Addressing Governance at the Center of Higher Education Reforms in Armenia

January, 2013
# Table of Contents

Acknowledgement ......................................................................................................................... i

Executive Summary .......................................................................................................................... 1

I. Introduction .................................................................................................................................. 4

II. System-wide Governance Framework .......................................................................................... 7

   2.1 Vision for higher education ........................................................................................................ 7

   2.2 Capacity of the higher education authority ................................................................................. 8

   2.3 Regulatory framework ............................................................................................................... 8

   2.4 Quality assurance ...................................................................................................................... 16

   2.5 Higher education financing ....................................................................................................... 18

III. Institutional Governance .............................................................................................................. 24

   3.1 Autonomy .................................................................................................................................. 24

      3.1.1 Organizational autonomy .................................................................................................. 24

      3.1.2 Academic autonomy ....................................................................................................... 29

      3.1.3 Human resource management autonomy ............................................................................. 31

      3.1.4 Financial autonomy ......................................................................................................... 33

   3.2 Accountability .......................................................................................................................... 34

      3.2.1 Academic integrity ........................................................................................................... 35

      3.2.2 Financial integrity ............................................................................................................. 35

      3.2.3 Students’ participation ..................................................................................................... 37

      3.2.4 Management and administration capacity .......................................................................... 37

IV. Conclusions .................................................................................................................................. 39

Reference .......................................................................................................................................... 44
Acknowledgement

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Executive Summary

Addressing Governance as the Center of Higher Education Reforms in Armenia

Since joining the Bologna Process in 2005, the Armenian government and higher education institutions (HEIs) have made significant progress in reforming the higher education system. The most recent reforms have included the development of a national quality assurance system aligned with the European system, a funding strategy aiming for more equitable and efficient higher education financing, and a national education qualifications framework. Despite many positive developments, the public perception of higher education governance and management is poor.

To maximize the benefits of ongoing reforms and further develop higher education, the government and HEIs together need to place university governance and management at the heart of system-wide higher education reforms. Recent research has identified the governance structure and regulatory framework as key to the development of overall higher education systems. Yet, the Armenian government and HEIs have not addressed governance and management issues as a reform priority. Given the importance of governance in higher education reforms, this study aims at two objectives. First, it seeks to outline how the higher education governance framework is shaped and exercised in Armenia and point out where the reality differs from the theory. Second, it aims to propose policy reforms to strengthen the governance framework and its implementation.

The study finds that the higher education system is underperforming because the legal framework lacks coherence and the entire system lacks capacity to effectively exercise autonomy and accountability. Hence, there is an urgent need to develop a strong governance framework as well as strengthen leadership and management skills among university and systems leaders. Recommendations for governance reforms cover four areas: regulatory framework, quality assurance, financing, and capacity building.

Recommendation 1 – Overhauling the regulatory framework

- **Redefining roles of government and HEIs.** To enhance higher education, Armenia urgently needs to overhaul the existing legislation and develop a coherent regulatory framework for a suitable governance model that redefines the roles of the government and HEIs. It is essential that the government and HEIs together explore and find an adequate balance between the roles of the government and HEIs and between autonomy and accountability that is suitable for Armenia through extensive stakeholder consultation.

- **Developing a coherent regulatory framework.** Based on the mutually agreed governance framework, the government needs to overhaul the existing legislation governing higher education and develop a cohesive and coherent regulatory framework. This should include fostering a more active and competitive participation of private HEIs, particularly not-for-profit HEIs.
Recommendation 2 – Establishing a diversified, integrated tertiary education system

- *Moving towards integrating university and non-university tertiary education on the one hand, and tertiary education and research on the other.* It is a systemic weakness that university and non-university tertiary education (*i.e.*, vocational and technical colleges), and higher education and research are not well-integrated. To develop a cohesive tertiary education system, it is recommended that the government establish a working group and study how to develop a diversified, well-integrated tertiary education network with an aim to eliminate the divisions in the medium-term.

Recommendation 3 – Strengthening the quality assurance system

- *Supporting the Quality Assurance Agency.* It is crucial that the government and the Ministry of Education and Science (MOES) continue creating an enabling environment for the National Center for Professional Education Quality Assurance (ANQA) to help strengthen the Armenian national quality assurance system as an internationally credible agency.
- *Developing a new quality assurance model.* The form and responsibility for quality assurance should be shifted from setting strict state educational standards for curriculum and teaching processes by the MOES to defining quality standards and learning outcomes by the ANQA. The government should allow institutions to reform their curriculum to be more relevant, flexible, and efficient.
- *Developing a monitoring and evaluation mechanism.* The MOES needs to develop a monitoring and evaluation mechanism, including key performance indicators linked to accreditation, university ranking, and funding.
- *Establishing labor market observatories.* It would be ideal to establish both a national level labor market observatory and institution-based graduate tracer studies to strengthen the linkage between the labor market and higher education and improve the quality and relevance of higher education programs.

Recommendation 4 – Diversifying higher education financing

- *Strengthening higher education financing reforms.* The government has already initiated a comprehensive reform of higher education financing and should continue the process. The new higher education financing model in progress needs to provide greater sustainability and offer incentives for quality improvement and innovation.
- *Mobilizing private funding.* While modernizing the funding system, the sector is likely to need an infusion of resources—both public and private funding—to further jumpstart radical improvement.
Recommendation 5 – Building the system-side and institutional capacity

- **Strengthening the capacity of policy-makers.** In order to implement the new governance framework, the MOES needs to strengthen its roles in policy-making and monitoring and supervision to guide HEIs to achieve national goals for higher education and science.

- **Strengthening the capacity of HEIs.** Each HEI needs to continue building its capacity to effectively exercise autonomy and be accountable for their services with technical and financial support from the government, MOES and ANQA.

The report consists of four sections. The introduction section provides the background on higher education reforms in Armenia and the rationale for this study. Section II outlines the system-wide governance framework for Armenian higher education. It examines the government’s vision for higher education, the capacity of higher education authority to develop policies and implement them, the regulatory framework governing higher education, quality assurance mechanisms, and higher education financing. Section III investigates how autonomy and accountability are regulated and practiced at the institutional level. It examines four dimensions of autonomy, i.e., organization, academic, human resource, and financing, and institutional accountability in terms of academic integrity, financial integrity, students’ participation, and management administration capacity. Section IV concludes with main findings and policy recommendations.
I. Introduction

1. Since joining the Bologna Process in 2005, the Armenian government and higher education institutions have made significant progress in reforming the higher education system. The Ministry of Education and Science (MOES) developed the *Strategy for Higher Education Reforms* in 2003 which led Armenia to join the Bologna Process—European-wide higher education reform process—in 2005.\(^1\) As the *Development Strategy of Education for 2008-2015* was developed, higher education institutions (HEIs) began introducing various reforms, including the two-cycle degree system, the Diploma Supplements compatible with the European Higher Education Area, and the European Credit Transfer and Accumulation System (ECTS). More recently, a most notable development was the establishment of the National Center for Professional Education Quality Assurance (ANQA)\(^2\) and the subsequent implementation of quality assurance reforms. The government also adopted the *National Education Qualifications Framework* in 2011.\(^3\) These reform progresses are reflected in the latest Bologna Stocktaking, though there still are areas that require further progress. Besides the implementation of Bologna reforms, access to higher education has also improved: the gross enrollment for higher education increased from 19.6 percent in 2001 to 28.6 percent in 2008, which compared well to the countries at the similar economic level in the ECA region.\(^4\) In 2011, the government also adopted the *Higher Education Financing Strategy*, based on which the government plans to introduce various forms of institutional and student financing.

2. Despite these reforms, the public perception of higher education governance and management is poor. According to a survey on corruption by Transparency International Armenia in 2007, the highest percentage of the respondents (20.5 percent) indicated education as the “most corrupt area", followed by judicial (15.9 percent) and healthcare (11.7 percent).\(^5\) Corruption prevails throughout the sector, but particularly high in higher education. According to a more recent survey in 2010,\(^6\) university students observed that there is a high risk of corruption at entrance examinations (38 percent), throughout the academic year (32 percent), and final examinations (12 percent).

3. Reasons for the poor public perception of higher education governance are primarily embedded in system-wide factors. Main reasons for corruption include systemic (39 percent), laziness of students themselves (24 percent), unfavorable economic conditions of

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\(^1\) Armenia ratified the Lisbon Convention on Recognition of Qualifications Concerning Higher Education Area signed on 11 April, 1997, which is deemed as a legal framework of the Bologna Process.


\(^3\) The tertiary education qualification levels consist of Bachelors (Level 6), Masters (Level 7), and Researchers (Scientific Degree Candidate of Science) (Level 8) (http://studyinarmenia.org/neqf).

\(^4\) Source: World Bank EdStats database. The gross enrollment for tertiary education (ISCED 5 and 6) is very high in Armenia, estimated at 51.5 percent, almost as high as the average for ECA developing countries (55.6 percent) and much higher than the average for lower and upper middle income countries (18.2 percent and 34.7 percent, respectively). Note that the original data source, the UNESCO Institute for Statistics UIS used to disaggregate the gross enrollment rate into ISCED 5A, 5B and 6, but no longer doing so.


teachers (14 percent), and students’ unawareness of their rights (8 percent). About two thirds of respondents to this survey thought that state government either just makes small artificial changes to fight against corruption (36 percent) or does not fight at all (27 percent). Another 18 percent thought that the government is fighting but with no visible result. Many students do not believe that those who are involved in corruption will be punished because it is not possible to take any effective measures (42 percent), or because corruption is systemic (33 percent).

4. **Recent research has identified a governance structure and regulatory framework as key to the development of overall higher education systems.** At the national level, a strong governance framework and favorable regulatory conditions can help enable HEIs to effectively exercise their rights (autonomy) and responsibilities (accountability) and promote innovative behavior among HEIs. At the institutional level, good governance and management can help HEIs ensure “ethical decision-making and efficient provision of human, material and financial resources to effectively accomplish its mission, educational and other purposes”. Autonomy of HEIs needs to be balanced with accountability—“answering to students and society about what has been done to assure success with student learning and overall institutional performance. Accountability is about demonstrating that resources available to institutions yield presumed educational gains” (see Box 1 for the concept of governance and management).

<table>
<thead>
<tr>
<th>Box 1</th>
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<tr>
<td><strong>Concept of governance and management</strong></td>
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</table>

The basic concept of “governance” and “management” for higher education can be defined as follows:

**Governance** is “the formal and informal exercise of authority under laws, policies and rules that articulate the rights and responsibilities of various actors, including the rules by which they interact, so as to help achieve the institution’s academic objectives.”

**Management**, on the other hand, refers to “the implementation of a set of objectives pursued by a higher education institution on the basis of established rules.”

While governance answers questions such as “who is in charge, and what are the sources of legitimacy for executive decision-making by different actors?”, management answers “the question how are the rules applied and is concerned with the efficiency, effectiveness and quality of services provided for internal and external stakeholders.”

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5. To maximize the benefits of various on-going reforms and further develop higher education, the government and higher education institutions together need to place university governance and management at the heart of system-wide higher education reforms. Given the importance of governance in higher education reforms, this study aims at two objectives. First, it aims to outline how the higher education governance framework is shaped and exercised in Armenia and point out where the reality differs from the theory. Second, it aims to propose policy reforms to strengthen the governance framework and implementation.

6. The study finds that underperformance of the higher education system is associated with a legal framework that lacks coherence and the entire system lacks capacity to effectively exercise autonomy and accountability. At a first glance, Armenian HEIs appear to have considerable autonomy. However, a closer examination of the legislation governing higher education suggests that the untidy regulatory framework with a number of conflicting laws and regulations sends HEIs mixed and contradictory signals on institutional governance. On the one hand, the higher education system lacks a regulatory framework clearly defining the respective roles of the government and HEIs in university governance and a common vision on institutional autonomy and accountability. On the other hand, most HEIs are short of the adequate capacity to effectively and responsibly exercise their rightful autonomy and be accountable for their performance. Hence, there is an urgent need to develop a strong governance framework as well as leadership and management skills among university and systems leaders who would be responsible for any reforms to be successfully implemented in a sustainable manner.

7. Methodology. The study was conducted primarily by using the University Governance Screening Card developed by the Middle East and North Africa (MENA) region of the World Bank and the SABER (Systems Approach for Better Education Results)-Tertiary Education Governance developed by the Human Development Network for Education of the World Bank (see Annex 2 for detailed methodology). Besides a system-level analysis, a representative sample of 10 state universities out of 19, a unique sample of three inter-governmental universities out of four, four well-known private universities out of 39, and three public colleges out of 81 were studied in depth.

8. Outline. The next two sections assess the performance of Armenian higher education governance based on the SABER’s eight policy goals (though not in the same sequence): (i) Clear Vision for Tertiary Education; (ii) Appropriate Regulatory Framework; (iii) Capacity of the Tertiary Education Authority (TEA); (iv) Leadership, Management and Organizational Autonomy; (v) Sufficient Institutional Autonomy; (vi) Presence of performance-based and equity focused funding; (vii) Checks on Quality and Relevance; (viii) Standards of Accountability. Section II outlines the system-wide governance framework for Armenian higher education. It examines the government’s vision for higher education, the capacity of higher education authority to develop policies and implement them, the regulatory framework governing higher education, quality assurance mechanisms, and higher education financing. Section III investigates how autonomy and accountability are regulated and practiced at the institutional level. It examines four dimensions of autonomy, i.e., organization, academic, human resource, and financing, and institutional accountability in terms of academic integrity, financial integrity, students’ participation, and management administration capacity. Section IV concludes with main findings and policy recommendations.
II. System-wide Governance Framework

9. This section outlines the system-wide governance framework for Armenian higher education. It reviews the government’s vision for higher education, the capacity of higher education authority to develop policies and implement them, the regulatory framework governing higher education, quality assurance mechanisms, and higher education financing.

2.1 Vision for higher education

10. The Armenian government’s vision for higher education is clearly stated in formal documents; it envisages its higher education system and institutions to be internationally competitive and compatible and aligned with the European-wide higher education reform agenda, the Bologna Process. The missions and principles of higher education are legally defined in the following two documents. First, Article 5 of the Law on Education dated April 14, 1999 and Article 4 of the Law on Higher and Postgraduate Professional Education (hereafter Law on Higher Education or LHE) dated December 14, 2004 defines the “principles of state policy” for the higher education system and institutions, including:

- to ensure the rights of human beings and citizens to receive higher education;
- to promote competitiveness and transparency;
- to ensure compatibility of qualifications and recognition of diplomas of the higher education system in European and other foreign states;
- to facilitate international mobility of students;
- to promote and develop academic freedom and autonomy of higher educational institutions; and
- to arrange professional training and qualification enhancement for foreign citizens with an Armenian origin as well as for the development of Armenian studies.

Similarly, the State Program for Education Development 2011-2015\(^{10}\) sets key objectives and strategic directions for higher education development as follows:

- to introduce a national qualifications framework in line with European Qualifications Framework;
- to set up and strengthen a national quality assurance system;
- to introduce an effective and stable system of higher education funding;
- to provide recognition and comparability of higher education certificates;
- to promote student mobility and the attractiveness of Armenian educational system; and
- to foster interaction between HEIs and employers (labor market) and promote learners’ professional guidance and solution to employment issues.

\(^{10}\) Law on Approving the State Program for Education Development 2011-2015 dated June 23, 2011. Although the State Program is a law by its legal status, it only describes the current situation of the education sector without an implementation schedule, which limits its implementability.
2.2 Capacity of the higher education authority

11. While the overall capacity of the higher education authority has been strengthened since joining the Bologna Process, it could further boost its policy-making and implementation capacity. The Ministry of Education and Science (MOES) is the executive authority that elaborates and implements government policies in the education and science sectors in cooperation with regional and municipal authorities. The Higher and Postgraduate Professional Education Department\(^{11}\) of the Ministry supervises public HEIs except several specialized HEIs under the jurisdiction of different ministries\(^ {12}\) and all private HEIs. The department has led the implementation of the state higher education policies and programs discussed above, but it lacks an effective monitoring and supervisory mechanism without the capacity to collect and analyze data and help HEIs enhance their performance and link higher education and the labor market.

12. A weakness of the Armenian higher education system is that science, research and development functions are largely separated from universities. As a Soviet legacy, higher education and science in Armenia have been split between universities and scientific institutions. The National Academy of Sciences (NAS) is the highest state scientific self-governing organization which unites more than 34 scientific institutions and other organizations. The Academy is expected to promote and carry out fundamental and applied research in different scientific fields, as well as coordinates research carried out throughout the country.\(^ {13}\) While the State Committee of Science (SCS), established within the MOES in 2008 to improve the science sector in Armenia, is a state body which elaborates and implements the state policy in the sphere of science,\(^ {14}\) a new Law on the National Academy of Sciences was adopted in 2011, which gave the NAS a more autonomous legal status from the MOES.\(^ {15}\) Due to this division of higher education and science, HEIs have not been able to strengthen its research functions.

