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Efficiency of the Policy in Graduate Education

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1. Introduction

The present paper aims at expanding the discussions on reforms in education sector and support the improvement of education sector policy under PRSP and other development programs. The first sections of the paper discuss the strategic importance of a competitive and high-quality education system for Armenia, as well as the legislative framework for education, perception or interpretation of authors on education programs. A separate section briefly analyzes the public expenditures in this sector. The paper also reveals the current problems of the education sector. In particular, issues such as false image and quality of the system, absence of free competition among universities, administrative regulation of the system, corruption risks and inefficiency of the policy of public procurement of education services is discussed in the paper. The authors, due to lack of quantitative studies, mostly relied on expert assessments and qualitative analysis of the situation by using the interviews with intern-students that come to the EDRC throughout the recent years as well as direct contacts with universities.

The paper also draws recommendations on potential directions for policy improvement that can be implemented after more detailed analyses and elaboration. In particular, it is recommended to intensify the pace of reforms by targeting the education content relevance and production of human resources and re-qualification thereof. At the same time, it is recommended to quit the possibility of postponing the military service (for certain groups of students), thus, creating equal conditions for all universities. Some recommendations are given in order to increase the efficiency of public procurement of higher education services that aim at developing education grants and loans in the country, as well as increasing the access of education to vulnerable groups of the society and importing education on specializations that are strategically important to Armenia, etc.

Nonetheless, the development of education sector is not feasible without adequate political will and attention. Despite that it is required by the legislation, the Government Program on Education Development (which is the basis for the implementation of public policies in this sector) is not yet put into effect.

2. Priorities of Education Development

It is obvious that the role of education in a contemporary world in any country or society is extremely vital. Education is the major and most important factor to development of human capital and social capital in the society. Developed economies rely on qualified workforce and scientific technologies. Preservation of national and human values is ensured through the education levels achieved in each society. The right for education is one of the fundamental human rights.

Most probably, education has an important role to play in a national development strategic paper on any country. In Armenia, the PRSP, which is the long-term strategic development paper for the country, presents the development of education sector as the “highest priority for the economic development and progress”¹.

Of course, high quality human capital and technologies produced by it are merely the only and most efficient resource for Armenia to integrate into the world economy. Armenia is compelled to choose for a development path that does not rely on natural resources, i. e. to be productive, efficiently managed, competitive and understandable. Thus, existence of efficient and competitive education system and high-quality education level in Armenia shall be viewed as pre-requisite and vital pre-condition for development. A number of studies have proven the reverse relationship between education

¹ See Poverty Reduction Strategy Paper, Yerevan, 2003

and poverty. This is also true for Armenia: the studies have shown² that the poverty risks decrease significantly in high education levels.

3. Regulation of Education Sector

Education sector of Armenia is regulated by the Constitution, Law on Education, Law on Pre-school Education, Law on Preliminary Professional (Vocational) and Secondary Professional Education, Law on Graduate and Post-Graduate Education and other legal documents.

The Law on Education defines the main principles and guarantees of public policy in education sector, as well as requirements to educational programs, educational institutions, public education criteria and contents of education, etc.

The Boxes below briefly describe the public policy in education sector and state guarantees of the education right.

Box 1. Extract from the RA Law on Education

Article 4. Public Policy in Education Sector

1. The Republic of Armenia declares and guarantees the progressive development of education sector as an important factor that fosters the state and sovereignty.
2. The basis for the public policy in education is the national school, the objective of which is to prepare individuals who are comprehensively developed, have adequate professional preparedness, as well as are raised in the spirit of patriotism, sovereignty and humanism.
3. The education system of the Republic of Armenia targets fostering the spiritual and intellectual potential of Armenians, preservation and development of national and human values. The Armenia Church contributes to this, as well.
4. The organizational basis for the public policy in this sector is the public program which is approved by the National Assembly of the Republic of Armenia upon the submission of the Government of Armenia.
5. Targeted budget financing of the Government ensures the maintenance and development of education sector, the amounts thereof are determined in conformity with the approved public program.

As the extract in Box 1 above shows, laws and policy papers contain very important statements and declarations; however they stay only on paper, as in many other cases. E. g., the government has declared and guarantees the priority (fast-paced) development of education sector as an important factor to strengthen the state, but – does this take place? Does, for example, the banking sector develop at higher pace or not? After all, how can it be measured to be sure if that is true or not? Furthermore, the Law on Education declares that “the organizational basis for the public policy in this sector is the public program which is approved by the National Assembly of the Republic of Armenia upon the submission of the Government of Armenia” or “Targeted budget financing of the Government ensures the maintenance and development of education sector, the amounts thereof are determined in conformity with the approved public program”. It is strange that no Public Education Development Program was adopted in Armenia during the last two years.

