

UKRAINE

ETF COUNTRY PLAN 2007

1. Socioeconomic background

Since 2000 Ukraine's economic performance has been strong and poverty has declined dramatically. GDP grew by an annual average of 7.2% during the period 2000 to 2003. The industrial sector, private consumption, and exports of goods and services were the major growth drivers in 2004. However, after a boom in 2005 (official GDP growth estimated at 12%), economic development slowed down dramatically, with the growth rate falling to 2.6%. It is expected to accelerate again in 2006 to above 6% and to remain at the same level in 2007. Increased investment and the upturn in external demand have compensated for the supply shock provoked by higher gas prices, which turned out to be less detrimental for the Ukrainian economy than was initially expected. Domestic demand, with a shift from private consumption to investment, will be a key contributor to GDP growth. Despite the strong economic recovery of recent years, however, Ukraine is one of only two Eastern European and Central Asian (EECA) countries whose GDPs have not yet returned to 1992 levels (the other country is Moldova).

There is no doubt that transition has brought with it dramatic changes in all aspects of life, and that the social costs have been considerable. The very positive economic developments of recent years, furthermore, have not compensated for the fact that, for many people, living standards have declined, and poverty and unemployment have become a reality.

Until 2002, the impact of the economic recovery on poverty was disappointing. A number of consumption-based measures of poverty indicate that the number of Ukrainian incomes falling below the poverty line may actually have increased slightly up to 2001, before starting to decline. While absolute poverty is low by international standards (25% of the Ukraine population is living on less than 4 USD a day, compared to 52% and 82% for Russia and Moldova, respectively), the local definition of poverty indicates that around a quarter of the Ukrainian population is living below the poverty line. The poverty rate has responded only slowly to substantial increases in real wages (resulting from an improved economic situation) and gains in real pensions (resulting from greater financial discipline and the gradual elimination of pension and wage arrears).

Unemployment figures reflect the slow pace of economic restructuring, which has failed to create sufficient jobs in new and transformed sectors of the economy. Although unemployment has decreased in recent years, from around 9% to 7% in 2006, the youth unemployment rate is high, and redundancies particularly affect women. Authorities are aware that the official unemployment figure understates the real extent of the problem, with the real unemployment rate estimated to be as high as 25%-30% depending on the region.

The data show that positive economic development in general has not yet resulted in the creation of new jobs. Many enterprises have been operating well below capacity for years and still have employees working part-time or on forced leave, and such staff resources will be utilised before additional employees are hired. At the same time enterprises will continue to reduce surplus labour, and investments in new technologies can be expected to reduce the need for labour. Therefore, it is likely that the unemployment rate will increase in the future as a consequence of further restructuring of large industries and privatisation of state-owned companies. The public sector is still a major employer in Ukraine, with education, healthcare, and the civil service accounting for most job opportunities. Further effort is required to expand the number of small and medium-sized enterprises so as to combat the negative effects of economic restructuring.

According to a survey by the International Organisation for Migration, a relatively large number of Ukrainians were considering going abroad or had taken steps to prepare themselves for going abroad. In terms of labour migration, the official figures show that, in 2003, 1.3% of the population emigrated from Ukraine. However, most Ukrainians went abroad only temporarily, preferring short-term labour migration to emigration. Of the 25 EU member states, Germany, Portugal, Czech Republic, Poland and Hungary were the countries receiving most Ukrainian migrants in 2001. In some of these countries Ukrainians represent more than 20% of the total foreign population. With regard to illegal migration, it is estimated that 4% of illegal foreign workers in OECD countries are Ukrainian nationals.

The Ukrainian population fell from 51.7 to 48.4 million between 1989 and 2004. Low wages at home and the attractiveness of overseas labour markets contribute to ongoing labour migration, particularly of educated young people. Recent expert forecasts estimate that demographic decline and the increasing demand for qualified labour will adversely affect the economic outlook for Ukraine; it is estimated that only 40% of the demand for highly qualified professionals will be satisfied by 2015.

The Human Development Index declined sharply in the early 1990s—although, more recently, a slight recovery has become evident. The most important causes of the decline, according to the United Nations Development Programme, were problems associated with income levels and life expectancy.

2. Key policy issues and strategies in human resource development

A new phase of reform has initiated a process of redefining principles and priorities for the entire education sector. Guiding the education reform process in Ukraine is the National Doctrine for the Development of Education, key elements of which are relevance and improved service delivery, from the pre-school stage right through to tertiary education. Priority issues are the introduction of a learner-centred approach, lifelong learning, equal access to quality education, and integration in the European education area. In March 2006, the Cabinet of Ministers issued a decree which defined 2006 as a year for structural reforms, including in the area of education.