2.3 Regulatory framework

13. 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

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\(^{11}\) Recently, an amendment to the Law on State Education Inspection has been proposed to include HEIs under the supervision by the State Education Inspection Department of the MOES. The final decision is yet to be made.

\(^{12}\) Four state HEIs operate under the jurisdiction of the Ministry of Defense, the Police, the Ministry of Emergency Situations, and Mother See of Holy Etchmiadzin (the spiritual and administrative headquarters of the Armenian Church).

\(^{13}\) In reality, the NAS faces considerable difficulties in recruiting good scientists because of lower staff salaries than HEIs. According to the report on the Control on NAS carried out by Control Chamber, 46 scientific outcomes invented in 2009 were not implemented. The report proposes to the government to optimize the network of scientific institutions (http://coc.am/ShowReportArm.aspx?ReportID=202).

\(^{14}\) http://scs.am/index.php?page=kanon&hl=en_US.

\(^{15}\) According to the new law, the NAS can act as the authorized body of the government, which restricts the MOES’s involvement in their own governance, even though the legal status of the NSA and its institutions remains state non-commercial organizations. More specifically, (i) the NAS is directly supervised by the government, i.e., not under the jurisdiction of the MOES; (ii) the President of the NAS may attend government sessions; (iii) The NAS is the official advisor to the government on scientific matters and its proposals shall be discussed by the government and other state bodies; and (iv) the NAS may draft legal normative acts related to scientific activities.
of the government’s control. In particular, the LHE provides a detailed framework for the roles of the state and the tasks of HEIs, academics and students. It sets the principles of state policies on higher education, including equal access, competitiveness, transparency, compatibility of degrees and recognition of diplomas, mobility of students, and academic freedom and autonomy of HEIs (Article 4). It defines the roles and powers of the state in defining higher education policy (Article 5) and assuring quality (Article 22), autonomy and academic freedom of HEIs (Article 6), and governance and management structures (Article 15) among others. Such a detail law with some ambiguity and inconsistency has allowed the government to control HEIs and also to thwart HEIs from exercising their autonomy effectively and efficiently, as discussed in detail in Section III below.

14. Since 2002, state HEIs are subject to the Law on State Non-Commercial Organizations (SNCOs) of 2001 that contradicts with the education laws and denies autonomy and the principle of self-governance. Following the Law on Education (Part 5, Article 27), the legal status of all state education institutions, including HEIs, changed from state bodies to SNCOs in 2002-2003. This change in the legal status made state HEIs subject to the Law on SNCOs, in addition to the education laws. Because the Law on SNCOs is not explicitly developed for educational institutions, it does not take into account governance, autonomy, and academic freedom of HEIs that are guaranteed in the education laws (see Box 2 for relevant Articles of the Law). The most problematic contradiction between these laws is that according to the education laws, HEIs are separate legal entities and neither the MOES nor the founder (government) can hinder their autonomy, whereas, according to the Law on SNCOs, the founder may make any final decision related to the activities and governance of SNCOs (Part 1, Article 13).

15. The existing laws and regulations provide an inconsistent regulatory framework for higher education governance. Like the Law on SNCOs, other laws and regulations contradict with the education laws. The Law on State Governing Institutions (SGIs) of 2001 which stipulates main activities of almost all State Bodies, including state HEIs, allows the government as the founder of state HEIs to have the authority to make any decisions for state HEIs. In addition, the Charter of the MOES, adopted in 2002, includes the power over state HEIs which no longer is aligned with the Constitution and the LHE. The various inconsistencies and contradictions in these laws are discussed in detail in Section III below.

16. Given the legislation, the Armenian governance model with regard to state HEIs can be categorized as a semi-autonomous model. One of the key elements in a higher education law is the definition of the legal status of public universities. There is a spectrum of positions ranging from tight control over them by the state to their enjoying full independence and autonomy. The typology in Table 1 presents four of the many possible points on the spectrum, though even these extremes are not simple black and white pictures. Within the State Control model there has to be some freedom as a central ministry cannot control everything, and within the Independent model there is an implicit acknowledgement that the ministry of education is

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16 Dated October 23, 2001. This law was in aligned with the original Constitution adopted in 1995, but contradicts with the Constitution amended in 2005 that stipulates that “State Bodies and officials are competent to perform only such acts for which they are authorized by the Constitution or laws” (Article 5, Passage 2).

17 This law also contracts with the Constitution.
entitled to hold the institution accountable in many respects and must retain overall strategic control over the sector. The Armenian state HEIs are state-owned organizations under the supervision of the MOES with some level of autonomy; hence the Armenian higher education governance model belongs to the Semi-autonomous model.

<table>
<thead>
<tr>
<th>Institutional Governance Model</th>
<th>Status of public universities</th>
<th>Examples in</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. State Control</td>
<td>Can be agency of the MOE, or a state-owned corporation</td>
<td>Malaysia</td>
</tr>
<tr>
<td>B. Semi-Autonomous</td>
<td>Can be agency of the MOE, a state-owned corporation or a statutory body</td>
<td>New Zealand, France</td>
</tr>
<tr>
<td>C. Semi-Independent</td>
<td>A statutory body, a charity or a non-profit corporation subject to MOE control</td>
<td>Singapore</td>
</tr>
<tr>
<td>D. Independent</td>
<td>A statutory body, charity or non-profit corporation with no government participation and control linked to national strategies and related only to public funding</td>
<td>Australia, United Kingdom</td>
</tr>
</tbody>
</table>

Table 1: Four Models from Control to Autonomy


17. **Private HEIs are less restricted than state HEIs.** The Law on Education (Article 27) stipulates that non-state HEIs can be established by any founder described in Article 51 of the Civil Code, and may take any legal status that are stipulated in the Law on Enterprises and Entrepreneurial Activity, including individual or family enterprise, economic association, production cooperative, consumer service cooperative, rural collective economy, stock company, limited liability company, public service enterprise, public (local authority) enterprise, etc. Depending on the legal status, non-state HEIs become subject to relevant laws such as the Law on Foundations, Law on LLCs, Law on Cooperatives, Law on JSCs, and so on. Since private HEIs are not subject to the Law on SNCOs, the MOES cannot exercise similar authority over them, providing more autonomy to private HEIs.

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19 During the Soviet time, cooperatives were the only type of private enterprises allowed by the Armenian legislation. In the early 1990s, private HEIs were established following this practice. When the Law on Cooperatives was adopted on December 30, 1993, cooperative HEIs kept their legal status. Subsequent laws regulating HEIs did not require them to change their legal status, either.
Box 2
Excerpts from the Law on Non-Commercial State Organizations of 2001

“Management of state organization shall be implemented by the founder, its authorized state entity, and the executive body (director, chairman, rector, etc.)” and “upon the founder’s decision or by the Charter of state organization, the formation of a collegial management, advisory, control and (or) other bodies (council, board of directors, etc.) may be envisaged” (Article 12);

“The authorized state body shall conduct general management of the state organization, ensure its regular activity, and take the responsibility for non-implementation or improper implementation thereof” (Article 14);

“The Charter of state organization and its amendments shall be approved by the founder or its authorized state body” (Article 11);

“Administration of the current activity of state organization shall be implemented by the executive body, which is appointed and dismissed (its authorities terminate) by the authorized state body, unless otherwise stipulated by the founder’s decision or charter of state organization” (Article 15, Clause 1);

“State Organization may be engaged in entrepreneurial activity only in cases and by types of activities directly envisaged by the Law and the founder’s decision” (Article 6, Clause 1);

“Upon the founder’s decision or in cases provided in the Charter of state organization, a collegial management body [governing body] of state organization shall be established” (Article 18); and “upon the founder’s decision, a) submit recommendations on main directions of the activity of state organization to an authorized state management body…. b) exercise control over the executive body of state organization, c) appoint an executive body of state organization…..” (Article 19).

18. The Armenian higher education system consists of various types of public and private HEIs. The LHE (Article 12) refers to four types of HEIs in Armenia, including “university”, “institute”, “academy” and “conservatory”, but does not clearly define specific criteria for each type. As of mid-2012, the Armenian higher education system consists of 23 public HEIs (19 state and four inter-governmental) and 48 private HEIs (39 local private and nine branches of foreign HEIs), or 71 institutions in total, enrolling about 95,000 students in state HEIs, 8,700 in inter-governmental HEIs, 20,000 in local private HEIs, 20 and 3,000 students branches of foreign universities, respectively, or 126,700 students in total. These HEIs can be categorized into seven sub-groups by legal status as summarized in Table 2: (S1) SNCOs, (S2) state foundation; (I1) inter-governmental HEIs of joint governance, (I2) inter-state foundations, (P1) for-profit private LLCs and cooperatives, (P2) not-for-profit private foundations, and (P3) branches of foreign universities. Short descriptions of each type are discussed below.


21 The MOES does not even collect enrollment data from them. In order to collect the information, World Bank staff called every branch. Six of the nine provided the data, but three refused. The total enrollment of the six branches as of October 2012 is 2,832. Taking into account the missing data, the total enrollment in these branches can be roughly estimated to be around 3,000-3,300.
Table 2: Types of Armenian Higher Education Institutions by Legal Status

<table>
<thead>
<tr>
<th>Types</th>
<th>Public</th>
<th></th>
<th>Private</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A. State</td>
<td>B. Inter-governmental1/</td>
<td>C. Local</td>
<td>D. Foreign</td>
</tr>
<tr>
<td></td>
<td>S1 SNCOs</td>
<td>S2 Foundation</td>
<td>I1 Inter-governmental</td>
<td>I2 Inter-state Foundations</td>
</tr>
<tr>
<td>No. of HEIs</td>
<td>18</td>
<td>1</td>
<td>2</td>
<td>8,700</td>
</tr>
<tr>
<td>No. of students</td>
<td>95,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEIs</td>
<td>All state HEIs except Agrarian</td>
<td>Agrarian</td>
<td>Slavonic; French</td>
<td>EREA; American</td>
</tr>
<tr>
<td>Major governing laws</td>
<td>Law on NCSOs</td>
<td>Law on Foundations</td>
<td>Law on Foundations; Civil Code</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the author.

Notes: 1/ Inter-governmental institutions include those established between two governments, i.e., the Republic of Armenian and another country’s government, and those established between the Armenian government and foreign non-governmental entities; 2/ The number of private institutions and branches of foreign university are as of June 22, 2012; 3/ European Regional Educational Academy; 4/ Eurasia International University.

A. Public – State HEIs

19. **(S1) SNCOs.** As discussed above, the legal status of all state HEIs changed from state institutions to SNCOs in 2002-2003. This change made state HEIs subject to the Law on SNCOs that provides the government and the MOES a great deal of authority over state HEIs.

20. **(S2) Foundation.** Partly as a solution to overcome the legal contradictions between the education laws and the Law on SNCOs, the Armenian State Agrarian University changed its legal status from an SNCO to a foundation in June 2012.22 As a foundation, the university is no longer subject to the Law on SNCOs, instead, is now governed by the Law on Foundations.23 The MOES seems to support this initiative as a pilot project to assess whether the new legal arrangement would be more favorable for the provision of educational services.24

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23 Article 38 of the Law on Foundations requires foundations to submit 1) reports summarizing programs, sources of funding, expenditures, the usage of property, names of board members, managers and staff, etc., 2) its annual financial report, 3) the conclusion about the financial report of the person who conducted the audit (auditor), if the value of the foundation’s actives exceeds 10 million drams. As a foundation, the university is subject to be supervised by the Ministry of Justice, but regardless of the legal status, the university has been closely supervised by the Ministry of Agriculture, and in reality, this practice is likely to continue.

24 According to the Minister’s statement at a meeting with university rectors (Source: http://www.asparez.am/news-hy/poaktner_veracvumen_himnadranmeri-hy/). The MOES has been discussing with the Ministry of Justice the issues with the Law on SNCOs and its inconsistency with the LHE.
B. Public – Inter-governmental HEIs (see Box 3 for details)

21. (I1) Inter-governmental. The Russian-Armenian (Slavonic) University (RAU) and the French University of Armenia Foundation (UFAR) belong to this category. The RAU is a “state institution of higher education of joint governance”\(^{25}\) — as stated in its registration document — established based on an inter-governmental agreement between the Government of the Russian Federation (RF) and the Government of the Republic of Armenia (RA). The UFAR was created in 2000 by the Governments of France and Armenia in collaboration with Jean Moulin University of Lyon and Toulouse 1 Capitole University.\(^{26}\)

22. (I2) Inter-state Foundations. The American University of Armenia (AUA) and the European Regional Educational Academy (EREA) belong to this category. They are generally perceived as inter-governmental HEIs between two governments like the RAU and the UFAR, but they are inter-state foundations by legal status with the Armenian government as one of the founders.

\(^{25}\) Legally speaking, there is no law that defines this type of legal entities.

\(^{26}\) The Founders on behalf of Armenia are the Ministries of Foreign Affairs and of Education and Science and on behalf of France the French Embassy in Armenia.
### Box 3 Inter-governmental and inter-state HEIs

**The Russian-Armenian (Slavonic) University (RAU).** As specified in the agreement, the Armenian side provides buildings, lands, dormitories, sports, health and cultural facilities of the University, as well as obliges to provide support to the creation of appropriate conditions to the visiting faculty and staff of RAU. The funding of the RAU’s operations is allocated primarily from the federal budget of the RF and a small amount from the state budget of the RA for state-funded students (70 places in 2011/12). The university was accredited by the Russian National Accreditation Agency in 2005, and issues Armenian and Russian diplomas to its graduates. While the LHE and Government Decree 978-N dated June 30, 2011 on Approving the Order of Accreditation of Educational Establishments and their Specialization (Annex, Section 1, Paragraph 3) require that every HEI within the territory of Armenia undergo the accreditation process, it is expected that the ANQA will recognize accreditation of the RAU by the Russian NAA which is a full member of the ENQA.

**The French University of Armenia (UFAR).** The UFAR is governed by the Armenian legal acts, including the Constitution, the Civil Code, the Law on Foundations, and other relevant laws as well as international agreements and legal acts. It issues Armenian and French diplomas simultaneously. The university receives state funding for a small number of state-funded students (35 places in 2011/12) from the Armenian government.

**The American University of Armenia (AUA).** The AUA was initially established in 1991 as a non-profit LLC-joint venture and transformed to a Foundation in 2001. The founders of the foundation are the MOES and American University of Armenia Corporation” (AUAC), a non-governmental, not-for-profit, non-commercial organization registered under the laws of the State of California, USA. The foundation is governed by the RA Constitution, Civil Code, Law on Foundations, other RA laws and legal acts, and the university Charter. The AUA is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges. The AUA does not receive any state funding.

**The European Regional Educational Academy (EREA).** The EREA was established in 2002 on the basis of contracts and agreements signed with 20 European and Russian HEIs in a number of European countries and Russia. The RA government is a constituent party of the EREA. The Academy is considered to be a “unique educational institution established by means of governmental and private investments”. The EREA receives state funding for a small number of state-funded students (15 places in 2011/12).

### C. Local Private HEIs

23. **(P1) For-profit HEIs.** All private HEIs in Armenia except two foundations are for-profit organizations which are regulated by the respective laws as discussed above. They are all treated like commercial organizations and not granted any specific benefits as educational institutions.

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27 Based on an interview with the Deputy Rector of External Affairs and Quality Assurance.
28 The university was established in accordance with the cooperation agreement between the American University of Armenia Corporation and the University of California dated September 5, 1991, and the Decree of the Board of Ministers of the RA N570 on Establishing joint American University of Armenia dated September 21, 1991. It was registered in the registration book of joint ventures in the territory of the RA, by the Monetary-Economic Department of the RA Ministry of Finance, where the State Committee of Higher Education and Science of the Republic of Armenia and the American University of Armenia Corporation were mentioned as the Parties. The transformation took place according to the Government Decree N 48 dated January 23, 2001.
29 An interview with the AUA representatives.
30 In accordance with the government decision N 978 dated October 15, 2001.
31 [http://www.eriicta.am/](http://www.eriicta.am/)
24. **(P3) Not-for-profit foundations.** The only way to become a not-for-profit private HEI in Armenia is to be established as a foundation; there are two of those. Only major difference between for-profit private HEIs and not-for-profit private foundations is that while the former pays profit taxes on all incomes, the latter is exempt from profit taxes on donations. This allows the latter to raise donations from international organizations, NGOs and other organizations. Otherwise, both types of private HEIs are treated in the same manner (see Box 4 for discussion on not-for-profit and for-profit private universities worldwide).

