



This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the
Annual Action Programme 2015 in favour of the Republic of Armenia

Action Document for Better Qualifications for Better Jobs

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following section concerning call for proposals: 5.4.1 "Grants: call for proposals to support VET providers/CSOs/business associations" (direct management).

| | |
|--|--|
| 1. Title/basic act/ CRIS number | Better Qualifications for Better Jobs CRIS number: ENI/2015/038-246 financed under European Neighbourhood Instrument |
| 2. Zone benefiting from the action/location | East Neighbourhood, Armenia The action shall be carried out at the following location: Armenia |
| 3. Programming document | Single Support Framework for EU support to Armenia 2014 - 2017 |
| 4. Sector of concentration/ thematic area | Employment/Vocational Education and Training |
| 5. Amounts concerned | Total estimated cost: EUR 15.2 million Total amount of EU budget contribution EUR 15 million of which <ul style="list-style-type: none"> • EUR 13 million for budget support and • EUR 2 million for complementary support. This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 0.2 million |
| 6. Aid modality(ies) and implementation modality(ies) | Budget Support Direct management – budget support: Sector Reform Contract; procurement of services; grants – call for proposals. |
| 7. DAC code(s) | 11330 Vocational training/16020 Employment Policy |

| | | | | |
|--|---|--------------------------|------------------------------|--------------------------|
| | 31181 Agricultural education/training | | | |
| 8. Markers (from CRIS DAC form) | General policy objective | Not targeted | Significant objective | Main objective |
| | Participation development/good governance | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| | Aid to environment | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | Gender equality (including Women In Development) | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| | Trade Development | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | Reproductive, Maternal, New born and child health | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | RIO Convention markers | Not targeted | Significant objective | Main objective |
| | Biological diversity | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | Combat desertification | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change mitigation | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | Climate change adaptation | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| | 9. Global Public Goods and Challenges thematic flagships | NA | | |

SUMMARY

This programme seeks to assist Armenia improve the efficiency of its labour market and the employability of its workforce, with a particular emphasis on agricultural employment (pilot approach). First, the programme will focus on improving the capacity for skills identification and matching as a mean towards improving the coordination between labour supply and demand. Secondly, the programme will pay specific attention to agricultural skills and employment opportunities by consolidating the reforms undertaken in 2007-2015, within the overall VET system, in the field of agriculture as a priority sector for the Armenian government.

This assistance is in line with priorities of National Employment Strategy and Action Plan 2013-2018, namely priority (1) Ensure the relevance of labour market and economy; and (2) Ensure the link between labour market and educational system. This action is coherent with the Single Support Framework (SSF), in particular result 1.1.3 improved labour market efficiency since the proposed programme will enhance labour market efficiency and contribute to employability of VET graduates.

Specific objectives are: (1) to improve the labour market intermediation and guidance services in order to ensure better access to employment both for men and women, and (2) to improve the employability perspectives of graduate students in a pilot sector (VET agricultural institutions).

The action is complementary to EU assistance, provided in the framework of support to Small and Medium Enterprises (SME) under Annual Action Plan (AAP) 2014, agriculture under ENPARD (AAP 2013), organic agriculture programme (AAP 2011), Regional Development (AAP 2013), and the VET Reform and Development of an Employment Strategy Armenia programme (Easter Partnership Integration and Cooperation 2012).

The programme will have a budget of EUR 15.2 million out of which EUR 2 million will be earmarked for complementary support. Main implementers are: Ministry of Labour and Social Issues (MoLSI), the Ministry of Education and Science (MoES), Ministry of Agriculture (MoA), as well as private sector organisations and social partners. A budget support component of EUR 13 million will be disbursed against the fulfilment of policy conditions to be identified and agreed upon by the EU and the Government of Armenia. The complementary support component will be reserved for assistance/capacity building as well as for review of programme implementation.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Armenia is a low-middle income country, with Gross National Income (GNI) per capita of about USD 3,800. About one third of its three million population lives below the poverty line, established at just above USD 90 a month. Diaspora is a key characteristic of the Armenia's nation, which is estimated at over seven million. It is a landlocked country with half of its external borders (with Turkey and Azerbaijan) closed, hence compelled to maintain good neighbourly relations with Georgia and Iran.

Armenia is an early transition country of low productivity. The pre-independence Soviet era industrial base was eroded during the first decade of independence, agriculture contributes a very substantial 20% of economic activity (and employs around 40% of the active population, much of which at a subsistence level), construction was a key driver of growth before the 2009 economic crisis, whereas services now account for over 40% of the total economic activity.

Armenia's labour market, like those in other former socialist countries, has gone through a profound transition since the start of political, economic, and social reforms in the early 1990 years. The employment structure by sphere of economic activity has been changed significantly as well, and in such a way that it became less diversified and more vulnerable to internal and external shocks. Subsistence agriculture emerged as a key factor mitigating the shocks of transition period. Although jobs in the sector are not very promising from the perspective of poverty reduction, they still remain the main source of income for the rural population since the opportunity of non-agricultural activity outside of Yerevan city is limited. The Armenian labour market has increasingly shown dual tendencies, with a large pool of unemployed apparently lacking skills and feeding the ranks of the labour migrants, and a few, sometimes foreign-trained, professionals capable of taking advantage of quality employment possibilities.

