

## SOME ISSUES OF BUDGETARY FUNDING OF STATE SERVANTS TRAININGS IN THE REPUBLIC OF ARMENIA

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**Abstract** The article examines and systematically analyzes the system of state financing of trainings of civil servants of the Republic of Armenia, using the methods of economic and statistical analysis. The source for the creation of the analysis database were the State budget indicators of different years, including planned, adjusted and actual data.

Within the framework of the article, there is studied the best international experience of state support for the organization of trainings (on the example of OECD countries) and the possibilities of its localization in RA. There are analyzed the dynamics and trends of the share of additional education (mainly includes the trainings) in the state budget, problems and gaps in the system of state funding of trainings are revealed according to directions and departments. Based on the analysis, there were made a number of suggestions to improve the system, which will contribute to the qualitative improvement and efficiency of trainings, and the formation of healthy competition among employees. In particular, it is proposed to review the training participation planning system, based on the study of real demand and the implementation of evidence-based policies, which will allow both to save public funds and to organize training according to effective targets.

**Key words:** *Republic of Armenia, state budget, training, qualification increase, state servants, civil servants, additional learning, state financing of trainings*

### Introduction

In the context of modern global developments, the role and importance of lifelong learning (and therefore- its funding) is increasingly being valued within the framework of state policies of different countries, based on its positive impact not only on labor market indicators, but also on the quality of life.

Studies show that lifelong learning enables people to live more interesting and fulfilling, and therefore happier lives. The research carried out within the framework of the BeLL program showed that, according to the perception of 84% of the respondents, inclusion in adult learning and education programs had a positive effect on their mental and spiritual balance, and 83% had positive changes in terms of their understanding of the meaning of life (Manifesto, Adult Education in the 21st Century, The Power and Joy of Learning. European Association for Education of Adults 2019). Within the framework of lifelong learning, the opportunity to receive education and increase qualifications during work is of particular importance.

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There are many studies that show the positive impact of trainings on employee productivity and performance (Armstrong 2020, Afroz 2018, Garavan, T., McCarthy, A., Carbery, R. 2020, Hughes, A. M., Zajac, S., Woods, A. L., Salas, E. 2019), including and especially in the public and state administration sectors (Ali Ahmed Mohammed, R., Mdyusoff, R., Ismail, F., Ghafoor Kazi, A., 2018, Adamu Saidu, A., Abubakar Ilelah, S., Ali, S. 2019). Therefore, training is in the interest of both the employee and the employer, as it is an important factor in the creation of added value. In this context, investments in the training process and their effective management are highly important from a point of view of budgeting.

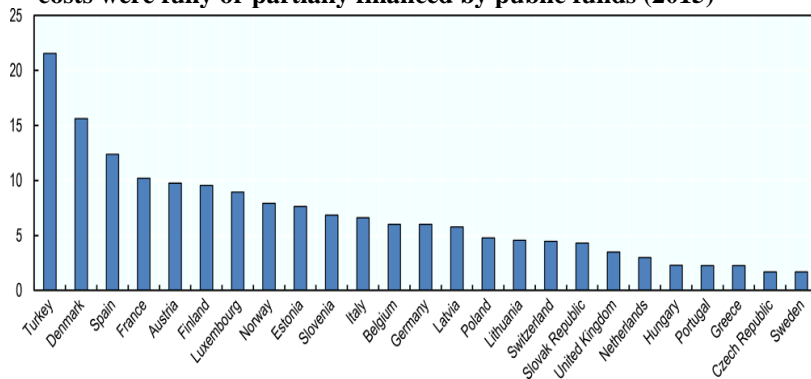
In the state administration system of RA, various trainings of state servants are carried out, which are financed from the state budget and the purpose of which is to increase the efficiency of management of the sector and improve the quality of human capital. The main goal of the research presented in the framework of the article is to highlight the main problems of the organization and management of the process of RA state servants trainings budget funding and to propose certain approaches to their improvement.

The experience of trainings state financing in OECD countries

According to the data of the Organization for Economic Cooperation and Development (hereinafter referred to as OECD) countries in 2015, on average, only 6.8% of the total number of those who received training received state support. In the Netherlands, Hungary, Portugal, Greece, the Czech Republic and Sweden, the figure was below 3%, in Turkey and Denmark it exceeded 15% (Figure 1).

