

PROJECT FICHE

Title	VET reform strategy and pilot implementation in a selected region in Azerbaijan		
Indicative cost	€ 3,000,000		
Aid Method	Project approach – <i>centralised</i> management		
DAC-code	11330 / 15040	Sector	Vocational training

1. RATIONALE

1.1. Strategic framework

The Tacis National Indicative Programme (NIP) 2004-2006 for Azerbaijan focuses on two priority areas: (i) support for institutional, legal and administrative reform and (ii) support to the private sector and assistance for economic development. The proposed measure directly addresses the objectives of the programme on development of vocational training strategy, included in the second priority area.

The country's poverty reduction strategy¹ emphasises that labour productivity and competitiveness require continuing investment in a well-educated and trained work force, an objective that represents a call for urgent redefinition of the goals of vocational education. Moreover, SPPRED's overall strategic objectives of policy measures in the education sector include a requirement to ensure that Vocational Education and Training (VET) provides skills that are appropriate to the market economy, particularly to private enterprise.

The measure is therefore consistent with the national and EU priorities for development. Moreover it is particularly important in the context of the policy of the Government of Azerbaijan to invest oil wealth into human capital, in order to ascertain sustainable human development of the country and reduce the risk to grow into an oil-dependent economy.

1.2. Lessons learnt

Past EC supported actions in the education sector were limited to bottom-up actions in Higher Education through Tempus. Tacis neither assisted the reform in the education sector, nor provided institutional or capacity building support to the Ministry of Education (MoE). Some Tacis programmes in the economic development sector have included training components. Although the provision of such training has not noted high systematic impact, it has helped develop some non-formal training capacity in the country and contributed to the diversification of the training offer. Examples include the building of non-public specialised sector training organisations (the Bank Training Centre has a top reputation in Azerbaijan) and of pools of qualified trainers (audit, international accounting).

¹ The State Programme on Poverty Reduction and Economic Development (SPPRED) was adopted by the Government of Azerbaijan in 2003, and covers the period up to 2005

A large ongoing Tacis VET Reform project in a neighbouring country has been implemented with recognised success and in sound co-ordination with the sector Ministry. A project extension is therefore in preparation.

Otherwise experience proves that timely involvement of potential project partners and stakeholders in the discussion, design and preparation of technical assistance projects that deal with complex reform processes and need to be based on some level of ownership – are essential for sustainable results. Therefore future steps of the preparation of the VET reform project need to involve broader stakeholders' and partners' participation through debate and workshops. Information on the intended project objectives, components and activities is necessary in a later stage.

1.3. Complementary actions

The Education sector reform programme funded by an IDA credit of 18 million US\$ is in implementation. The project manager (World Bank national office) reports that the MoE has proven committed and flexible, as well as receptive to external proposals for better management, and therefore can be considered a good partner. However, appropriate choice of the project implementation partners in the MoE is considered an essential success factor. Involvement of external local experts in the project management unit was used successfully and the MoE welcomed the proposal.

The current measure is inserted in a very appropriate political scenario following the Presidential decree approving the National Employment Strategy (NES). Intense sector dialogue in the coming half year is expected in the framework of preparation of the programme supporting the implementation of the NES.

1.4. Donor coordination

The World Bank has a leading position in the ongoing education sector reform, but it focuses on general (basic) education only. The main purposes of the World Bank's project are to increase learning achievements and improve efficiency of general education.

The ILO has provided technical assistance for the elaboration of the draft NES, and modular learning for the new Training Centre of the State Employment Service. However international co-operation in the employment and labour market area has been limited.

2. COUNTRY CONTEXT

2.1. Cooperation related policy of beneficiary country

Azerbaijan is in many senses a polarised society, with several divides of importance for development policy and expectations. One is the oil and non-oil divide and by extension its effects on the population engaged in each. The other is the urban – rural divide, with Baku at the heart of the oil economy and power. One of the toughest questions to be addressed by the Government of Azerbaijan (GoA) is the role of non-oil areas outside Baku in the future of Azerbaijan.

The GoA recognises the implications of these divides and adopted a policy addressing both the need for poverty reduction through growth of non-oil economy / economic

diversification, as well as the socio-economic development of the regions². The GoA adopted the policy to invest oil wealth into human capital as basis for sustainable human development.

2.2. Sector context

Assessment of the sector policy

A specific Law on VET is not available. However, VET is recognised as a key item in the development agenda of the Government of Azerbaijan. Both the poverty reduction (2003) and the employment (2005) strategies of Azerbaijan recognise the importance of the reform of the VET system.