In this context, unemployment and under-employment constitute a key weakness of Armenia's economic structure, unable to provide decent quality jobs to a poor population, which seeks in outward migration – mainly to Russia, but also to the West in the case of those with higher qualifications – an appealing opportunity against a life of poverty and absence of opportunity. Lack of trust in institutions and democracy also contribute to this choice. According to the National Statistics Service, youth unemployment stands at 31.5% and 40.7% for men and women respectively (2013). The World Economic Forum competitiveness report 2014-2015 ranks Armenia 74th for labour market efficiency and 75th for education and training, and considers the inadequately educated workforce as the sixth most problematic

factor restraining business development. The severe underutilisation and inadequate qualification of the labour force translate into lack of opportunities, notably for those with lowest incomes, whose households have fewer people employed and lower earnings.

Reversing the above trends requires policies that promote equality of opportunities and create an enabling environment for private sector-led job creation. This situation is especially exacerbated in rural areas dominated by an agricultural economy of survival, with a relatively low productivity and output, despite having substantial growth potential.

Armenia continues to have a large underemployed population in agriculture, despite the fact that agriculture accounts for nearly half of all jobs in Armenia and productivity of labour in agriculture has grown from 17.1% in 2010 to 20.2% in 2011. The sector has also been unable to provide jobs to all entrants, which in part is the result of an inadequate vocational education system that produces students lacking updated relevant technical qualifications. The mismatch between training and qualifications provided and the labour market demands is resulting in the supply of graduates in "fashionable" professions (e.g., managers, legal assistants, economists), without taking into account labour market needs, and thus producing educated unemployed. Another problem is insufficient awareness of available job opportunities, combined with the need to improve the national system of professional orientation.

A system of regular skills needs identification and anticipation is still under development. The state quota system defines enrolment rates for VET and Higher Education (HE), and labour market analyses are conducted by the State Employment Agency (SEA), based on employer surveys and unemployment records. Ad hoc surveys are also conducted by some education institutions and by employers' associations, and studies are occasionally carried out by international institutions. However the quality and methods of these surveys and studies varies, use of information is not institutionalized, and there is a need to reinforce coordination. In particular, MoLSI lacks the capacity and the tools to improve labour market data collection and analysis, as well as to systematically classify the type of skills required by private companies with those of both unemployed and future graduates.

Since 2012, the EU has successfully supported VET and development of an employment strategy through a EUR 21 million budget support programme, leading to an increase in enrolled VET students by 50% and adoption of the national employment strategy. In June 2014, MoLSI has further developed an action plan aimed at reducing youth unemployment through supporting start-ups, improving the quality of VET, supporting farmers for the promotion of seasonal employment, and facilitating internships in companies.

However, in rural areas youth unemployment and insufficient quality of education needed to develop the untapped agriculture potential remains problematic. The current education structure is not producing a skilled workforce that could be properly employed or self-employed locally. The mismatch of labour market qualification restrains the expansion of businesses and the development of new ventures. In particular, the content, quality and conditions of agricultural VET curricula need to be further improved, to refrain emigration in the regions and to ensure shared growth in the different regions of Armenia. In this regard, Agricultural VET is a perfect sector to pilot a strategy aiming at enhancing labour market efficiency while increasing employability in a pro-poor growing sector.

1.1.1 Public Policy Assessment and EU Policy Framework

The Armenia Development Strategy (ADS) 2014-2025 main objective is to increase employment through the creation of quality and high productivity jobs. It recognizes

agriculture as a priority sector to increase exports, diversify the Armenian economy and ensure balanced regional development.

The National Employment Strategy adopted in 2012 by the Government and Action Plan 2013-2018 priorities are the following: (1) creation of 100 000 jobs deriving from the development of SMEs; (2) strengthening of services provided by the State Employment Agency; (3) modernizing the provision of VET, to be designed in accordance with labour market needs; (4) improving the quality of education through the implementation of the Armenian National Qualifications Framework; (5) increasing the accessibility of career information services. This strategy, prepared with the support of the EU, is credible and has a clear action plan. In particular, the strategy emphasises the need to tackle qualitative and quantitative mismatch between the education system and labour market which in its turn results in supply-demand imbalance in the labour market. This constraint is further underlined in the VET Reform Programme and Action Plan 2012–2016.

Furthermore, the Sustainable Agriculture Development Strategy 2010-2020 emphasises "the need to reform the education system and to train specialists of the state colleges on the basis of the demand for new disciplines such as environmental protection, efficient utilization of natural resources and plants protection as well as machinery technicians, forest hydrologists, experts in consumer goods quality testing, development of agro-tourism, bio-tourism, new farming techniques, agro-food, cooperative management, etc".