Overall, one should note that reforms, especially in higher (graduate) education, have been delayed. General education has been de-institutionalized, knowledge and education is provided by private teachers outside schools, preliminary and secondary professional (vocational) education hardly exists, and graduate education is of extremely low quality that is all

² See “Poverty Reduction in Armenia: New Life with Old Standards”, M. Tumasyan, EDRC, Yerevan, 2007.

most useless. Unfortunately, no quantitative research or study can be found to confidently state that the education system is in crisis.

Box 2. Extract from the RA Law on Education

Article 6. State Guarantees for the Right for Education

1. The Republic of Armenia ensures the right for education regardless of ethnicity, race, sex, language, belief or views, social origin, property position or other circumstances. Limitations on professional education are stipulated by the legislation.
2. The state ensures the right for education through normal operation of the education system and creation of socio-economic conditions for obtaining education.
3. The state ensures free-of-charge secondary education in public educational institutions and in vocational and secondary professional, graduate and post-graduate education (on a competitive basis) for the citizens of Armenia.
4. The state provides the pupils in grades 1-3 of public secondary schools with textbooks (except for textbooks on foreign languages and music), while children from socially vulnerable families are provided with all books required for general elementary education program.
5. The state also supports the children with extraordinary abilities in obtaining adequate education through the procedures determined by the Government of the Republic of Armenia.
6. The state creates necessary conditions for citizens with special and specific requirements to education in accordance with their capabilities and with the aim to ensure their social adaptation.
7. The state also supports the process of involving the Diaspora into education activities.

4. Education Programs and Perception Thereof

Education in terms of content is very broad; therefore, it is organized per different programs. Education programs can be grouped into the following groups: general and professional (main and additional).

The general education is the major mechanism as a result of which the individual and the country's citizens are "created". General Education programs target free and multi-dimensional development of an individual, formulation of his/her views and basis for choice of future profession and capabilities to absorb that professional education. In other words, general education programs should first ensure the human right to be equal, aware and competitive in his/her group (per in-born abilities). General education programs should provide also for the right to preserve and develop the nation, i.e. having a society with individuals who, among all-human values, also cherish and transfer the national values and culture. General education programs should also ensure other state and public interests, i.e. formulate and raise civil conscience, as well as conscience on following the law, collaboration and protection of the nature. Thus, the requirements towards general education programs are very broad, whereas the beneficiaries are the individuals, the nation and the state.

Professional education programs base on the general education program and can be divided into the following 4 groups: 1) preliminary professional (crafting) education, 2) Secondary professional education, 3) higher professional (graduate) education and 4) post-graduate education.

If general education programs target at raising and creating basis for raising individuals and citizens, professional education only aims at producing professionals. I.e. these programs imply preparation of professionals with certain qualifications, development of certain skills and abilities, broadening of knowledge and improvement in qualifications. Professional education should be viewed as individual investment program. Each individual takes a personal decision to choose a profession depending on his/her capacities, potential and preferences based on personal income, other

material and non-material interests (needs). Although professional education is an individual project, the state and the society are beneficiaries of professional education programs. The state and societal interest may require in certain cases that the state does participate in professional education programs depending on economic development objectives and encourage the availability of qualified professionals or depending on national security requirements in order to ensure or produce professionals on certain specialization.

In contrast to general education programs, professional education shall not have home country or national features. I.e. individuals of the same profession educated in different parts of the worlds should have similar professional qualifications despite that one can be smarter, more experienced or a better specialist. In other words, a professional educated in any free country of the world (be it an economist, doctor, lawyer, car repair specialist or a welder) should not differ much from those educated in other countries in terms of contents and, if needed, should be able to use his/her professional capacities in any country.

Although the general education should provide equal opportunities for the choice of professional education, graduate professional education should not cover all population. Preliminary and secondary professional education programs should be easy to access, affordable and acceptable. This system shall satisfy the current vast demand for qualified professionals with adequate skills. Today, many employed in certain jobs do not have adequate primary or secondary professional education. Instead, one can often meet drivers, workers, car repairers, waiters with graduate diplomas. The Education system distorts the labor market. As a result, we receive low-quality services or the production processes are not efficient.

