



Ministry of
Education and Science
of Ukraine



DECENTRALISING VOCATIONAL EDUCATION AND TRAINING IN UKRAINE: MOMENTUM FOR ACTION

A Green Paper to lead discussions on reforms and capacities needed for
an attractive high-quality VET system in Ukraine

January 2017



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PREFACE

This Green Paper is the result of intensive work during 2016 in partnership between the European Training Foundation (ETF) and the Ukrainian Ministry of Education and Science (MoES) with the involvement of other state and non-state VET institutions and stakeholders from five regions of the country: the City of Kyiv, Vinnitsa, Lviv, Rivne and Dnepropetrovsk.

The ETF and the Ukrainian MoES launched a project in February 2016 entitled 'Decentralising VET in Ukraine: momentum for action'. This Green Paper is the main outcome of this project. The ETF would like to thank the following colleagues and institutions for their contributions to this project:

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- Representatives of the Education Departments, some VET Schools Directors and other VET stakeholders from the City of Kyiv, Vinnitsa, Lviv, Rivne and Dnepropetrovsk regions and all informants who participated in the focus group discussions;
- The following institutions that have been involved, to a greater or lesser extent, and have been constantly supportive: The Confederation and Federation of Employers of Ukraine; the Federation of Metallurgists of Ukraine; the Trade Union of Construction Workers and Construction Materials Industry; the Association of Ukrainian Cities; the Ministry of Finance; The Ministry of Economic Development and Trade; the Ministry of Regional Development; the Ministry of Social Policy, the State Employment Service; the Institute of Demography and Social Studies of the National Academy of Sciences of Ukraine; the Institute for VET and Academy of Pedagogical Science in Ukraine; the Business Technologies Development Centre; the European Union (EU) Delegation in Ukraine and the EU project to support Regional Development Policies in Ukraine.

This vibrant partnership experience shows that VET stakeholders are fully committed and ready to work together in cooperation with the ETF, national stakeholders and the international community in order to take the necessary steps towards an attractive high-quality decentralised VET system in Ukraine.

EXECUTIVE SUMMARY

The Green Paper draws on the many issues raised and feedback provided by Vocational Education and Training (VET) stakeholders in Ukraine. It is part of an intensive process that has involved drafting an inception report on “Challenges of VET Reform in Ukraine 2016” by European Training Foundation (ETF) experts, and 25 regional reports of the ETF Torino Process 2016 in Ukraine. It draws on consultations including seven focus groups held in five pilot regions, and the results of two working group meetings organised by the Ministry of Education and Science on 11 October 2016 and 6 December 2016, plus further consultations with non-state actors (in particular employers representatives).

The draft law on VET contains many excellent modern ideas for reforming VET in Ukraine. However, in the light of recent experience of VET reforms in Europe, more work needs to be done to clarify issues that could impede progress if they are not resolved now. The purpose of this Green Paper is to highlight issues that need to be addressed, indicate the options available and show how the process can be supported by international good practice from the EU and elsewhere.

The Green Paper is structured under four main headings that emerged from policy discussions among the ETF and Minister of Education and Science of Ukraine (MoES) in February 2016. As a result, the ETF formulated a project entitled *VET decentralisation in Ukraine: momentum for action*. The Green Paper lays out the challenges that are likely to arise as part of the decentralisation process. It indicates policy options for dealing with them and provides arguments suggesting which may be the best option to take. Finally it presents a roadmap outlining the main tasks that lie ahead requiring leadership at state, region or school level to achieve a successful transition to an effective, high-quality, attractive and relevant decentralised VET system in Ukraine.

The key role of VET in a modern economy

Most countries consider VET as a vital component of the drive to enhance productivity, stimulate economic development and competitiveness, reduce unemployment and lift disadvantaged groups out of poverty. According to Eurostat in 2013 almost half of all upper secondary school pupils in EU-28 followed VET programmes. In the case of Czech Republic, Croatia, Austria and Finland, the share was 70% or higher.

When VET is closely aligned with the needs of employers, trainees have excellent employment prospects and quickly find their way into work. Employers are able to hire staff that is immediately productive and does not require years of extra mentoring and training. Vocational education is also of great importance for the development of entrepreneurship, start-ups and SMEs. It is an important factor for success of the Deep and Comprehensive Free Trade Agreement (DCFTA). For these reasons, the Association Agreement specifically encourages cooperation between the EU and Ukraine in the field of VET.

Nevertheless, it should be emphasised that the European Union does not see VET as an end in itself. It sees VET as an essential component of broader efforts to stimulate growth and develop the economy. The new VET system should therefore be fully aligned with other efforts to develop the economy at regional or sectoral level, such as efforts to develop foreign direct investment, boost trade in the context of the DCFTA, or develop a pro-active opportunity-driven entrepreneur-led business dynamic. These considerations should have a clear impact on reforms, such as the design of a new mechanism for developing state and regional orders, as well as for the much needed optimisation of regional VET networks.

Immediate steps to take

These ideas should be formalised as soon as possible with the creation of a formal vision for the VET system in Ukraine. This should be done first at state level with the involvement of all stakeholder ministries. These are the Ministries of Education and Science, the Economy, Social Affairs, as well as Finance, Regional Development and sectors such as Transport, Tourism, Agriculture, ICT and Defence, all of which have a strategic interest in a sound VET system. A good way to do this is to create an inter-ministerial platform for dialogue on VET reform. Over the period of transition to a decentralised system, many other issues will require discussion and coordination at state level. Such a platform could be set up for a period of five years, enough time to oversee most of the decentralisation process.

In particular, it could oversee the implementation of a roadmap of actions needed to implement the decentralisation process, making sure that legislation is passed in a timely manner and the ministries concerned systematically solve problems. It could pilot important new policy tools, such as foresight as an aid to decision making.

At all events, the high-level vision for the new VET system should be further developed at regional level to create regional VET strategies building on the regional development strategies and including detailed plans for the optimisation of regional VET networks adapted to regional specificities and aligned with regional plans for growth. These could build on the Regional Platforms already created to support the Torino Process 2016.

Finally, it should be noted that decentralisation is not a simple transfer of power from state level to lower levels of governance. It is a complex redistribution of roles and responsibilities to appropriate levels of governance, accompanied by the adaptation of old mechanisms for rule-setting, decision-making and financing, and the creation of new VET policy coordination mechanisms. This is more complex than it appears at first sight, as the size of Ukraine and its regional and local divisions (oblast, rayons, and amalgamated gromadas) make this process more challenging indeed. Careful preparation is required if this is to succeed.

An obvious way to proceed is to carry out what is known as a Review of Institutional Arrangements (RIA), which could be accompanied by the development of an Analytical Framework for VET governance and financing in Ukraine. These two actions will enable the development of an Analytical Framework for VET decentralisation, clarifying who does what, when and how, and defining where in the new system decisions will be made and also how they will be monitored, evaluated and reviewed. As a matter of good practice, it should identify the different key VET policy areas, such as Qualification and Curricula, Quality Assurance, Skills Matching etc.