The programme aims at supporting this comprehensive and coherent strategic framework, in line with the SSF objective of improving the efficiency of the labour market and to a further degree support the development of the private sector.

1.1.2 Stakeholder analysis

The main beneficiaries of the programme:

Jobseekers will receive support and training from the SEA, in particular newly graduated students benefiting from youth employment support programmes.

Students will benefit from career guidance services and be able to acquire qualifications relevant to the labour market. In particular, students from agricultural VET colleges will receive an education adapted to the needs of the sector.

Employers will also benefit from this programme, as the programme will ensure that education system will respond to their needs. Agricultural employers will benefit from the improvement of agricultural VET institutions and the enhancement of skills and practical knowledge of VET graduate students. Furthermore, business associations benefiting from the grant scheme will receive support to increase involvement of employers in sector skill councils, and college boards.

The following institutions and organisation will be the main stakeholder of the projects:

The State Employment Agency (SEA), a separate division of MoLSI, is in charge of the execution of state policies on employment regulation. It carries out a "barometer" of labour market needs but no dissemination and use seem to be made for educational purposes. Trainings for the unemployed are organized through SEA and its regional branches. However, the number of trainings is low and there is little evidence on how training needs assessment is carried out and what the real impact on employment is.

Sector Skills Councils (SSCs) have been established as consultative bodies of the MoES to give guidance and validate work for the development of training standards and curricula.

Social partners participate in the meetings of the councils. SCC operate as a permanent working structure recognised in the legislation mainly for educational purposes whilst at present they do not play any role in identifying and anticipating skill needs.

The VET Department in the MoES is the driver for change and is responsible for defining the vision and strategy of the sector based also on the experience, examples and information coming from other countries. Opportunities to learn from international practice have allowed the Department to increase its capacity to implement reforms.

The National Council for VET Development, which was established in 2008 as a tripartite advisory body, with equal representation from government's institutions, employers', business organisations and trade unions, meets on a quarterly basis to approve VET development programmes and strengthen and promote social partnership.

Chambers of commerce and social partners' organisations including trade unions and the Republican Union of Employers of Armenia continue to participate actively in all activities organised at central and local levels and appoint representatives in the sector skills councils.

Farmers associations and the agro-processing sector will also be key stakeholders and beneficiaries of the programme.

1.1.3 Priority areas for support/problem analysis

In an effective labour market, job seekers need to be able to find and keep employment. Thus, the first component of the proposed intervention will aim at improving the efficiency of the overall labour market. The programme will focus on improving matching mechanisms between job seekers and job opportunities by providing more effective techniques and creating incentives in finding and securing vacancies. As a result of the proposed intervention, an optimal labour market information system (including data collection and analysis, ability to forecast future labour market needs, sector analysis realised by sector skill councils, and tracer studies) will be established to improve academic and lifelong curricula and support jobseekers searching for vacant positions. Furthermore, the programme will develop career guidance services in state education institutions advising students on the needs of the labour market, and will reinforce government employment programmes to increase job opportunities both for youth and vulnerable people.

The direct outcome of quality education and training is increased skills, which in turn leads to employment. Thus, the second component of the proposed action will improve the employability of graduate students in a pilot sector (VET agricultural institutions). This sector has been chosen for the following reasons: (1) VET agricultural institutions were not targeted in the previous budget support and there is a need to improve curricula and facilities; (2) this pilot approach will complement EU interventions in agriculture (ENPARD and organic farming); (3) the agriculture sector has a potential to grow (untapped resources) and can support reductions in emigration (to the capital city and Russia in particular); (4) there is a clear need to train students with new techniques and technologies to foster sustainable growth of the sector. Through this project, governance of VET institutions will be enhanced with the introduction of a functional quality assurance system, and cooperation with employers enhanced. Quality and relevance of VET delivery will be improved through revision of qualifications, standards and curricula. Agriculture VET centres of excellence will be established with adequate facilities to provide work-based learning. The students of agriculture VET institutions will also benefit from apprenticeship programmes subsidized by the government. The programme will contribute to increased attractiveness of agricultural

VET among young people, who will become more adaptable to work requirements, technologically competent, and capable to find relevant jobs or start their own business.

1.2 Other areas of assessment

1.2.1 Fundamental values

During 2014 Armenia continued efforts to address issues related to human rights and fundamental freedoms, but further progress is necessary, especially in terms of implementation and enforcement of legislation. Although the government has finalised the Human Rights Action Plan, steps toward the necessary upgrading and implementation of the plan have been slow. Concerns regarding the right to free elections, the right not to be subjected to torture and ill-treatment, and non-discrimination persist. Obstacles to gender equality also continue, compounded by gender-based violence. The implementation and enforcement of existing laws in the area of children's rights remains inadequate. Respect for fundamental values is also hampered by insufficient conditions guaranteeing media pluralism, the right to association with respect to trade unions, freedom of religion and other areas. The situation is exacerbated by corruption that undermines the rule of law, access to justice, and failure of courts to enforce the right to a fair trial.