D. Foreign HEIs

25. **(P2) Branches of foreign HEIs.** Branches of foreign HEIs are regulated by the Law on Registering of Legal Entities and Records on Separate Units of Legal Entities, their Institutions and Private Enterprises. They are subject to MOES’s supervision, but in reality, the MOES does not collect much information about these HEIs.

<table>
<thead>
<tr>
<th>Box 4: Private not-for-profit and for-profit universities worldwide</th>
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<tbody>
<tr>
<td>An increasing number of higher education students are enrolled in private institutions around the world. While private higher education primarily started in the USA, Latin America, and Asia, new private provision has emerged in the Middle East, Africa (predominantly Anglophone rather than Francophone countries) and in eastern and central Europe in the last two decades. Public HE institutions are least challenged by the private sector in Western Europe.</td>
</tr>
<tr>
<td>Some governments encourage private higher education in order to help meet the rising demand for higher education and also to pressure public institutions to improve market responsiveness and overall efficiency and effectiveness.</td>
</tr>
<tr>
<td>Long-established private universities in the US, Japan, Latin America have been mostly non-profit. These not-for-profit institutions cannot be organized to benefit private interests. Typically, private not-for-profit institutions have focused on the requirements of civil society. These include providing:</td>
</tr>
<tr>
<td>- something better, seen by the socio-economically privileged, than the standards of mass public higher education (in the United States and in Latin America, for example); and</td>
</tr>
<tr>
<td>- something different as a result of religious faiths, or responding to ethnic or nationalist aims.</td>
</tr>
<tr>
<td>The for-profit sector has grown dramatically in many parts of the world in recent years and the US is at the core of a global phenomenon. Unlike not-for-profit institutions, private for-profit institutions typically function as:</td>
</tr>
<tr>
<td>- demand-absorbers, meeting the demand not met by conventional providers.</td>
</tr>
<tr>
<td>For-profit providers are able to disburse funds, other than those required for operational costs, to shareholders in exchange for the investment risks taken. A wide range of for-profit institutions exists worldwide. In Malaysia, for example, ownership may be by individuals, companies, consortia of companies, publicly-listed companies and government corporations.</td>
</tr>
</tbody>
</table>
2.4 Quality assurance

26. Until recently, both public and private HEIs were required to be licensed and accredited by the MOES, but the requirement was loosely applied. The Law on Licensing dated May 30, 2001 required both public and private HEIs to be licensed and accredited by the Department of Licensing and Accreditation of the MOES to be able to issue a state-type diploma. However, state HEIs were somehow exempted from this formal process of accreditation and only private HEIs were subject to this requirement. In 2007, about one third (28 of 77) of the private institutions existing then were accredited and additional some programs of eight non-accredited institutions. As of 2012, 33 of 39 institutions have been accredited as well as some programs of the remaining six non-accredited institutions.

27. With the establishment of the national quality assurance agency, the ANQA in 2009, all public and private HEIs must be licensed by the MOES and accredited by the ANQA. The ANQA was established to strengthen the national quality assurance system in Armenia. Its main task is to implement “investigations, analyses, recommendations and evaluation in tertiary level education field”. It has developed the Statute on State Accreditation of Tertiary Level Institutions and Academic Programmes and Accreditation Criteria and Standards, which defined policies, procedures, criteria, and standards for external quality assurance. Under the new accreditation rules, institutional accreditation is a mandatory process for all HEIs within the territory of the Republic of Armenia every five years, whereas programme accreditation is a voluntary process carried out only in the case of a positive result of institutional accreditation. As of mid-2012, pilot institutional accreditation of two public institutions has been completed and is awaiting the final decision. Accreditation of another five public and two private institutions are under way. The final report becomes public on ANQA’s web site after the Accreditation Committee—the highest quality assurance body within the ANQA—takes a decision. After scrutinizing the final report and the Accreditation Committee’s decision, the ANQA is tasked to issue an accreditation certificate to the respective institutions and programs. Upon the final decision, without accreditation (including conditional accreditation) by the ANQA, HEIs may continue operating, but credits and degrees issued by those unaccredited HEIs cannot be recognized by the government or other HEIs in Armenia. The same rule would apply to inter-governmental HEIs and branches of foreign universities unless their mother universities are already accredited by an ENQA member quality assurance agency.

28. The ANQA has achieved enormously in a short period, but there are further steps to take in order to become an internationally credible quality assurance agency. The ANQA is

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32 The Government Decree 1490-N dated December 13, 2007 obliges the founder of an HEI to provide areas, facilities and other necessary means, as listed in Annex 6, to HEIs. The Government Decree N808-N dated July 9, 2009 also requires that all HEIs regardless of the form of ownership, comply the requirements of the Decree 1490-N (Annex 15).
36 Initially, the MOES was to issue certificates, but based on the advice by the ENQA expert, it was changed to the ANQA. Necessary changes in the Statue and in the relevant regulations are yet to be made.
currently an affiliate of the European Association for Quality Assurance in Higher Education (ENQA) and aims to become its full member by 2015. The ANQA is also a full member of the International Network of Quality Assurance Agencies in Higher Education (INQAAHE) and is represented in the INQAAHE Board of Directors. In May 2012, the ANQA invited an expert from the ENQA whose task was to review and assess whether the legislative framework governing the accreditation process in Armenia is in compliance with the Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG). The two major findings of the review and recommendations were:

- According to the ANQA Charter, while the composition of the Board of Trustees is balanced (Article 20), the fact that the Prime Minister ex officio is the President of the Board (Article 14) undermines independency. It is recommended that the position of the President of the Board be an elective one and that a Manual for the Board Operationalization be developed.

- According to the Statue on State Accreditation of Tertiary Level Institutions and Academic Programmes, the final decision upon awarding accreditation certificates lies with the government (MOES) and not with the ANQA Accreditation Committee (Article 21). It is recommended that the Accreditation Committee be authorized to award accreditation certificates. The Accreditation Committee should be embedded in the ANQA Charter and its independence and competences be regulated by the Statue on the Accreditation Committee Formulation and a Manual for the Accreditation Committee Operationalization.

The report ended with a remark that “there is [a] good reason to believe that there will be essential progress in further developing a quality assurance system in Armenia, making it possible to meet the European Standards and Guidelines”. In fact, these two recommendations have already been approved by the Prime Minister and the Minister of Education, and the necessary changes to improve the independence and credibility of the accreditation process are on their way.

29. **The government has used graduation examinations as a tool to assure the quality, but its effectiveness is questionable.** There are no nationally defined performance indicators or a comprehensive database to monitor and evaluate HEIs’ performance. Instead, the MOES requires HEIs to conduct graduation examinations to assure that students meet criteria stipulated in the educational standards. The Ministerial Normative Order N 1197 dated November 31, 2011 requires that accredited universities conduct state graduation examinations which are managed by the Attestation Committee at each institution. Universities and programs that have not been accredited may not establish an attestation committee; graduates from those universities or programs need to take graduation examinations organized by accredited universities and

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37 As defined in the ANQA Charter, Government Decree N 978-N on Statue on State Accreditation of Tertiary Level Institutions and Academic Programmes, Procedure on ANQA Accreditation Committee Formation and Operationalization (draft), and the ANQA Organogram (draft).
38 Report written by Heinz-Ulrich Schmidt (Foundation for International Business Administration Accreditation (FIBAA), Special Representative, ENQA-expert), dated May 10, 2012.
39 The chair of the committee is appointed by the MOES based on nomination by the rector of the institution.
programs. Regardless of their prior performance during all previous academic years, students who fail in the graduation examination cannot graduate until they pass it. The mechanism is not standardized, however, and it is unclear how it has contributed to assuring the quality of graduates.

2.5 Higher education financing

30. Public spending on education is low by international standards, and particularly so for higher education. Public spending on education steadily increased in the mid to late-2000s until the economic crisis hit the Armenian economy in 2009; the education sector was one of the most affected sectors with a 15 percent cut from the original budget with no indication of recovery. Despite the economic recovery, the latest Medium Term Expenditure Framework 2012-2014 indicates that total education spending will continue declining in the next three years down to 2.6 percent of GDP, placing Armenia back to among one of the lowest education spending countries in the region (see Figure 1). In particular, public funding for tertiary education is well below the regional average, let alone the OECD average; it is only about 0.3 percent of GDP and 10-12 percent of total education spending, respectively, compared with 1.3 percent and 20 percent in the OECD.\footnote{World Bank, 2011, Education Chapter, Public Expenditure Review. Note that the figures for Armenia are rough estimates because it is not possible to clearly disaggregate budget for non-university tertiary vocational and post-secondary non-tertiary vocational education. Higher education spending alone is about 0.2 percent of GDP and 8-9 percent of the government spending.} Furthermore, limited public funding for R&D (0.2 percent of GDP) is primarily allocated to the Academy of Sciences, limiting universities’ research capacities. On the contrary, HEIs contribute to raising tax revenues for the government; for instance, HEIs are not exempt from profit taxes from any incomes, including tuition fees, and fees on other educational services such as evening courses and computer training because they are considered as for-profit activities. In fact, many Yerevan-based HEIs are among the top 1,000 large tax payers in Armenia.\footnote{Official lists of the big taxpayers of Armenia \url{http://www.taxinfo.am/taxpayers.htm}.}
Figure 1: Public spending on education as percentage of total public expenditure and as percentage of GDP, 2002-2012

31. The government finances higher education through state-funded free places (scholarships) in state institutions and stipends for the majority of the scholarship recipients, and provides limited funding for capital investment and research through the State Committee of Sciences. The government finances state-funded places for narrowly-defined specializations in state HEIs, primarily on a merit basis with a limited number for socio-economically vulnerable students such as orphans, disabled students, those from economically disadvantaged families, and children of martyrs (see Box 5 for the Armenian scholarship system). There is very little state funding for capital investment, so state HEIs manage to finance it from their own revenues, primarily from tuition fees, to meet licensing requirements for physical facilities.

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42 Orphans with no parents may receive a full scholarship until the age of 23, according to Article 2 of the Law on Children without Parental Custody.

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Box 5
Scholarships, military services, and taxes

Article 39 of the Constitution stipulates that “all citizens shall have the right to free higher and professional education in state higher and other professional educational institutions on the basis of competition as prescribed by the law. In cases and in conformity with the procedure prescribed by law, the state shall provide financial and other assistance to institutions conducting higher and other professional education programs as well as their students”. Based on this constitutional requirement, the government finances state-funded places in state HEIs.1/ In addition to state-funded places, the government requires state HEIs to offer a partial discount of tuition fees by 25-75 percent to at least 10 percent of total students, including the socio-economically disadvantaged students. According to their own criteria, state HEIs may offer additional full and partial discount beyond 10 percent of their students.

A peculiarity of the Armenian scholarship system is that it is linked with exemptions from military services for male students. First, students who performed the best in the university entrance examination receive a full scholarship from the state and are exempted from military services during the term of study. This exemption could be more important for many male students than scholarship itself. Second, the second top performers in the entrance examination can receive a partial discount from HEIs, but without a privilege to postpone the military service.2/ These students have to serve the military for compulsory two years when they reach the age of 18.

Another peculiarity of the scholarship (tuition discount) system is that it is linked with taxes. According to the Laws on Profit Tax and on Income Tax, students of state HEIs are exempted from value added taxes (VAT) on tuition fees and withholding income taxes on tuition discounts for 10 percent of students. However, HEIs have to withhold income taxes on discounts for students exceeding 10 percent (because discounts are considered taxable incomes for students).

1/ The government recently introduced an annual rotation system for the merit-based scholarships based on students' performance, motivating students to improve academic performance. At the end of each academic year, each institution identifies the top 20 percent of best performing state-funded students in each specialization of all state HEIs (except the Faculties of Law and International Relations of the YSU which do not have a single state-funded place) who will be entitled to state-scholarships in the upcoming academic year (source: Karakhanyan, Susanna, 2012, “Governance of Higher Education in Armenia”, in Bergan S., Egron-Polak, E., Kohler, J., Purser, L., Leadership and Governance in Higher Education: Handbook for Decision-makers and Administrators, Berlin: Raabe Academic Publishers, pp. 113-129).
2/ The Government Decree N 1183-N dated July 27, 2006 defined the number of categories who are eligible for this category.

32. As the weight of state funding kept declining sharply in the last decade, state HEIs have had no choice but to increasingly rely on tuition fees.43 Among the 10 state HEIs studied, the proportion of public funding ranged from 14 percent to 30 percent, or 23 percent on average. If all state HEIs are included, the state funding is only 21 percent on average.44 Compensating the low public funding are tuition fees from fee-paying students. The Pedagogical University, for instance, collects 81 percent of its revenues from tuition fees, the highest among

43 The enrollment for the academic year 2011-2012 for most of HEIs decreased for than 50 percent because there was no graduates from secondary schools in June 2010 as a result of an extension of general secondary education. Consequently, universities face considerable revenue constraints, the impact of which will continue until 2016/17. As a coping measure, many HEIs have laid off some academic staff.
the 10 state HEIs, and even higher than inter-governmental and inter-state HEIs. Only for-profit private HEIs collect a higher proportion (94-100 percent among the four samples) from tuitions. Indeed, in order to sustain steady revenues, almost all of the 10 state HEIs indicated that they are trying to increase the number of fee-paying students as well as the tuition level.

33. **Armenia’s high dependence on private funding is extreme and among the highest in the world.** In 2009, governments of OECD countries financed 70 percent of tertiary education spending on average, with a wide variation from Chile (23.4 percent), Korea (26.1 percent), the UK (29.6 percent) to Denmark (95.4 percent), Finland (95.8 percent), and Norway (96.1 percent) (see Figure 2). Two non-OECD G20 countries, Russian Federation spent 64.6 percent and Argentina 80.6 percent. The Armenian government spends a fewer percentage of higher education spending than any of these countries.

34. **Furthermore, the fee level is high relative to their economic development.** Currently, 74 percent of state HEI students pay a tuition fee in the range of AMD 150,000-800,000 (USD 375-2,000). The level of tuition fees—equivalent to 7-37 percent of GDP per capita PPP—is relatively high for the lower-middle income country with GDP per capita PPP at USD 5,354 (2010). For a comparison, among 24 OECD countries for which data is available, public HEIs in 16 countries charge tuition fees equivalent to 8 percent of GDP per capita PPP on average, with

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Korea (19 percent), Ireland (16 percent), Japan (14 percent) and the US (14 percent) at the highest end (see Figure 3). Eight countries charge no tuition fees at all for students in public HEIs. Even private institutions in 17 countries charge 21 percent of GDP per capita on average.46

**Figure 3: Estimated annual average tuition fees by higher education institutions for national students, academic year 2008-09**

![Chart showing tuition fees by country](chart.png)


35. **The primarily merit-based state funding and increasingly high dependence on tuition fees has deprived socio-economically disadvantaged students of access to higher education.** While the overall tertiary education enrollment rate has improved, access to tertiary education is very inequitable. The recipients of merit-based scholarships are more likely to be from wealthier and urban families: in 2009, while 32 percent were from the highest income quintile, only 6.9 percent of scholarship recipients were from the lowest income quintile.47 To provide financing options for economically-disadvantaged students, the government has long considered an introduction of a state-backed student loan scheme. Unfortunately, the plan was put on hold in 2009 primarily due to the recent economic crisis. Most recently, the government has agreed on a draft Law on State Support of Student Loans, but details of the scheme are yet to be determined. Without other funding opportunities, the net enrollment rate for tertiary education (including colleges, *i.e.*, ISCED 5B) varied from 33.4 percent for the richest to 7.4 percent for the poorest in 2009,48 even though the overall enrollment rate is relatively high compared to the similar level of economic development.49

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47 Based on information provided by the Center for Education Projects. The original source for the scholarship distribution by income quintile is the National Statistical Service, Integrated Living Conditions Survey.
48 World Bank staff calculation based on the Household Survey 2009.
49 According to the World Bank's EdStats database (original data from the UNESCO Institute for Statistics), the gross enrollment rate for tertiary (ISCED 5 and 6) for Armenia was 34.1 percent in 2007 and sharply increased to 47.6 percent in 2008 and 51.5 percent in 2010. Since there was no known incident to explain the sharp increase in
36. The new Higher Education Financing Strategy aims at making higher education financing more equitable, competitive, and sustainable; however, without substantially increasing the total public funding, it may not result in an marked impact on quality. The Higher Education Financing Strategy addresses the weaknesses in the current higher education financing system, including (i) input-based institutional financing with limited incentives for quality improvement, (ii) over-prescription of specializations without responding to the labor market demand, (iii) inefficiency in the entire higher education system comprised of many small institutions with extremely low student-staff ratios; (iv) inequity and slow growth of higher education enrollment; and (v) separation of university and research institutions. To overcome these weaknesses, the strategy proposes to introduce a competitive innovation fund to support national development priorities and demand-driven projects, needs-based scholarships, and scholarships for national priority fields. To implement these new financing schemes and improve quality, competitiveness, and equity of higher education, the government needs not only to effectively allocate available funding, but also to substantially increase total public funding for higher education. Lack of capital budget for higher education in general may even threaten the credibility of licensing and accreditation.

the GER from 2007 to 2008, it seems that a calculation method must have changed between the two years. Even so, given the available enrollment data, the gross enrollment rate of 51.5 percent seems too high. Because the author is unable to explain the rationale for these statistics, these figures are not presented in the main text.
III. Institutional Governance

37. This section investigates how autonomy and accountability are regulated and exercised at the institutional level. It examines four dimensions of autonomy, i.e., organization, academic, human resource, and financing, and institutional accountability in terms of academic integrity, financial integrity, students’ participation, and management administration capacity. It reveals a number of contradictions in the existing regulatory framework and gaps between the theory and the reality of university governance.