These actions need to be carried out immediately to create conditions for the successful decentralisation of the VET system in Ukraine. Smart Decision on restructuring VET school network is a key pre-condition for success.

Much of the Green Paper deals with issues that are ambiguous in the most recent version of draft VET law, and which require further discussion and clarification with a view to improving the legal texts or issuing guidance in their interpretation. The main points of the Green Paper not already touched upon above, are summarised under the following four headings.

Good multi-level governance for a decentralised VET system in Ukraine

The purpose of decentralising VET is to better adapt vocational skills and qualifications to the needs of regions and the local economy. Many different actors now pilot local development initiatives stimulating new labour market demands. Anticipating and responding to these demands will require a series of actions to provide clarity, direction and coordination. This will have an important impact on the construction of the Regional Order, as well as on VET School Network Optimisation.

Section 2.2 of the Green Paper deals with the social role of the VET System in Ukraine. The current system of student stipends is unsustainable. The Ministry of Social Policy should really assume many of the social responsibilities of the VET system. It would be useful to create a new Vision for the Social Role of VET in Ukraine based on modern concepts of accessibility and an inclusive society that provides equitable access to education, employment and lifelong learning for all citizens regardless of their age or ability.

Section 2.3 discusses the governance of VET finance in the context of decentralisation. There are choices to be made between alternative models of governance for VET finance. These choices have consequences for the establishment of the regional order, for the optimisation of VET networks and for the ability of regions to use VET as a tool for growth and development. Should governance be centred on the school or on local government at region or city level? There are strong arguments in favour of the VET school system being governed at regional level. There is already evidence that some cities have tried, for instance, to restrict profiles taught in city schools to those needed for city jobs, restricting the mobility of individuals and depriving them of opportunities to move into careers for which they feel best suited. The fact remains however that responsibility for financing has in many cases already been delegated to cities of oblast significance.

All this creates a need to clarify the relationship between cities and the regions in which they are located as regards VET governance.

VET Schools are not ready to assume full responsibility for their own financing. However, they should have a measure of discretion over spending. A good system of governance would ensure that schools are adequately funded, able to adapt to the changing needs of the labour market and are an effective instrument for supporting strategies for growth and development. A hybrid system is emerging based on decentralisation to regional level.

Recent changes to the Budget Code have radically altered the finance model of the oblasts, cities, rayons and the newly formed amalgamated gromadas. This has led to a fragmentation of the VET system into two sectors, one financed from the oblast capital city budgets and one from regional budgets, whereby some schools are well funded and others chronically underfunded. Sections 2.3.1 and 2.3.2 discuss funding formulas and multi-channel finance, per-capita funding, fiscal policies, tax-exemptions, levies as well as the need to set up Public Private Partnerships. There is an urgent need for further work on VET financing, and to engage with the Ministry of Finance on these issues. This would be greatly facilitated by the development of an Analytical Framework for VET financing described above.

Section 2.4 shows how the logic of Lifelong Learning (LLL) should drive and orient the institutional arrangements for the new decentralised VET system in which both VET and HE should be seen as parts of single system aimed at personal and human capital development. Continuing Vocational Training (CVT) is also key for Ukrainian human capital. The implementation of a National Qualification Framework (NQF) and Key Competences in renewed VET curricula might become important milestones on the road to lifelong learning.

Section 2.5 addresses the role of local government in VET governance, in particular Regional VET Councils. The new VET law gives these many powers. However, it is unclear what arrangements will

be in place for licensing or Quality Assurance (Q.A.). The Green paper argues in favour of an independent National Professional Qualification Recognition Centre (National Agency), which can be based on institutional models for setting up APEX bodies in decentralised contexts.

Section 2.6 of the Green Paper discusses how to improve the Regional Order, a procedure established in 1998 to determine budgets, staff and student enrolment levels in the VET system. It is clear to all that the system is outdated and in great need of improvement. A modern anticipative approach would provide teachers with opportunities to develop new programs. It would take account of the needs of cities, rayons, gromadas and amalgamated territories, sectors and regions based on their growth and business development plans. Ukraine has already been involved in relevant capacity building initiatives such as the Eastern Partnership Platform. There is scope for building a new system based on a Labour Market Observatory and skills-related foresight and quantitative forecast methodologies.

Regional VET networks and the optimisation of the VET system

The Green Paper argues that the unit of analysis for decentralisation of the VET system should be the regional VET network. Many of the questions of governance and optimisation should be looked at from the point of view of the regional schools network.

Section 3.1 of the GP looks at the role of property ownership. Today buildings and land belong to the state, whereas the schools are administered by the regions. To enable a better governance of the schools, the plan is to transfer ownership of school lands and buildings to the region. This has proven very complex due to problems with documentation, lengthy administrative processes and uncertainty about how to deal with unused and unneeded buildings. In particular, the reassignment of buildings requires work on the new VET legislation to ensure, for example, that revenue from sales goes toward the development of the VET system.

Section 3.2 addresses the optimisation of regional networks based on the merger or creation of VET schools. This process will be challenged by tensions between the rights of the state (article 13.1 of the new VET law), the rights of founders (article 17.4) and the role of Regional VET Councils in formulating recommendations. The new VET law could be improved by clarifying how these decisions will be made. Other issues arise owing to the uncertain role of regional VET Councils, the reclassification of VET schools into new categories (under articles 25.1 into 4+1 VET school types). The alignment of the new networks with the needs of the regional economy and the inadequacy of the traditional methods for establishing school budgets, staffing and enrolment levels based on the regional order are other issues to be tackled.

Carrying out a Review of Institutional Arrangements and developing an analytical framework for VET decentralisation would help greatly in addressing these problems by providing a clear basis for dialogue involving all major stakeholders.

Among measures that could be taken to facilitate the transition to a decentralised VET system is the development of regional guidance for optimizing VET networks, for example by building a national vision for VET and regional development plans. It appears that a region-by-region or city-by-city approach to property ownership may be required to deal with the specific problems and challenges created by VET budget transfer. It would be useful to develop VET Centres of Excellence as an institutional mechanism to help in the optimisation of VET school networks based on an initial merger strategy involving the creation of hubs for collaboration with industry, and creating opportunities to negotiate new forms of Public-Private Partnership. It would be useful to further develop management by principle, as promoted by the proposed new VET law, and introduce a system of performance indicators for assessing the performance of VET schools and taking informed decisions on restructuring school networks. It is worth considering how to exploit the modernisation of names and nomenclature in the VET system to address issues of image and attractiveness.

Options for VET school operations in the context of decentralisation

Autonomy means giving VET schools decision-making authority over their operations, for example in relation to staffing, curricula and finances, within constraints and policies set by the relevant authorities.