1.2.2 Macroeconomic policy

After the 2008-2009 crisis, the structure of the Armenian economy changed significantly with the services (around 40%) and agriculture (around 20%) sectors becoming the primary contributors to GDP and its growth. The construction sector is still to recover from its pre-crisis role in GDP growth. High dependency on remittances (mainly from Russia) and an import-oriented economy have moved Armenian consumption levels close to and even above the GDP level. Exports continue to lag significantly behind the level of imports and are dominated by exports of natural resources (mineral products, metals). Armenia is therefore heavily dependent on international commodity prices.

Economic decelerated slightly, from 3.5% in 2013 to 3.4% in 2014. However, medium-term growth is uncertain also owing to the evolution of the Russian economic crisis with exporters exposed to the currency fluctuations. Inflation was contained in 2014 but is now showing signs of reviving, following the depreciation of the Armenian Dram. The central bank continues its commitment to a flexible exchange rate and inflation-targeting regime, except when the stability is at risk. Fiscal discipline is relatively strong with a deficit below the 3% level for the last few years, after a 7.5% deficit in 2009, with public debt reaching 44% of GDP in 2013. However, fiscal deficit is projected to increase from 2% in 2014 to around 4.3% in 2015, and so is the public debt/GDP ratio, which is expected to reach 44.8% in 2015. The current account deficit widened to 9.2% of GDP in 2014 (from 8% in 2013) on the back of weak export growth and declining remittances (most of which come from Russia).. Concerning business climate, the World Bank Doing Business report ranked Armenia 40th (out of 189 countries) in 2013 and 37th in 2014. However, while Armenia performs well in areas related to opening business, it does not do so in areas related to running a business.

An important social challenge and risk is the continuous demographic loss over the last two decades, with a large proportion of economically active males having left the country over the past two decades. This results from lack of opportunities and high unemployment rates in the country (16.2% at the end of 2013 according to the National Statistical Service). The high level of skilled emigration is reflected in Armenia's poor rankings in the Global Competitiveness Index 2014/15, e.g. ranked 123 for "Country capacity to retain talent" indicator and 119 for the "Country capacity to attract talent" indicator.

1.2.3 Public Financial Management (PFM)

Notwithstanding the need to advance the PFM system further, various reviews over the last decade have recognised the good performance of PFM reforms in Armenia. The most recent one is the recently published PEFA showing 16 out of 28 indicators ranking B and above (out of which 13 are ranked A). Strengths are in areas such as, inter alia, credibility and comprehensiveness of the budget, budget execution, and cash/debt management, while some progress is noted in terms of accounting, recording and reporting and revenue administration. However, continued effort is needed to improve accounting standards, public internal financial control, public procurement and external audit. While improvements are needed also in terms of MTEF and programme budgeting, progress is noted in such areas as well as the fact that the consolidation of accounts includes all in-budget donor-funded Project Implementation Units.

A new Law on Public Sector Accounting, adopted in June 2014, introduces IPSAS-based accounting standards to be implemented in a medium-term perspective and, as mentioned above, procurement system as well as external and internal audit needs to be reinforced.

Overall, challenges remain in almost all areas of the PFM system in the country and persistent efforts to keep the momentum of reforms are important. Some of the reforms are fragmented and a coherent approach will help in designing the next phases of reforms. The EU is currently assisting the government in updating and upgrading the PFM reforms strategy to drive the overall process.

1.2.4 Transparency and oversight of the budget

Armenian institutions regularly publish on official websites all the main state budget documents; the state budget, the execution report and the audit report. According to the most recent PEFA report, Armenia scores high on comprehensiveness, public access to budget information and legislature's scrutiny while lacking quality and timeliness on reporting and audit. However, transparency needs to improve in areas such as extra-budgetary activities of State Non Commercial Organisations and corporations with government shares. The state and local budget information has become available to the public through the web.

The gradual move towards performance-based budgeting and the introduction of e-governance presents new dimensions of transparency not only of financial information but also performance and to a lesser degree policy targets and level of achievement. On a negative note, the participation of civil society representatives in the budget cycle is limited and their oversight role needs to be facilitated. Parliament's oversight function is expected to gradually improve, following the implementation of programme budgeting and of the establishment of the budget office. External audit is gradually improving but more is required so as to strengthen the quality and role of the Chamber. Finally, it may be noted that Armenia joined the Open Government Partnership (OGP) in 2011 and the latest OGP progress report indicates moderate progress with 7 out of 15 commitments completed.