The overarching strategic policy framework for higher education developments in Ukraine is described in Article 3 (2) of the Ukraine Law on Higher Education (VRU, 2002), as follows: 'Integration of the Ukraine higher education system into the global higher education system, while preserving and developing the achievements and traditions of Ukrainian higher education'. This broad principle marking the direction of Ukrainian development is reflected in Ukraine's ambition to become 'a fully-fledged participant in the process of European integration' (Ukrainian Country Report on the Bologna Process).

Decentralisation as a means of increasing the efficiency and responsiveness of the vocational education system is high on the government agenda. A decentralisation decree on the devolution

of VET management and financing powers (initially to three pilot regions—the cities of Kyiv, Kharkiv and Lviv—and possibly to be expanded to the other regions), which is currently being discussed in the Verkhovna Rada (parliament), is expected—according to the Ministry of Education and Science—to come into force in 2007. Among other objectives, this decree aims to transfer financing responsibility from the central to the regional level, with allocations earmarked for the VET sector. The question of how to allocate responsibilities between the central and regional levels is currently under discussion.

According to official sources, in education terms Ukraine performs reasonably well in comparison with its nearest neighbours. Participation in secondary education, for example, is high (96.8%) compared to the Russian Federation (92.0%), Belarus (84.1%), and Moldova (72.4%). The adult literacy rate is also high (99.6%). However, in comparison with participation rates of over 30% in many EU countries, enrolment in technical and vocational education and training (TVET) (ISCED 2 and 3) is only 6.7%. In a time of uncertainty regarding the evolution of the Ukrainian economy, families are prioritising the education of younger family members. Nonetheless, youth unemployment is high, mainly because the present distribution of students across the different education levels does not match the competence requirements of the economy.

3. EU and other donor policies and interventions

The European Neighbourhood Policy (ENP) action plan for Ukraine refers to education and training, stating, in particular, as priorities: '[to] reform and upgrade the education and training systems and work towards convergence with EU standards and practices' (No. 66), and '[to] enhance cooperation in the field of education, training and youth' (No. 67). In addition, priority lines Nos. 22 and 36 also have implications for education and training, referring as they do, respectively, to the need to 'introduce sustainable education systems, as one of the measures for effective employment creation and poverty reduction', and to the need to 'increase transparency, portability and mutual recognition of qualifications, as a contribution to the equal treatment of migrant workers in terms of employment and working conditions'. Priority line No. 70, furthermore, indicates the need for the 'enhancement of contacts and cooperation at the cross-border and regional level with neighbouring new EU member states by taking up the opportunities and challenges arising from EU enlargement'.

Ukraine officially joined the Bologna process in May 2005. It thereby undertook to coordinate higher education policies with the other participating states so as to establish the European Higher Education Area (EHEA) by 2010, and will be eligible for assistance with implementing the goals of the Bologna process.

Apart from the Tempus programme (governing higher education reform), the EU has in recent years allocated funds to the implementation of the following education and training projects:

- **Development of a System of Continuing Vocational Education and Training (CVET) in the Workplace:** This project aims at developing a CVET system, as part of an overall approach to lifelong learning, that will be recognised and used by enterprises and policy-makers.
- **Strengthening Regional VET Management:** This project aims at bringing Ukraine's vocational education and training (VET) system into line with social, economic and labour market needs, in terms both of structure and content, in the context of a decentralised VET system.

The EU has pre-identified education as a potential priority sector under the European Neighbourhood and Partnership Instrument (ENPI) for 2007 to 2010. A sector policy support programme (SPSP), however, would require the elaboration of a concise sector strategy and mid-term expenditure framework, as well as compliance with other conditions, in order for Ukraine to be eligible for EU sector support. Possible pre-sector wide approaches for the years to come are being identified, in cooperation with the ETF, other international agencies, and the Ukrainian government.

The World Bank (WB) is the leading international agency supporting education sector reform in Ukraine. Its Equal Access to Quality Education project, for which a loan of 80 million USD was granted, covers the reallocation of resources within the education sector, rationalisation of unused facilities, and improved access by students to the modern technologies. The project aims to address such issues as: a) inadequate education quality, b) inequity and lack of efficiency in the education system, and c) weak management capacity. It has also created an independent assessment system for the secondary education system, primarily covering compulsory general education.