This gives an important role to the VET school council, which represents the interests of parents. With this comes accountability. To get good results however, you need good staff. Section 4.1 discusses how the autonomy of directors in managing human resources is strictly limited by the regional staff schedule, which indicates the maximum number of staff that can be employed in a school. Employing more staff is considered a breach of budget discipline, even if this clashes with regulations concerning disadvantaged groups. Employing fewer staff is an often used tactic to increase staff salaries, with obvious consequences for the quality of VET provision. Firing is very difficult, as the grounds for dismissal are not clear, and dismissal decisions are easily reversed on appeal. Hiring is also difficult, as salaries are low. If the school director is to be held accountable for results, she or he must have the tools and conditions to manage. Although the new VET law appears to give much greater powers to school directors, the text needs to provide further clarification on constraints such as the staff schedule and other issues related to pay, bonuses and performance.

Section 4.2 of the Green Paper deals with VET financing options. The fact that funding from the Ministry of Finance comes in the form of a stabilisation grant emphasises that at present there is no viable VET financing model. It is only an interim solution for a system that does not guarantee citizens' constitutional rights of access to education, and which has led in the past to distress for both students and teachers due to delayed stipends and salaries.

The draft VET legislation does not deal adequately with school finances. It does not allow the school director to charge market rates for services and pay staff accordingly. The current legislation imposes strict limits on this. In general, school finance has no link to strategies for local growth and development, and schools are not allowed to spend any extra income they earn by being more responsive to the needs of the labour market. It is not clear how schools will finance the development of new courses needed to fuel regional growth, pay for modern equipment, or encourage bright young teachers to enter the profession. The general feedback is that schools are not ready to assume full autonomy and key budget and institutional decisions should be made by the region. However, schools do need greater autonomy than they have today, especially in staffing.

The Green Paper discusses initiatives that would improve the performance of school management by replacing the regional order with more competitive market-based alternatives to the existing staff schedule, and introducing new practices such as Quality Assurance, performance measurement and the self-assessment.

Public-private partnership in Ukrainian VET

The proposed new VET law emphasises the principle of partnership and explicitly refers to Public-Private Partnership as a key component of the new VET system. Ukraine already has good experience with Public-Private Partnership, although mainly in the construction and metallurgy sectors. They usually take the form of a social partnership implemented by councils called elected collective organs. Another common form of Public-Private Partnership in Ukraine is sponsorship. This has provided a useful interface with the shadow economy, which remains an important source of employment for Ukrainian workers. Currently challenges exist in relation to new administrative units such as the amalgamated gromadas. For the time being at least, they do not see themselves as having a role in labour market development. It would be useful to formally evaluate past experiences with Public-Private Partnership to really understand what the benefits have been, what worked and what needs to be improved.

Although the draft VET law gives a lot of importance to Public-Private Partnerships, it provides no guidance on what they might be or how they might operate. There is therefore a need to improve the draft text of the law in this regard. The current legal and financial framework does not facilitate the creation of Public-Private Partnerships. They could provide new sources of finance for the development of the VET sector, but funds received by public sector institutions are directly assigned to the treasury and become difficult to access. This is only one of several issues that need to be further addressed.

Public-Private Partnerships are practical mechanisms for sharing resources such as equipment, laboratories and workshops as well as organizing the development of new VET programs, on-the-job-training and internships. In principle, they provide mechanisms for aligning VET strategies with strategies for regional and sectoral development. Many technical issues need to be examined and initiatives launched to implement the principle of partnership. Can schools create their own bank accounts that they can use to receive special funds? Do schools have discretion over the use of these funds?

Public-private partnerships are not just about employers, they also concern professional bodies, business associations, and industry federations. There is clear momentum to revive Social Dialogue in VET whilst promoting the existing council system. An initiative is required to build upon these traditions to develop a Strategic framework for VET public-private partnerships by involving the Social Partners at all levels in strong cooperation with Regional VET Councils.

INTRODUCTION

This first major decentralisation initiative by the government of Ukraine focuses on the Vocational Education and Training (VET) system. This has wider significance for Ukraine than the pilot decentralisation of public administration. In this case decentralisation is also the enabler of more general and far reaching reform of the VET system in line with the needs of the economy and in synergy with many other initiatives involving the labour force, small and medium-sized enterprises (SMEs) and regional development. Currently there are no other major initiatives addressing VET reform in Ukraine. These are sorely needed. It is hoped that this green paper and the associated consultation will clarify the measures needed and mobilise the funds required to ensure implementation.

The proposed new VET law does not refer to decentralisation or related concepts. In particular, Article 1 which lays out the meaning of the most important terms used throughout the body of the law, does not clarify this term or what it means in the context of the on-going process of VET reform. This is an important omission because the term decentralisation is ambiguous. It can be done in many ways. It is therefore important that Ukraine make explicit, its specific choices with regard to the decentralisation process. These will have an impact on how the new VET law should be interpreted. Reading the draft in this light, may lead to improvements in the formulation of its articles.

An important issue affecting VET in Ukraine today is the expectation that it should serve as a panacea for social inclusion and for the social integration of vulnerable groups. On the other hand VET is not explicitly linked to the global competitiveness of Ukrainian industry, to lifelong learning or to entrepreneurship and innovation. It is important to ask now, how the decentralisation of VET governance should serve as a platform for the development of a system that will contribute to the realisation of broader policy objectives. A critical assessment of what the VET system in Ukraine should be able to achieve and what the main outcome of the system should be, might yield a different vision and policy objectives for the Ukrainian VET system, than those that currently seem to apply.

The ETF has been working with the Ministry of Education and Science (MoES) of Ukraine on a pilot action involving five Ukrainian regions addressing key challenges faced by the VET system as it undergoes the process of decentralisation¹. This involved extensive consultation with regional stakeholders as well as the organisation of seven focus group meetings to examine key thematic areas. The work has taken place at a time when the MoES is drafting the new VET law. It is clear from these discussions and from recommendations made at a working meeting involving the Minister of Education and Science with social partners held in Kyiv on 11 October 2106, that there are still many details to work out, especially if VET decentralisation is to succeed while serving as the needed catalyst for further VET reform.

This green paper is intended to serve as an input to the drafting of the new VET law. It is intended to accelerate its adoption and help prepare for the joint ministerial meeting scheduled to take place in the first half of 2017. It therefore aims specifically to:

- provide insights and orientation for targeted policy dialogue, for policy options and for policy learning aimed at shaping a vision and process for the decentralised governance of VET in Ukraine, to be shared among national and local VET stakeholders;
- support awareness at national, regional, European and international levels on key issues at stake in the Ukrainian VET system.

(¹) The City of Kyiv, Vinnitsa, Lviv, Rivne and Dnepropetrovsk regions.

The ETF facilitated a stakeholder meeting in Kyiv on 6 December 2016, as part of a joint activity undertaken with the Ministry for Education and Science. The aim of the meeting was to present the green paper, consult with stakeholders, and collect their feedback and reactions. This meeting involved a range of stakeholders, including representatives of local and regional authorities, social partners and employers interested in the VET decentralisation process. The feedback from plenary meetings and from the work of breakout groups has been analysed and has been used to improve the content of the green paper. This version is the result of collaboration between the Ministry of Education and Science of Ukraine (MoES) and the ETF.