2 RISKS AND ASSUMPTIONS

| Risks | Risk level (H/M/L) | Mitigating measures |
|------------------------------|---------------------------|--|
| Failure by the Government to | L | Extensive and meaningful policy dialogue |

| | | |
|---|---|---|
| maintain its commitment to reforms | | with the Government |
| Level of participation of social partners' institutions as representatives of employees and employers is low | L | Ownership of the programme is ensured through participation of social partners in design, formulation and implementation |
| Reduced and limited budget allocations by government to the sector | L | Enhancing policy dialogue with the Government to ensure appropriate budgetary allocation to the sector |
| High level migration from rural areas | M | Improved employment opportunities for rural youth |
| Changes in trade patterns due to accession to EEU | M | Identification and realisation of added value market opportunities for agricultural and food production in Armenian and international markets |
| Deficiencies in a number of PFM areas: internal control, procurement procedures, external audit | M | Implementing Public Administration Reforms |
| Corruption and fraud | M | Implementing the new Procurement Law and enhancing dialogue with the Chamber of Control |
| Assumptions | | |
| <ul style="list-style-type: none"> - There is strong and continuous political commitment to the implementation of the Armenia Development Strategy (ADS), National Employment Strategy and Action Plan 2013-2018 and Active employment Measures, Education Development State Programme (EDSP) 2011-2015 and EDSP 2016-2025 as well as Sustainable Agricultural Development Strategy - Institutional capacity to revise, implement and monitor labour market efficiency and VET reform will be reinforced with the support of this programme - Performance monitoring indicators will be discussed and agreed with key stakeholders | | |

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Based on the foregoing analysis, Armenia continues to qualify for budget support. This assistance instrument is well understood, appreciated by the authorities, and considered as an important support and driver for the design and implementation of jointly agreed reforms. After many years of constant dialogue, the governance system now works efficiently; budget support steering committee and governance board meetings are held regularly with the participation of civil society. Furthermore, implementation of communication/visibility plans in cooperation with relevant stakeholders is now ensuring high visibility.

The Government of Armenia has received EU budget support for the reform of the VET system since 2008. The programmes have been implemented by MoES in accordance with the agreed conditionalities. Evaluation reports provide positive records of accomplishment. MoLSI was also involved in implementation of specific conditions, in particular, the elaboration and adoption of the National Employment Strategy and Action Plan. There is also a successful record of cooperation with MoLSI in the framework of EU Food Security Programme which supported reforms in improving the childcare system in Armenia.

In terms of past assistance to VET a number of lessons learnt can be identified. Governance of VET is improved through consolidation of all VET institutions (including agriculture) under the responsibility of MoES. This contributes to consistency and harmonisation in the process of reform. There has been a very constructive process of policy dialogue, in particular with MoES, throughout the design and implementation of reforms that has contributed to building ownership of the programme. Successes, as assessed in 2013 by an independent review of the programme, and in 2014 with the Torino Process Report, will be extended through this programme to new colleges. In particular, building on the successful creation of career guidance services in 12 VET colleges with the support of the Methodological Centre for Professional Orientation, the programme will aim at improving the national system of professional orientation in all state education institutions. Moreover, following the development of the Armenia National Employment Strategy and Action Plan, developed with the support of EU, the programme will continue supporting its implementation, ensuring the relevance of the labour market to the economy and the link to the educational system.

3.2 Complementarity, synergy and donor coordination

Leadership and ownership of the government in effective co-ordination of donor strategies has improved, in particular from the side of the VET Department of the MoES, whose management capacities and commitment have benefited from the implementation of previous budget support programmes.

European Training Foundation (ETF) has been cooperating with the EU Delegation since 2004 and continues to contribute to improving the impact of the VET reform process in Armenia to improve youth employability. In particular, the bilateral assistance provided by ETF has been complementary to the EU Budget Support Programme in reviewing career guidance services and work-based learning process in twelve regional state colleges, reviewing the Validation of Non-Formal and Informal Learning pilot implementation, elaboration and dissemination of the 2014 Torino Process report, as well as conducting a baseline study on agriculture VET. ETF has also drafted and disseminated the migration inventories in Armenia in cooperation with the EU project for Targeted Initiatives for Armenia.

GIZ and ILO are the main donors in the field of employability and the MOLSI and MoES organise regular meetings to ensure full complementarity and synergy with the EU budget support programmes. GIZ provides assistance to Sector Skill Councils in the wine making and tourism sectors, whereas ILO is implementing the G20 Training Strategy, targeting employment opportunities and competitiveness of women and marginalised groups.

The proposed initiative is complementary to the assistance provided by the EU in the framework of support to SMEs under AAP 2014 and Regional Development AAP 2013 tackling the demand side of the labour market. In terms of improvement of data reliability and collection, the programme is complementary to the Twinning in Statistics that has a component on labour market statistics. Furthermore, the programme will complement ENPARD AAP 2013 in reinforcing skills in rural areas with a special focus on VET graduates, whereas ENPARD will aim at improving the skills of farmers and upgrading advisory services.

3.3 Cross-cutting issues

The programme aims at enhancing the quality of vocational education in agriculture with a special focus on environmental skills and knowledge through improving the content and quality of VET delivery in new disciplines such as environmental protection, efficient utilization of natural resources and plants protection as well as forest hydrologists, development of bio-tourism, and adaptive farming techniques. This programme will also promote the development of organic farming (development of curricula) and in this sense a more sustainable balance of the environment while increasing the value of agricultural production.