**Figure 1**

**Proportion of individuals involved in formal and informal training whose training costs were fully or partially financed by public funds (2015)**



**Source:** (Getting Skills Right. Future Ready Adult Learning Systems, 2019)

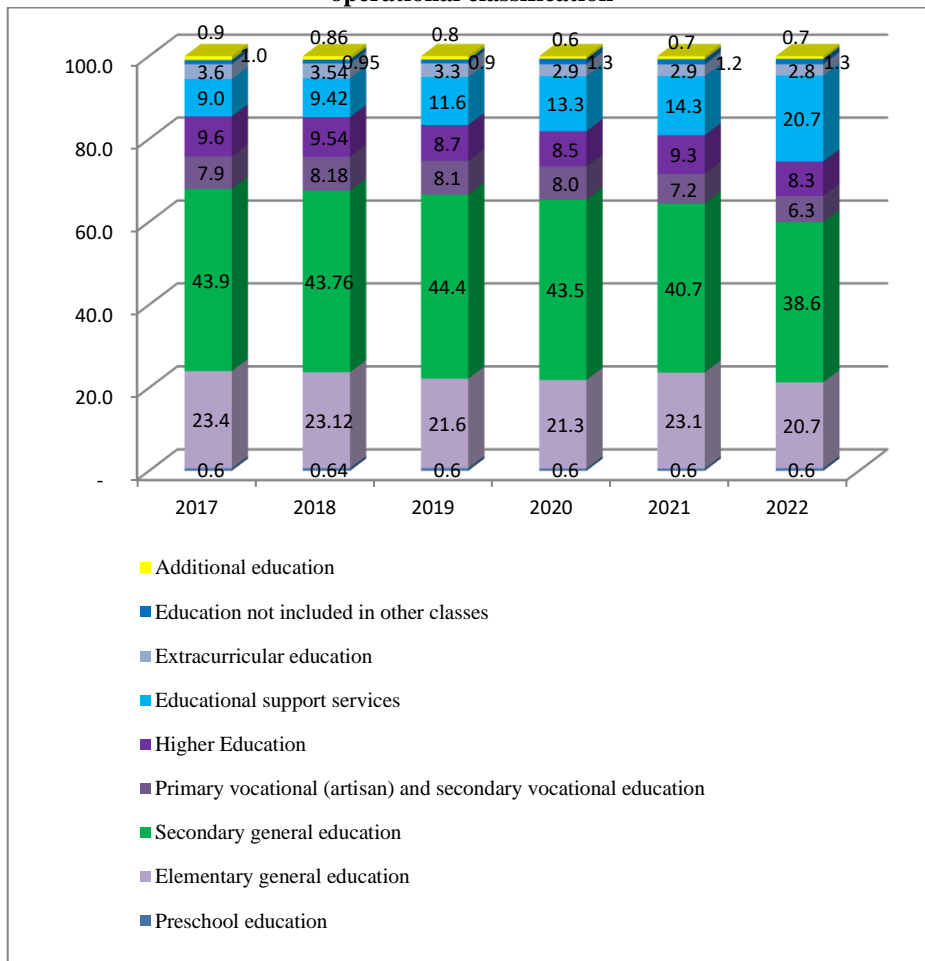
In 2015, only 8.75% of training organizations in the OECD received government support, but the variation between countries is significant. For example, in Spain, 73.6% of training organizations receive state support, in Luxembourg, this figure is 21.3%, and in Sweden, less than 1% (Getting Skills Right. Future Ready Adult Learning Systems, 2019).

Although the total volumes of state funding for training are low compared to other areas of education in OECD countries, there are clearly regulated funding programs and mechanisms (Financial Incentives for Steering Education and Training 2017) in this area,

developed state policy priorities, the implementation of which allows to compensate possible gaps caused by low state funding through the implementation of alternative instruments. Funding from various international programs and foundations, as well as the active policy of promoting the involvement of individuals and organizations in the processes of adult learning and education (preferential loans for financing informal education, subsidies, provision of paid study leave, etc.) make it possible to ensure sustainable and long-term development in this field of education.