The need for the VET reform recently received additional impulse and highest political support. The following elements were key to this process:

- The approval of the NES that includes among its priorities the reform and modernisation of the education system, and particularly of VET³.
- The immediate start-up of work on the Programme for implementation of the NES, to be based on an inter-sector State Committee and thematic working groups. Timing for presentation of the Programme final proposal is six months (expected at the end of April 2006).
- The endorsement of these reform items by the highest political level (President of Azerbaijan).

Since 2003 the SPPRED indicates the following overall strategic objectives of policy measures in the education sector: i) equity in access to good quality education; ii) revision of contents and modernisation of teaching methods; iii) improvement of teachers' motivation; iv) ensure that VET provides skills that are appropriate to the market economy, particularly to private sector enterprises. However, significant support measures in support of a VET reform have not been implemented yet, aggravating the decline of the VET system, particularly its basic / preliminary level (professional technical education).

The Education Law in Azerbaijan⁴ specifies the following levels of VET by providing a positive premise for development of a lifelong learning perspective:

- Preliminary VET (aim: "workers" qualifications) offers 2 pathways (with and without final certification of upper secondary schooling). Attendance is reportedly low.
- Secondary VET ("middle specialised") aims to educate "middle level specialists" and offers shorter and longer study cycles depending on the entry level. These schools received autonomy to develop curricula from 2005 onwards. In the values of the population this level of VET is significantly more prestigious and acknowledged than preliminary VET.

² State Programme of Socio-Economic Development of the Regions (SPSEDR), approved in February 2004; State Programme of Poverty Reduction and Economic Development (SPRED), approved in February 2003

³ Reference is made to the NES Chapter 3 "Priorities of the Employment Strategy", and in particular to paragraph 3.4 "Education Policy and Labour Market" thereof.

⁴ Law on Education, 1992, Articles 10, 11, 12

The VET system is largely built on public schools, mostly run by the MoE. The MoE carries the institutional responsibility for assets, human resources, methodology, administration and operation of the VET system. In the rare cases where another Ministry runs VET establishments, the MoE is responsible for curricula and vocational classification⁵.

In 2005 the basic VET system has 107 public establishments and the secondary VET system includes 55 schools⁶ plus 5 private institutes. Reportedly the number of effectively functioning VET schools of the preliminary level does not exceed 60-65% of the official figure. Total number of students in the secondary VET system in 2003 amounted to 53,694 out of which 1,438 were in the private VET schools.

The student to teacher ratio is very low: in 2004, 6 in preliminary VET and 8 in secondary⁷. This causes inefficiencies of varied nature. Excessive number of teachers creates a negative pressure on salary reform decisions, and is an additional factor for supply driven orientation of education.

The breakdown of students per education level was in 2003-2004 the following: in general education: 89.6%; in higher education: 6.4%; preliminary VET: 1% and 2.8% in secondary VET. The share of education expenditures in total public expenditures is quite low and it decreased from 20.52% in 2002 to a planned 13.26% in 2006. The budget allocation for preliminary VET represents 5% of total education budget in 2006.

Private training is fragmented due largely to lack of a set of functioning minimum regulations to ascertain quality and coherence, and policy in support of adult learning. Private training grew in study areas relevant for private enterprises and requiring lower investments in training equipment (management, PC skills, foreign languages), but is not adequate alternative for initial training of youth: it is not affordable for all, and the majority of qualifications/certificates are not officially recognised. Large oil companies organise and fund training centres (for staff and broader public).

Labour legislation stipulates the leading role of the Ministry of Labour (MoL) and State Employment Services (MoL) in programmes for training and retraining for job seekers (employed and unemployed). In average approximately 2,100 persons per year are trained. The MoL plans to open a newly rehabilitated Training Centre in Baku in early 2006.

Problems analysis

The present VET system presents the following main shortcomings:

- Lack of comprehensive demand driven VET strategy (including information and guidance);
- Lack of systematic VET/enterprises partnership;
- Reduction of public financing;
- Weak vocational profiles, qualification levels and curricula for relevant economic sectors;
- Insufficient Learning infrastructure.