The programme will assure a gender sensitive approach as regard to employment/unemployment/ income, in particular statistical data and analysis of labour market will be prepared both for men and women. Furthermore, as in rural areas most of the men are emigrating either to Yerevan or Russia to seek better opportunities, and as more than 70% of the students in agriculture colleges are women, the development of VET curricula will have to be adapted to women and attractive for men. This programme will also support the Armenia gender action plan (2011-2015) to "expand women's opportunities for participation in the socio-economic development in rural areas".

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** of this programme is to enhance labour market efficiency and contribute to employability of VET graduates in Armenia.

Specific objective 1: Improve the labour market intermediation and guidance services in order to ensure better access to employment both for men and women.

Main expected results:

R.1.1. Improved mechanism to match labour supply with demand

R.1.2. Improved qualifications and employability of jobseekers

Specific objective 2: Improve the employment perspectives of graduate students in a pilot sector (VET agricultural institutions).

Main expected results:

R.2.1. Improved mechanism to match labour supply of VET agricultural institutions with demand

R.2.2. Improved qualification and employability of VET agricultural students

4.2 Main activities

4.2.1 Budget support

- Improving the capacity for skills identification and matching as a mean towards improving the coordination between labour supply and demand;
- Enhancing agricultural skills and employment opportunities;

- Consolidating the reforms undertaken in 2007-2015 within the VET system in the field of - agriculture as a priority sector for the Armenian government.

4.2.2 Complementary support

- Strengthening institutional capacities of the following agencies: Ministry of Labour and Social Issues to properly implement and monitor the national employment strategy; State Employment Agency to provide better services to jobseekers; Ministry of Education and Science to improve the quality of agricultural VET;
- Supporting civil society, VET providers and business associations to enhance the capacity of employers to formulate labour market needs, and to provide lifelong and vocational education trainings through a grant scheme;
- Carrying out periodic independent reviews to assess compliance with budget support conditions.

4.3 Intervention logic

The intervention logic of the proposed programme is to:

- Improve mechanisms to match supply and demand of labour for both men and women through an enhanced labour market collection and analysis system, operating Sector Skills councils and reinforced capacity of employers to formulate labour market needs;
- Improve qualification and employability of jobseekers enhanced capacity of State Employment Agency and its 51 regional branches and increased quality of lifelong learning training programmes;
- Strengthen and develop the national system of professional orientation with career guidance and research capacity in state education institutions and implement employment programmes targeting graduating students and vulnerable people;
- Improve mechanism to match labour supply of VET agricultural institutions with demand, increasing cooperation between employers/labour market stakeholders in VET institutions (management boards) and developing quality assurance system for all agriculture VET institutions;
- Improve qualification and employability of VET agricultural students in line with labour market needs, rehabilitate and refurbish agriculture VET centres to offer modernised facilities for work-based learning and develop a national programme for apprenticeship targeting VET agriculture students.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2) (b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 13 million, and for complementary support is EUR 2 million. This amount is based on the proven record of commitment of the government of Armenia to allocate national budget resources in line with development strategy and objectives as well as track record and absorption capacity of past disbursements and agreed objectives that were effectively achieved with budget support operations.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the National Employment Strategy and Action Plan 2013-2018 and Active Employment Measures, Education Development Programme 2016-2025 and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of Public Finance Management reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches will be related to achievement of specific objectives and main expected results as identified in the sections 4.1 and 4.2 above, aiming to improve labour market efficiency, and strengthen the capacity of VET agricultural institutions.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the government of Armenia may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support (indicatively one fixed tranche followed by three variable tranches) to the national Treasury. The crediting of the euro transfers disbursed into Armenian drams will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support

5.4.1 Grants: call for proposals to support VET providers/CSOs/business associations (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The main objective of the grant call scheme is to support civil society, VET providers and business associations to enhance the capacity of employers to formulate labour market needs, and to provide lifelong and vocational education trainings.

(b) Eligibility conditions

In order to be eligible for a grant, applicants **must**:

- be legal persons **and**
- be non-profit making **and**
- belong to one of the following categories:

civil society organisations, including non-governmental non-profit organisations and independent foundations, think tanks, community based organisations, and private sector non-profit agencies (business associations), institutions and organisations (non-governmental bodies), and networks thereof at local, national, regional and international level.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 200,000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 18 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

Indicative timing for the launch of the call is first quarter of 2017.