*Figure 2*

**The dynamics of the actual expenses of the education sector in 2017-2022 according to operational classification**



**Source:** The chart was made based on the author's calculations according to the Ministry of Finance's information on the annual expenditures of the state budgets (according to the operational classification) of the respective years. (<https://minfin.am> n.d.)

Financing of state servants' trainings in RA

According to the operational classification of RA state budget expenditures, "Education not classified by levels" (09 section, 05 group) includes out-of-school education and

additional education. Additional education class (09 department, 05 group, 02 class) covers the costs of organization and implementation of professional capacity building training courses for employees of various public sector departments.

According to the operational classification of RA state budget expenditures, "Education not classified by levels" (section 09, group 05) includes "extracurricular education" and "additional education". The "Additional Education" class (section 09, group 05, class 02) includes the costs of organizing and implementing professional capacity building training courses for employees of various public sector departments.

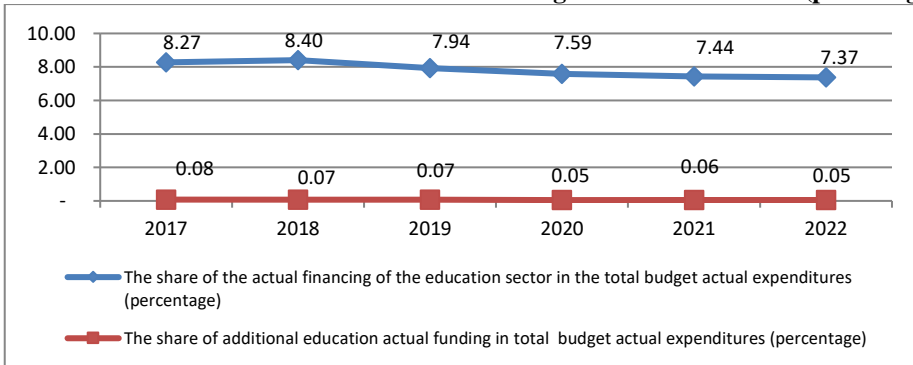
Studying the dynamics of the actual budgetary costs of the main directions of the RA education sector, according to the operational classification, we have the data presented in Figure 2. The volume of actual financing of additional education has a share of less than 1% in the total actual financing of education and exceeds only the financing of preschool education<sup>1</sup>. In 2022, compared to 2017, this indicator decreased by 0.2 percentage points, and compared to 2018 it decreased by 0.16 percentage points.

It is noteworthy that the share of the total actual funds of the education sector in the state budget has continuously decreased since 2018. The actual funding share of additional education decreased by 0.02 percentage points in 2022 compared to 2018 (Figure 3). This is, however, when the absolute amount of additional education funds increased by more than 95 million AMD in 2022 compared to 2018 (Figure 4).

It turns out that, compared to 2018, in 2022, the actual funding of additional education has increased in absolute terms, but its share has decreased both in the state budget and in the total expenses of the education sector. Such trends in the budgeting processes indicate, if not the reduction of the role and significance of additional education within the framework of state policy, then at least the lack of strategic priority.

**Figure 3**

**The share of the actual budgetary expenses of the education sector and the budgetary expenses of additional education in the total actual budget of RA in 2017-2022 (percentage)**



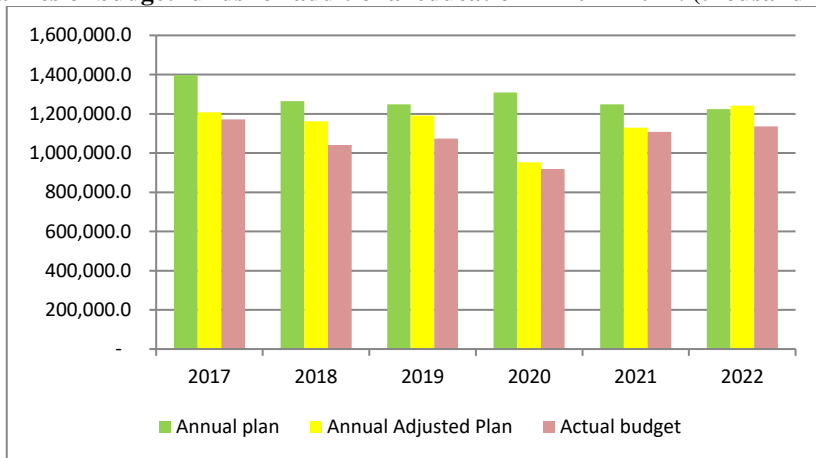
**Source:**The chart was made based on the author's calculations according to the Ministry of Finance's information on the annual expenditures of the state budgets (according to the operational classification) of the respective years. (<https://minfin.am> n.d.)

