3 Armenia

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3.1 THE NATIONAL AND HIGHER EDUCATION CONTEXTS

The National Context

Armenia is a country of approximately three million people that gained independence in 1991. It is in the South Caucuses, on the edge of the former Soviet empire, with Turkey to its west, Georgia to its north, Azerbaijan to its east, and Iran and Azerbaijan to its south. Armenian is the national language, with Russian spoken in many smaller towns. The capital is Yerevan, with a population of approximately 1.1 million.

Armenia's population is in slight decline, at 2,998,600 in 2016, down from 3,018,90 in 2011, and from 3.5 million in 1990 (World Bank, 2019a). The percent of citizens over the age of 55 is more than twice that (27 percent) of those aged 15–24 (12 percent) the school-going proportion of the population; however, the youngest portion (0–14) make up 19 percent of the population. (CIA, 2020b). So, while demands on the current higher education sector are not great in terms of population growth, there are anticipated demands on education as the youth population ages. That said, Armenia also has one of the highest old-age dependency ratios in the region, at 21.3 percent, which threatens to create a burden on the economy. Its per capita income is $4,020, approximately one-third that of Kazakhstan, for example. Its poverty head-count ratio is 32 percent (Capannelli & Kanbur, 2019).

In the spring of 2018, peaceful street protests, dubbed the Velvet Revolution, led to the ouster of the country's long-time leader when he tried to extend his rule. Although this revolution reportedly was a surprise, there

was long simmering dissatisfaction with the government (World Bank, 2019a). In 2018, *The Economist* named Armenia as country of the year for its transition to democracy and commitment to effective governance (*The Economist*, 2018). In 2020, the country entered a militarized conflict with Azerbaijan over the disputed region Nagorno-Karabakh.

Until the 2008–2009 financial crisis, the country's economy was, as noted by the World Bank, "an important success story among the transition economies" (World Bank, 2017, p. ix). Its first two decades of post-Soviet independence was defined by high growth and economic stability, including falling poverty rates and narrowing income gaps. It had low inflation and modest deficits and external debt.

However, since the 2009 recession, the economy has been a different story with low economic growth, stagnated poverty reduction, and increasing economic disparities. Before 2009, the average growth per capita was 12.3 percent, and after the recession growth was 3.2 percent (World Bank, 2017). The pre-recession drivers – private and public transfers, including remittances and pensions, and low-skilled employment mostly in non-trade construction – that reduced poverty and led to growth are proving ineffective growth strategies over the long term (World Bank, 2017).

Its economic interdependence with Russia furthermore negatively affected the country during the 2014 Russian financial crisis. Since that time, the economic transformation of Armenia continues, however at a much slower pace. The country is transitioning away from agriculture and toward services, including IT and high-tech sectors that typically require higher education levels. Half of GDP and employment was in the services sector in 2016 as compared to 37 percent in 2000 (World Bank, 2017). Correspondingly, agricultural employment declined by 9 percent and industrial employment also declined by 3 percent (World Bank, 2017). Hidden within these larger trends are growth in specific areas, with an increase in tourism, ICT, and agriculture focused on beverages and tobacco. Remittances make up a sizeable 19.7 percent of the GDP (Capannelli & Kanbur, 2019) in 2013, up from 4.6 percent in 2000.

The shifts in the economy may well increase the relevance for productive post-secondary education. The World Bank notes that a near-term government goal should be to "ensure the education and workforce development system provides skills relevant to the market" (2017, p. xii). Regardless of need, the economy seems insufficiently robust to support such development. There is a lack of vibrancy in the private sector, resulting in a poor labor market even though the state-owned sector is limited and comparably so to its peer former Soviet countries (World Bank, 2017). Few jobs for college

graduates exist, although the areas of economic growth such as IT and high-tech sectors (World Bank, 2017) may yield a demand for a more educated workforce, albeit slowly.

The government has a limited ability to invest further in education as it is constrained in the ways it can raise income (World Bank, 2017); and at the same time its aging population threatens significant financial pressure on the government through rising health care needs and costs with a projected 40 percent increase in health care spending in the next ten years.

