reforms.

### **4.5. Evaluation and audit**

Standard evaluation and audit arrangements will be applied.

### **4.6. Communication and visibility**

Communication and visibility will be organised in conjunction with the MoES and other relevant Ministries, in accordance with the EuropeAid visibility guidelines. In this context, appropriate public relation activities may be considered so as to keep the general public informed of progress in the VET reform.

## ACTION FICHE ARMENIA

### 1 IDENTIFICATION

	Title	Twinning and Technical assistance Facility in support of the EU-Armenia European Neighbourhood Policy Action Plan – CRIS n° ENPI/2009/021-198		
	Total cost	EUR 9.7 million		
	Aid method / Management mode	Project approach Centralised management		
	DAC-code	43010	Sector	Multi Sector

### 2 RATIONALE

#### 2.1 Sector context

By agreeing on a European Neighbourhood Policy (ENP) Action Plan (AP) on 14 November 2006, Armenia and the EU have committed to develop deeper economic integration and to strengthen bilateral political cooperation. With the announcement of the Eastern Partnership (COM (2008) 823 of 3 December 2008) the EU has committed itself to deepen its relationship further with some of the eastern neighbours, Armenia included.

On the basis of the priorities of the ENP Action Plan, the Commission has developed a Country Strategy Paper (CSP) for the period 2007-2013 and a National Indicative Programme (NIP) covering the period 2007-2010 identifying the main priorities for the EC assistance to Armenia. The NIP identifies the three following main priorities: i) Strengthening of democratic structures and good governance (rule of law and reform of the judiciary; public administration reform, including local self government; public finance management; human rights and fundamental freedoms, civil society, people-to-people contacts); ii) Support for regulatory reform and administrative capacity building (approximation of legislation, rules and standards, other sector-specific regulatory aspects) and iii) Support for poverty reduction efforts (education, regional development and social services).

On its side, the Government of Armenia has designed and adopted an ENP Implementation Tool, updated yearly, prioritizing the actions to be undertaken to foster ENP implementation under the guidance of the Ministry of Economy.

In August 2008 the Minister of Economy was appointed National Coordinator for EU assistance. The National Coordinator supervises directly the activities of the National Coordination Unit (NCU - previously in the Ministry of Finance and Economy) and of the Project Administration Office (PAO) dealing with Twinning, TAIEX and Sigma instruments. In addition, the Presidential Administration presented in February 2009 a 2009-2011 reform plan for activities that should be undertaken by the government in relation to Armenia's integration into EU structures and norms. The Government will elaborate the detailed prioritisation and new action plans for the implementation.

In the aftermath of the political crisis following the February 2008 Presidential elections and the fatal 1 March confrontation between authorities and supporters of the opposition, the President of Armenia asked the European Commission to intensify its help to the country's reform process and thereby help enhance stability. As a result, the EU Advisory Group was set up funded by the Instrument for Stability. Under the Instrument for Stability, the EU Advisory Group will provide personal advisors to Armenian ministers (including the Prime Minister's Office, the Minister of Economy, Minister of Foreign Affairs, Energy and Transport Minister) and to the Human Rights Defender (ombudsman), the President's Office and to the National Assembly.

## **2.2 Lessons learnt**

Twinning has been available to Armenia since early 2007 and from the very beginning the Government of Armenia expressed strong interest in the instrument and has thus undertaken all necessary measures to introduce it to a large number of administrations. In particular, the PAO that was set up in the Ministry of Finance in end-2006 has established an effective network of contact points within all the administrations of the country. Several seminars and visibility events were organised in 2007 at the initiative of the PAO and in close cooperation with the EC Delegation to present this new instrument to all contact points and to the public in general. A dedicated seminar formally launching the Twinning instrument in Armenia was held in November 2007 with the support of the Commission.

Although Armenia has made extensive use of the TAIEX instrument (more than 100 participations in the first one and half year), the country does not yet benefit from the full potential of Twinning with only three realistic proposals formulated in 2008. It is expected that the further staffing of the PAO and the high level advice from the EU Advisory Group will enhance the capacity to formulate, request and implement twinning activities in the years to come.

The EU Advisory Group initially funded under the Instrument for Stability, has received significant attention from both the Armenian authorities and from the EU Member States. Implementation is, however, still at an early stage.