3.1 Autonomy

3.1.1 Organizational autonomy

38. The LHE and the Law on Education provide HEIs with institutional autonomy, but conflicting laws allow the MOES to interfere them. Despite institutional autonomy warranted for state HEIs in the education laws, the Law on State-Non-Commercial Organizations (SNCOs) and the Law on State Governing Institutions (SGIs) authorize the government as the founder of state HEIs to override the latter’s decisions. As a result, many state HEIs often do not even try to exercise their autonomy. For instance, state HEIs are legally not required to follow a sample Charter for state HEIs developed by the MOES that limits autonomy and academic freedom of HEIs guaranteed in Article 6 of LHE. However, almost all state HEIs but two have actually adopted the sample Charter and do not attempt to challenge it because any revisions anyway require government’s approval in the end. Only the Yerevan State University (YSU) which is granted a special autonomous status in the Law of Education (Article 28, Clause 8) and the Armenia State Engineering University (ASEU) have deleted the norms to limit autonomy from their charters. Similarly, HEIs are self-governing Legal Entities, and in theory they can establish their own record-keeping, reporting and other similar procedures, but most HEIs follow the government’s administrative procedures.50

39. Most notably, the government’s influence is embedded in the institutional governance structure. The LHE (Article 15) stipulates the roles and functions of the Council (Governing Board), Rector, Scientific Council (or Academic Council), and Deans (see Box 6 for a summary of Article 15). It states that management of an HEI shall be carried out in accordance with the government legislation and the statute of the HEI based on principles of self-governance and a combination of an individual leadership and collegial management among the Council, Scientific Council, and Rector’s Board. However, a careful examination of the rules on these bodies reveals overwhelming presence of government representation in university governance and management, undermining university autonomy.

Box 6
Article 15: Management of HEIs of the Law on Higher Education

**Council (Governing Board)**

- **Term.** The term of the Council is 5 years with no limit for extension.
- **Composition.**
  - The Law only defines that the Council shall consist of (i) the faculty, (ii) representatives of students, (iii) representatives of the founders (i.e., the government for public universities and the owner for private universities), and (iv) authorized body (the MOES both for public and private universities). It shall consist of at least 20 persons, as defined by the Charter of the HEI. (Note: Even though the Charters of HEIs have clauses in which the government “authorizes” its power to the MOES, there is no legislation formally embracing the authorization process.)
  - The Government Resolution N 975-N on the Procedures for the Formation of the Council of HEIs dated June 23, 2005 further defines that the Council shall consist of 25 percent representation each from (i) academic staff, (ii) students, (iii) state employees nominated by the Prime Minister on behalf of the founder, and (iv) renowned persons from cultural, scientific, economic, and educational spheres nominated by the founder or authorized state body. It should consist of 20 to 32 members.² (Note: Many respondents noted that the government influences the Council’s decisions by having a de facto majority representation in the Council.)
  - The Resolution also requires that the composition and members of the Council shall be approved by the Prime Minister. The name of each member must be individually stipulated in a PM’s Decree. (Note: This rule does not apply to private HEIs.)

- **Selection Procedures of the Chair (President) of the Board.** The Chair is elected from Council members (except students) by the Council itself (Clause 9, Annex of the Government Decree 975-N dated June 23, 2005).

- **Selection Procedures of the Board members.** The selection procedure is defined in Section 2, Annex of the Government Decree 975-N.

- **Roles.** The activity of the Council includes:
  - Approval of the budget and strategic programs of the institution;
  - Hearing and assessment of the annual report (which is presented by the Rector) as well as approving next year’s budget;
  - Election of a Rector; and
  - Making proposals on introducing changes and supplements in the education institution charter to its founder.

**Rector**

- **Term.** The Rector’s term is 5 years, and the same person cannot be elected more than two consecutive terms. For SNCOs, the retirement age is 65.
- **Selection Criteria.** There is no requirement for the Rector’s position in the LHE, but the HEI Charters may require qualifications.
- **Selection Procedures**
  - The Rector shall be elected by the Council through an open competition according to the procedure as defined by the legislation of the Republic of Armenia and the HEI Charter in a secret vote.
  - The Rector’s election result shall be approved by the founder. In case the results are recognized invalid, a new election of the Rector shall be conducted. If a candidate wins at least two thirds of the votes, the founder shall ratify the decision of the Council.

**Rector’s Office**

- **Selection Procedures and Roles.** The Rector’s Office is an advisory body to the Rector. The procedures for its formation and jurisdictions are defined in the HEIs’ Charter.
**Box 7. continued**

**Scientific Council (Academic Council)**
- **Selection Procedure.** The Scientific Council of the HEI shall be formed in compliance with the HEI Charter;
- **Composition.** The Scientific Council shall consist of (i) the Rector ex officio who is the Chairman of the Scientific Council, (ii) Vice-Rectors, (iii) Chiefs of the relevant subdivisions, and (v) selected members in compliance with the HEI charter;
- **Roles.** Its functions include organizing, planning and managing of educational, methodological and scientific-research activity, as defined by the higher education institution charter.

**Deans**
- **Selection Procedure.** The Department Deans and the Heads of Chair shall be elected according to the election procedure as defined by the HEI charter.
- **Roles.** The scope of responsibilities is limited for Deans to administrative tasks, teaching, learning and research, and for the Heads of Chair to teaching, learning, and research.

Note: 1/ A notable exception is the Yerevan State University, which may consist of up to 72 members, as defined by its Charter.

40. **The government influences higher education governance by appointing a majority representation in the Council (Governing Board) and placing a political figure as the Chair of the Council.** According to the LHE, the Prime Minister, on behalf of the founder, nominates (i.e., appoints) state employees (25 percent) and renowned persons from cultural, scientific, economic, and educational spheres (25 percent), or 50 percent of members in total, for the Council. The Chairperson of the Council of state HEIs is often a political figure, as summarized in Table 3. Since these high-level officials are not likely to be able to have time to closely govern HEIs, in reality, it is unclear what these Chairperson’s roles are, and how exactly the Council is run. Furthermore, the Prime Minister approves the composition and all members of the Council. Even though the government’s representatives consist of only 50 percent—not 51 percent—of the Council, anecdotes suggest that Students Council (25 percent)—which are often headed by a student who belongs to a political party—generally supports the government’s representatives.51 Despite the rigid rules on the Council composition, several universities manage to effectively engage the private sector representatives in the Council. For example, the ASEU not only includes a prominent private company as a Council member, but also has signed a strategic partnership with the company, and involves them in any strategic discussions.

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51 Excerpt from the “Armenpress” State News Agency info (http://armenpress.am/arm/print/673831/). In some cases, students organizations are politicized (http://blognews.am/arm/news/1811/usanoxakan--resursery-hhk-i-qaxaqaqan-npatakneri-hamar-en-ogtagortsym.html). Only the Charter of YSU explicitly prohibits the Head of Students Council to be a member of a political party. Info on website of www.7or.am news agency on the Students’ Council heads membership in political parties (http://www.7or.am/am/news/view/15500/).
Table 3: Examples of the Chairperson of the Council (Governing Board) of Prominent State HEIs

<table>
<thead>
<tr>
<th>State HEIs</th>
<th>Chairperson of the Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yerevan State University</td>
<td>President of Armenia</td>
</tr>
<tr>
<td>Yerevan State Linguistic University</td>
<td>Head of the Presidential Administration</td>
</tr>
<tr>
<td>Armenian State University of Economics</td>
<td>Chairman of the National Assembly</td>
</tr>
<tr>
<td>State Pedagogical University</td>
<td>Prime Minister of Armenia</td>
</tr>
<tr>
<td>State Engineering University</td>
<td>Former Chairman of the National Assembly</td>
</tr>
<tr>
<td>State Agrarian University</td>
<td>Chairman of the Civil Servants Council</td>
</tr>
<tr>
<td>Yerevan State Medical University</td>
<td>Minister of Education and Science</td>
</tr>
<tr>
<td>State Conservatory</td>
<td>Former Armenian Ambassador to Russia</td>
</tr>
<tr>
<td>State Engineering and Construction University</td>
<td>Mayor of Yerevan</td>
</tr>
<tr>
<td>Armenian State Institute of Physical Culture</td>
<td>Head of the second largest political party represented in the Parliament</td>
</tr>
<tr>
<td>Goris State University</td>
<td>Governor of Syunik Marz</td>
</tr>
</tbody>
</table>

Sources: Official websites of the respective HEIs.

41. The selection of Rectors is supposedly competitive and non-political in theory, but there seems a great deal of political influence in reality. The Rector is an elected position through an open competition for five-year term, renewable up to two consecutive terms or the retirement age of 65. According to the LHE and universities’ charters, it is not the government, but the Council of the respective HEIs that elects the Rector. The government only approves the appointed Rector, based on which the Minister of Education and the Rectors sign a five-year contract. However, these rules are not always applied in a strict manner. Most notably, there seems considerable political influence over hiring and dismissal of rectors by the government. For instance, almost all state HEIs interviewed in this study answered that the government appoints their Rector, indicating government’s strong influence on the selection of the Rectors possibly through the powerful representation in the Council and/or other informal means. In fact, during the study, the Rector of a state university was dismissed by the Minister of Education, not by the Council of the university. The case is currently in a court to clarify the legitimacy of the dismissal.

42. The Rector’s Council (Rectorate) is a consultative body, but in reality, it exercises strong power in ongoing and important procedures. The Rector’s Council typically consists of the Rector, Vice Rectors, Head of Staff, Department Deans, and Chief Accountant. It handles

52 Clause B, Part 3, Article 16 of the Law on SNCO prohibits rectors to remain in the executive position beyond the age of 65. As a result of the change in the legal status from an SNCO to a foundation, the Agrarian University is no longer subject to the Law on SNCOs, and therefore, its Rector may now remain in the position beyond the retirement age. However, the university is still subject to the LHE which limits Rectors’ terms to two five-year consecutive terms.

53 For instance, there have been several cases in which Rectors remained in their positions beyond the retirement age to complete their terms. Also, because the 10-year maximum term is count only after 2002 or 2003 when state HEIs became SNCOs, some rectors may have been serving more than 10 years if they had already been in the position before that. The charter of most state HEIs requires that the Rector possess a Doctor of Science and Professorship, but some small HEIs such as the State Institute of Cinema and Theater have lowered this requirement.

54 It is a public knowledge that over 90 percent of the Rectors of state HEIs are members of political parties, mostly from the ruling party.
all issues between sessions of the Scientific Council. Its authority is mainly defined by its order which is adopted by the Board itself, including issues related to firing and resumption of students, evaluation of reports given by deans and heads of academic units, setting the agenda for sessions of the Scientific Council.

43. **The selection process for the key positions determining academic matters is not sufficiently competitive.** The Scientific Council is positioned to play an important role within the University with regard to academic matters, but it often lacks the capacity to make effective decisions. Even though there are no strict rules on the composition, few universities involve private sectors in developing academic matters such as curriculum and course programs, though it is not an easy practice even in more advanced countries. Deans and Department Heads as well as lecturers are supposed to be selected through open competitions and external candidates may apply for those positions, but, in reality, elections are often open only to internal candidates and less competitive primarily through nominations by the Rector, academic staff, and/or students.

44. **The governance requirements for inter-governmental HEIs considerably differ from those for state HEIs and tend to be more open and competitive.** Examples of inter-governmental institutions are as follows:

(i) **The Russian-Armenian University (Slavonic) University:**

*Governing Board*
- The supreme governing body of the University is the “Conference”, consisting of students (25 percent), faculty and staff, and representatives of the Armenian National Academy of Sciences. The Conference elects the Rector and Research Council for 5 years through secret voting. The University charter, changes and amendments to it are carried out by the Conference.
- The Research Council functions like the Council (Board) in state HEIs in Armenia. It currently consists of 44 members, including invited group from the National Academy of Science and other educational institutions (20 percent), university administration (21 percent), departmental administration (12 percent), students (12 percent) and faculty (35 percent).
- The Board of Trustees comprises of 19 members, including 14 members from the Russian Federation. The Board approves the university’s normatives and regulations.

*Rectors*
- An Armenian national (as opposed to a Russian national).
- Nomination of three candidates first by the Armenian Minister of Education and the Board of Trustees, and then by the Russian Federation Minister of Education, followed by a closed election by the Board of Trustees.
- Detailed election procedures are defined by the Scientific Council.

(ii) **The American University of Armenia:**

*Governing Board*
- **Composition.** The Board of Trustees consists of seven members, including two representatives appointed by the government and five by the American University of Armenia Cooperation.
- **Term.** Three years, with a renewable membership.
• **Chairman.** The Chairman is elected by the Board members by a simple majority vote.

**President**

• The Board of Trustees appoints the President.

45. **The governance structure for local private institutions is not regulated at all.** As for local private institutions, all rectors are the founders of the respective institutions, usually appointed by the Council of Founders, without a limit on the term. Rectors together with his/her limited circle often dictate university governance and management, particularly decisions over budgets. A private university interviewed in this study is currently considering introducing an election procedure for the selection of the rector and also reorganizing the composition of the governing body to have more representation from students and faculty members. If this happens, it would be the first Armenian private HEI with an elected rector.

### 3.1.2 Academic autonomy

46. **Despite academic freedom authorized by the education laws, in reality, HEIs by and large follow state educational standards for curriculum and teaching processes approved by the MOES.** The LHE (Articles 6, 19) and the Law on Education (Article 28) provide HEIs with autonomy and academic freedom to develop curriculum, syllabi, and teaching process, organize courses, and partner with other institutions. However, in reality, a supplementary government Decree requires HEIs to largely follow the state educational standards for curriculum and teaching processes that are developed by prominent HEIs and other scientific organizations upon the MOES’s order, presented to the Experts Committee created by the MOES, and adopted by the MOES. The Decree also specifies a study period of “at least four years for a bachelor program,” instead of a number of hours and learning outcomes in aligned with the Bologna Process. In addition, the Constitution and the Law on Language require Armenian universities to provide instructions in the Armenian language except for classes offered to foreign students. Hence, the existing state standards constrain academic freedom of the higher education system as a whole to offer diversified, innovative, and competitive curriculum.

47. **HEIs lack autonomy in determining the number of students for each specialization.** As a procedure, all public and private HEIs propose a number of places for state-funded and fee-paying students and domestic and foreign students for each specialization for MOES’s approval. It may appear that institutions have freedom in determining the number of student places; but, in reality, the requests are made largely according to the previous year’s numbers that had been

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56 Such as the Yerevan State University, the Armenian State Pedagogical University and the Yerevan State University of Architecture and Construction.
57 Initially, standards were adopted by the government (as opposed to the MOES) according to Annex 1 of the Government Decree N24 dated January 16, 2001. Later, the function was assigned to the MOES by the Government Decree N 449-N dated April 14, 2009. The standards for the military (including medical-military) and police programs are approved by the MOES after being agreed with respective supervisory bodies (e.g. Ministry of Defense and Police). Standards do not exist for all programs. For instance, there are no MOES-approved standards for informatics and high technology specializations; a private university has developed its own program based on the programs developed by a leading university.
determined based on the over-specialized allocation of state-scholarships and detailed, primarily input-oriented licensing requirements such as the availability of area, infrastructure, resources, etc. Currently, the government identifies scholarships in more than 200 unique specialization areas and the number of scholarships allocated to each specialization varies between 2 and 60 for a specialization. Generally, HEIs may request for additional places only when they enlarge the physical capacity. Once the numbers by specialization are approved by the MOES, a Government Decree is issued every year prior to the university entrance examination, and changes may not be made except between specializations with a department. On the other hand, in some cases, the government may override the number of places allowed for the institution by the license issued by the MOES. In addition, the MOES may at their discretion allow HEIs to enroll more students with lower admission examination results.