Easy access to graduate education system and its wide coverage has resulted in low quality of produced education. I.e., professionals are produced that are, in fact, not professional at all and are not able to work without training or new education. Although necessary financial resources and time was invested, personal plans and expectations were not materialized. As a result, graduates find jobs in other sectors for which they are not educated.

Graduate and Post-graduate education should be only of high quality and internationally competitive. In the nearest future, it cannot be affordable and accessible for everybody: this is not necessary. Graduate education is a very expensive and laborious process; it requires combination of adequate resources, traditions and experience. Graduate education can be obtained by a few; however, all of them shall receive only high quality education.

Preliminary and secondary professional education should be the major guarantee for poverty reduction in Armenia, whereas the graduate education – guarantee for the country's development.

5. Public Expenditures in Education

Public funding of education and science sector constitutes one of the largest shares in total public expenditures. AMD 91.8 bln are envisaged for this sector in 2007 which constitutes 16.4% of total expenditures: this is the second largest sector in terms of public funding after defense. Bulk of this amount – AMD 85.5 bln is earmarked for education sector. It is equivalent to 2.9% of the GDP (for comparison – public funding of education in 1997 constituted 1.9% of the GDP). Despite the increased public funding of education sector, it is far below the 1990 level (about 2.5 times) and averages for Central and Eastern European and CIS countries.

Table 1. Financing of Education Sector by sub-sectors

	2006	2007	Change from 2006	
	AMD mln	AMD mln	AMD mln	%
Elementary, general and secondary education	61,737	68,947	7,210	11.7%
Special general education	4,335	5,173	838	19.3%
Extra-Curricular education	2,477	2,015	-462	-18.6%
Preliminary professional education	1,015	1,468	453	44.7%
Secondary professional education	1,828	2,275	447	24.5%
Graduate and Post-graduate education	5,302	5,627	324	6.1%
Total	76,694	85,504	8,810	11.5%

Overwhelming majority of funds earmarked for education sector goes to Elementary, General and Secondary education system. In 2007, this envisaged to total to AMD 68.9 bln (of which AMD 47.8 bln is intended for general education³). Thus, education services provided by one school per year totals AMD 33.5 mln⁴, or USD 95 thousands.

Preliminary professional and secondary profession education systems are intended to receive public funding equivalent to respectively 1.7% and 2.7% of the GDP in 2007 or AMD 3.7 bln.

Graduate and post-graduate education systems will receive about 6.6% of total budget expenditures or AMD 4.1 bln.

Table 2. Graduate and Post-graduate professional education

Services	Number of beneficiaries	Allocated Amount	Total annual expenditures per 1 beneficiary
		AMD mln	AMD
Graduate and Post-graduate professional education	12,312 students	2,031	164,963
Graduate and Post-graduate professional education: from 2006 admissions onwards	5,906 students	991	167,821
Organization of admission exams for graduate education	12,500 applicants	10	800
Support to academic mobility and counter-recognition services	Identification of 180 documents	28	152,690
Government support to the reforms in Graduate and Post-graduate education system	16 universities	50	3,125,000
Subsistence to students in Graduate and Post-graduate education system	10,182 students	660	64,788
Subsistence to students in Graduate and Post-graduate education system: from 2006 admissions onwards	4,898 students	316	64,462
Subsidies to Zeytun students camp	600 students	20	32,581
Compensation of fees for education in universities of children of those who were killed during the military service	7 children	15	2,142,857
Total	-	4,120	-

Thus, around AMD 2.0 bln is envisaged to be spent on 12, 312 students studying at the expense of public funds in 16 universities in 2007 (on average annual AMD 164,963 per student). 10,182 students among them receive fellowships (monthly subsistence): total AMD 659.7 mln will be spent for this purpose (average monthly subsistence per had is AMD 5,400).

Moreover, another AMD 991.2 mln will be transferred to those 16 universities for new 5,906 students⁵, 4,898 out of them will receive subsistence with total amount of AMD 315.7 mln⁶.

³ Includes General Education programs, as well as Musical Education and Evening Education programs. AMD 14.6 bln of the remaining amount is earmarked for renovation and construction of educational buildings.

⁴ Calculations of the EDRC, base on the number of schools and pupils in schools in 2005/2006.