The economic disparities within the country have grown since the 2008–2009 recession, countering a trend in which the poverty rate declined from 53.5 percent to 27.6 percent between 2004 and 2008. After the recession, the poverty rate started to increase, reaching 29.8 percent in 2015 (World Bank 2017) and continuing to 32 percent (Capannelli & Kanbur, 2019). The bottom 40 percent of earners has averaged less than 1 percent in growth per year. The current economy offers few opportunities for those individuals to gain via economic growth.

The World Bank (2017) identifies three constraints related to the supply side of the labor market: (1) labor market relevance of the education system, (2) matching workers to jobs that meet qualifications, and (3) demographics of a shrinking and aging population. Economic progress is set against the challenge of finding future workers and talent production being a responsibility of higher education. Between 2005–2006 and 2010–2011, general education enrollment declined by 22 percent, meaning that there are less individuals in the schooling pipeline and few who will eventually enter the workforce.

It can be helpful to further contextualize the economy and the ways that higher education can contribute. The Global Competitiveness Index of the World Economic Forum (WEF) ranks Armenia 58th out of 141 countries regarding public sector performance with a score of 53.0 out of 100 and the burden of regulations ranked 28th with a score of 51.7 for 2018–2019 (Schwab, 2019).[1] It scored the future orientation of the government at 54.9, ranked 74th. For the Skills pillar, most closely related to higher education quality, WEF scored Armenia 44.5 out of 100 for the skillset of graduates and a score of 50.5 on the ease of finding skilled employees indicators. This ranked the country 100th and 85th respectively on those indicators out of a total of 141. Regarding corporate governance, which arguably is different from public University governance, WEF ranked Armenia 55th with a score of 62.7. Therefore,

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[1] The prior competitive framework included a higher education pillar and a quality score. These no longer are included in the 4.0 version of the WEF framework.

Figure 3.1 Worldwide governance indicators for Armenia
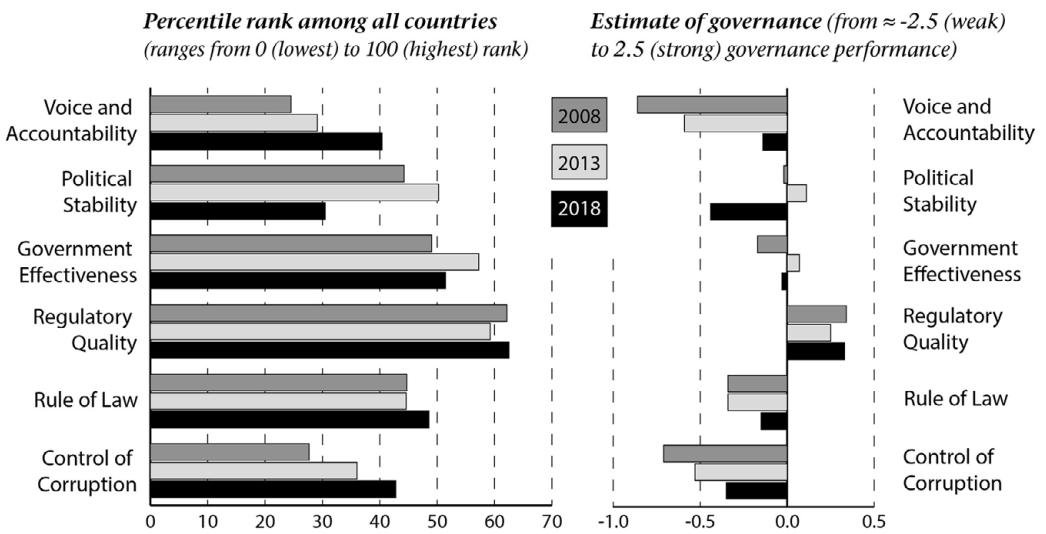
universities find themselves in an environment that is conducive in terms of burden of regulation and with a moderate level of public sector capacity. However, the future orientation of the country and its ease of finding needed graduates is comparatively weak, suggesting that higher education can and should be doing more, particularly since the context seems favorable.

Furthermore, University governance takes place within a larger country public sector governing context. According to the World Bank's Governance Indicators project, except for regulatory quality and government effectiveness, the country falls below the 50th percentile across the indicators. Voice and accountability as well as control of corruption have moved the most in a positive direction, but political stability and government effectiveness have fallen backwards (Figure 3.1).