The government has strictly regulated admission policies and procedures for state HEIs to improve fairness and transparency, which was recently extended to private HEIs. The unified university entrance examination (with high school graduation examination) was introduced in 2005, which has contributed to making the university admission fairer and more transparent. Based on the results of the examination conducted by the Assessment and Testing Center and application documents, the MOES decides whether or not applicants are eligible to be enrolled in a particular state HEI and specialization. The role of the Admission Board in each state HEI—which used to be responsible for student admissions for each institution until the unified examination was introduced—has diminished only to administrative work such as reviewing application packages. HEIs may not take other factors into account, but must accept students applying for full-time Bachelors programs who are mechanically assigned to a specific program of a specific institution based on the results of state unified examinations and students’ preferences. As for part-time Bachelor and Masters programs, each university defines its own subjects and passing grades and admission requirements in general. Until 2011, private HEIs had complete freedom to define their own admission policy and organize entrance examinations, but this changed in 2012. The State Admission Commission has decided to require applicants for full-time Bachelor programs (not including Masters programs or part-time students) of private institutions (except the inter-governmental universities and two other inter-state universities) also take the state unified examinations. As a result of this new requirement, the number of students who were admitted to private HEIs sharply dropped to only 72 in 2012, compared to several thousands in the previous years.

The existing legislation neither allows nor motivates HEIs to be actively engaged in research and development. The Law on SNCOs restricts HEIs’ engagement in commercial activities that are allowed in their charters. This means that if research is not included in the list of commercial activities in the charter of an HEI, that HEI may not be engaged in research, although it is stated in several legal acts that HEIs have to be engaged in research activities as one of their main tasks. Moreover, the Law on Scientific and Scientific-Technical Activities does

60 The admission of Masters students is done by HEIs based on the rules developed by MOES.
not clearly define whose property the outcomes of scientific work would be,\textsuperscript{62} providing HEIs and researchers little incentive to invest in research even within the areas where they are allowed to conduct research.

50. **Inter-governmental and inter-state universities follow academic standards and regulations developed by their partner countries and institutions.** In general, inter-governmental and inter-state universities have more academic freedom than Armenian local universities, except for the Slavonic University (RAU) which follows the Russian educational standards instead. In the case of the American University, it develops, reviews, and updates curriculum and academic programs through continuous self-assessment by the Curriculum Committee, taking into consideration the US accreditation agency’s “criteria for review” (CFRs). Hence, there is no government’s involvement in developing curriculum and programs. In the case of the RAU, it follows the minimum requirements defined by the RF’s national education standards, according to the agreement between Armenian and Russian governments.\textsuperscript{63} When introducing new programs, the university needs to get approval and license for main disciplines (e.g., economics) from the Russian Ministry of Education, but is allowed to define sub-disciplines (e.g., banking, finance and audit, macroeconomics, etc.) without approval. Types of courses are also defined by the standards.

### 3.1.3 Human resource management autonomy

51. **The LHE stipulates strong autonomy in human resource management, but it does not necessarily mean that HEIs have the capacity to manage their staff effectively.** HEIs are completely free to determine human resource management policies, including defining staffing needs, developing procedures and conducting elections of managerial personnel and faculty compositions, and carrying out selections. However, this level of autonomy may not necessarily assure the effectiveness of HR management. For instance, most state HEIs do not have a performance evaluation system in place primarily due to lack of understanding of the functions of human resource management. Many HEIs tend to retain a large number of assistants and advisors who are doing little, if any. As discussed earlier, staff recruitment processes of many HEIs are not competitive and transparent in reality. It appears that most state HEIs lack effective HR management systems that can considerably contribute to enhancing the quality of education. In contrast to state HEIs, the recruitment and appointment process of the American University assures a search for high quality staff (see Box 8).


\textsuperscript{63} In Russian legislation, it is stipulated that some leading universities identified by the Presidential Decree set educational standards (http://www.zakonrf.info/zakon-ob-obrazovanii/7/).
The AUA has a Policy on Appointment, Retention, Promotion and Faculty Titles which sets forth principles, procedures, criteria for appointment and promotion, and retention pertaining to faculty activities in the University. The Faculty Senate develops guidelines for such matters as peer review of faculty on the criteria (e.g., university and public service, excellence in teaching, and creative scholarship) and measurement indicators with due consideration to consistency and fairness across the academic programs.

For faculty recruitment, each academic program forms a search committee appointed by the Dean for the recruitment of full-time faculty. No search can begin without the approval of the Provost. Overall responsibility for faculty recruitment lies with the search committee, with the recruitment process coordinated through the AUAC office Oakland, California. The search committee makes its recommendation to the Dean and the faculty of the academic program. This recommendation includes a ranking of the top candidates. The academic program decides on the top candidate in a formal meeting. The search committee chair will provide evidence to the Dean of an open and thorough search for each faculty appointment or explanation of the circumstances that forced an abbreviated process. This explanation, if acceptable to the Dean, will be forwarded to the Appointment and Promotion Committee along with the rest of the candidate’s materials. The Appointment and Promotion Committee is a committee of the Faculty Senate.

A recommendation for appointment to the rank of professor, associate professor, or assistant professor is made in a letter from the Dean to the President. It will be the responsibility of the Dean to inform candidates in writing when their applications have not been successful. All professors are expected to have major responsibilities in their academic programs, in the University, and in the community.

All appointments are made by the President after review by the Appointment and Promotion Committee to ensure that all procedures are followed and that all criteria are applied. Appointment is for one academic year; however, longer contracts may be given by approval of the President.

The AUA does not currently have a tenure system for promotion and does not grant tenure. Faculty members start the promotion process by creating a dossier. The dossier includes a letter of intent, a written statement of accomplishments based on the criteria in the “Criteria for Appointment and Promotion” section of this policy, curriculum vitae, letters of recommendation from academics both on campus and at other institutions, sample publications, and materials that evaluate teaching. The dossier is presented to the Dean of the academic program and the Dean calls a faculty meeting during which the promotion request is evaluated and a decision is made in favor or not in favor of the request. The decision of the faculty of the academic program is forwarded to the Appointment and Promotion Committee, chaired by the Provost, which reviews the promotion request, makes a decision in favor or not in favor, and forwards the decision of the academic program and the decision of the Committee to the President. The Committee reviewing the dossier for promotion must be made-up of faculty with higher rank than the faculty member being considered for promotion. The AUA President makes the final decision on promotion.

52. **State HEIs have complete autonomy in setting remunerations for their staff, but few take into account performance in the remuneration system.** Article 25 of the LHE allows HEIs to “independently decide the form and system of remuneration of the work, sizes of
additional payments, extra payments, rewards and other means of material encouragements as well as the rates of wages for all types of employees without defining maximum rates of wages”. Autonomy in setting salaries and other allowances is indeed practiced and has been confirmed by all survey respondents. For instance, the Pedagogical University raised salaries for academic staff by 40 percent in 2011, and also started providing a top-up for a mastery of foreign languages. Typically, state HEIs determine staff salaries based on academic qualifications, years of relevant experience, and years of services in the institution, but very few HEIs take performance into account. One exception is the Yerevan State Linguistic University that has recently developed a performance evaluation scorecard, based on which staff started to receive their salaries and compensations. As a comparison, the Slavonic University has developed the “Provision of Differentiated Payment of Labor of Academic Staff” which defines rules for additional payment by the positions, for researchers, and for extra workload. The university aims at considering not only the academic workload, teaching hours, but also fostering high quality of research and academic work as well as staff performance.

3.1.4 Financial autonomy

The LHE suggests that Armenian HEIs have a high degree of financial autonomy, but the reality is quite different due to various regulations and lack of funding. According to the LHE, HEIs may set tuition fee levels for fee-paying students and staff salaries and bonuses, issue bonds, purchase and manage property, retain unspent savings and own revenues, and deliver paid educational services. However, the reality is quite different. First, while state HEIs do not need government’s approval on budget, they must submit it to the MOES, which is in effect an approval requirement since the Law on SNCOs allows the MOES and the government to cancel the decision adopted by the Council. Second, even though the LHE allows HEIs to set tuition fees, in reality, the Government’s Assessment and Testing Center formally announces tuition fee levels for each specialization each year which state HEIs usually follow. It is noteworthy, though, that this study did not observe any complaint from state HEIs with regard to lack of autonomy in setting tuition fees. Third, the amount of scholarships for state-funded students allocated by the government is typically much lower than the actual costs, but state HEIs are not allowed to charge any fees to the state-funded students, forcing HEIs to raise tuition fees. Fourth, some universities’ charter (e.g. Agrarian University and Yerevan State Linguistic University) specifies that “fees generated from renting out assets with state ownership are to be directed to the state budget,” and they indeed relinquish those revenues to the government. Fifth, the Law on SNCOs prohibits state HEIs from using its assets as collateral, and requires state HEIs to get permission from the MOES when purchasing property worth more than the amount defined in the Article 22 of the Law. Sixth, the Law on SNCOs allows the

64 List of Specialties and their Tuition Fees for 2012-2013 academic Year BA programs at State HEIs http://atc.am/files/2012%20dimord/masn_cucak.pdf
65 When the government determines and allocates state-funding for scholarship students, the unit costs for each program and university are calculated using an outdated normatives. World Bank, 2008, Education Public Expenditure Review. See Annex 1 for Methodology for calculating the amount of state scholarships for university students.
66 The amount depends on the already existing own assets included in the financial reports of each HEI. The Government Decree 1648 dated November 27, 1993 prohibits SNCOs from lending or taking loans (Point 2 clause A) (http://www.arlis.am/DocumentView.aspx?DocID=11642).
government or MOES to decide how the HEIs’ property, including financial sources, should be used (Article 17, Clause B). Seventh, universities are required by the Law on Mandatory Social Payment (Articles 3 and 4) to contribute to pension funds for each employee regardless of his/her working hours, which makes part-time staff very expensive.\(^\text{67}\) Finally, and probably most importantly, given limited public spending and heavy reliance on tuition fees, fundamental operations of most state HEIs are at risk and there is little room to exercise financial autonomy.

54. **Many state HEIs are severely constrained by the Law on SNCOs to be engaged in entrepreneurial activities, limiting their potential revenues.** As discussed above, the Law on SNCOs states that SNCOs may be engaged in entrepreneurial activities only in cases and by types of activities directly envisaged by the Law and the founder’s decision, *i.e.*, the Charter. It further stipulates that “profit yielded in the course of activity of State Organization shall be used for achievement of goals envisaged in its Charter. The founder shall define the order of use of the State Organization’s profit” (Article 6, Clause 2). Since the Charter and its amendments need to be approved by the founder (the government) or its authorized state body (Article 13), it essentially means that universities can engage in only activities approved by the government. This may work well for some state HEIs, but not for many others. For instance, the Charter of Yerevan State Medical University\(^\text{68}\) allows the university to be engaged in a wide range of business areas, but many others do not have the similar flexibility. While the Medical University earns 19 percent of their revenues from other sources than state funding and tuition fees, and the Architecture and Construction University 28 percent, two regional pedagogical universities earn less than one percent, and even the Yerevan State University earns only 9 percent from other sources. The recent change in the legal status of the Agrarian University from an SNCO to a foundation illustrates their constraint: according to staff of the university, the change in the legal status has given the university an opportunity to diversify funding sources.

### 3.2 Accountability

55. **Accountability can be measures in various dimensions.** Using the Screening Card and SABER tools, this study assessed accountability of universities in terms of academic integrity (fairness and transparency in examinations and student assessment and teacher evaluation and career development, internal quality assurance of teaching and learning), financial integrity (efficiency and transparency in financial management, spending, and procurement), publicity and transparency of institution’s missions and goals, achievements against them, internal and external evaluation results, and outcomes such as repetition rates and graduate tracing in the labor market, and participation of stakeholders in decision-making. In Armenia, there is no national guideline for accountability, but the self-assessment criteria and standards recently developed by the ANQA could serve as a check-list for accountability (see Box 9).

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\(^{68}\) Adopted by the government on September 15, 2005, N 1716-N.
Box 9
ANQA Standards for Self-Assessment for Higher Education Institutions

The ANQA sets state accreditation criteria and standards as a foundation and framework to guide institutions on self-assessment. Seven standards to assess institutions’ performance include:

(i) The institution’s governance and administrative structures and practices promote effective and ethical leadership and decision making congruent with the mission and purpose of the instructions;
(ii) The institution’s system of governance provides for student and teachers input in decision making in matters directly affecting them;
(iii) The institution carries out short, medium, and long term planning consistent with its mission and purpose as well as appropriate monitoring tools ensuring implementation of the plans;
(iv) The institution conducts environmental scanning and draws on the findings to enhance its effectiveness;
(v) The management of the processes draws on the quality management principle (plan-do-check-act);
(vi) There are mechanisms in place ensuring data collection on the effectiveness of the academic programmes and other processes, analyses and application of the data in decision-making;
and
(vii) There are mechanisms in place providing up to date, objective and impartial quality (quantitative and qualitative) information on the academic programmes offered and qualification awards.


3.2.1 Academic integrity

56. **Academic integrity is at risk in general.** As discussed above, the public perception of corruption in education in general, and in higher education in particular, is very poor. Various survey results together with an array of anecdotal reporting indicate that unethical behaviors such as exam fraud prevail throughout the higher education system. To fight against corruption, in 2011, all HEIs, among other state bodies and organizations, were required to develop an anti-corruption strategy as part of nationwide anti-corruption program.⁶⁹ While all state HEIs at least have formally developed such a strategy, some are making more efforts to fight against corruption than others. Among the 10 state HEIs interviewed in this study, half have applied standardized sanctions against examination fraud and seven against unethical behavior of faculty (sale of exams, nepotism) and non-compliance with admission standards. The French University recently dismissed a large number of faculty members who exhibited unethical behavior and non-compliance with admission standards by disclosing exam questions and other confidential information to applicants prior to the exam. It has also taken various concrete measures to reduce those behaviors both among students and faculty members.

3.2.2 Financial integrity

57. **State HEIs meet the annual audit requirements, but it is limited to financial audit and does not provide information about efficiency and effectiveness of their spending.** The Law on Internal Audit[^70] adopted in 2010 requires all SNCOs to create an internal audit services unit. However, none of the state HEIs has established such a unit because the MOES instructed that internal audit of state HEIs must be carried out by the Internal Audit Unit of the MOES, possibly giving power to the MOES to interfere financial autonomy of HEIs. In addition to the auditing by the MOES, HEIs whose gross annual revenues exceed one billion AMD (approx. USD 2.5 million) are required to be audited by an independent auditor. Either way, the audit is limited to financial audit, and does not carefully examine efficiency and effectiveness of their spending. Then, the Law on Accounting requires large organizations, including eight state HEIs, to disclose annual financial reports[^71]. The reports may be published only after passing the audit, together with the auditor opinion, via press, internet, or through booklets.

58. **A new electronic document circulation system introduced by the government is an effective tool to reduce corruption.** In 2009, the government introduced an electronic document circulation system called “Mulberry” to be used by almost all government and state bodies under jurisdiction of the executive branch[^72]. Even though SNCOs are not required to introduce it, all state HEIs have started using it. It is an effective tool to reduce corruptive financial transactions and respond to complaints, requests, and orders because every step of financial flows and persons involved are documented electronically and made available online readily[^73].

59. **State inspection has threatened financial autonomy of HEIs, but there has been improvement in legislation on institutional inspections.** According to the Law on SNCOs, SNCOs’ financial activities are supervised by the founder, its authorized body, and other state bodies empowered by the legislation[^74]. The main state bodies that carry out financial supervision or inspection of state HEIs are the MOES, State Revenue Committee, Control Chamber, and Ministry of Finance. The last two are empowered to inspect and supervise only the funds provided by state or municipal budgets. Each of these bodies should be inspecting a different set of activities as defined by the above law, but in reality, there are many overlaps among themselves. The state inspection can sometimes threaten financial autonomy of HEIs.

60. **By contrast, the government does not regulate financing of private HEIs at all; it is up to the initiative of the respective HEIs to demonstrate their financial integrity.** Private HEIs are not required to be audited by an external auditor annually if their total revenue does not exceed one billion AMD; three of the four surveyed in this study have not been audited indeed,


[^71]: Large organizations refer to those that meet at least one of the following two criteria: a) proceeds of the reporting year (for which financial statement shall be issued) exceed one billion Armenian drams; and b) balance sheet value of assets at the end of the reporting year (for which financial statement shall be issued) exceeds one billion AMD. State HEIs that are obliged to disclose the annual financial report are: (i) Yerevan State University, (ii) State Engineering University of Armenia, (iii) Armenian State University of Economics, (iv) Yerevan State University of Architecture and Construction, (v) Armenian State Agrarian University, (vi) Armenian State Pedagogical University, (vii) Yerevan State Linguistic University, and (viii) Yerevan State Medical University.