Thus, education of 18,200 students will be funded from public funds in 2007 and 15 thousands students will be paid subsistence. In total AMD 2.9 will be sent from public funds (USD 8.5 mln) for education services with additional AMD 975 mln (USD 2.7 mln) for subsistence payments.

Furthermore, the Ministry of Education and Science has earmarked AMD 15.0 mln for financial assistance to the children of those who died during military service that study in universities (paid education): this is considered part of social security and social insurance sector programs.

6. Production of Diplomas or Education Services?

Education in the Armenian society is traditionally considered of high value: every Armenian strived and strives towards educating his/her child (or that the child is considered as such). In a modern world, where only the competitive ones can progress, the main development preconditions for Armenia can be seen more definitely. Competitiveness and efficiency become imperative both from the perspective of economic development and national security and independence. Despite that the declarations on high quality and skilled human capital of Armenia to be the development guarantee for the country were heard since the initial years of economic transition, the reality showed a different picture. Remittances received from abroad and capital construction continue to remain the main sources for economic development; however these cannot be sustainable in the long term. High-tech and science-based industries have negligent share in the economy; they develop only as fast as the average for the region and not faster.

During the past 10-15 years, the education system, particularly the graduate education system was never reformed, thus, it still retains the Soviet contents, style and management. Corruption and low-quality education have become widespread. Graduate education system does not reflect the demands of the domestic or international market.

There are 22 state universities in Armenia, which have 11 branches. At the same time, there are also 67 private universities⁷. I.e. a small country like Armenia has about 100 universities (institutes and branches thereof) where about 97 thousand students are being educated which is equivalent to 17.5% of population in the age group of 20-30.

The number of specializations is also enormous. 230⁸ different specializations are taught only in state universities in 2007/08. In 1999, the number of specializations was 171. The increase in the number of specializations, probably, can be explained by the need to adapt to new market demand and needs. Nevertheless, the question is whether the country is able or has the potential to absorb such vast supply of professionals both on old and new specializations.

In fact, the graduate education system needs radical reforms: the problems are numerous; however, we have highlighted the following ones.

Although the government has declared its commitment to develop the education sector faster than other sectors, the graduate sector is not fully liberalized and is subject to strict administrative regulation. Instead of evaluating the outcomes and consequences, the education process and supply of educational services is being regulated, thus, there is no fair competition. The main cause for this is the right that is granted to male students to pass the military services after

⁵ On average, AMD 167,821 per one student.

⁶ On average, AMD 5,400 per one student.

⁷ Data for 2005/2006: 73700 and 24000 students in public and private university respectively. Source: Armenia Statistical Yearbook 2006, NSS RA.

⁸ Source: GoA Decree # 170-N, dated November, 2006 "On approving the list of admission exams and specializations to be funded by the Government in 2007/2008 year.

graduation. It creates unequal conditions for the institutions that provide graduate education services. The state universities operate in privileged circumstances, whereas the private ones are *per se* of "second" class. The latter are condemned to fewer and lower development opportunities. Thus, the market producing graduate education in Armenia is not free and the rules of competition are distorted. The fact that state universities have a privilege (of postponing the military service for male students) limits the independence of these universities. All state universities operate under the legal status of a state non-commercial organization which implies that they are independent and autonomous legal entities. However, since the students in public universities enjoy the privilege of postponed military service, in fact the government "determines" the number of student (based on the number of students granted postponement). I.e. the demand is satisfied through administratively regulated supply and not through free market mechanisms.

The next major problem of the education system is its nominal and false image and quality. People often tend to obtain education to obtain a certain social status but not for becoming a professional who can earn living due to the profession. The outcome is not brighter for those, who do not belong to this group: they will find out after graduating and investing years that they have neither knowledge nor skills to find a job.

Education does not correspond to the requirements in terms of contents. The employer has to play the role of the university and fill in the huge gaps in education of its employees. As a result, finding a job becomes extremely difficult and labor market is being distorted. Experienced professionals appear in a comparatively highly-favorable situation. For example, salary range for an economist's position may vary from AMD 60 thousands to AMD 800 thousands per month. Many have to get a second education in order to find a job or advance in their career – sometimes abroad. As a consequence, young and potent experts migrate abroad in an unregulated manner.

Private universities, being unable to compete with public universities, are compelled to create another market by reducing the quality and targeting quantity. There is no any public or market mechanism for quality control and evaluation: as a consequence, the number of private universities has increased enormously. They, in fact, replace the sub-sector of preliminary and secondary professional education. Instead of going for a preliminary or secondary professional education, people prefer to get graduate education diploma without adequate knowledge and skills.