Shape and Structure of Higher Education

Armenian higher education consists of sixty-one universities, twenty-four of which are public, including sixteen universities, twelve foundations,[2] and four state noncommercial organizations (WB, 2019). There are thirty-nine private

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[2] Foundations fall under a different legal framework that provides more flexibility than the laws on education (WB, 2019a).

universities in the country (Tsaturyan, Fljyan, Gharibyan, & Hayrapetyan, 2017).[3] Private universities were allowed to open in 1995 (World Bank, 2019a).

Tertiary education enrollment stands at 52.9 percent (World Bank, 2017) compared to 91.6 percent enrollment in general education. Rural citizens have the lowest levels of general educational attainment (50 percent) compared to their peers in the large and secondary urban areas (World Bank, 2017). There were 78,747 students enrolled in higher education in 2018, a decline of approximately 30 percent, from a high of 114,629 in 2009 (World Bank, 2019a). The World Bank estimates there are 1.5 women for every man enrolled in tertiary education, however, only 60 percent of women participate in the labor market.

During Soviet times, public universities were under ideological and administrative control of the state (Dobbins & Khachatryan, 2015; World Bank, 2019a), although Armenian higher education has centuries-old roots (Karakhanyan, 2018). One key legacy of the Soviet University system is the separation of universities and scientific research institutes (Karakhanay, 2018; World Bank, 2013) which has delayed the development of university-driven research and continues to be a challenge (Smith & Hamilton, 2015).

The government funds public universities based on enrollments. In the two decades starting in 1996, the government almost doubled its support for public universities, from 5.3 billion AMD (approximately USD12.2 million) to 10.2 billion AMD (approximately USD21.6 million). (Tsaturyan, Fljyan, Gharibyan, & Hayrapetyan, 2017).

Higher Education Governing Context

Public universities operate under a variety of laws, including the 1999 Law on Education, the 2004 Law on Higher Education and Post Graduate Education, the Law on State Non-Commercial Organizations 2002–2003 (SNCO), and the Law on Foundations (2002), which applies to some universities. Different laws pertain to different public universities depending on their classification. For example, four universities define themselves as foundations thus falling under that relevant law. However, that law was created before universities were classified this way meaning that not all aspects of that law apply appropriately to universities (World Bank, 2019a).

The higher education law was anticipated to be revisited in 2019 (World Bank, 2019a); but because of the Covid pandemic, revisions have not been acted upon. The current laws contain contradictory elements that result in

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[3] The cited report also lists the number of private universities at 33. (p.4)

confusion around University governance. For example, the Law on Foundations provides more financial flexibility to pursue revenue-generating activities and retain revenue, as compared to SNCO requirements that revenue return to the government, impacting budgeting flexibility and planning. For those universities falling under the Law on Foundations, the boards have the authority to fire the rector at any time with sufficient votes. This matter is not regulated at those institutions falling under the Law on Higher Education (World Bank, 2019a). Even the names of the highest governing body differ depending on whether the University falls under the Foundation or SNCO laws, with the former being called Board of Trustees and the latter identified as HEI Councils (Alcala & Markosyan, 2017). According to the World Bank (2013), the unclear and contradictory legal framework "sends HEIs mixed and contradictory signals on institutional governance" (p. 6).

Regarding autonomy, Armenian public universities have the freedom to set their own tuition fees, although the government set caps related to accreditation results and level of degrees offered. The majority of students pay tuition fees; only 15.7 percent receive state scholarships (2012–2013), providing revenue to institutions (Tsaturyan, Fljyan, Gharibyan, & Hayrapetyan, 2017). Yet, universities have limited autonomy even though the state provides approximately 25 percent of revenue (Dobbins & Khachatryan, 2015). Depending on under which laws a University falls, public universities may pursue economic and commercial activities and they have some degree of autonomy regarding property, although most is owned by the State. The Ministry of Education and Sciences monitors finances and public universities have to pass internal and external audits. (Tsaturyan, Fljyan, Gharibyan, & Hayrapetyan, 2017). Universities have staffing autonomy to hire and promote individuals, as well as set salaries. However, because of financial constraints, most do not have the financial capacity to do so (World Bank, 2019a). The state determines admissions requirements and controls licensing and accreditation processes (Dobbins & Khachatryan, 2015).