[^72]: The Parliament and Presidential administration are excluded.

[^73]: The program is so effective that even commercial companies such as big banks and factories are also using it.

[^74]: All the state bodies which are empowered to conduct inspection are listed in the Law on Organizing and Conducting Inspections.
and one is audited less frequently than annually. Despite that almost all of their revenues come from tuition fees, students do not have any means to be informed about how their tuitions are spent. On the contrary, the American University may be the only HEI in Armenia which has established adequate regulations and guidelines on auditing on their own.\footnote{http://aua.am/faculty/}

### 3.2.3 Students’ participation

61. **Students’ participation in higher education governance has resulted in mixed results to date in Armenia, but has a potential to contribute to the improvement of the quality and relevance of higher education and to fight against corruption.** Needless to say, students are the primary beneficiaries of higher education, and their voices are essential for the improvement of higher education. In Armenia, students’ participation in higher education governance is generally limited only through a passive membership in the University Council, Scientific Council and Department Councils. However, according to the Transparency International Armenia’s survey discussed above, the majority of students are indeed interested in participating in actions to protect their rights and have many concrete ideas to contribute to improving accountability.\footnote{To fight against corruption, the student working group recommended various measures, including: to require periodic performance evaluation of teachers and disclosure of the evaluation results; to create an independent and impartial anti-corruption body like the Ombudsman; and to involve students in the process of promoting transparency and monitoring cases of corruption through strengthening student councils.} Unfortunately, their voice is typically not heard because many of them do not know how to effectively participate without having an active student body that they can trust. An exception is the State Engineering University’s Student Council which actively represents students in the University’s Council and is seen positively by other students. Another good example of student participation is at the French University, which has developed internal regulations and procedures outlining students’ rights of expression. With a new legal requirement since 2011 that HEIs provide a budget line for Student Councils’ activities, students participation may increase. On the other hand, there have been cases where students have misused their voice, for instance, by accusing strict teachers for being unfair and corrupt.\footnote{Anecdotal evidence from the YSU and Pedagogical University.} Students could meaningfully contribute to more positive outcomes if they are better informed and trained with regards to their potential roles in governance and quality assurance.

### 3.2.4 Management and administration capacity

62. **A fundamental challenge for state HEIs is the lack of financial management and administration capacity at the institutional level which is currently too centralized, top-down, and irresponsible to the demands of students and employers.** Typically, financing of state HEIs is centralized and controlled by the central administration, leaving limited power to academic units: budgets are often planned without taking into account institution’s strategic plan or reflecting needs of academic units. A comparative study of institutional financing systems of Armenian HEIs and American universities (primarily the State University of New York)\footnote{For instance, Balayan, Gabriel, 2011, \textit{Financing system of SUNY Plattsburgh, comparison with Armenian system of Higher Education}, IREX (the International Research & Exchange Board) University Administration Support}
reveals areas where the former can be strengthened: developing budgets in a more close linkage with the implementation of strategy and action plan, and setting tuition fees and other fees to reflect the actual costs of various activities. In terms of HEIs’ administrative capacity, HEIs are self-governing legal entities and may establish their own record-keeping, reporting, and other similar procedures. However, most state HEIs follow the administrative procedures developed by the government simply because they do not have the capacity to do otherwise,⁷⁹ even though those procedures are not explicitly developed for HEIs, and therefore not suitable for university governance and management.

63. At the institutional level, in order to assure the quality and relevance of education, it is essential that HEIs monitor and evaluate their performance at institutional level and are closely linked with the labor market, but few institutions are effectively doing so. Most HEIs have developed their own performance indicators to monitor and evaluate their performance against strategies and goals.⁸⁰ However, most of them do not systematically collect information about the labor market or track graduates’ employment situations. A few universities involve the private sector or alumni in the Council (governing board) or Scientific Council (academic council) to reflect the up-to-date labor market demand in their program and curriculum development. The inter-governmental and inter-state HEIs tend to do a much better job in this area. For instance, the Slavonic University established the first university-based career center in Armenia in 2008. Initially, the Tourism Career Center improved the linkage between the university and private enterprises and successfully helped increased job placements in the tourism industry by 15-20 percent. The close collaboration with the private sector enabled the university to regularly update curriculum, to offer internship programs, and to quickly respond to employers’ demand.

IV. Conclusions

64. Since joining the Bologna Process in 2005, the Armenian government and higher education institutions (HEIs) have made significant progress in reforming the higher education system, including the development of a national quality assurance system aligned with the European system and a strategy aiming for more equitable and efficient higher education financing. Despite many positive developments, reforms have not addressed governance and management issues. To maximize the benefits of various ongoing reforms and further develop higher education, the government and HEIs together need to place governance and management at the heart of system-wide higher education reforms and define a mutually agreeable and clear governance system. By primarily using two survey instruments, this study aimed at two objectives. First, it aimed to outline how the higher education governance framework is shaped and exercised in Armenia and point out where the reality differs from the theory. Second, it aimed to propose policy reforms to strengthen the governance framework and implementation. Main findings and policy recommendations are summarized below.

I. System-wide Governance Framework

65. The higher education regulatory framework requires amendment as laws contradict with each other, resulting in major interference with autonomy of institutions. The Law on Higher Education (LHE) of 2004 and the Law on Education of 1999 define the overall governance framework for higher education and provide HEIs a high degree of autonomy at a first glance. However, there are contradictions with regard to autonomy even within the LHE and its supplementary regulations. Moreover, the Law on State Non-Commercial Organizations (SNCOs) of 2001 and the Law on State Governing Institutions of 2001 contradict with the education laws by authorizing the government as the founder and the Ministry of Education and Science (MOES) as the supervisory body to override autonomy of HEIs. The conflicting legislation has failed to lay out an adequate balance between autonomy and accountability and help maximize the potential of Armenian HEIs. The recent reorganization of the Agrarian University from an SNCO into a foundation illustrates a short-term solution to the legal constraints that state HEIs face, and may lead to an overhaul of the legal status of state HEIs. While private HEIs are not as tightly regulated or monitored as state HEIs, there is no legislation that promotes their development. Branches of foreign HEIs are least monitored by the MOES and little information is available.

Recommendation 1 – Overhauling the regulatory framework

- Redefining roles of government and HEIs. To enhance higher education, Armenia urgently needs to overhaul the existing legislation and develop a coherent regulatory framework a suitable governance model that redefines the roles of the government and HEIs. A newly defined framework should give the government a stronger policy-making, monitoring and evaluation capacity to guide HEIs in achieving national goals on the one hand, and allow HEIs to effectively exercise autonomy and demand institutions to be more accountable to students and society on the other hand. It is essential that the government and HEIs together explore and find an adequate balance between the roles of
the government and HEIs and between autonomy and accountability that is suitable for Armenia through extensive stakeholder consultation.

- **Developing a coherent regulatory framework.** Based on the mutually agreed governance framework, the government needs to overhaul the existing legislation governing higher education and develop a cohesive and coherent regulatory framework. This should include fostering a more active and competitive participation of private HEIs, particularly not-for-profit HEIs.

66. It is important to analyze a tertiary education system as a comprehensive network of university and non-university tertiary education institutions (TEIs) that offer a diverse set of knowledge and skills. Research and development (R&D) is another area that should be analyzed together with higher education. It is crucial to integrate research and education in universities to strengthen the country’s R&D capacities for a competitive economy. Nevertheless, this study did not cover non-university tertiary education institutions or R&D, reflecting the reality in Armenia where non-university tertiary education and R&D are governed by different sets of laws, regulations, and strategy from those for universities, and that it was difficult to cover them all in this report. This is an area that requires a further study and development in the medium-term.

**Recommendation 2 – Establishing a diversified, integrated tertiary education system**

- **Moving towards integrating university and non-university tertiary education on the one hand, and tertiary education and research on the other.** It is a systemic weakness that university and non-university tertiary education (i.e., vocational and technical colleges), and higher education and research are not well-integrated. To develop a cohesive tertiary education system, it is recommended that the government establish a working group and study how to develop a diversified, well-integrated tertiary education network with an aim to eliminate the divisions in the medium-term.

67. A most notable development in the subsector has been the development of the national quality assurance system; it is essential to further strengthen it an internationally credible system. Since its establishment in 2009, the ANQA has made a considerable progress in developing the national quality assurance system in Armenia, but there are further steps to become an internationally credible quality assurance agency. HEIs have used self-assessment as a tool to improve the quality at institutional level. According to the initial stage of institutional and program accreditation, most HEIs may be awarded only conditional accreditation at this stage and given two years to reapply for full accreditation.

**Recommendation 3 – Strengthening the quality assurance system**

- **Supporting the Quality Assurance Agency.** The government and the Ministry of Education and Science (MOES) have strongly supported the establishment of a national quality assurance agency, the National Center for Professional Education Quality Assurance (ANQA). It is crucial that they continue creating an enabling environment for the ANQA to help strengthen the Armenian national quality assurance system as an internationally credible agency.
- **Developing a new quality assurance model.** The form and responsibility for quality assurance should be shifted from setting strict state educational standards for curriculum and teaching processes by the MOES to defining quality standards and learning outcomes by the ANQA.

- **Developing a monitoring and evaluation mechanism.** Once the comprehensive higher education and management information system is in place, the MOES needs to develop a monitoring and evaluation mechanism, including key performance indicators linked to accreditation, university ranking, and funding.

- **Establishing labor market observatories.** It would be ideal to establish both a national level labor market observatory and institution-based graduate tracer studies to strengthen the linkage between the labor market and higher education and improve the quality and relevance of higher education programs.

68. **Public funding for higher education is limited and inequitable.** Public funding for higher education is limited. State HEIs, on average, receive only 21 percent of their revenues from the government to finance the costs of state-funded free places. This makes Armenia one of the countries in the world which allocate the lowest public funding to higher education. As a result, state HEIs have increasingly relied on tuition fees. The primarily merit-based state funding and increasingly high dependence on tuition fees have deprived socio-economically disadvantaged students of access to higher education. The new Higher Education Financing Strategy of 2011 aims at making higher education financing more equitable, competitive, and sustainable; however, without substantially increasing the total public funding, it may not result in an marked impact on quality.

**Recommendation 4 – Diversifying higher education financing**

- **Strengthening higher education financing reforms.** The government has already initiated a comprehensive reform of higher education financing and should continue the process. A new financing model needs to provide greater sustainability and offer incentives for quality improvement and innovation. Such a model should include a gradual shift from the narrowly-defined scholarship system to more targeted, prioritized, demand-driven, flexible, and competitive funding aiming at quality and relevance enhancement.

- **Mobilizing private funding.** While modernizing the funding system, the sector is likely to need an infusion of resources to further jumpstart radical improvement. The government first needs to consider increasing public funding which is currently among the lowest in the world, and integrating higher education and science financing. It also needs to mobilize private investment by allowing HEIs to effectively exercise financial autonomy and providing tax incentives for HEIs and private investors.

**II. Institutional Governance**

69. **The LHE and the Law on Education provide HEIs with autonomy and academic freedom as a principle.** However, the LHE together with supporting legislation leaves means for government’s intervention into HEIs institutional governance. Most notably, the government’s influence is embedded in the institutional governance structure. The government
influences higher education governance by appointing a majority representation in the Council and placing a political figure as the Chair of the Council. The selection of Rectors is supposedly non-political and competitive, but there seems a great deal of political influence in reality. The Rector’s Office is a consultative body, but it exercises strong power in ongoing and important procedures. The selection process for the key positions determining academic matters is not sufficiently competitive. Unlike state HEIs, the governance structure of inter-governmental HEIs appears to ensure more competition and flexibility in general. In contrast, the governance structure for local private HEIs is not regulated much at all.

70. **Despite the education laws which assure HEIs academic freedom, supplementary regulations constrain it in practice.** While the unified university entrance examination helps assure fairness and transparency in student admission, the government’s control over the number of student places to the level of specialization for all HEIs is excessive. Legislation neither allows nor encourages HEIs to be actively engaged in research and development.

71. **Institutional autonomy in human resource management is not effectively exercised.** The LHE stipulates strong autonomy in human resource management, but it does not necessarily mean that HEIs manage their staff effectively without adequate performance evaluation system in place. State HEIs have complete autonomy in setting remunerations for their staff, but few take into account performance in the remuneration system.

72. **Contradicting laws and regulations also limit financial autonomy.** Despite the LHE that provides a high degree of financial autonomy, state HEIs do face various regulations in reality. Perhaps most importantly, HEIs’ financial autonomy is threatened because the financial capacity of most HEIs is so weak that there is little room for them to exercise financial autonomy effectively.

73. **The higher education system as a whole and at institutional level lacks the capacity to be accountable to their performance.** The overall accountability of Armenian HEIs is weak with wide variations between HEIs. First, academic integrity is at risk in general, even though some HEIs are making efforts. Public HEIs meet the annual audit requirements, but do not necessarily provide information about efficiency and effectiveness of their spending decisions to maximize student learning. A new electronic document circulation system introduced by the government is an effective tool to reduce corruption, but only a few HEIs have adopted it. State inspection has threatened financial autonomy of state HEIs, but there has been improvement in legislation on inspection. By contrast, the government does not regulate financing of private HEIs at all. Students’ participation in higher education governance has resulted in mixed results, but can be an effective tool to improve the quality and relevance of higher education and to fight against corruption. A more fundamental challenge for state HEIs may be lack of financial management and administration capacity at institutional level which is too centralized, top-down, and irresponsible to demands of students and employers. At institutional level, in order to assure the quality and relevance of education, it is essential that HEIs monitor and evaluate their performance at institutional level and are closely linked with the labor market, but few institutions are effectively doing so.

**Recommendation 5 – Building the system-side and institutional capacity**
- **Strengthening the capacity of policy-makers.** In order to implement the new governance framework, the MOES needs to strengthen its roles in policy-making and monitoring and supervision to guide HEIs to achieve national goals. The government should consider integrating authority over higher education and science.

- **Strengthening the capacity of HEIs.** Based on the self-assessment that all HEIs are undergoing as part of the accreditation process, each HEI needs to continue building its capacity to effectively exercise autonomy and be accountable for their services. The government, MOES, and ANQA need to provide necessary technical assistance and adequate financing to support the capacity building process.

74. In sum, this study found that the conflicting legal framework defining the roles of the government and HEIs in higher education governance and the weak capacity of the government and HEIs to effectively exercise autonomy and accountability are the major weaknesses for the Armenian higher education system. Hence, there is an urgent need to develop a strong governance framework as well as leadership and management skills among university and systems leaders who would be responsible for any reforms to be successfully implemented in a sustainable manner.
Reference


World Bank, 2011, Education Chapter, Public Expenditure Review.
## List of universities and colleges that participated in the study

<table>
<thead>
<tr>
<th>Types</th>
<th>Universities</th>
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<tbody>
<tr>
<td>Non-Commercial State Orgs</td>
<td>Armenian State Pedagogical University (ASPU)</td>
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<tr>
<td></td>
<td>Gyumri State Pedagogical Institute</td>
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<td></td>
<td>State Engineering University of Armenia (SEUA)</td>
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<td></td>
<td>Vanadzor State Pedagogical Institute</td>
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<td></td>
<td>Yerevan State Conservatory</td>
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<td></td>
<td>Yerevan State Linguistic University (YSLU)</td>
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<td>Yerevan State Medical University (YSMU)</td>
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<td></td>
<td>Yerevan State University (YSU)</td>
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<tr>
<td></td>
<td>Yerevan State University of Architecture and Construction (YSUAC)</td>
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<tr>
<td>State University Foundation</td>
<td>Armenian State Agrarian University</td>
</tr>
<tr>
<td>Inter-governmental Joint</td>
<td>Armenian-Russian (Slavonic) University</td>
</tr>
<tr>
<td>Joint governance Foundation</td>
<td>French University Foundation in Armenia</td>
</tr>
<tr>
<td>Private Non-profit Foundations</td>
<td>American University of Armenia</td>
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<td></td>
<td>European Regional Educational Academy</td>
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<tr>
<td>For-profit Limited Liability Companies</td>
<td>Eurasia International University</td>
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<td>Yerevan Urartu University</td>
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<td>Yerevan Northen University</td>
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<td>Collaborative Non-profit Companies</td>
<td>Yerevan Gladzor University</td>
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<td>Colleges State Non-commercial State Organizations</td>
<td>Yerevan State Armenian-American Medical College Erebouni</td>
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<td>Yerevan Regional State College No. 1</td>
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<td>Yerevan Regional State College No. 2</td>
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Methodology

75. **Survey instruments.** The study was conducted primarily by using the following two complementary survey instruments:

I. *University Governance Screening Card* developed by the Middle East and North Africa (MENA) region of the World Bank. It aims at collecting data directly from institutions to capture the real picture of university governance at the institutional level (Attachment 1). It consists of about 50 questions in five dimensions of governance, including:

1. Context, mission, and goals
2. Management orientation
3. Autonomy
4. Accountability
5. Participation

II. *SABER (Systems Approach for Better Education Results)-Tertiary Education Governance* (draft) developed by the Human Development Network for Education of the World Bank. It aims at assessing tertiary education policies according to eight policy goals (Attachment 2), including:

1. Clear Vision for Tertiary Education
2. Appropriate Regulatory Framework
3. Capacity of the Tertiary Education Authority (TEA)
4. Leadership, Management and Organizational Autonomy
5. Sufficient Institutional Autonomy
6. Presence of performance-based and equity focused funding
7. Checks on Quality and Relevance
8. Standards of Accountability

76. First, to collect institutional level data using the Screening Card, the team selected a representative sample of 10 state universities out of 19, a unique sample of three intergovernmental universities out of four, four well-known private universities out of 39, and three public colleges out of 81 in total (see Annex 2 for a list of institutions studies). A team of two local consultants sent out the Screening Card questionnaire in advance, visited each institution, filled the questionnaires themselves, and prepared short institutional reports to supplement the information collected during the interviews.