1. THE GENERAL CONTEXT: VET DECENTRALISATION AND EU-UKRAINE COOPERATION

The EU-Ukraine Association Agreement was signed two years ago in December 2014. The Association Agenda was endorsed four months later in March 2015. This lays out important details about how Ukraine and the EU will move ahead together to implement the agreement. The first major result of this cooperation emerged on the first of January 2016 when the “Deep and Comprehensive Free Trade Agreement” or DCFTA entered into force. It is intended that this will create new sources of prosperity for the Ukrainian people, its enterprises and entrepreneurs.

The potential for a great partnership is clear. Fully realising the benefits of the agreement however, will require hard work on both sides. VET is an important driver of socio-economic and regional development. For example, the impressive progress of Poland since accession to the EU has been driven in no small part by the successful reform of its VET system. The economic powerhouses of Europe such as Germany, Austria and Switzerland, not to mention Nordic countries such as Denmark, Sweden and Finland attribute much of their success to parity of esteem between VET and general education (GE). Some young people are well served by finishing their young adult education in GE, whereas others are best served by VET. The whole system enables and encouraged movement from VET to GE and back again.

Many countries consider VET as a vital component of the drive to enhance productivity, stimulate economic development and competitiveness, to reduce unemployment and to lift disadvantaged groups out of poverty. According to Eurostat (2013), almost half of all upper secondary school pupils in the EU-28 followed VET programmes. In the case of Czech Republic, Croatia, Austria and Finland, the share was 70 % or higher.

In these countries, there is no sense that one system is better than the other, and both systems get equal attention from government and social partners. This is what is meant by parity of esteem. A recent report by the Boston Consulting Group confirms this ⁽²⁾. It refers to VET as the missing link in economic development, often neglected and given less importance than it deserves. It identifies four factors for a successful high impact VET system:

- a coordinated ecosystem in which all stakeholders actively cooperate;
- performance-based government funding and support;
- sustained collaborative efforts from industry;
- parity between VET and GE.

When VET is closely aligned with the needs of employers, trainees have excellent employment prospects and quickly find their way into work. Employers are able to hire staff that is immediately productive and does not require years of extra mentoring and training. VET is also of great importance for the development of entrepreneurship, start-ups and SMEs. These play an increasingly important role in economic development. It is therefore no accident that the association agreement specifically encourages cooperation between the EU and Ukraine in the field of VET. It is an important factor for success of the DCFTA.

(2) “Vocational Education – The missing link in economic development” by J. Puckett, J. Davidson and E. Lee at bcg.perspectives (2012).

The association agreement therefore envisages the development of VET systems that promote relevant forms of further education as well as a National Qualifications Framework (NQF) to improve the transparency of the system and recognition of skills drawing on EU experience. Recent and on-going EU funded projects in Ukraine of relevance to VET decentralisation include:

- A two-year EU Twinning project entitled “Modernisation of legislative standards and principles of Education and Training in line with EU-Policy in Lifelong Learning”;
- “Support to Ukraine’s Regional Development Policy” worth €5.3M over the period from 2012 to 2017 is intended to strengthen the capacity of the regional authorities and other stakeholders to develop and implement effective regional development policies;
- The EU SURE project for Support to Ukraine to Re-launch the Economy has a budget of €55M and provides technical assistance and policy advice at national level;
- Other measures worth €15M help Ukrainian actors take part in EU programmes such as Horizon 2020, and provide support for the development of a network of Business Support Centres providing advice and entrepreneurial skill development for SMEs at regional level;
- In December 2015, the EU approved an action to support the decentralisation of public administration. Entitled “U-LEAD” for “Ukraine Local Empowerment, Accountability and Development” it is worth €97M for the development of systems of multilevel governance, which is transparent, accountable and responsive to the needs of the population.

Although, at first sight, the only project mentioned above of direct relevance to the development of VET in Ukraine appears to be the twinning project, quite the opposite is true. Experience in the EU demonstrates that VET is a key component of economic development and that the development of the VET system is inseparable from the development of the economy. It is therefore important for Ukraine to systematically create links between the development of the VET system and the development of its regions as envisaged in the other activities listed above.

VET decentralisation in Ukraine is part of a nationwide reform initiated under the EU-Ukraine cooperation agreement in 2014. One of its focus areas is the transfer of VET financing and property to a lower level of governance. As part of this reform, responsibility for financing skills training in VET institutions was assigned to local budgets³. VET institutions in cities of regional significance were to be financed from city budgets, while other institutions would be financed from regional (oblast) budgets and those in Kyiv from the Kyiv City budget.

In the context of EU-Ukrainian cooperation and the economic and social challenges facing Ukraine, VET decentralisation can also be seen as an opportunity for reform based on multilevel partnership approaches that will raise the profile and status of VET, while contributing to growth, employment and regional development.

1.1. The MoES and VET decentralisation: Current state of the art

At the invitation of the Department of Professional Education of the Ministry of Education and Science of Ukraine, the ETF took part in a working meeting in Kyiv on 11 October 2016. Participants included representatives of the Ministry of Education, the ETF and social partners such as the Ministry of Social Policy, the Joint Representative Body of Employers and the National Academy of Sciences. The full text of the meeting report is provided in annex. The following issues were discussed:

- Defining VET strategy and policy for VET decentralisation;

(³) Law of Ukraine “On the State Budget of Ukraine for 2016”, from January 1, 2016,

- The VET funding mechanism and transfer of VET state school property to municipal ownership;
- The drafting of regional orders;
- The optimisation of the VET school network;
- The modernisation of VET content, material and technical resources.

The MoES expressed an interest in seeing further work on the following issues:

- The proposal to merge a number of VET institutions with HE institutions providing VET services has met with strong resistance. In particular, the ministry was interested in knowing the opinion and suggestions of international experts on how to resolve this situation.
- Changes in 2016 to the system for funding VET schools had unintended consequences in terms of delays in the payment of staff salaries and student stipends. The ministry was interested in hearing about international experience in implementing decentralisation, in particular as regards finance, the sequence of actions and the regulatory support required.
- Although good progress has been made in the creation of regional development plans and in the elaboration of the first regional orders, there is a need for further improvements in:
 - Approving legislation for defining the regional order;
 - Improving the system for determining short and medium term labour market demand;
 - Designing a system to determine norms for the remuneration of specific categories of skills.
- The transfer of ownership of state school property has started, but has also run into problems. The ownership of property is in many cases unclear and budget and resources are needed to legalise ownership and facilitate the transfer process. Not all regions have given consent for properties to be transferred to municipalities. The conditions attached to the transfer and rules intended to prevent misuse of property need to be formulated. Guidance based on international experience is required on how best to handle these issues.
- It is not clear how to optimise VET schools networks. In particular, it is important to determine the criteria for merging VET schools. There is a need to identify sources of financing to modernise existing schools or create new schools, introduce new professions that meet the needs of national and regional labour markets, update content, expand the autonomy of schools, establish independent centres for evaluating the quality of vocational education and for awarding of professional qualifications.