<sup>1</sup> In this case, it refers only to the funding allocated from the RA state budget. Preschool education funding volumes from community budgets are not included.

In 2022, compared to the previous year, a decrease in the share of additional education funds in the budget was observed by 0.01 percentage point (Figure 3), while the absolute value increased by about 29 million drams (Figure 4).

*Figure 4*

**Dynamics of budget funds for additional education in 2017-2022. (thousand AMD)**



**Source:** References of the Ministry of Finance on the implementation of the annual expenditures of the state budgets (according to the operational classification) of the relevant years (<https://minfin.am> n.d.)

In all the years included in the observed period, the actual expenditures for additional education have a deviation from the planned expenditures, which is determined by the underperformance of various additional education programs in relation to the planned and adjusted indicators. The biggest deviation is observed in 2020, which was objectively caused by the revision of expenses in the conditions of the pandemic and the war.

Examining the structure of the RA state budget for different years according to the program classification, we see that there are expenses for the training of the staff of various departments, which are not included in the operational classification in the "Additional education" section, and are not even included in the "Education (not belonging to other classes)" section. Such expense items are, for example, "Training of specialists in the field of international relations and diplomacy", "Military education and training", etc. Within the framework of the performance study of the program budget for 2022, an attempt was made to identify all possible expenditure items that correspond to "Additional education" in terms of content (Table 1). Such an approach will allow to present more systematically and in detail the cost priorities of trainings in the RA state administration system. It should also be noted that there are expenditure items that include costs for staff training, but it is not possible to separate the specific training component. Such expense items are, for example, for 2022 "Museum samples preservation, exhibition organization, specialists' training", "Library collections preservation and replenishment, reader service, library event organization, library staff training", "Development of methodological manuals, conducting research and social security specialists' training" expense items. Such expenditure items are not included in Table 1.

Table 1

**The budgetary costs of training courses' financing in the RA state administration system and their performance in 2022.**

	Annual plan	Annual Adjusted Plan	Actual budget	Performance percentage against annual adjusted plan
Expenditure item	The amount (thousands AMD)	The amount (thousands AMD)	The amount (thousands AMD)	percent
Training of public sector financial specialists	22,095.60	19600	16280.79	83,1
Professional training and special training of representatives of territorial administration and local self-government bodies	18,500.00	9116	8328.53	91,4
Training of specialists in the field of international relations and diplomacy	224,549.00	224549	224549	100
Military training and education	1,029,069.60	808069.6	792032.38	98
Training of civil servants	16,184.00	5184	4475.89	86,3
Training and special education of justice system employees	479,635.70	499510.5	498385.42	99,8
Training of civil servants of the staff of the RA National Assembly	1,260.10	1260.1	270	21,4
Training of Diaspora Youth Leaders	11,806.70	9475.9	9475.9	100
Special training courses for judges and bailiffs and training of civil servants of the judicial system	37,587.60	37587.6	3506.6	9,3
Training of special officers	197,652.00	197652	197652	100
Capacity building of the National Center for Education Development and Innovation, ICT (Information and communication technology) training of public school teachers in Tavush region of RA	243,209.50	243209.5	113128.4	46,5
Teachers' training for mandatory certification	365,424.00	393740	267828.3	68
Ensuring the development of inclusive teaching skills of teachers and teacher assistants in public schools	127,654.20	127654.2	127654.2	100
Training of diaspora teachers in Armenia in separate professional directions	16,000.00	16000	13400	83,8
Training of management staff and specialists of state and local self-government bodies	114,777.40	114777.4	114777.4	100
Training of tax and customs officials	128,843.50	148979.5	148979.5	100
Training of employees of the RA Anti-Corruption Committee	12,552.00	4252	1624.4	38,2
Qualification training courses for employees with the authority to assign examinations and obtain baseline data	15,990.90	15990.9	13381.1	83,7
Special training services for judges, prosecutors, persons on the list of candidates for judges and prosecutors, judicial officers, employees of the prosecutor's office, bailiffs	237,537.70	249453.7	249453.7	100
Provision of training scholarships for persons to be included in the list of candidates for judges and prosecutors	44,446.00	52404.8	51279.7	97,9
Implementation of specialist training programs carried out by private companies together with universities, organization of specialist training courses through the programs of private companies and their specialists.	280,000.00	212800	211584	99,4
Services of training of investigative officers and civil servants of the RA Investigative Committee Department, professional training of persons included in the list of candidates for investigative officers	12,014.70	8956.7	8509.9	95