5.4.2 Procurement (direct management)

| Subject | Type (works, supplies, services) | Indicative number of contracts | Indicative trimester of launch of the procedure |
|--|----------------------------------|--------------------------------|---|
| Technical assistance (institutional capacity building of relevant stakeholders and ad-hoc needs) | Services | 3 | from Q1 2017 |
| BS conditions compliance reviews | services | 1 | Q3 2017 |
| Evaluation | services | 1 | Q3 2020 |
| Audit | services | 1 | Q3 2020 |
| Communication and visibility | services | 1 | Q2 2017 |

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2) (b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

| | EU contribution (in EUR million) | Indicative third party contribution, (in EUR million) |
|--|----------------------------------|---|
| 5.3 – Budget support Sector Reform Contract | 13 | N.A. |
| 5.4.1 – Call for proposals to support VET providers/CSOs/business associations (direct management) | 0.8 | 0.2 |
| 5.4.2 – Procurement including technical assistance (institutional capacity building of relevant stakeholders) and BS conditions compliance reviews (direct management) | 0.8 | N.A. |
| 5.9. – Evaluation and 5.10 – Audit | 0.2 | N.A. |
| 5.11 – Communication and visibility | 0.2 | N.A. |

| | | |
|--------------|-----------|------------|
| Total | 15 | 0.2 |
|--------------|-----------|------------|

5.7 Organisational set-up and responsibilities

Oversight of the overall programme will be entrusted to a Steering Committee jointly chaired by the Republic of Armenia Minister of Labour and Social Issues and Minister of Education and Science, including the EU Delegation, representatives of all ministries and institutions involved in the implementation of this Programme, and representatives of social partners (including employers, business associations, trade unions, etc.) to ensure a structured dialogue with the government and close coordination among all stakeholders during implementation.

The Committee will meet at least once a year to review the progress made and decide on any proposed modification to the Programme.

In addition, this Programme will be discussed at the annual EU Budget Support Governance Board. This process should result in strengthening the coordination between government, the donor community and non-state actors in this area.

5.8 Performance monitoring and reporting

External review missions for the verification of the compliance with conditions attached to the release of each annual variable tranche will be carried out. These will take place indicatively in the first quarter of the year when the disbursement is due and will be funded by this action. The status of implementation of each condition will be presented at the Steering Committee and recommendations on tranche disbursement provided.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action and/or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the pilot approach in VET

agricultural institution could be extended to all state education institutions through future governmental programmes.

The Commission shall inform the implementing partner at least thirty days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in Q3 2020.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in Q3 of 2020.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. In this regard, prior to the signature of the Financing agreement of the programme, the MoLSI and MoES will propose a visibility work plan to the EU Delegation to Armenia for endorsement.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, one contract for communication and visibility measures services shall be concluded under a framework contract in Q2 2017.

APPENDIX I - INDICATIVE LIST OF RESULT INDICATORS¹ (FOR BUDGET SUPPORT)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

| | Intervention logic | Indicators | Baselines (incl. reference year) | Targets (incl. reference year) | Sources and means of verification |
|--------------------------------------|--|--|---|--|---|
| Overall objective: Impact | The overall objective is to enhance labour market efficiency and contribute to employability of VET graduates in Armenia | <ul style="list-style-type: none"> - Average duration of unemployment (*) - Percentage of graduate from higher education and VET establishment employed (*) | Baseline ref 2015 | Baseline ref 2019 | <ul style="list-style-type: none"> - National Statistical services - Records from MoES |
| Specific objective: 1 | Improve the labour market intermediation and guidance services in order to ensure better access to employment both for men and women | <ul style="list-style-type: none"> - Yearly number of person recruited with the support of the State Employment Agency - Career guidance centres are developed and functioning in state education institutions | <p>11 495 people recruited with the support of SEA in 2014</p> <p>All higher education institution have a career centre or provide career guidance services but only <20 % of State VET colleges have career centre (2015)</p> | <ul style="list-style-type: none"> - Number of persons recruited with the support of SEA in 2019 - Percentage of students of state education institution are better equipped to enter the labour market through the services of career centres in education institutions (2017-19) | <ul style="list-style-type: none"> - State Employment Agency annual report and produced studies (tracers) - Records of MoES |

¹ Indicators aligned with the relevant programming document are marked with '*' and indicators aligned to the EU Results Framework with '**'.

| | | | | | |
|-----------------|---|---|---|---|--|
| Direct outputs | R.1.1. Improved mechanisms to match labour supply with demand | Labour market data collection and analysis system functioning | No institutionalised system of data collection and analysis exist in 2015 2015 budget allocation | - Creation of occupations classifier for all professions and skills - Labour market assessment and forecast available, action plans to improve curricula developed (2019) - Adequate budget as defined by the need assessment prepared by the technical assistance, for labour data collection and analysis included in MoLSI budget and MTEF (2016-2019) | - Labour market assessment and forecast and action plans to improve curricula - Occupations classifier approved by MoLSI and MoES - MoLSI budget and MTEF (2016-2019) |
| | | Sector Skills Councils (SSC) are operating | SSCs are not producing labour market assessment (2015) 2015 budget allocation | - Percentage of SSC producing skills needs assessment in the framework of revising education curricula. - Budget allocation of SSCs allows for effective operation as assessed by the technical assistance | - MoES endorsement of the SSCs functions - Sector assessment and updated curricula framework prepared by SCCs - State budget |
| | | Capacity of employers to formulate current and future labour market needs is increased | Weak capacity and non-engagement of employers in SSC and management boards of state education institutions (2015) | - Employers' participation in SCC and management board is increased - Sector skills need assessments are produced and education curricula revised accordingly. (2017-19) | - Call for proposal supporting Business associations, CSOs and VET providers launched - Reports produced by business associations, CSOs, VET providers - Records of chambers of commerce, and employers' associations. |
| | | Increased number of career guidance and job search capacities functioning in state education institutions | <20 % of State VET colleges have career centre (2015) All higher education institution have a career centre or provide career guidance services (2015) | - Percentage of students better equipped to enter the labour market through the services of career centres in education institutions (2019) - Number of employment specialist recruited in state education institutions and trained by the Professional Orientation Methodological Centre of the MoLSI (2017-19) | - Records of VET institutions - Records of the Professional Orientation Methodological Centre - MoES budget and MTEF |
| Induced outputs | Employment and education policies/action plans are updated | Employment and education policies/action plans | Employment and education policies (2015) | Employment and education policies are updated in light of SSC assessments and labour market analysis | - MLSI and MoES strategies and action pan |