⁵ For example, the Ministry of Youth, Sports and Tourism runs a few VET establishments

⁶ Colleges and technikum

⁷ Based on Education in Azerbaijan, 2004, State Statistical Committee, Baku, 2005

These problems have a direct effect on current major concerns of the consulted stakeholders:

- Deterioration of the attractiveness and reputation of the VET system and consequent fall of the number of enrolments and graduations during the last decade.
- Growing number of youth with secondary general education (complete and incomplete) entering active life without skills/qualifications for the job market. Yearly approximately 60% of the total cohort of those completing general upper secondary education is left in a precarious situation when they enter the labour market without skills for employment⁸.
- Unemployment rates of the population in the age group 20-29 are much higher than the average unemployment rate of 10.7%. Unemployment per level of educational attainment is self-explanatory: almost 70% of the total unemployed have complete secondary general education (irrespectively of age group)⁹.
- Effects in human resources policies of enterprises are obvious: large corporations react by investing in training in-house and abroad. These trends reflect a needed response of enterprises, but they occur in a situation where policy and regulatory framework to ascertain coherence and quality standards in training are unavailable.
- SMEs do not have access to required skills leading to their in-competitiveness on the market

3. DESCRIPTION

3.1. Objectives

The proposed intervention has a dual aim: the implementation of a pilot operational partnership between one VET institute and an economic sector, as well as a support for the definition of a new VET national strategy in coherence with the recently adopted National Employment Strategy.

General objectives:

- Improving the competitiveness of Azeri non oil economic sectors;
- Improving the employability of VET graduates.

Specific objective:

- Development of a replicable quality model for VET in a specific economic sector;
- Contribution to the definition of a new VET national strategy

3.2. Expected results and main activities

Current reform and policy priorities in the country and the identified problems justify a project including the following components:

⁸ Yearly average data: total graduates upper secondary general education: 100 thousand. Of these: approx 25 thousand enter higher education and 5-8 thousand – secondary VET. A wide 65 thousand remain, and seek jobs, emigrate, go to military services or try a new chance to enter higher education. Based on data of State Statistical Committee, 2004

⁹ Data based on Labour Force Survey, 2003

1. Operational component: A pilot VET partnership between a VET school and a selected economic sector/branch (to be selected among those having expressed an interest). The aim is to build up a good practice between demand and supply of qualified labour; support a systemic integration of enterprises in the VET system (as users, partners in learning, initiators of benchmarks); strengthen the human resources awareness, management and development at enterprise level. The activities of this pilot will include skills needs assessment, prospective identification of competence profiles, set the basis for more systemic adoption of on the job training in selected enterprises; capitalisation and sharing of the progressive achievements of the pilot experience between key stakeholders (MoE, MoL, other economic sectors, professional organisations).

The political and strategic results of the pilot project will need to be widespread as from the very beginning of the experience. Lessons learnt will need to be systematised, discussed, and shared all along the pilot project implementation with the aim to contribute to the set up of a new VET strategy.

2. Policy component: The project will provide substantial and practical proposals to preparation of VET policy strategy in line with current reform plans of the Government. The formulation of new options is essential to reinvigorate the role of the VET system, and enhance its competitiveness. Activities contribute to improve policy-making capacity and processes and pave the way for future enhanced sector co-operation in the framework of new EC instruments.

Project implementation:

The project will include the following activities:

- Support will be provided for (i) the selection of an economic sector and the assessment of the skills needs in the latter; (ii) the identification of a VET institute; (iii) the setting of the VET partnership (models, practise, services, monitoring, lessons); (iv) the establishment of a methodology for the development of new curricula responding to identified skills and profiles; (v) teacher training and development; (vi) the preparation of selected learning materials for vocational modules and (vii) the definition of a new VET national strategy.
- Equipment: assessment of needs and specifications for the pilot school;

3.3. Stakeholders

The VET is located in the intersection of several sector interests: education, employment, enterprise development and investments as well as selected economic sector policies. The project facilitates and supports the dialogue and involvement of the VET policy stakeholders group. Therefore government structures carrying responsibilities in these areas have direct interest in a VET project.

a. Stakeholders:

Enterprises associations: The main recognised and dynamic organisation of enterprises is the Confederation of Entrepreneurs (Employers) Organisations. The Confederation considers the VET reform as important and urgent, and is ready to participate in a partnership with this purpose. In its structure the Confederation has a number of Permanent Commissions that are relevant and can co-operate with a future VET project. The Confederation has 30 regional offices, a Managers Training Centre (partner of Tacis

MTP project), permanent staff, and research capacity. The Confederation co-operates with the MoE under an official agreement.