**Source:** The table was compiled by the author according to Annual report on the 2022 budget (program) performance published by the RA Ministry of Finance ([https://minfin.am/hy/page/petakan\\_byujei\\_hashvetvutyun\\_2022\\_t\\_tarekan\\_n.d.](https://minfin.am/hy/page/petakan_byujei_hashvetvutyun_2022_t_tarekan_n.d.))

Studying the report of the RA state budget's performance indicators in 2022, there were identified the main factors and reasons for those expenses, which have the greatest

deviations compared to the adjusted budget.

1) The deviation of the actual costs of "the professional training of representatives of territorial administration and local self-government bodies" from the adjusted budget (performance: 91.4%) is explained by the circumstances that due to workload, some municipal employees did not participate or were absent from the courses.

2) The deviation of "civil servants' training" costs (performance: 86.3%) was caused by the two-time failure of 2 of the tenders held under the procurement procedure, during which no applications for participation were submitted. As a result, 1,642 people were trained instead of 1,889 trainees planned in the adjusted plan.

3) The deviation of expenses for the "training of civil servants of the staff of the National Assembly" (performance: 21.4%) was explained by the small number of actual employees trained (planned: 77, actual: 36), which in turn was determined by the fluidity of employees and the availability of contract employees.

4) The saving of funds aimed at conducting "special training courses for judges and bailiffs and training civil servants of the judicial system" (performance: 9.3%) was explained by the lack of appropriate conditions for conducting special training courses, as well as the impossibility of allocating time to participate in the courses due to the workload of judges.

5) The low performance (46.5%) of the costs of "ICT training of teachers of public schools of Tavush region and Capacity building of the National Center for the Development of Education and Innovation employees", was explained by the fact that the digitization and automation software development of the teacher certification process was not carried out due to the lack of grant funds, which were insufficient due to the devaluation of the euro.

6) The underperformance of expenses for "teacher training for mandatory certification" (68%) was caused by the actual low number of trained pedagogical workers and the fact that part of the training was conducted remotely.

7) The low rate of training costs for diaspora teachers (performance: 83.8%) was due to the possibility of distance learning, as a result of which the number of participants increased significantly (planned: 25, actual: 129, planned number of participating states: 6, actual number: 21), and funds were saved.

8) The performance of expenses for "the training of RA anti-corruption committee employees" (38.2%) was explained by the low number of participants in labor tenders and, as a result, the non-filling of positions, and therefore also the low number of actually trained (planned: 96, actual 13).

9) The performance of "professional training courses for employees with the authority to appoint experts and obtain baseline data" was 83.7%. The reason for the difference was explained by the fact that the competent authorities did not submit the number of listeners for the given period (adjusted plan: 674, actual: 282).

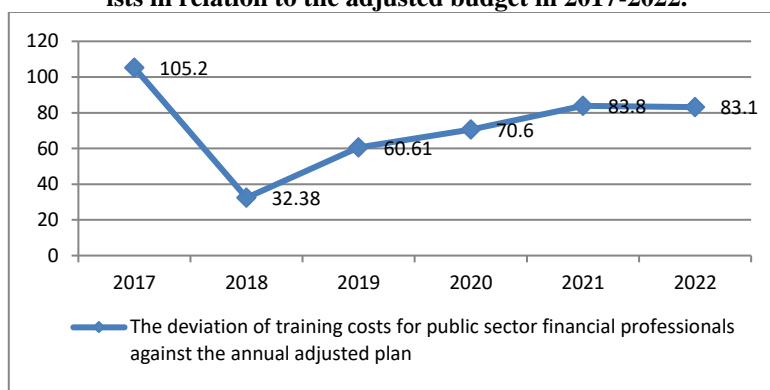
Summarizing the main picture of the performance of expenditures for the training of state system employees in 2022, we can state that the low performance of individual items is mainly due to the low demand for training among potential trainees. It is noteworthy that in such key areas as the local self-government system, the judicial system, non-participation in trainings is explained by workload. Among the main contingent, trainings are not perceived in any way as a tool for increasing work productivity, and competent authorities do not provide the necessary number of trainees. The reasoning