Since the graduate education is a social status and matter of pride, type of dowry, method to avoid military service, people prefer to be enrolled in higher education system and benefit from the advantages thereof. The privilege of postponing the military service also distorts the motivation and preferences of future students. This entails large risks.

Overall in education sector and, in particular, in graduate education, corruption is wide-spread. It distorts the education process, reduces the true incentives of individuals, raises and reproduces a corrupt society.

Universities, as institutes of a civil society, scientific and research resource centers, do not perform these functions. They are not integrated into various development and reform processes of the public life. Applied scientific research usually takes place outside universities; they do not participate in or contribute to the development and elaboration of social, economic and political programs and strategies.

Eventually, the policy of public procurement of graduate education services is not understandable or acceptable. Education is considered an important path for poverty elimination for a country that carries out a PRSP. Meanwhile, the public policy in education sector does not bear a social accent and does not support the poor in realizing their constitutional right for graduate education.

7. Need for Policy Review

In accordance with the Law on Education, the education sector is priority sector to develop and is considered as a primary factor to foster the state. In this regard, the graduate education cannot be far from the overall processes and should be considered as priority with regard to development of the country and other education sub-sectors, in particular.

The bases for public policy are, first of all, set out in the Constitution: according to it, “each citizen of Armenia has the right to receive graduate and other professional education in accordance with the legislation free-of-charge on a competitive basis among applicants”⁹. I.e., this talks about the protection of the human right to be educated. The Law on Graduate and Post-Graduate Education of Armenia sets out the following as tasks of public policy: ensuring the quality of education, development of education system and improving its international competitiveness, support the production of professionals that are important and primary to the government, provision of legal equality among universities regardless of the type of ownership, etc¹⁰.

Nevertheless, it seems as if no efficient steps were taken towards these issues and the situation does not improve in reality. The analyses of the Annual Budget show that the actual public policy of the recent years in graduate education is to finance the free-of-charge education for eligible students. To this end, about 97% of all allocations to graduate education are spent. As a result, more than 18 thousands students are enrolled and most of the receive subsistence paid out from taxpayer’s funds. Almost no other programs are implemented in other directions (or those are insignificant). Again, this is the good example when the law is wonderful on paper, but the reality is completely different. The reforms in this sector are urgent, first of all, to ensure the implementation of the requirements of the legislation and to review some policy directions.

First, it is recommended to abandon the privilege of postponing the military service for students (or, otherwise, all universities should be granted the same right). I.e., it is necessary, as the law defines, to create equal conditions for all universities regardless of the type of ownership (public or private). This, on one hand, will reduce the false incentives, as well as corruption risks, on the other hand – will create opportunities for the development of private universities. Real competition will be created among universities and there will be no discrimination between them by the government in terms of “acceptable” and “non-acceptable” universities. Despite that, the public universities, in any case, will enjoy more favorable treatment, since their founder (the government) has given them the right to use (free-of-charge) the property worth millions of dollars: the buildings and facilities of universities. The private universities have to pay for the use of (or build) facilities and buildings. In other words, in order to produce competitive education services, other things being equal, the private universities have lower opportunities. Thus, although the starting conditions will not be equal for private and public schools, but there will be real guarantees for creating free competitive environment.

Abandoning the military service postponement right will allow increasing the independence of universities and they will be able to decide themselves on the supply of specializations depending on the market demand. I.e. it is necessary to broaden the autonomy and authorities of universities along with tightening quality evaluation criteria.

Policies, in practice, do not target at ensuring education quality or development of education system or increasing its competitiveness internationally: they are simply inefficient. Introduction of the credit scoring system, in this regard, is extremely important, however it is not sufficient. In order to ensure the quality of education, it is first necessary to

⁹See Constitution of the Republic of Armenia, Article 39.

¹⁰ See the Law on Graduate and Post-Graduate Professional Education, Article 5.

develop adequate education programs and culture, train the lecturers, carry out lecturers' exchange programs, strengthen and expand the external and international relations of universities, create incentives for those who have studied abroad to teach at Armenian universities. Without a rigorous HR policy and introduction of internationally acceptable education culture and programs, education sector cannot develop. To this end, the programs in education sector funded by the government should be broadened. Meanwhile, as it was already mentioned, almost all budget for graduate education goes to funding the education of 18,000 students and subsistence payments thereof.