Professional and sector associations exist, some are members of the Confederation; but in general their activities are poor or discontinued.

Ministry of Finance: Its deciding role in budget/expenditure decisions is important for education modernisation (example: rehabilitation of infrastructures) and needs to be considered in the formulation of the project, namely when coming to Memorandum of Understanding to agree perspectives and reforms affecting directly the VET (as foreseen by the National Employment Strategy).

Ministry of Education (MoE): The MoE considers a VET reform project highly necessary and is interested to co-operate with the EC (TACIS). The two key departments (Vocational Technical Education and Higher Education) are ready to grant the necessary autonomy to allow a pilot VET school to participate in a pilot partnership (with an economic sector), which would include the preparation and implementation of new curricula, and introduction of innovations in teaching.

The Department of Higher Education which is in charge of secondary VET¹⁰ recommends a VET reform project to focus on a pilot school with multiplication potential. The department agreed that a partnership with enterprises is key to improve labour market linkages of VET that are currently assessed as weak).

Ministry of Labour (MoL): Following the approval of the NES, the MoL gained a leading role in reform initiative. As regards the reform of VET, the MoL recognises the role of the MoE as key entity with responsibility for the education system. It also recognises the need for close co-operation between the two ministries.

The State Employment Service has little human and institutional specific capacity to manage and monitor the complex issues of training. At present the training programme is handled by the Deputy Head of Services as one among many other priorities. Vocational guidance is considered important but resources and capacity are limited.

Ministry of Economic Development (MED): The MED has an important role, both in as regards state property (VET schools) and as main initiator of economic development policy.

The Secretariat of the State Programme for Socio-Economic Development of the Regions is particularly interested in the improvement of VET in the regions and proposes to promote private participation in VET, namely via operational and managerial autonomy of pilot VET schools to reorient them to the market. The rationale behind this option for more private participation is associated with the belief that traditional VET school management and methods cannot be reformed within a state subsidised system not pegged to performance.

b. Target groups:

Economic players: Economic policy aims to develop non-oil sectors, and the economies in the regions. In this context, 'Agro-industry and processing' and 'tourism' (incl. HORECA) are priority sectors given their effects on regional and rural economies, enterprise creation and employment.

¹⁰ Correct translation of this level of VET: "medium specialised education", approx. corresponds to ISCED 1997 level 3B and 3C

In the private sector¹¹ employed have predominately general education (47.8%), some VET qualifications (30%) and higher education (22%). Large private enterprises organise training programmes in-house, to compensate for the lack of an adequate continuing training market. Small and medium enterprises reveal less awareness and deploy less resources in staff training.

VET providers: The VET system is still mainly supply oriented and does not respond systematically to the skill demand of key economic sectors. It is generally agreed (see above under 'stakeholders' for 'enterprises' and 'MoE') that without accessible and relevant VET, companies face serious difficulties to develop services and products. This gap concerns various levels of competences, mostly lower (operators) and middle qualifications levels, as well as broadband occupational competences (needed across industries).

c. Final beneficiaries:

Students: VET remains strategically important in the decades ahead given the continuing natural growth of the population. Available figures show an increasing enrolment in secondary VET. The share of students paying a fee (based on a contract) has increased from 4.6% in 1995-1996 to 36.7% in 2003-2004. The share of girls increased steadily from 41.7% in 1990-1991 to more than 69% in 2003-2004. However, programmes offer remain relatively disconnected from economic needs. In 2003-2004 the area of pedagogy represented approx. 34% of the total number of students in secondary VET.

3.4. Risks and assumptions

Assumptions:

- There is a strong political commitment from the Azeri Government to social and economic reforms and to the implementation of the newly adopted National Employment Strategy which emphasizes the importance of the VET sector;
- VET institutions involved in the pilot project are granted the necessary autonomy to adhere to the innovative approach proposed here.

Risks:

- Staff from the Ministry of Education and of the Ministry of Labour may not express strong motivation to co-operate due to their insufficient openness to VET reform issues, and due to a lack of political support at higher level.
- There is a risk that Social Partners (mainly employers' organisations and companies) will lack information and interest to actively take part in the project. It could also be that their autonomy vis-à-vis the State might not always be guaranteed. Their ability to deal with the VET reform issue cannot be taken for granted as it presupposes a technical and specific culture which is not very familiar to them yet.

¹¹ Farms, self-employed and people hired by physical persons are considered in another category

3.5. Conditionalities

A working group will be created, including representatives from the concerned Ministries, companies, schools and social partners in the selected sector, with the aim of ensuring a certain commitment of all the stakeholders involved in the definition of an efficient VET strategy.