## **2.3 Complementary actions**

Under TACIS AP 2006, the EC is funding a 5<sup>th</sup> phase of AEPLAC whose activities will be closely coordinated with those of the EU Advisory Group (initially financed from the Instrument for Stability) and who will play a decisive role in the identification of further relevant Twinning projects.

The EC is funding as well a EUR 1 million project "Support to PAO" aiming at increasing the use of Twinning, TAIEX and Sigma to assist Armenia implement the ENP AP.

## **2.4 Donor coordination**

The Ministry of Economy is the leading institution coordinating donors' financial support in Armenia. Within this ministry, the National Co-ordinating Unit is in charge of the coordination of EC assistance with other Donors and line ministries, whereas the PAO deals exclusively with the Twinning, TAIEX and Sigma projects. General Donor's coordination in Armenia is however ensured mostly in the framework of the PRSP, the major forum for dialogue and co-ordination of Donors in Armenia. Donors meet regularly in general coordination meetings or in sectoral working groups and as often as necessary at project level.

EU internal donor coordination is ensured mainly through monthly EU Heads of Mission meetings (hosted by the EU embassy representing locally the Council's presidency) and by regular information meetings, briefings or roundtables organized by the EC Delegation.

## **3 DESCRIPTION**

### **3.1 Objectives**

*General Objective*

The overall objective is to support Armenia in the implementation of Armenia's reform agenda and relevant international commitments with a particular focus on Armenia's commitment to the EU-Armenia ENP Action Plan.

### *Specific Objectives*

#### *EU Advisory Group:*

- *To provide high level advice aimed at strengthening the capacity of the Presidency, the Legislative, Executive, and Judiciary powers of Armenia;*
- *To assist at various stages of EC-funded project activities, including implementation of ongoing activities and identification of future support in the priority sectors of the existing 2007-2010 NIP and the upcoming 2011-2013 NIP.*

#### *EU Advisory Group and Twinning:*

- *To improve the capacity of a number of Armenian ministries or agencies to comply effectively with the commitments set forth in the EU-Armenia ENP Action Plan, as well as in their national reform and development programmes;*
- *To contribute to the harmonisation of Armenian legislation to EU principles, norms and standards according to the provisions of the PCA and ENP AP and to progressive economic integration between Armenia and the EU.*

## **3.2 Expected results and main activities**

The project expected results are:

- *Timely and cost-effective implementation of Armenia's reform agenda and enhancement of overall EU assistance through provision of Twinning, TA and high level advice;*
- *Strengthening the capacity of the Presidency, the Legislative, Executive and Judiciary powers;*
- *An estimated up to 5 Armenian institutions will develop an efficient peer to peer relation with a twin administration of an EU Member State, paving the way to a long lasting cooperation, thus improving Armenian capacities to deal with PCA and ENP implementation issues;*
- *Accelerated implementation of the ENP AP and PCA also providing the Commission with an additional instrument to monitor ENP AP progress;*
- *Deeper economic and commercial integration with the EU market with direct positive impact on economic growth and poverty reduction;*
- *Enhancing the coordination of all donor activities related to integration into EU structures.*

The project main activities are:

### *Component 1: EU Advisory Group*

EU Advisers will support Armenia in the implementation of the ENP AP, and in establishing an internal mechanism that will allow the Armenia to monitor the ENP AP progress, in close

consultation with the EC Delegation and with Commission HQ in Brussels as necessary. The monitoring mechanism will help Armenia to ensure that sufficient progress is made in all chapters of the ENP AP. Where relevant, the Advisory Group could coordinate the drafting of a strategy for implementing medium term reforms in line with the ENP AP. The activities of the Advisory Group will be coordinated with other EU projects and other donors' projects as appropriate. In undertaking this activity the EU Advisers will work closely with the Interdepartmental Commission created by the Armenian President and all other coordinating bodies and structures of Armenia for the implementation of the ENP AP.

EU Advisers will provide an optimal mix of policy, legal and institutional advice to be delivered through transfer of know-how and best practices. Special emphasis will be put on capacity building.

### *Component 2: Twinning*

The Twinning facility of this Action Programme will support up to an estimated 5 Armenian administrations to reach their respective objectives in terms of reforms and ENP implementation through long lasting exchange of know-how and experience with a twin administration in the EU. The Armenian administrations to be twinned under this Action Programme are expected to be identified in the course of 2009, with the assistance of the Support to PAO project and under the guidance of both the EU Advisory Group and the Delegation.