The Canadian government supports a skills training programme in Ukrainian regions that aims to support the implementation of a decentralised management model to coordinate skills training. It does this by empowering the regional administrations to design and implement programmes in response to the needs of stakeholders (such as labour unions and associations of industries and entrepreneurs). The project will support the efforts of the Ministry of Labour and Social Policy to match training supply and demand across economic and government sectors, as represented by a wide variety of national and regional stakeholders in Ukraine's skills training system

Other international agencies and various EU member states have supported small-scale reform initiatives in the field of education and training. These projects have mainly aimed at supporting specific aspects of the education and training systems—for example, curriculum reform, standards reform, and training course development.

4. Mid-term perspective ETF intervention strategies contributing to added value in national, EU and donor reform-support policies

Despite the fact that there is broad agreement on the general directions and principles that should govern education reform, the system remains largely in the grip of the past. Despite the decree declaring 2006 as a year of structural reforms (mentioned above), practical actions have yet to attain the sweep of rhetorical aspirations. An unstable political situation and insufficient capacities to implement modern reform initiatives have slowed down the anticipated progress in education sector reform outlined in recent policy documents.

In the post-Soviet period, the VET system continues to struggle with the new realities of the labour market, focusing on specific occupation-based training rather than more competence-based approaches. Needless to say, the quality of education in Ukraine has been significantly jeopardised by a deterioration in funding, salaries, and infrastructures. While the structure of the system has remained largely unchanged, the quality of the services provided has declined.

The tertiary education sector, which was the subject of a European Commission (EC) assessment report in 2006, is also affected by structural problems. Identified as areas requiring immediate attention and reform were: lack of institutional autonomy, inefficient and centrally controlled financing mechanisms, underfunding of education, the gap between the needs of the economy/society and the planning/delivery of education and training, and the irrelevance of education provision to the labour market.

Closer cooperation between all stakeholders in the system at all levels and, in particular, with social partners, is required in order to ensure the success and sustainability of education and training sector reform in Ukraine. National stakeholders (including the Ministry of Education and Science, the Ministry of Labour and Social Policy, and attached and affiliated bodies) will need to strengthen their strategic capacity and obtain exposure to relevant international developments, so as to obtain a comprehensive view on directions and priorities for education and training sector reform, and to be able to benchmark the Ukrainian system with those of EU member states. The ETF and the EC will investigate EU member state interest and possibilities—and also those of other international agencies, such as the WB—with a view to complementing efforts at developing capacities and strategies for sector-wide education and training reform. A common framework will be developed through joint studies, stakeholder meetings, and round table discussions, aimed at facilitating the

pace of government reform efforts and applying solutions—based on international experience—that overcome structural and institutional barriers.

The ETF will also continue supporting Ukrainian partners in reviewing options for a reform of qualifications, by providing access to European developments and by guiding the development of a National Qualifications Framework (NQF) strategy. Particular attention will be paid to the involvement of employers and social partners as driving forces in this process. A pilot project will be launched in a selected economic sector (tourism) to test and develop a sector qualifications framework that will serve as a model for an NQF in years to come. Policy advice will be provided to national stakeholders on the establishment of the consultation and coordination mechanisms that will be necessary to ensure the sustainability and functionality of the NQF.

The ETF is committed to supporting the government and the regions with the implementation of decentralisation and the devolution of powers from the central to the regional level, by complementing the EU-financed project aimed at strengthening regional VET management. The pace of VET decentralisation in Ukraine is likely to be adversely affected by the unstable political situation and by an inadequate legal framework. This will undoubtedly also affect the implementation and timing of ETF interventions, and may even render these premature and unfeasible for 2007. The ETF will continue to closely monitor progress and will facilitate peer-learning with other countries such as the Russian Federation, which has recently undergone a decentralisation process and so has acquired relevant experience worth sharing. This will contribute to capacity building and the creation of a comprehensive vision of VET decentralisation, irrespective of the pace of the regionalisation process in Ukraine.

In the context of ETF direct support to the EC services, and also as an input to the definition of sound human resource development (HRD) policies in Ukraine, the ETF will carry out an analysis of the impact of skills development on migratory flows, to be conducted using a recently developed methodology already tested in other ENPI countries such as Egypt, Tunisia and Moldova.