The social partners taking part in this meeting recommended that:

- A process should be created involving regional VET councils and regional industry councils to determine the outlook for the industry, modernise course content accordingly, and improve logistical and methodological support for VET service provision;
- This process should consider not only the needs of young people, but also the needs of adults and the unemployed;
- VET schools need to be made more accountable for the quality of the services they provide;
- Networking with VET social partners should be improved so as to ensure the broad involvement of NGOs;
- More powers should be granted to regional VET councils so they can have a real impact on decision-making.

The ETF suggested that a working paper entitled "State of VET in Ukraine" be prepared to codify the existing regulations in the field of VET, examine progress in the TRP, and determine the principles for cooperation among public organisations. The following four themes stood out:

- The distribution of and interaction between management functions at state, regional and school level;
- The work of the focus groups on the decentralisation of management, governance and financing, the optimisation of VET school networks, school autonomy and public-public partnership;
- The need for a Green Paper to structure advice and recommendations, to work out a common vision for new legislation and attract donors able to invest in the VET in Ukraine;
- Support for the strategic use of the Green Paper.

1.2. Technical note on the use of legal texts and key documents

This green paper draws upon a number of important documents. It is based on the findings, views and positions expressed in:

- The Torino Process Reports from the 24 regions and the National TRP Report;
- The Inception Report on "Challenges of VET reform in Ukraine 2016";
- Analysis of the Regional Reports;
- The Findings of the Seven Focus Groups in: VET legislation; VET state and Regional orders; VET optimisation, VET School management; VET school autonomy and Public-Private Partnerships in VET;
- The proposed new law for VET in Ukraine;
- Other sources (e.g. ETF PRIME project reports).

It also builds upon the conclusions of the working meeting organised by the Ministry of Education and Science on 11 October 2016. It incorporates comments and feedback from the working meeting held in Kyiv on 6 December 2016.

1.3. Broad Selection of EU and International Good Practices to learn

All EU countries have gone through a process of VET reform and all have been confronted, at some time or other, with choices and dilemmas similar to those faced by Ukraine today in reforming their VET systems. The same can be said of countries outside of Europe, some of which provide international benchmarks for good practice in areas such as student learning outcomes, on the job training and cooperation with industry.

Looking back at these experiences, it is possible to see what has worked and why. It is therefore helpful to draw upon this experience to acquire insight and to better accompany Ukraine on its journey of VET decentralisation and reform. The tools available for this include selection of experts for technical assistance projects, training, reading the many reports available and especially taking part in peer learning and/or study visits.

A set of criteria have been identified for this purpose. These have been balanced and used in a streamlined way to focus on key policy areas and to propose selected good examples (countries). They are the following:

- Broad identification and selection of relevant of VET models either *Market*, *Post-Bureaucratic* or *Dual systems*, taking into account architecture and current policy development of Ukrainian VET system;
- Identification of VET models experiencing processes of decentralisation (delegation, de-concentration, devolution) and/or regionalisation of VET polices;
- The role of the regions in the general administrative framework of the state by prioritising *regional states* rather than *federal* ones;
- High performance regarding the role of VET in education systems and labour market;
- VET models based on coherent institutional settings addressing LLL approaches;
- Relevance of multi-participatory governance modes of selected VET LLL systems based on achieved consensus, and successful experiences addressing inclusiveness and/or multi-level stakeholder policy making;
- VET models that might have cultural similarities, public administration traditions, geographic proximity and/or demographic challenges comparable to Ukraine;
- The recognised role and effective leadership of social partners in VET policy making within the VET policy cycle.

The following table lists an array of EU and other countries that provide good lessons, experience and/or case studies that we can draw upon under the four major headings of the green paper. Most of these examples are referred to at the end of each major section of the green paper. Decisions on selecting practices for policy learning might be better based on a *fit for purpose* approach.

TABLE 1. PROPOSAL OF EU AND INTERNATIONAL PRACTICES FOR FURTHER PLANING OF POLICY LEARNING TO SUPPORT VET DECENTRALISATION IN UKRAINE

POLICY LEARNING FOCUS (EXPERTISE DEVELOPMENT)	CASE STUDIES (COUNTRIES) (*)
Decentralisation processes: models and modes of decentralised VET policies and systems	Czech Republic, Slovakia, France, Germany, Austria, Poland, Spain, Italy, Sweden, Canada, Korea, Australia, Argentina
Review of Institutional Arrangements (RIA) Mapping of VET governance stakeholders (functions & policy areas)	Western Balkans (e.g. Serbia, BiH, Montenegro) & Turkey, Georgia SEMED Region (e.g. Morocco, Jordan)
Regional and/or sectoral economic cooperation	France, Romania, UK, Denmark, Belgium, Sweden, Kazakhstan
VET governance and finance (formula funding, cost-sharing mechanisms, use of tax policies etc.)	France, UK, Netherlands, Switzerland, Poland, China, Germany, Ireland, Netherlands, Austria and Finland, Poland, Bulgaria, Czech Republic, Slovakia, Slovenia
VET network optimisation, rationalisation.	Albania, Latvia, Lithuania, Bulgaria, Slovakia, Poland.
VET centres of excellence	Albania, Belgium, Denmark, France, Luxembourg, Netherlands, Spain, UK, Italy, Germany.
Social dialogue & social partnership in vet within LLL perspective Role of the private sector & public private partnerships	Denmark, France, Netherlands, Norway, Sweden, Spain, Belgium, Turkey, Moldova. UK, Denmark, Finland, Morocco, India, Germany, Belgium, Netherlands, Australia.
National executive agencies /supervisory - APEX- bodies.	Australia, Germany, Croatia, China, India, Belarus, Estonia, Georgia, Chile, Bulgaria, Brazil.
Quality assurance (Q.A.) systems	Canada, Czech Republic, Poland, Estonia, Finland.
VET school autonomy & accountability	Switzerland, Finland, Netherlands, UK, Austria, Denmark.
Cooperation between HE & VET	France, Lithuania, Slovakia, Netherlands.

(*) Some of these country examples might be applied to various and/or even all policy learning focuses.

2. GOOD MULTI-LEVEL GOVERNANCE FOR VET DECENTRALISATION IN UKRAINE

Good multilevel governance in VET provides support for policy making and management based on coordinated actions involving VET stakeholders from the public and private sector at all levels: international, national, sectoral, regional and local. These interact with VET service providers to improve objectives setting, implementation, monitoring and review. Good multilevel governance reinforces the participation of such stakeholders for improving the relevance, accountability, transparency, coherence, efficiency and effectiveness of VET policies and systems ⁽⁴⁾.

The vertical dimension of multilevel governance refers to links between the higher and lower levels of government – supranational or international, national, regional and local as well as provider level, including their institutional and financial dimensions as well as their need for information. The horizontal dimension of multi-level governance refers to cooperation arrangements between political actors and society in the context of social dialogue.

A key aspect for approaching good and effective multilevel governance in VET is the identification and implementation of coordination mechanisms for VET policy-making. They can be defined as structured outcome-oriented partnership processes, policy tools and/or methods to effectively support policy-making for Initial VET (I-VET) and/or Continuing Vocational training (CVT) throughout the policy cycle. They can be set up by stakeholders (public and private) at both vertical and horizontal governance levels, with binding and/or non-binding policy implications. They are mostly of a political, financial and/or technical nature.