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81 The MENA team had piloted the instrument in four MENA countries, the results of which have been reported in Jaramillo, A. et al., 2012, *Universities through the Looking Glass: Benchmarking University Governance to Enable Higher Education Modernization in MENA*, the World Bank and the Center for Mediterranean Integration.
83 There also are 20 private colleges, but no sample was selected from this category.
77. Second, while collecting the institutional level data, the team observed that public universities which supposedly operate under the same regulatory framework and therefore should answer the same to many of the questions (though, not all questions) were not necessarily doing so. Therefore, the team reviewed the existing laws and regulations in parallel to identify normative answers, i.e., legally-bound correct answers as a benchmark. The SABER tool was instrumental in this process as it aims to collect system-wide data. This exercise helped the team understand the system-wide governance and regulatory framework and validate the survey answers.

78. Analysis. Initially, the team intended to score the results of the Screening Card for each institution as well as those of the SABER tool for the tertiary education system, as these instruments are intended for. However, after comparing and analyzing the institutional scores for each question of the Screening Card and system-level scores for the SABER tool, the team decided to present findings based on qualitative analyses without scoring institutions and the system for the following reasons. First, while there were limited variations in the answers for the Screening Card between public universities, most of the common answers that resulted in low scores were primarily due to the constraints imposed by the system-level governance and regulatory framework rather than institutions’ performance. Second, there are some questions where the assumed “best” answers for the Screening Card do not seem to be applicable in the Armenian context, or could be even debatable in some cases. For instance, the legal status of all state universities changed in 2002-2003, which gains a positive point, but it is unclear whether it should be either scored more positively or negatively than no, two, or more changes. Third, the team observed that some interviewees were not necessarily knowledgeable enough to represent their institutions and answer the survey questions correctly. Finally, for both instruments, the team felt that a detailed qualitative analysis of data, including a careful comparison of different answers, would provide more insightful understanding of governance challenges that HEIs face in Armenia than using a scoring method. Hence, this report presents an in-depth qualitative analysis of data collected using the two instruments as well as additional supplementary data without scoring institutions and the system.

79. Scope. It is important to analyze a tertiary education system as a comprehensive network of university and non-university tertiary education institutions (TEIs) that offer a diverse set of knowledge and skills. Precisely for this reason, it was initially intended that this study would cover the entire tertiary education system in Armenia rather than just HEIs. Indeed, four colleges were surveyed using the Screening Card. However, because non-university TEIs are governed by a different set of law, regulations, and strategy\textsuperscript{84} from those for universities, and because it is difficult to separate non-university TEIs from other middle-level professional education institutions that offer both secondary and post-secondary non-tertiary, the team decided not to

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\textsuperscript{84} Law on Preliminary Professional (Craftsmanship) and Middle Professional Education dated July 8, 2005; Strategy for Primary and Secondary Vocational Education and Training 2011-2015. For instance, while the Law governing the non-university tertiary education provides autonomy of TEIs in general (Clause 8, Part 1, Article 4), it does not have a clause on academic freedom unlike the Law on Higher Education. Overall, the founder—the government, regional administrations, or municipal bodies—overwhelmingly controls the non-university TEIs in reality.
analyze this group of TEIs in this report (see Box 10 for the structure of vocational and technical education system in Armenia).

80. Research and development (R&D) is another area that should be analyzed together with higher education. It is crucial to integrate research and education in universities to strengthen the country’s R&D capacities for a competitive economy. Historically in Armenia, however, a large number of scientific institutions under the National Academy of Sciences have been the main bodies for research and development. On the contrary, despite several legal acts requiring HEIs to be engaged in research activities, HEIs are restricted by legislation to commercialize their research activities, which in turn limits the development of universities’ research capacities. Due to the difficulty in covering the R&D sector that is largely disintegrated from HEIs, this study will not cover the governance of National Academy of Sciences.

### Box 10

**The Vocational and Technical Education System in Armenia**

Armenian post-basic professional education (as opposed to general education) consists of initial-level, middle-level, and higher-level professional education. The first two are equivalent to vocational and technical education and the last is higher (university) education. Both students with basic education (9 grades) and secondary education (11 grades until 2010 and 12 grades after 2011) may enter either preliminary professional schools (vocational schools) or middle-level professional schools (colleges). In the academic year 2010/11, 6,393 students were enrolled in 44 public vocational schools, of which 84 percent had only basic education, and 16 percent had secondary education. Another 27,922 students were enrolled in 81 public colleges and 1,653 students in 20 private colleges, of which 38 percent had only basic education and 62 percent had secondary education. Since colleges offer vocational training for students with different educational background, it is difficult to break down middle-level professional education into secondary, post-secondary non-tertiary, and non-university tertiary levels. However, based on the students’ educational background, it may be reasonable to assume that about two thirds of the college students are receiving non-university tertiary education. Graduates of these colleges may not be transferred to universities, and have to take the unified entrance examination to enter universities. In addition to these colleges, some universities offer college-level education. These colleges are “incorporated” into universities and their students may be transferred to the second or third year of the affiliated universities according to the quotas for each university and specialization set by the MOES. The quotas may not exceed 10 percent (or 20 percent in the case of pedagogical specialties) of all places allowed by the license of the respective universities and specializations.

1/ There is no private vocational school in Armenia.
2/ Data on the number of schools and students are from the National Statistical Service, 2011.
3/ Government Decisions N 589 adopted on May 20, 2000 and 1760-N adopted on November 26, 2006. Note that it is unclear why the quotas for pedagogical specialties are higher when the unemployment rate among graduates of pedagogical specialties is the highest among university graduates.

85 During the Soviet Union period, many scientific institutions under the NAS were engaged in country-wide projects and the order came for Moscow directly. After the collapse of the Soviet Union, many institutions became simply unclaimed and they were forced to be dissolved. In 2011, the Government adopted the Law on National Academy of Sciences adopted on 14 April 2011 to strengthen the role of the NAS, but there has been little change since. The Law on Scientific and Scientific-Technical Activities (Article 18) does not clearly define whose property the outcome of the scientific work would be (http://www.arlis.am/DocumentView.aspx?DocID=67725).
AXIS 1: CONTEXT, MISSION AND GOALS

(1) Missions of Universities (National Level)

Q1. Are the general missions of universities in the country formally stated?
Q2. Where are they stated?
   I. National Law for (Higher) Education
   II. MoE decree (or similar)
   III. Report of a reflexion committee or council
   IV. Universities internal regulation
Q3. During their elaboration, which actor had a voice?
   I. The State, national level (Parliament, government)
   II. The State, regional level (We will drop this because it is not relevant in Armenia)
   III. Civil society representatives
   IV. Industry & business representatives
   V. Universities representatives
   VI. Syndicates/unions

(2) Goals of the Institution

Q4. Are the specific goals of your university formally stated?
Q5. Where are they stated?
   I. National Law for (Higher) Education
   II. MoE decree (or similar)
   III. Report of a reflexion committee or council
   IV. University internal regulation
Q6. What was the major concern during their settlement? (Please choose only one 1=Yes)
   I. Reflecting the expectations of internal stakeholders (students, staff)
   II. Reflecting the expectations of external stakeholders (State, donors, private sector, alumni)
   III. Being aligned with the university missions nationally defined
Q7. Which actors are in charge for monitoring their achievement?
   I. The State (Government, MoE, Parliament)
   II. Institutional leadership (Head or equivalent)
   III. Social council (e.g. civil society, industry & business representatives, associations, donors)
   IV. Senior Managers
   V. Governing Board (or equivalent)
   VI. Other councils (e.g. Academic, Research, Student's Senate...)
   VII. Private owners / Donors

(3) Legal Framework

Q8. How many times has the legal status of the university been modified in the last 10 years?
   I. None
   II. One time
   III. Two times
   IV. Three times
   V. More than three times
Q9. How many times has the mission legally entrusted to universities been modified in the last 10 years?
   I. None
   II. One time
   III. Two times
   IV. Three times
   V. More than three times
Q10. What is the event that better explains the last changes in the Legal Framework of the University?
   I. Reform of the law conducted by the National Assembly/Parliament (or similar)
   II. Replacement of the executive (president, minister)
   III. Effects of a financial/economic crisis
   IV. Alignment with international trend
Q10 (bis). Important: please give more precision, if relevant, about the following items:
I. What are the missions entrusted to your university at the national level?
II. What are the goals defined for your institution?
III. If existent, what were the main changes in the legal framework? What were the main reasons?
IV. Is there currently a higher education law waiting to be implemented? If so, why?

AXIS 2: MANAGEMENT ORIENTATION

(1) Strategy

Q46. Does your university have its own strategy?
Q11. If a strategy is established (at the institutional and/or faculty level), which means are used for its statement?
   I. Internal reports, road maps
   II. White paper, wide consultation
   III. Partnership with the state
   IV. Others ( )
Q12. If relevant, what are the key elements discussed during the strategic process?
   I. Process for achievement of the goals
   II. Detailed action plans
   III. Values promoted
   IV. Vision of education and/or research
   V. Internal regulation and procedures
   IV. Others ( )
Q13. Are the following elements used to measure their attainment?
   I. Quantitative surveys producing performance data
   II. Assessment reports conducted by the Governing Board
   III. Assessment reports conducted by the State (Parliament or Government)
   IV. Assessment reports conducted by an independent agency
   V. Others ( )
Q14. Are the following issues discussed among the Governing Board during the meetings?
   I. Budget issues
   II. Academic issues (e.g. student admission, exams, programs)
   III. Long-term strategy
   IV. Human resources directives (e.g. appointment of academics)
   V. Institutional relationships (e.g. partnerships)
   IV. Others ( )

(2) Selection of Decision Makers

Q15. What is the selection process of each actor?
I. Head of the University
II. Deans
III. Members of the Governing Board
   I. Appointment by the Government
   II. Appointment by a Selection Committee
   III. Elections (with a note that "with the government's final approval")
   IV. Competitive recruitment
   V. Appointed by the Board
   VI. Others ( )
Q16. Who is implicated/involved in this process?
I. Head of the University
II. Deans
III. Members of the Governing Board
   I. The State (President, Prime Minister, Parliament, MoE or Regional authorities)
   II. Institutional leadership (Governing Board,...)
   III. Senior Academic staff
   IV. Private owners or donors
   V. Students (only for III. Members of the Governing Board)
VI. Others ( )

Q17. What are the requirements to be selected?
I. Head of the University
II. Deans
III. Members of the Governing Board
   I. s/he is not necessarily an academic (Note: If s/he must be an academic, the answer is 0)
   II. s/he needs to have a Managerial profile
   III. s/he can be an external person from the University
   IV. s/he has to meet a full job specification
   V. s/he is not necessarily a member of a political party
   VI. s/he has to propose a strategic vision for the university
VII. Others ( )

Q18. What are the conditions of their mandate?
I. Head of the University
II. Deans
III. Members of the Governing Board
   I. The length is less than 4 years
   II. It’s not renewable
   III. It’s renewable but the number of mandates is limited

(3) Performance and Evaluation of the Staff

Q19. Are the staff members of these departments directly accountable of their performance to the following actors?
I. HR Dept.
II. Financial Dept.
III. Academic Dept.
   I. The State (Parliament, MoE or Regional authorities)
   II. Institutional leadership (Governing Board, Head)
   III. Institutional councils (Academic, Research or Social council)
   IV. Deans
   V. Quality Assurance Centre

Q20. What kind of policies to provide incentives/ enforcing of rules are used to manage the staff of each department?
I. HR Dept.
II. Financial Dept.
III. Academic Dept.
   I. Compensations, salaries attached to performance
   II. Reporting measures
   III. Providing justifications for expenditures
   IV. Scorecards
   V. Standardized sanctions in case of professional misconduct

(4) Composition of the Staff

Q21. What is the number of overall staff? Breakdown by
I. Administrative staff (as opposed to Academic)
II. Administrative Senior Staff (>15 years)
III. Academic Senior Staff (>15 years)

Q22. What is the total number of administrative staff? Breakdown by
I. Civil servants (e.g. employed by the State)
II. Part-time contracts
III. Full-time contracts

Q23. What is the total number of academic staff? Breakdown by
I. Civil servants (e.g. employed by the State)
II. Part-time contracts
III. Full-time contracts

Q24. What is the number of Ph.D holders? Breakdown by
I. Ph.D holders (academic staff?) having more than 10 years of service at the University
II. PhD holders having more than 10 years of service in a managerial position
Q24 (bis). Important: please give more precision, if relevant, about the following items:
   I. Are the results of the strategic process available? Where?
   II. Are the reports mentioned in Q13 (assessment reports, etc.) available? Where?
   III. When did the last [election/appointment/recruitment] of the head, the deans and the governing board took place?

(5) Financial Management

Q48. What is the proportion of spending? Breakdown by
   I. Salaries / Recurrent spending
   II. Operational costs / Recurrent spending
   III. Recurrent spending / Total spending
   IV. Capital spending / Total spending

Q49. What is the proportion of revenues? Breakdown by
   I. Fees / Total revenues
   II. State-order scholarships / Total revenues
   III. Stipends / Total revenues
   IV. Research & Consultancy / Total revenues
   V. Others ( )

Q50. How are salaries determined? (Note: Methodology, i.e., who defines how much each staff should be paid based on what criteria?) Breakdown by
   I. Years of services in your institution
   II. Academic qualifications
   III. Years of relevant experience
   IV. Performance
   V. Others ( )

Q51. What measures are you taking to assure the sustainability of university financing? Breakdown by
   I. Increasing the number of fee-paying students
   II. Increasing the fee levels
   III. Raising donations from the private sector
   IV. Conducting research and consultancy for fees
   V. Opening/closing programs based on cost-effectiveness
   VI. Others ( )

AXIS 3: AUTONOMY

(1) Academic

Q25. Does the university have autonomy to decide the
   I. Structure of curricula (e.g. type of degrees)
   II. Introduction of new programs
   III. Types of courses (level, sector, mode)
   IV. Number of hours per program per year
   V. Assessment of students (learning outcomes), format of exams
   VI. Academic partnerships with other institutions

Q26. Does the university have autonomy to decide:

Q26a: Type of students: Are there state-funded students? (Yes=1, or No=1)
Q26b: Type of students: Are there fee-paying students? (Yes=1, or No=1)
   I. The overall number of students admitted in the University?
   II. The number of state-funded students per program?
   III. The number of fee-paying students per program?
   IV. The admission mechanisms (e.g. entry-exams, analysis of academic grades of students)?