3.6. Crosscutting issues

Attention will be paid to gender issues when selecting the schools participating in the pilot project.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised management

4.2. Budget and calendar

Indicative budget: € 3.000.000. An amount of 2.500.000 euro for one service contract to be allocated to the two main components (Operational component and Policy component). In addition, an indicative amount of 500.000 euro will be allocated to one supply contract.

Indicative operational duration: 30 months

It is indicatively foreseen to launch the tenders during the first semester 2007.

4.3. Procurement procedures

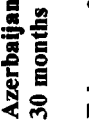
All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.4. Performance monitoring, Evaluation and Audit

The project will be monitored according to standard procedures.

Project monitoring and evaluation will be based on periodic assessment of progress on delivery of specified project results and towards achievement of project objectives.

	Logical framework	Project no: VET reform strategy and pilot implementation in a selected region in Azerbaijan Project title: VET reform strategy and pilot implementation in a selected region in Azerbaijan	Country: Azerbaijan Project duration: 30 months Prepared on: February 2006
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Intervention logic	Objectively verifiable indicators	Sources of verification	Assumptions
Overall objectives: <ul style="list-style-type: none"> • To improve the competitiveness of Azeri non oil economic sectors; • To improve the employability of VET graduates 	<ul style="list-style-type: none"> • Enhanced competitiveness of non-oil enterprises on the Azeri market; • Decrease of the unemployment rate. 	<p>Economic Indicators produced by the Ministry of Economic Development and Ministry of Labour, the Azerbaijan State Committee for Statistics and other international organisations</p>	
Project purpose: <ul style="list-style-type: none"> • To develop a replicable quality model for VET in a specific economic sector; • To contribute to the definition of a new VET national strategy 	<ul style="list-style-type: none"> • Number of youth entering active life with relevant skills/qualifications for the labour market; • Number of enrolments and graduations in the VET system reflecting the attractiveness and reputation of the latter; • Improved access of enterprises to required skills leading to their in-competitiveness on the market • Development of a draft new VET national strategy 	<ul style="list-style-type: none"> • Project's progress reports/ other donors' relevant reports • Statistics produced by VET institutions/ professional associations • Government decisions: political support and impulse given to the VET reform 	<p>Strong political commitment from the Azeri Government to social and economic reforms and to the implementation of the newly adopted National Employment Strategy which emphasizes the importance of the VET sector</p>
Results: <ul style="list-style-type: none"> • Building of good practices between demand and supply of qualified labour; • Systemic integration of enterprises in the VET system (as users, partners in learning, initiators of benchmarks); • Strengthening of the human resources awareness, management and development at enterprise level • Provision of substantial, and practical proposals for the preparation of a VET policy strategy in line with the current reform plans of the Government. 	<ul style="list-style-type: none"> • A VET/enterprises partnership is set up in the selected economic sector; • Learning infrastructures in the selected VET institution are improved; • Vocational profiles, qualification levels and curricula are improved for the selected economic sector; • New options to reinvigorate the role of the VET system are formulated 	<ul style="list-style-type: none"> • Minutes of relevant meetings; • Project progress reports; • Monitoring reports; • Reports and statistics produced by the selected VET institution and by the professional associations in the selected economic sector; • Other donors' relevant reports. 	<ul style="list-style-type: none"> • Staff from the Ministry of Education and of the Ministry of are open to VET reform issues and ready to co-operate with each other; • Social Partners (mainly employers' organisations and companies) have the necessary autonomy vis-à-vis the State and are sufficiently informed and interested to actively take part in the project.

<p>Activities:</p> <ul style="list-style-type: none"> • Selection of the economic sector; • Identification of the VET institute; • Setting of the VET partnership: models, practise, services, monitoring, lessons • Skills needs assessment of the selected economic sector; • Methodology to develop new curricula responding to identified skills and profiles; • Teachers training and development; • Preparation of selected learning materials for vocational modules; • Contribution to VET policy development activities; • Equipment: assessment of needs and specifications for the pilot school; 	<p>Specification of inputs</p> <p><i>To be determined in the Terms of Reference</i></p>	<p>Specification of costs</p> <p>3.000.000 €</p>	<ul style="list-style-type: none"> • VET institution involved in the pilot project is granted the necessary autonomy to adhere to the innovative approach proposed in this project;
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