After reviewing and assessing country priorities through participatory process based on policy analysis and the use of evidence, policy options for setting up different VET coordination mechanisms could be defined ⁽⁵⁾. The strategic purpose of coordination mechanisms is to support the establishment and regulation of effective working cooperation among different levels of VET policy makers on key policy areas in order to facilitate better performance in VET public management and to improve the attractiveness and relevance of VET policies and systems. Such mechanisms can be set up on an *ad hoc* basis (e.g. inter-ministerial cooperation groups, steering committees) and/or used *strategically* to consolidate VET policy development in the short to medium/long term (e.g. National VET agencies, NQFs, Quality Assurance Frameworks, Labour Market and Training Observatories etc.) ⁽⁶⁾.

2.1. VET Good Multilevel Governance: Who is doing What, Where, When and How?

According to the draft VET law (Section III, Article 11) the following entities should participate in the governance of the VET system in Ukraine, on the basis of the partnership principle:

- The Cabinet of Ministers of Ukraine;
- The Central body of the Executive power, which provides forming and implementing State policy in the field of education;
- The central body of the Executive power to ensure the quality of education;

⁽⁴⁾ ETF 2013 based on Cedefop (2011) and Committee of the Regions – CoR- (2009).

⁽⁵⁾ This might be done, for instance, through ETF Torino process reviews. Further info: http://www.etf.europa.eu/web.nsf/pages/Advanced_Search?opendocument&q=Torino%20process%20reports&

⁽⁶⁾ Galvin Arribas J. Manuel in T. Leney- European Training Foundation (ETF) - (2015a).

- Other central bodies of executive power;
- Local executive bodies and local governments (regional, Kyiv and Sebastopol city State administrations);
- The founders of schools of professional education;
- Public associations of institutions of vocational education;
- Professional and public associations;
- Employers, their organisations and associations.

ISSUES

VET decentralisation is recognised as a prerequisite for adapting skills, competences and vocational qualifications to the needs of the local economy. Reaching these goals also requires broader forms of VET reform. However, progress with decentralisation has been slow. This is mainly attributable to the low level of coordination among state actors in building a vision for the new system, in implementing new VET policies, and failure to ensure consistency and efficiency in the decentralisation process.

At national level, there have been no changes in the distribution of roles and responsibilities in VET governance since 2014. In 2016, the regional (oblast) offices were reorganised in the Department of Education and Science as a result of which the Vocational Education Office was eliminated and replaced by the Vocational Education Section. In 2016 at Oblast level, regional VET Councils were established and provide a mechanism for involving stakeholders in VET governance at regional level. However the role and decision making powers of these structures remain unclear.

A number of problems arose stemming from lack of clarity about the distribution of roles and responsibilities in the formulation and implementation of VET at the oblast level. This should be clarified in the new Ukrainian Law "On Education". The division of roles and responsibilities between the Ministry of Education and Science at national level and the Vocational Education Section of the Department of Education and Science at the oblast level, as well as the municipal authorities of towns of oblast significance, hampers important tasks such as updating VET content. Other Ministries directly involved in VET decision-making, such as the Ministry of Finance and the State Employment Service of the Ministry of Social Policy, along with the social partners at national, sectoral and regional levels, should be systematically engaged throughout the VET policy cycle, but this is not the case. Mechanisms need to be developed to ensure that these interactions take place.

Capabilities that need reinforcing at regional level include forecasting VET skills in regional labour markets, optimising VET networks and provision, improving quality of VET provision, strengthening social partnerships, introducing innovative teaching methods and practices, and vocational standards for training young people and adults.

In this context, it is important to identify and define the leadership capabilities needed by different authorities if they are to fully assume their roles and responsibilities at different levels of governance. For example, it is not clear from the proposed VET law who will initiate policy, who will be consulted on policy and how, who will fund what or who is responsible for implementation. Implementation is not only about teaching, it also concerns issues such as the maintenance of buildings and equipment, the development of new curricula and quality assurance as well as cooperation with employers and social partners. In particular, it is not clear what type of partnerships are required for formulating, implementing, monitoring and evaluating VET policies in a decentralised context at all levels of governance. An appropriate balance of power should be achieved between central and regional levels. This requires deciding, for instance, which functions should be deployed by Regional VET Councils and how VET school governing boards will apply their mandates for more autonomy.

At the joint MoES-ETF meeting held in Kyiv on 6 December 2016, participants reported that insufficient thought had been given to clarifying which powers should go to what level of governance, how these powers should be exercised and by what structures. They raised many questions of this kind that need answers before an appropriate decentralisation process can be defined for Ukraine, given the current state of the system and its need for broader reform. It was clear from this meeting that VET decentralisation is seen by many at state level as a simple technical issue of transferring some powers to a lower level, whereas in reality it is a complex redistribution that requires careful preparation.

It would therefore be useful to provide a clear mapping of who exercises what powers today and how, with a view to clearly identifying where these powers will be transferred to and at what stage in the overall decentralisation process. This would pave the way for the development of a roadmap outlining how decentralisation will take place step-by-step over time.

OPTIONS

A useful first step towards the implementation of good multilevel governance in Ukrainian VET would be to facilitate a self-assessment activity to map institutional capacities, determining *who does what and how* at different levels of governance of the VET system. There are two possible ways to proceed:

- Discuss and identify the right policy areas and governance functions with a view to designing an *Analytical Framework for VET Decentralisation in Ukraine*. For instance, the proposed new VET law does not refer explicitly to decentralisation or related concepts (e.g. delegation, deconcentration, devolution etc.). In particular, Article 1, which defines the key terms used in the law, does not clarify this term, nor does it explain what it means in the context of the on-going VET reform process. This is important because the term “decentralisation” is ambiguous and needs to be well defined in the context of VET policies and systems (?). Decentralisation is a process of transition, and so there is a need to describe what the final form will look like, as well as the intermediate stages that the system will go through.
- Another approach is to launch a formal “Review of institutional arrangements” or RIA. This could focus on the governance structure of VET institutions involved in VET policy cycle. It will allow us to identify the coordination mechanisms needed for effective VET policy making. It should include administrative infrastructure, resources, budgetary practices and financial management capabilities necessary for ensuring a smooth transition towards the new decentralised VET system, over the 2017-2020 period.

2.2. Multi stakeholder partnerships for improving the image and reputation of the Ukrainian VET system

The image and reputation of the VET system in Ukraine requires urgent attention. VET has a very negative image in the Ukrainian education system, as access to VET has traditionally been linked to absorbing failed students from general education and other socially disadvantaged groups. The bad image is also related to the old concept of blue-collar workers, which still prevails in the cultural traditions of the country from soviet times.