The country's public universities can introduce new academic programs but only from an approved list of Professions and Qualifications without gaining special governmental approval. Universities can only cancel programs with governmental approval (World Bank, 2019a). Universities do not have the ability to fully decide the number of students admitted; the state allocates a limited number of slots, even for fee-paying students (World Bank, 2019a).

Even though the various laws relating to higher education seem to support autonomy to some degree across them, as the Word Bank (2013) notes, "the Law on Higher Education of 2004 and the Law on Education of 1999 define

the overall governance framework for higher education in detail, but with ambiguity in favor of the government's control" (pp. 8–9). As the World Bank in that same report notes "conflicting laws [such as SNCO and Foundations as well as Higher Education laws] allow the MOES to interfere" (p. 24). International experts suggest that the county needs to consolidate the laws pertaining to higher education to add consistency, uniformity, and clarity. One result could be less governmental interference with higher education.

A word about corruption. Armenia as undertaking a concerted effort to address corruption, including in higher education, with a focus on increasing transparency and accountability. A 2007 survey identified education as the most corrupt area, ahead of judicial and health care (World Bank, 2013). In another study, more than one-third of students reported corruption in entrance examinations as well as corruption ongoing throughout their University experience (World Bank, 2013). In 2015–2017, the government undertook a project funded by the European Union and the Council of Europe, *The Strengthening Integrity and Combating Corruption in Higher Education in Armenia*. Central to these efforts are improving University governance as a means to strengthening transparency and accountability.

In addition to an analysis to increase transparency and accountability, the anti-corruption effort produced a tool kit focusing on enhancing transparency and accountability with an explicit focus on governance and with questions targeted toward governing boards. The Governance Transparency and Accountability framework in the toolkit specifically asks questions related to governing boards (Alcala & Markosyan, 2017). For example:

Are the following members of the highest Governing Board of your institution (e.g., Board of Trustees) elected by secret ballot?

- Representatives from professional staff

- Student representatives

For each of the following groups, please report the ratio of proposed candidates to available seats on the Board.

- Professional Staff

- Student Representatives

Is there a publicly, disclosed, open, and/or competitive process for nomination and appointment of the following groups? Non-elected (e.g., individuals properly

appointed by the Prime Minster or delegated Minister) of the highest Governing Board (yes/no). If yes, please describe the selection process.

However, even with the high-level and international attention to this topic and resources widely available to improve transparency and accountability, efforts to curtail corruption in higher education have not been as the World Bank notes, "very effective" (2019a, p. 18).

3.2 GOVERNING BODY PROFILE

The 2005 Law on Higher and Postgraduate Professional Education introduced University boards as the main governing bodies for public universities (World Bank, 2019a). The boards are designed to be representative with members including government employees, academic staff, students, and renown individuals (Karakhanyan, 2018). According to the Law, the board is a collegial management body, established for a period of five years and in accordance with the Charter of the institution. The charter specifies the number of members, with at least twenty.

For daily University management, the rector is responsible and elected in an open competition to a five-year term. Individuals can serve two terms as rector. Universities also have Academic Councils and rector advisory bodies.

Governing boards of private universities are unregulated and vary. For example, the board at the American University of Armenia consists of seven members but can be as larger as twenty-five (World Bank, 2019a), including two appointed by the government. The Russian-Armenian University has nineteen board members, including fourteen members from the Russian Federation (World Bank, 2013).

Body Structure

Boards of public universities in Armenia, according to the Law on Higher and Postgraduate Education, should consist of at least twenty individuals. They tend to range from twenty to thirty-two people (World Bank, 2013).

Membership and Appointment Process

According to the Regulation on Formation of Public University Boards, 25 percent of board members should be appointed state officials; 25 percent

should be well-known people from the fields of education, science, culture, and business nominated by the founder (private institutions) or authorized state body (public universities); 25 percent students; and 25 percent University staff.

What this framework does not account for is the other criteria for board membership. For example, an investigation by the European Union and Council of Europe into corruption and influence found that the student members must be members of the ruling political party and be approved by the government (Dobbins & Khachatryan, 2015; Smith & Hamilton, 2015). And the quarter of members who are people of note are appointed by state officials or are themselves high-level government officials, compromising University independence (World Bank, 2019a).