(2) Human Resources Management

Q27. Regarding staffing procedures, does the university have autonomy for:
   I. Hiring new administrative staff open ended
   II. Dismissing administrative staff
   III. Hiring academic staff open ended
   IV. Dismissing academic staff open ended
   V. Developing training programs
VI. Promoting staff members

Q28. Does the university have autonomy for:
I. Assessing the performance of administrative and academic staff
II. Setting the salaries of academic staff
III. Setting the salaries of administrative staff
IV. Setting variable salaries (linked with performance)
V. Setting the Contracts of administrative staff and academics (e.g. duration, benefits)

(3) Financial

Q47. Who approved the budget of the university?
I. The State (Government, MOE, Parliament)
II. The Governing board
III. Institutional leadership (Head or equivalent)
IV. Institutional budget committee
V. Senior managers (e.g. faculty deans)
VI. Private Owners / Donors
IX. Others ( )

Q29. What are the different revenue sources of the University?
I. Funds from the Government (budget allocation, grants, other)
II. Fees from students
III. Funds from Private owners
IV. Funds raised from Private companies (e.g. industries, businesses)
V. Loans obtained from banks
VI. Loans and grants obtained from International organizations
VII. Funds from contracts (e.g. consulting, outsourcing)
VIII. Revenues obtained from financial applications
IX. Others ( )

Q30. Regarding the financial procedures, has the University autonomy to:
I. Manage its assets (e.g. sell, buy, rent)
II. Use unspent funds from one year to another
III. Set the level of fees
IV. Define the revenue structure of the University (e.g. public/private sources, banks, assets interests, endowments, fees)
V. Run a deficit
VI. Use a multi-year forecast (e.g. Medium Term Expenditure Framework system)
VII. Choose the budget allocation inside a block-grant budget
VIII. Set the bonuses to be paid to private owners (for Private institutions)

Q31. What type of assets is the University allowed to own?
I. Buildings
II. Land
III. Financial assets
IV. Equipment (Motorized, IT) and furniture

Q31 (bis). Important: please give more precision, if relevant, about the following items:
If existent, what kind of approval is needed in qu.25 to 28?
Are some of the revenue sources mentioned in qu.29 and answered as 0% available (but not used)? Which ones?

AXIS 4: ACCOUNTABILITY

(1) Education Quality, Academic Integrity

Q32. If there is a Quality Assurance system, what is its form:
I. It takes place inside the University (e.g. assessing programs, committee, participatory team...) (i.e., internal quality assurance system)
II. It takes place outside the university under the responsibility of the Government (i.e. external quality assurance system by the government)
III. It takes place outside the university under the responsibility of an independent agency (i.e. independent external quality assurance system)
Q33. If existent, is/are the QA system(s) to address the following items?
   I. Institutional licensing
   II. Institutional accreditation
   III. Accreditation of programs
   IV. Assessing Learning Outcomes
   V. Teaching methodologies
   VI. Research production
   VII. Facilities
Q34. What are the mechanisms used to follow up on evaluations' results?
   I. Action Plans are followed by Internal QA units
   II. Action Plans are followed by Deans
   III. Action Plans are followed by the head of the university
   IV. The Action Plans are regularly reviewed (every 2 years or more)
   V. Variable budget allocations are linked with results
   VI. Others ( )
Q35. Has the university applied standardized sanctions against:
   I. Examination fraud
   II. Unethical behavior of faculty (sale of exams, nepotism...)
   III. Non-compliance with admission standards
   IV. Unethical management of faculty careers
   V. Others ( )
(2) Social Responsibility
Q36. Has the university established tracking surveys to measure:
   I. New graduates employment rate
   II. Average unemployment period after graduation
   III. Average salaries of new graduates
   IV. Main areas of market outlets
   V. Average number of years required to complete a degree
Q37. If existent, are the indicators of qu.36 disseminated outside the university by:
   I. Institutional website
   II. Reports publicly disseminated
   III. Newsletters
   IV. Communication brochures
Q38. Are the following items disseminated by one (or more) vector mentioned in qu.37?
   I. Institutional mission & goals
   II. Strategy of the university
   III. Results of the accreditation process
   IV. Institutional evaluations results conducted by internal evaluators
   V. Institutional evaluations results conducted by external evaluators
(3) Financial Integrity
Q39. Are the budget documents available and/or reviewed by the following actors:
   I. State (MoE, responsible agency)
   II. Academic staff (only indirectly through the Council)
   III. Administrative staff
   IV. Students (only indirectly through the Council)
   V. Medias, public audience
Q40. If the university is submitted to financial audit:
   I. Is it conducted by an external body?
   II. Is the report available for inside actors?
   III. Is the report disseminated outside the university?
   IV. The financial audit takes place every six month or more
   V. The financial audit takes place every year
   VI. The financial audit takes place less than every year
Q41. Has the university applied standardized sanctions against:
   I. Embezzlement
   II. Inappropriate spending (failure to present justifications)
III. Misprocurement
Q36 (bis). Important: please give more precision, if relevant, about the following items:
When was the last time that an institutional self-assessment was conducted?
When was the last time that a program was accredited?
How many programs in the University have been accredited?
How many programs in the University have been denied accreditation?
When was the last time that one of the sanctions of qu.35 has been applied?

AXIS 5: PARTICIPATION

Stakeholders: Representation, Impact on Decision-Making Process
Q42. Do the following stakeholders have a formal and active mode of representation?
Q43. Do they have a voice when it comes to:
   A. Students
   B. Academic Staff
   C. Administrative Staff
   D. Private Donors / Owners
   E. Alumni
   F. Private Sector Representatives
Q44. Do they have representatives in the following boards/councils?
Q45. If any, are the representative members elected?
   A. Students
   B. Academic Staff
   C. Administrative Staff
   D. Private Donors / Owners
   E. Alumni
   F. Private Sector Representatives
      I. Governing Board (or equivalent)
      II. Academic council
      III. Research council
      IV. Administrative council
## SABER – Tertiary Education Governance

<table>
<thead>
<tr>
<th>Policy Goals</th>
<th>Policy Levers</th>
<th>Indicators</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal #1. Setting a Clear Vision for Tertiary Education</strong>&lt;br&gt;The country or government has a vision and plan for the tertiary education sector, a willingness to translate its vision into a concrete action plan.</td>
<td>Policy directions</td>
<td>Existence of a strategic vision and development plan for tertiary education</td>
<td>1. No vision /plan.&lt;br&gt;2. Partial development/reform plan but no implementation.&lt;br&gt;3. Partial vision/reform plan with implementation.&lt;br&gt;4. Strategic vision/plan with implementation.</td>
</tr>
<tr>
<td><strong>Goal #2: Regulatory Framework</strong>&lt;br&gt;The tertiary education system is governed by an appropriate regulatory framework including for private providers</td>
<td>Legal framework for overall tertiary education system</td>
<td>Existence of tertiary education law</td>
<td>1. No tertiary education law exists.&lt;br&gt;2. Tertiary education law exists but is has not been revised in 10+ years.&lt;br&gt;3. Tertiary education law has been updated in last 10 years.</td>
</tr>
<tr>
<td><strong>Goal #3 Capacity of the Tertiary Education Authority (TEA)</strong>&lt;br&gt;The TEA has the capacity to guide, support, implement and monitor the TEIs and the TE system</td>
<td>Tertiary Education Authority</td>
<td>Existence and capacity of Tertiary Education Authority (TEA)</td>
<td>1. Inexistent or weak TEA.&lt;br&gt;2. Small TEA with limited capacity and influence.&lt;br&gt;3. Reasonably well staffed TEA able to implement limited reforms.&lt;br&gt;4. Highly credible/capable TEA able to implement controversial reforms.</td>
</tr>
<tr>
<td><strong>Goal #4: Information System</strong>&lt;br&gt;Existence of Tertiary Education Management Information System (TEMIS) used for</td>
<td>Information system</td>
<td>Existence of Tertiary Education Management Information System (TEMIS) used for</td>
<td>1. No TEMIS.&lt;br&gt;2. Incomplete TEMIS.&lt;br&gt;3. Complete system exists but is not frequently used for policy purposes.&lt;br&gt;4. Comprehensive TEMIS exists and is</td>
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<td>Indicators</td>
<td>Measurement</td>
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<tr>
<td><strong>Goal #4. Organizational Autonomy and Management</strong></td>
<td>Governing Board</td>
<td>Composition of Board</td>
<td>1. University faculty and staff only</td>
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<td>2. University faculty, staff, and student representatives</td>
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<td>3. University faculty, staff, students, and government officials</td>
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<td>4. University faculty, staff, students, and majority external participants</td>
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<td>(not only government, but also members from private sector/ non-profit arena.).</td>
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<td>Selection of Board</td>
<td>1. Election by faculty and staff</td>
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<td>2. Appointment by external committee on basis of search committee</td>
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<td>Independence of Boards</td>
<td>1. No independence,</td>
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<td>2. Low degree of independence,</td>
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<td>3. High degree of independence,</td>
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<td>Authority of Board</td>
<td>1. Board is purely consultative,</td>
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<td>2. Board approves strategic plan,</td>
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<td>3. Board approves strategic plan and annual budget,</td>
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<td>4. Same as 3, but Board is also responsible for recruitment of University leader</td>
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<td>Responsibilities of Board and leadership</td>
<td>1. Lack of clarity about the respective responsibilities of the Board and leadership</td>
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<td>2. Some clarity about the respective responsibilities of the Board and leadership</td>
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<td>3. Full clarity about the respective responsibilities of the Board and leadership</td>
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<td>12</td>
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<td>Leadership</td>
<td>1. Selection of university leader is based on political appointment.</td>
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<td>2. Selection of leader is based on internal election.</td>
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<td>3. Selection of leader is based on competitive search</td>
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<td>Eligibility of external candidates</td>
<td>1. Leader can be only an internal candidate.</td>
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<td>2. Leader can come from another academic institution in the country.</td>
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<td>3. Leader can come from any academic institution in the world.</td>
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<td>Leadership term limits</td>
<td>1. Leader can serve only one term and cannot serve elsewhere afterwards.</td>
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<td>2. Leader can serve 2 terms and cannot serve elsewhere afterwards.</td>
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<td>3. No limits on terms either within or in other institutions.</td>
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<td>Selection of leadership team</td>
<td>1. Based on outside political appointment.</td>
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<td>2. Based on elections.</td>
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<td>3. At discretion of university leader.</td>
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<td>4. By university leader based on</td>
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57
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<th>Policy Levers</th>
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<tbody>
<tr>
<td><strong>Goal #5 Institutional Autonomy</strong></td>
<td>Financial Autonomy</td>
<td>Freedom/flexibility to borrow from commercial banks</td>
<td>competitive search</td>
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<td>Freedom/flexibility to set level of tuition and fees for students</td>
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<td>Freedom/flexibility to issue bonds in financial markets</td>
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<td>Freedom/flexibility to retain surplus from annual budget and self-generated funds</td>
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<td>Freedom/flexibility to constitute and use an endowment</td>
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<td>Freedom/flexibility to purchase, own, and sell buildings, facilities and equipment</td>
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<td>Freedom/flexibility to use available resources (for example with public funding allocated as block grant rather than through line items or earmarked funds)</td>
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<td>Flexibility in procurement (this may range from very restrictive rules and procedures to rules and procedures as flexible as for private universities)</td>
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<td>Staffing Autonomy</td>
<td>Civil service status of employees, especially faculty</td>
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<td>Freedom/flexibility to recruit faculty</td>
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<td>Freedom/flexibility to terminate non-performing faculty</td>
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<td>Freedom/flexibility to set salaries</td>
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<td>Academic Autonomy</td>
<td>Freedom/flexibility to define academic</td>
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<td>structure and programs</td>
<td>3. Yes, with no restrictions</td>
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<td>30</td>
<td>Freedom/flexibility to define course content</td>
<td>1. No 2. Yes but with some restrictions 3. Yes, with no restrictions</td>
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<td>31</td>
<td>Restrictions to academic freedom speech of faculty</td>
<td>1. Yes 2. Some 3. None</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Freedom to recruit students (enrolment size, academic qualifications, etc.)</td>
<td>1. No 2. Yes but with some restrictions 3. Yes, with no restrictions</td>
<td></td>
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<td>33</td>
<td>Assessment of students (learning outcomes), format of exams</td>
<td>1. No 2. Yes but with some restrictions 3. Yes, with no restrictions</td>
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<tr>
<td>34</td>
<td>Academic partnerships with other institutions</td>
<td>1. No 2. Yes but with some restrictions 3. Yes, with no restrictions</td>
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<tr>
<td>Goal #6: Performance-based and equity focused funding</td>
<td>Incentives for Performance</td>
<td>Funding allocation modalities take into account performance targets on a competitive basis</td>
<td>1. Share of recurrent budget allocated on the basis of performance. 2. Share of research budget allocated on a competitive basis. 3. Share of investment funding allocated on a competitive basis. 4. Share of recurrent budget allocated per students following a demand model (i.e. grants, loans, vouchers).</td>
</tr>
<tr>
<td>35</td>
<td>The TEA negotiates performance targets with institutions, monitors results, and rewards institutions meeting/exceeding targets</td>
<td>1. No Performance agreements are in place and there is no plan to do so. 2. Performance agreements are in place but not monitored 3. Performance agreements are in place, are monitored, and acted upon</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Equity promotion</td>
<td>The government provides student aid (grants, loans) to support recruitment and enrolment of minorities.</td>
<td>1. The government provides needs-based scholarships or There is a government-backed student loan scheme for needy students 2. Government has a combination of both loan and grant funding.</td>
</tr>
<tr>
<td>Goal #7: Quality and Relevance</td>
<td>External quality assurance</td>
<td>Existence of QA system and agency</td>
<td>1. No QA agency in place. 2. Less than ¼ of institutions/programs are evaluated or accredited 3. Between ¼ and ¾ of programs are evaluated or accredited. 4. More than ¾ of all programs are evaluated or accredited.</td>
</tr>
<tr>
<td>38</td>
<td>The HEA has an independent quality assurance and accreditation agency for both public and private institutions.</td>
<td>Degree of</td>
<td>1. The QA agency is part of a government</td>
</tr>
<tr>
<td>Policy Goals</td>
<td>Policy Levers</td>
<td>Indicators</td>
<td>Measurement</td>
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<td></td>
<td>independence of QA agency</td>
<td></td>
<td>agency and not independent 2. The QA agency is an autonomous public agency 3. The QA agency is autonomous, not public, and independently funded</td>
</tr>
<tr>
<td>40</td>
<td>Internal quality assurance</td>
<td>Standards development (Yes or No)</td>
<td>1. The QA agency has developed IQA standards and guidelines 2. The QA agency has not developed IQA standards and guidelines.</td>
</tr>
<tr>
<td>41</td>
<td>Labor market advisory service</td>
<td>Participation in student engagement and tracer surveys, publication of results.</td>
<td>1. Very few institutions participate in surveys 2. Most institutions participate in surveys but they do not publish the results 3. Most institutions participate in surveys and publish the results Regular research reports on industry and employment trends released to public along with employment rate of recent graduates by occupation (Yes/No)</td>
</tr>
<tr>
<td>42</td>
<td>Anti-corruption</td>
<td>Operation of an anti-corruption agency competent for tertiary education</td>
<td>1. No such agency exists. 2. Agency exists but does not cover tertiary education. 3. Agency exists and covers tertiary education.</td>
</tr>
<tr>
<td>43</td>
<td>Monitoring of corruption (financial, academic and information fraud).</td>
<td>Global corruption barometer score:</td>
<td>Share of users of services reporting they paid a bribe to receive attention from at least one of 9 different service providers in the past 12 months. Percentage of students who report academic or information fraud.</td>
</tr>
<tr>
<td>Goal 8 # Accountability</td>
<td>Financial integrity</td>
<td>Financial audits (public institutions are independently audited annually and results of audit are publicly available)</td>
<td>1. No audit conducted. 2. Audit conducted annually but results are not publicly available. 3. Audit conducted annually and results publicly available.</td>
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<td>44</td>
<td></td>
<td></td>
<td>1. No 2. Somehow 3. Yes</td>
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<td>45</td>
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<td></td>
<td>1. No audit conducted. 2. Audit conducted annually but results are not publicly available. 3. Audit conducted annually and results publicly available.</td>
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<td>46</td>
<td></td>
<td></td>
<td>1. No 2. Somehow 3. Yes</td>
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<td>47</td>
<td></td>
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<td>1. No audit conducted. 2. Audit conducted annually but results are not publicly available. 3. Audit conducted annually and results publicly available.</td>
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<td>48</td>
<td></td>
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<td>1. No 2. Somehow 3. Yes</td>
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<td>Policy Goals</td>
<td>Policy Levers</td>
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<tr>
<td>Failure to present justifications; misprocurement</td>
<td>Academic integrity Are universities required to sanction: examination fraud; Unethical behavior (sale of exams, nepotism,); Non-compliance with admission standards; Unethical management of faculty careers</td>
<td>1. No 2. Somehow 3. Yes</td>
<td></td>
</tr>
<tr>
<td>Transparency and openness Participation in accreditation and publication of results:</td>
<td>Publication of deliberations of governing boards</td>
<td>1. No 2. Yes</td>
<td></td>
</tr>
<tr>
<td>Existence of fair/transparent admissions policies</td>
<td>Existence of fair/transient examination policies</td>
<td>1. No 2. Yes</td>
<td></td>
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