| | | | | | |
|------------------------------|--|--|---|---|--|
| Direct outputs | R.1.2. Improved qualification and employability of jobseekers | State Employment Agency (SEA) and its 51 regional branches are upgraded to better fulfil their mission | Need assessment prepared by the technical assistance (2016) | - Percentage of updated curricula for the training programme in line with need assessment - Number of trainer retrained, and number of unemployed trained with adapted new curricula (2017-2018) | - SEA annual report - SEA curricula updated |
| | | The quality of lifelong training is increased | 10% of SEA lifelong trainings are implemented by VET institutions (2014) | - Percentage of training organised by SEA implemented by VET institutions (2017) - Percentage of SEA branches providing entrepreneurial training in partnership with VET institutions (2017) | - SEA annual report - Records of VET institutions providing training for SEA |
| | | Employment support programmes are in place and support better access to labour for graduating students and vulnerable people | Youth employment programmes target less than 200 graduating students in 2015 | Number of graduating students and vulnerable people targeted by employment programmes (2017-19) | - SEA annual report |
| Induced outputs | Number of persons recruited with the support of SEA and through employment programmes | Yearly number of person recruited with the support of the SEA and through employment programmes | 11 495 people recruited with the support of SEA in 2014 and employment programmes target less than 200 persons per year | - Number of persons recruited with the support of SEA and through employment programmes (2019) | SEA annual report and produced studies (tracers) |
| Specific objective: 2 | Improve the employability of graduate students in a pilot sector (VET agricultural institutions) | Job placement rate of agricultural VET graduates is improved | 17% of job placement rate for VET agricultural graduates in their respective qualification (2015) | Percentage of job placement rate for Agricultural VET graduates in their respective qualification (2019) | - Records of VET institutions - State Employment Agency annual report |
| Direct outputs | R.2.1. Improved mechanism to match labour supply of VET agricultural institutions with demand | Quality assurance system for agricultural VET institution is developed and operating | No quality assurance system in place for VET agricultural colleges (2015) | All state VET agricultural colleges have quality assurance system functioning in line with the European Centre for the Development of Vocational Training recommendations (2017-19) | - Records of VET institutions - Armenia National Qualification Agency report - Audit report of quality assurance system for all VET agriculture institutions |

| | | | | | |
|-----------------|--|--|---|--|--|
| Induced outputs | | Improved cooperation between employers/labour market stakeholders in VET institutions (Management boards of VET institutions) | Exist but not operational | Revised the role of the management board in particular in staff appraisal procedures and curricula development | <ul style="list-style-type: none"> - Management board reports - VET institution reports - Minutes of meeting of the National Council of VET development |
| Direct outputs | R.2.2. Improved qualification and employability of VET agricultural students | VET qualifications, standards and curricula in agriculture, both for men and women, reviewed and adopted by MoES in line with market needs analysis and skills assessments | VET agricultural curricula is outdated and does not respond to the demand of the labour market (2015) | Revised curricula in line with SSCs sector assessments and labour market needs analysis | <ul style="list-style-type: none"> - Curricula developed/revised and approved by MoES - Number of teachers trained on new curricula |
| | | National Programme for apprenticeship of VET agriculture students is in place | No apprenticeship programme in place (2015) | Percentage of agricultural VET graduate students having participated in an apprenticeship programme | - Records of VET institutions |
| | | Rehabilitation and refurbishment of agriculture VET institutions is completed and conditions for work-based learning are improved | 2014 ETF need assessment study (VET for rural development) | <ul style="list-style-type: none"> - In line with the result of a joint assessment study, a relevant number of agricultural VET institutions are upgraded (2019) - These centres will include piloting of agriculture production as proposed by the joint assessment that could include cattle breeding, green houses fish ponds, and honey production | <ul style="list-style-type: none"> - Records of VET Department in the MoES - Records of the Ministry of Urban Development |
| Induced outputs | Youth emigration decreases in the regions | Emigration rate in Armenian regions | Baseline ref 2015 | Baseline ref 2019 | <ul style="list-style-type: none"> - National Statistic Services - State Migration Services |