### **3.3 Stakeholders**

The beneficiaries will be all Armenian administrations concerned by the implementation of the PCA and ENP AP and other international commitments. Attention will be given to the line ministries directly responsible for planning and implementing reforms, e.g. Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy, Ministry of Justice, Ministry of Agriculture, Ministry of Education – as well as those institutions concerned with enhancing democratic structures and the respect for fundamental human rights.

An Advisory Board will be in place to guide the work of the EU Advisory Group concerning the quality and adequacy of its tasks. The Board will also assist with respect to strategic and operational planning as well as review achievements of objectives and implementation.

The Advisory Board will include representatives of the Government, the National Assembly, and the European Commission. Certain international organisations, representatives of the EU Presidency and the EU Special Representative for South Caucasus will be invited as observers.

### **3.4 Risks and assumptions**

#### Risks:

Political stability in Armenia is a prerequisite for a successful and sustainable implementation of the reform agenda supported by the EU Advisory Group and Twinning. A continued or worsened political crisis can undermine the overall assistance objectives.

The lack of political will to cooperate fully with the EU advisors and/or the lack of willingness to allocate the necessary resources to work with the advisors and Member States can jeopardize the successful outcome.

The successful implementation of the interventions both under the EU Advisory Group and under the Twinning instrument also hugely depends on the support from the EU Member States.

#### Assumptions:

- Continued commitment from the Armenian Government to PCA and ENP AP implementation;
- The advice delivered by the EU advisors is reflected in the Government programmes and promoted via the relevant public structures; including the work programme and the legislative acts of the National Assembly;
- NCU and PAO adequately staffed for the coordination of assistance, including the timely preparation of Twinning fiches;
- High quality advice is provided by EU Member States administrations, including the willingness of the Member States to engage in twinning activities and second an adequate number of advisors.

### 3.5 Crosscutting Issues

The impact of the measure on cross-cutting issues can be summarised as follows:

Development/crosscutting objectives	Directly targeted objective	Significant indirect impact
Poverty reduction		X
Good Governance	X	
Democracy, Human rights	X	
Integration in world economy	X	
Environment		X
Gender		X

Environment and gender related issues will be addressed indirectly. On a demand driven basis they can be targeted directly, whereas the remaining cross cutting issues are already directly targeted by the continuation of the EU Advisory Group activities.

## 4 IMPLEMENTATION ISSUES

### 4.1 Implementation method

Twinning component: Centralised management.

EU Advisory Group: Joint Management (UNDP is foreseen).

Currently, UNDP is the sole International Organisation present in Armenia with the capacity to act as implementing partner for the EC for this demanding intervention.

### 4.2 Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. The activities of the EU Advisory Group will be implemented via a contribution agreement with an International Organisation. The contract(s) must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

### **4.3 Budget and calendar**

The programme foresees an envelope of EUR 9.7 million.

The modality of implementation of the technical assistance components of the programme might include engagement of individual Member States, or consortium of Member States, via grant contract(s) and/or twinning arrangements, and/or contribution agreement(s) with international organisation(s), as appropriate. The indicative allocation is EUR 5.5 million for Twinning and EUR 4.2 million for EU Advisory Group. Within this allocation, supply and work contracts will be used where appropriate and necessary to ensure meeting the overall objectives.

The foreseen operational duration is 48 months as from signature of the Financing Agreement. Evaluation and audit activities may take place after this period.

### **4.4 Performance monitoring**

The project will be monitored according to standard EU procedures. Project monitoring and evaluation will be based on periodic assessment of progress on delivering of specified project results and towards achievement of project objectives. Suitable objectively quantifiable indicators will be agreed between the contracting Authority and Project Partners.

### **4.5 Evaluation and audit**

Each of the sub-projects to be defined under the measure will undergo financial audit, as foreseen by the standard procedures, which foresee that such audit be properly budgeted under each of such sub-projects. Evaluation can also take place, if so decided by the Commission.

### **4.6 Communication and visibility**

Commission visibility guidelines will be followed and proper communication and visibility will be ensured via widespread dissemination of project achievements and results. In the case of contribution agreements with UN organisations, the special provisions in the FAFA will be respected.