5. Work programme 2007: objectives and indicators

ETF objectives for Ukraine: To enhance the development of national capacities to design and drive a comprehensive VET report and to support the implementation of EU policies in the country

PROJECT NUMBER	PROJECT TITLE	SPECIFIC COUNTRY OBJECTIVE	EXPECTED OUTCOMES Outcome = short-term and medium-term effects of an intervention's output (during or by the end of the project)	ACHIEVEMENT INDICATORS Quantitative or qualitative variables measuring achievements against expected outcomes	SOURCES OF VERIFICATION	(YEARLY) OUTPUTS Products and services resulting from activities	PROJECT DURATION
ENPI 07-01	Facility to respond to EC requests	To support the design, launch and policy impact analysis of ENPI and Technical Assistance to the Commonwealth of Independent States (TACIS) interventions by inputs to different phases of Project Cycle Management (PCM)	Review of impact of TACIS VET reform project on regional management based on a stock-taking exercise on the contribution of the project to overall sector reform	Midterm review report validated and presented to stakeholders	Project documents EC Delegation ETF quarterly reports	Mid-term review report	2007
		To provide support for the development of institutional capacities of national stakeholders, at both policy-making and implementation levels, to prepare the ground for EU sector interventions	Support to national stakeholders to develop a sector strategy (tbc)	National vision/strategy in the process of formulation EC decision to design sector intervention programme	ETF Q reports Meeting minutes	Draft strategy	2007

		To provide policy analyses to enhance the role of education and training issues in the design and implementation of EU policies in the region	<p>Analysis of the link between migration and HRD as input for the development of EC country migration profiles</p> <p>Provision of input on state of implementation of ENP action plans</p>	<p>Map of major stakeholders</p> <p>Survey results</p> <p>Migration profile</p> <p>Report from dissemination seminar</p> <p>ETF short report to EC services</p>	<p>Country profile</p> <p>ETF quarterly reports</p>	<p>Country report on skills and migration</p> <p>ETF report on state of implementation of ENP action plan on VET-related issues</p>	2007
--	--	---	--	---	---	---	------

ENPI 07-05	NQF	<p>To transform occupational standards in the tourism sector into a learning outcome-based qualification framework</p> <p>To review pilot tourism sector experiences from the perspective of drafting an informed national NQF policy paper</p>	<p>Pilot tourism sector qualifications framework consisting of agreed learning outcomes-based qualification profiles, level descriptors, assessment approaches (formal, informal, non-formal learning)</p> <p>NQF policy paper reviewing the pilot experience, identifying policy issues, reporting on national consultations, and proposing further steps</p>	<p>Complete tourism NQF dossier produced by national working groups and national NQF coordinator</p> <p>NQF strategy paper produced by national working groups and national NQF coordinator (in a state of readiness that will depend on progress in country)</p>	<p>Project documents, mission and progress reports by the ETF and experts</p>	<p>Learning outcomes and qualification profiles</p> <p>Level descriptors</p> <p>Assessment approaches (formal, informal, non-formal learning)</p>	2007-2008
ENPI07-07	Networking	<p>To reinforce regional exchanges of experiences on sector policy development and implementation</p>	<p>Strengthened policy formulation and implementation capacities of national stakeholders in overall or specific reform issues</p> <p>Dissemination and networking activities that expose national stakeholders to EU policies and other partner country experiences on education and training sector reform</p>	<p>Selected stakeholder participation in network activities and provision of relevant input when requested</p> <p>New networks fully operational in an integrated manner at the national and regional levels and in coordination with other ETF networks</p>	<p>ETF quarterly reports</p> <p>Project plan for 2008</p>	<p>Concept note and work plan</p>	2007-2013
ILP 07-03	Transition from school to work	<p>To analyse the transition from education to work in Ukraine in order to better understand the links between education, training and labour market integration of young people</p>	<p>Survey, results analysis, discussion and dissemination</p> <p>Country report</p>	<p>Survey report</p> <p>Country report on the transition from education to work in Ukraine</p>	<p>Publication of main results from country report and school-leaver survey, and presentation at the project conference in 2007</p>	<p>Country report</p> <p>Project report</p> <p>Dissemination event</p>	2007

ILP 07-22	Policy learning	To support the decentralisation process	Development of decentralisation scenario Improved capacity of national working groups, enabling them to work on the scenario	Draft scenario developed	Scenario documents ETF quarterly reports	Draft scenario	2007-2008
------------------	-----------------	---	---	--------------------------	---	----------------	-----------