All this influences students and families in choosing a VET learning pathway. Policy makers, employers, parents and students share this bad image of VET. The solution lies in a multi-faceted approach, which includes adopting a good performance management system, improving cooperation

(?) In summary, the big issue would be to obtain a holistic but specific clarification and indication on what should be decentralized, deconcentrated, devolved and/or delegated to whom, and at which VET governance levels.

with employees, adopting a demand driven approach, and improving conditions for students and teachers.

In this challenging context, good multilevel governance entails state and non-state VET stakeholders in the system at all levels taking the initiative to open policy discussions about the role of VET for socioeconomic development and growth in order to promote its benefits for Ukrainian citizens. The bad image of VET in Ukraine is a clear and very urgent incentive to open cooperation and communication to multi-stakeholder partnerships.

ISSUES

The decentralisation process needs to be handled smoothly. Risks to reputation and motivation among teachers, trainees, parents and employers should be pro-actively managed. The reclassification of VET schools, from a system based on 16 categories to one based on five categories will affect career guidance over the coming years. On the other hand, this reclassification could be seen as an opportunity to rebrand the whole system, making it more legible and more comprehensible to students, as well as more in tune with the new Ukrainian economy based increasingly on exporting, entrepreneurship and innovation. A simple re-branding will not work unless it is accompanied by real reform of the system and much greater involvement of employers.

Systemic failures such as those associated with the transformation of school funding mechanisms have a devastating effect on the image of the VET system. They discourage teachers from entering the profession, they discourage the private sector from investing in its development and they discourage young people from taking part in VET.

The optimisation of the VET school network if handled badly could further erode the reputation of the system if not enough time, attention and resources are given over to communication about the benefits this will bring. The development of centres of excellence could help to improve the image of the system, but only if real progress is made in creating modern comfortable environment for teachers to work in and for students to study in.

Career guidance also has an important role to play in this regard. In recent years, the VET systems have considerably improved the career guidance of young and adult people. Nevertheless there is more to be done.

Finally, there is a considerable imbalance between people opting for GE and people opting for VET. The European and International ideal is parity of esteem. This refers to a situation where VET and GE are seen as equally attractive options for young people in their second and third cycles, as well as equally attractive options for continuing education to advance individual careers.

OPTIONS

- The management of risk created by complex transformation processes such as decentralisation, network optimisation and the large-scale reclassification of school networks should be seen as part of the job of managing the overall transition process. The best way to do this is to increase and intensify consultations associated with all aspects of change, at both state, regional, local and school level.
- Careful attention could be paid to cooperation with career guidance professionals. The system for career guidance needs reinforcement and coordination. Career guidance should not only address the needs of young people, but the needs of unemployed people, people in mid-career and people setting up as sole traders, independent businessmen and entrepreneurs. It would be useful to introduce career development as a basic skill needed by all students, in line with a lifelong learning philosophy, whether they take part in VET or GE.

- There is a need to speed up the modernisation of VET curricula and occupational standards based on labour market demand and to integrate key competences and innovation-based approaches.
- This might be accompanied by awareness raising actions based on showing the benefits of VET for citizens. This requires strong cooperation between VET state and non-state actors to set up an effective communication strategy to promote and market VET. This opens the door to creating motivations, rationales and strong arguments to shape a modern vision on VET. A communication strategy for VET needs to be developed.

2.3. A vision for how the new system will serve the state and its regions

Such a review (RIA) and deploying strategic communication at all levels for promoting the benefits of VET should be complemented by the development of an explicit vision for the new decentralised VET system. It is a practical tool for communicating what is going on to different stakeholders. A number of participants in the December 2016 meeting in Kyiv clearly expressed the need for such a document.

The process of developing such a vision is an opportunity to address important issues. It brings clarity about what should be achieved and it provides a tool for bringing key stakeholders on board.

One way to formulate such a vision is to list the ways in which the new system will be qualitatively better than the existing one, or to list elements of how it should feel from the point of view of trainees, teachers, employers, employees and local development authorities. Here is a list of issues that might be addressed in formulating a vision for a new decentralised VET system. In the (new) system:

- Service providers from VET (and Higher Education) from the public and private sectors complement each other as key components of a system for lifelong learning;
- HE and VET enjoy parity of esteem from a trainee and broader societal perspective;
- Innovation is embedded in VET system delivery;
- Citizens have ease of mobility from HE to VET and from VET to HE;
- The overall VET system is engaged in a constant dialogue with stakeholders;
- The system is increasingly demand driven in terms of the service it provides;
- It answers the needs of individual entrepreneurs as well as big business and other skills consumers;
- Teachers are well paid and enjoy high social status;
- The system constantly monitors and improves its performance;
- The system continually adjusts with the help of a QA system;
- The system continually experiments with new teaching methods;
- VET is attractive, relevant, and excellent and support self-development of personal and vocational competences of students within a lifelong learning perspective.

Another element of the vision is to refer to cooperation between the stakeholder ministries. These should include stakeholders involved in employment and social policy, economic development and the development of specific sectors such as defence, agriculture, tourism, transport and ICT. It could introduce other issues that are important targets of reform such as the modernisation of the social role of the VET system. In effect, these references provide an invitation to other stakeholder ministries to take part in VET system reform, as well as motivation for high-level mechanisms for consultation including inter-ministerial and intra-ministerial platforms for dialogue on VET reform. Bringing these

stakeholders on board should be seen as an important precursor to deeper engagement with the Ministry of Finance on VET reform.

Such a vision does not have to be a long document. It should refer to the role of the regions in VET governance and provide a framework within which the regions can develop their own vision and strategy from the perspective of VET as a tool for economic and social development.

These Regional VET strategies, in line with the national vision, can highlight the link between the high level ideas expressed in the national vision and regional plans for growth and development, entrepreneurial and sectorial opportunities that will arise in the region, as well as increased trade based on the DCFTA.

ISSUES

The draft VET law for Ukraine foresees that the strategic direction of VET (Central Executive Powers, Article 13.1) could be also delivered by the Regions. However, the draft VET law is still to be approved and the process could be delayed. Furthermore, national level and regional stakeholders are concerned about the situation of the VET sector, which has deteriorated in the context of the political reform and serious financial and quality problems which are worsening the reputation and image of VET.

OPTIONS

- A formal VET vision could be smoothly formulated at national level providing a strong role for the regions and handing them leaderships on the formulation of strategy for using VET to support innovation, growth and employment. This will help to interpret the new VET law by indicating in more detail how each actor should respond to the new legislation, indicating how VET will contribute to socioeconomic and regional development in the years to come.
- The completion of the national vision with strategies formulated at regional level provides opportunities to involve relevant stakeholders from sectors, ministries and communities within the region, on concrete issues related to the growth of the region, and of employers operating within the region. Details on stakeholder engagement need to be provided. Coordination mechanisms need to be put in place. Ideally, a foresight approach could help to mobilise stakeholders and establish the link between the existing regional growth strategies and skills to be developed by the regional VET network over the period 2017-20.
- After VET strategies, a roadmap for the decentralisation of the VET system, outlining the steps to taken and providing a calendar to guide and help monitor its execution is urgently required. The Roadmap will serve to complete the new VET law and plan for its strategic implementation.