behind the underperformance of the costs of the special training courses for Judges and bailiffs and the training of civil servants of the judicial system is problematic, which refers to the lack of necessary conditions for the organization of the course. A question arises, how can a course be planned without considering the realism of its organization?

"Training of public sector financial specialists" is the expenditure item whose performance was marked by relatively large deviations for the entire period under review compared to the adjusted budget (Figure 5.). In the case of other expenditure items, either the deviations are not very large, or the given expenditure was not planned for all the considered years.

*Figure 5*

**The dynamics of the performance of training costs for public sector financial specialists in relation to the adjusted budget in 2017-2022.**



**Source:** The chart was compiled by the author according to the RA Ministry of Finance's annual budget (program) performance reports. (<https://minfin.am> n.d.)

For all years of the considered period (except 2017), the deviations are explained in the same wording: "The difference is due to the savings resulting from the organization of the purchase process and the number of actual trainees." It turns out that, as a rule, the applications for participation in the training course are significantly less than the pre-planned places. There is a problem of increasing the efficiency of the planning process and introducing mechanisms that will allow for a more realistic forecast of the number of potential trainees.

#### Recommendations

Taking into account the conclusions made, it is recommended:

- to include the expenses for trainings, qualification improvement courses in the budgeting process in one expense class (it is most appropriate - "Additional education"), to present each of the costs as separate expense items (not including them in the general items covering other costs), in order to facilitate the process of evaluation of efficiency in this area, to increase the level of transparency and accountability.
- to plan the the public sector employees participation indicators (number of participants) in training and qualification improvement courses, not based on the indicators of previous years, which are underachieved every year (due to this, funds are saved, but at the same time, the expected end result and the efficiency of the process suffer) , but based on the study of real demand for trainings. Government agencies must first carry



out needs assessment and then only planning, which means the implementation of so-called "fact-based policy". If the planning was organized in such a way that as a result less state servants were actually trained, it turns out that the need was not met, which will inevitably have its consequences on the quality of public/state services. In particular, we can assume that, for example, deficiencies in the planning of trainings of public sector financial specialists are to a certain extent the cause of public dissatisfaction with the quality of the state procurement system.

- Participation in trainings should not be an obligation for employees, which can be avoided due to workload (or participate in order to avoid work duties), but the exact opposite approach should be applied. Some types of trainings should be available especially to high productivity employees, which will create healthy competition among state servants. For example, the mechanisms used within the framework of international experience can be applied: state subsidization of employees' participation in various courses (by the employee's choice, for example, organized by a university, research organization or private companies), or provision of paid educational leave. For the best employees of the departments of the previous year, the budget plan for the following year may include appropriate allocations for financing training or qualification improvement courses.
- to contribute to the gradual transformation of employees' perceptions of trainings and their real impact on increasing work productivity, which should be carried out with such qualitative transformations of the process and content of trainings with state funding, which will cause real motivation to participate in them.

### **Conclusion and discussion**

It can be concluded that there are many shortcomings and omissions in the system of state financing of trainings of state servants in RA. Additional education is not considered as a strategically important and forward-looking direction of the RA education sector (taking into account the volume and trends of funding). However, given the impact of training on improving the quality of human capital, both increased funding and effective financial management are important in this area. In the context of increasing the efficiency of financial management, competent and targeted planning is essential. The main shortcomings of the considered sector are in the domain of planning. Also important is the motivation of the participants and the belief that the trainings will really contribute to increasing their work productivity. Employees in the RA state system are generally not motivated to participate in trainings. This problem also needs deep review.

The recommendations made as a result of the analysis are aimed at solving the mentioned problems.

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