Chair Appointment Processes

The Law on Higher and Postgraduate Education stipulates that the chair or president of the board is elected from within the board (excluding students) by the board members (World Bank, 2013). However, most public University boards end up being chaired by high-level government officials (World Bank 2013, 2019a). Fifty percent of the voting members are put on the board by the prime minster or Education Ministry and student members (another 25 percent) who support the government.

The Word Bank identified board chairs as an area of concern in its 2013 study. Those who lead the board were mostly senior government officials. Titles, for example, included the president of Armenia, the head of the Presidential Administration, prime minister, former ambassador to Russia, mayor, governor, and the minister of Education and Science (World Bank, 2013). A counterargument related to University boards being chaired by high-level government officials was offered by a ministerial official in one of the anti-corruption reports (Smith & Hamilton, 2015), who noted that such government involvement is "not as a means of control, but as a way of demonstrating the importance of HE." (p. 21).

Board Accountability

Given the high percentage of government officials and government appoint-ees on the boards, boards are highly accountable to governmental wishes. Furthermore, given the focus on transparency and accountability of

governing boards in the EU project, the transparency toolkit asks boards to report on a set of questions intended to strengthening board accountability. These include:

- the percentage of agenda items proposed for consideration that were not adopted;

- the extent to which elected members of each governing body report or provide feedback to units or bodies that elect them; and

- requests to summarize the major decisions of the board not including the adoption of the strategic plan, annual activity plan, budget, and implementation reports.

Scope of Work

The Law on Higher and Postgraduate Education stipulates that boards do the following:

- approve budget and strategic programs of the institution;

- assess the annual report, presented by the rector, and approve the next year's budget;

- elect the rector through an open competition; however, the election results must be approved by the founder, which, for public universities, is the Ministry; and

- make proposals to change or supplement the University charter.

However, given that Armenia's public universities have a low level of autonomy (World Bank, 2019a), the scope of board work is limited. As discussed above, public universities do not have the authority to introduce new academic programs (although they can cancel existing ones) (World Bank, 2019a). They can only offer degree programs on the approved list of Professions and Qualifications (approved 2014). They cannot determine the numbers of students admitted each year. Only those universities that are classified as foundations have the ability to retain revenue, as noted above.

Commentary

The overall environment and the current state of higher education suggest that more is needed from the sector, both in terms of participation rates but

also in degree relevance. The shift in the economy toward more knowledge-dependent sectors means more expectations on higher education to produce. The public sector and level of national competitiveness remain challenges negatively impacting higher education responsiveness. Issues such as constrained autonomy and corruption are likely to limit the University sector to change and grow.

Although boards are intended to be self-management mechanisms and thus distinct from government, according to the country's law, boards as currently constituted favor and invite governmental influence. "While democratic in nature, an absent preparatory phase enabling the meaningful participation of such key stakeholders combined with negligence of contextualization later resulted in decision-making manipulation" (Karakhanyan, 2018, p. 83). These boards, with up to 25 percent of their members consisting of state officials, are highly politicized bodies (World Bank, 2019a). Even student members – 25 percent of the boards – are political party members who must be approved by the government (Smith & Hamilton, 2015). The political nature of these boards is further reinforced by the fact that political leaders became the heads of University boards (Smith & Hamilton, 2015; World Bank, 2019a).

This lack of higher education independence furthermore was a factor identified in the EU supported anti-corruption efforts. That said, the high level of direct government influence has been countered with the argument that such involvement is actually a signal of the importance of higher education to the country (Smith & Hamilton, 2015). In 2018, following the Velvet Revolution, the board leadership was changed slightly, as high-level political leaders could serve but not serve as heads of boards (World Bank, 2019a). These are incremental changes, but more can be done.

What is unclear is what the 2018 change in government and the pending higher education law might mean for University governance. A government able to garner accolades from *The Economist*, for instance, regarding reforms may be willing and capable to address the shortcomings of the current governance approach. International attention and pressure to address corruption in higher education may further add to governance reform efforts. That said, as can be seen in this country brief, a structure intended to be broad and inclusive can be actualized for different aims based on how the structure operates and the intentions of policy makers.