This program (public program in graduate education) is, probably, directed towards the next important task identified in the legislation: that is, supporting the production of professionals in primary and important areas for the government, as well as realization of the constitutional right to be educated. Nonetheless, we believe that these tasks are not implemented efficiently, either. In order to be enrolled in graduate education free of charge (paid-for publicly), it is necessary to have the highest scores in admission exams: that is feasible if an applicant is more knowledgeable than others. It is known that the knowledge and education in many secondary schools of the country cannot be sufficient to have the highest scores in admission exams or, often, even to enter into paid-for graduate university. The problem is much more serious and acute in provinces due to simple reasons. It is also well-known that school graduates need to have additional paid-for classes with teachers out of schools. This is not a new phenomenon and has a long history. Furthermore, the high competition among applicants requires that pupils especially study with experienced private teachers: obviously, "better" and more experienced teachers are more costly. Unfortunately, no quantitative analyses can be found in Armenia on this matter. Our observations show that the students enrolled in free-of-charge graduate education in recent years come from families where parents are educated, have good connections and are well off. In practice, children from poor families and remote provinces or children of parents that are not educated or do not have the necessary connections do not have chances to be enrolled in publicly-funded graduate education system. On the other hand, although education in Armenia is not very expensive (up to USD 1000 annually), the better-off families in many cases spend more money to have their children enrolled in publicly-funded section. Studying in this section of the university is *an evidence of being smart and higher social status*, and is considered as one of the "elite" needs of our times. Therefore, people prefer to pay the triple of what is needed for all years of education in order to have their children enrolled in the publicly-funded section. Corrupt practices also reduce the chances of poor families to have their children enrolled in graduate education system.

If funding for the education of those 18,000 students is provided as "support to the education of specialists in areas of high importance to the government" it is, nevertheless, not efficient, either. First, the majority of those 18,000 students study for specializations that are quite wide-spread and "popular", thus there is no shortage of supply for professionals in their specializations. If the objective is to cover the shortage of high-quality experts in these fields that is very urgent and crucial. However, the method is still not adequate: what is the need to produce, e.g. economists, at the expense of the government funds each year, when many economists are still unemployed? On the other hand, none of the universities in Armenia are able to produce international-level economists or even improve the quality of their "production" in comparison to previous years. If a country is in need to have high-quality professionals, there are better universities in the world (than Armenian universities) that can produce those professionals. Why education services are not being imported or why the government does not pay for education abroad? Instead of covering expenses for 18,000 students or, rather, producing that many unemployed graduates, the same funds could be used for the education of 1000 students in the best European universities. What is more beneficial for Armenia?

Thus, coming from the objectives of having the necessary professionals for the development of the country, as well as ensuring affordability of education, the policy recommendations in the area of education are the following:

- First, the policy needs to be revised: it is better to give money to students for education instead of paying the universities directly for their services to third parties. All students in the auditorium will be in equal conditions, all students will pay for education with the only difference that some of them will pay themselves and some will receive the money from the government first. This will change the attitude of the society towards free-of-charge education. As a result, the richer will not strive to “benefit” from the free-of-charge service which will reduce the corruption risks.
- In order to improve affordability of education it is necessary to organize short-term preparatory classes for children from poor families or small competitions/tenders for grants to pay for such preparatory classes to participate in admission exams.
- The government shall extend education loans on a competitive basis and, overall, promote the practice of education loans in the country.
- Those students whose education is funded by the government should be educated the specializations that are strategically important for the country. At least within the next 5-10 years, the government should “import” education services for certain specializations. For example, if a country needs high quality economists, these services need to be procured not from local universities that are not internationally competitive, but from top European or international universities. The students, who will be educated in Europe at the expense of the government funds, shall be obliged to return to Armenia upon graduation and work here, for example, at the minimum in the same economic universities, thus, contributing to the development of both the country and education system.

The budget allocations to graduate education system of AMD 4 bln is recommended to divide into the following 3 categories or programs:

- 1) Compensation program for education in Armenia: up to AMD 2 bln for about 9,000 students (instead of current 18,000),
- 2) Compensation program for education abroad: up to AMD 1.1 bln for about 250 students a year,
- 3) The remaining AMD 900 mln should be used for the support to the children from poor families in preparing for admission exams, as well as importing educational programs, training, education loans and other programs.