2.4. Modernising the social role of the VET system

The VET system in Ukraine has a strong social orientation, in that it plays an important role in the protection of vulnerable population groups. Legally, the VET system is entrusted with the social care of vulnerable youth who have enrolment preferences at VET institutions. In the 2015-2016 academic year, the share of such students in state-owned VET institutions was between 30% and 50% of enrolments. This places a very important financial burden on the VET system. Recently there has been an important increase in the number of people in this category.

The social role of VET schools goes beyond the education of socially vulnerable groups. They also provide social stipends. Unlike academic stipends, these social stipends require that the student belongs to one of several defined groups of vulnerable students. This is one reason why the overall image of VET institutions among the general public is that VET schools are intended for failing students. The social function of VET schools is financed from local budgets.

ISSUES

By effectively monopolising the education of under-privileged groups and people with special needs, the VET system restricts access to higher education for the economically vulnerable population groups. Most VET schools are only partially able to provide all of the support required. There is a tension between what the draft VET Law requires of the VET system and the resources made available by the state. This is likely to create important challenges for the decentralisation and optimisation of the overall VET system.

Although academic student stipends are unusual in VET schools in European countries, they are very much needed in Ukraine. Nevertheless, the stipend system can be improved. One aspect of the system that does not work well is the guarantee that each eligible student will receive the stipend.

OPTIONS

- Launch a formal and structured consultation process to discuss how the handling of vulnerable groups can be improved, and how the social role of the VET system can be modernised. It should follow effective international rule-making practices, based on inter-ministerial dialogue involving the MoES, the Ministry for Labour and Social Policy, as well as the Ministry for Finance and social partners representing vulnerable groups. Stipends should be reformed by establishing transparent and efficient criteria for award based for example on attendance and performance. Dialogue could also address the funding of stipends and the introduction of modern approaches to dealing with vulnerable groups based on accessibility, inclusiveness, lifelong learning, life skills and the transition to independent living, employment and the transition to work. The major outcomes should be reflected in improvements to the new VET law. These can be further elaborated based on secondary legislation delivered at a later date if needed.
- Regional VET stakeholders such as Regional Departments of Education, Regional VET Councils, local governments, VET providers and Methodological Centres, might replicate discussions on how the social function of VET schools might be clarified limited to education and training. Discussions should address dormitories, as well as policy towards talented orphans and social orphans who can freely choose any type of VET school according to their individual talents. The outcome of these discussions might lead to recommendations for further amendments to the VET law. They might also have an impact on regional orders.
- Review the system of academic stipends. The current system reduces the discipline and motivation of students to learn and to attend the lessons. Instead, discuss how to shape a system based on student performance. For instance, the students who receive good marks should have higher academic stipends, and students with very weak results should not receive these stipends at all.

2.5. The governance of VET finance: model for VET decentralisation

VET governance and VET financing is an essential element of VET decentralisation and reform. Successful reform demands closer cooperation between the MoES and the Ministry of Finance on these issues, which have acquired more urgency in 2016. VET schools subordinated to regions have found themselves chronically underfunded, in particular by comparison with schools subordinated to cities of oblast significance. Additional funds currently being made available are merely intended to guarantee the survival of the VET school system. They are no substitute for a sustainable system of financing, designed so that the system will immediately achieve an adequate level of performance, and then progressively higher levels of performance over time. This will not happen unless the MoES, and other relevant ministries, sit with the MoF and thrash out all of the relevant detail. The MoES underestimates the importance of its role in this. Recent crises should be a red flag that it needs to engage more fully if the overall reform is to succeed. Not only reform in terms of the VET system, but in terms of Ukraine's first major experiment with the decentralisation of public administration.

The existing system of governance system was disrupted without being replaced by a new one. Negative consequences have followed as a result. Local authorities have difficulties fulfilling their responsibility for the financing and governance of schools subordinated to them (Torino process 2016). It has become more difficult for students in one region to obtain professional qualifications issued by a school in a different region. Horizontal ties between the regions have become more complicated.

On 28 December 2014, as a part of decentralisation, the Ukrainian Parliament adopted the Law on Changes to the Budget Code (No 79-VIII). This law created a new system of local public finance that has radically altered the financing of *oblasts* (regions), cities, rayons and the newly formed amalgamated *gromadas*. As a result of these changes the system for recurrent financing of VET schools for the fiscal years 2016 and 2017, has resulted in the division of VET into two distinct subsystems, one financed from city budgets and one financed from regional budgets. It will be extremely difficult to implement rational policies for professional technical education if this fragmentation persists ⁽⁸⁾.

ISSUES

The draft State Budget for 2017, submitted to the *Verkhovna Rada* (Parliament) for approval in October 2016 envisages changes to VET financing in the light of the problems experienced in 2016. Apart from a guaranteed subvention from the state budget for delivering general secondary education programmes, VET institutions will receive financing from regional budgets. This will help establish a new decentralised system of VET governance in Ukraine ⁽⁹⁾ and will make it easier to define strategies and tactics based on a regional approach to VET development, including the formulation of regional orders for skills to be developed through the regional VET school network. However many open questions remain.

A priori there are two basic models for the decentralisation of VET. One based on decentralisation of VET governance to the level of schools and another based on decentralisation to the level of local government. Although these two models often coexist, in practice they are difficult to reconcile. Furthermore, they are incompatible with one other in at least two managerial aspects. These aspects relate to the need for school closures and more broadly to the optimisation of school networks, as well as to the setting of school budgets. It is therefore important to make a conscious decision as to which model the country wishes to adopt given the current state of development of the system, and the pressing need to align VET provision with the needs of the economy.

There is already a general consensus that the system is not ready for decentralisation to the level of schools. The issue quickly becomes one of whether the system should be decentralised to the level of the region or to the level of the city.

Ideally, the decentralisation of both governance and financing of VET school networks should be carried out at the regional level. The natural territorial unit for economic development is the region. A regional system of VET governance will make it easier to align VET policy and strategy with the regional plans for growth and development that have already been developed.

The natural unit for the optimisation of the body of VET schools is therefore the regional VET school network. This offers considerable scope for synergy in creating regional centres of excellence, and sets the stage for inter-regional cooperation on the development of specific sectors of the economy.

Delegation of power to city level however, puts all parts of the region lying outside the city, along with the various communities associated with these territories, at a considerable disadvantage. This makes it harder for the VET system to serve dispersed non-urban communities such as those involved in

⁽⁸⁾ ETF & MoES VET decentralisation in Ukraine - Inception report (2016, unpublished)

⁽⁹⁾ Ukraine Torino Process report 2016 (forthcoming publication).

agriculture. It also makes it harder to guarantee the constitutional rights of citizens in these areas, in relation to access to VET services.

The territories from which VET students are drawn extend beyond large cities. Furthermore, the territories where VET school graduates are likely to find work also extend beyond the limits of the cities. This means that should cities be entrusted with a financial responsibility for the development of VET networks, they must consult with and act on behalf of large communities of employers and trainees that live far beyond city limits. In particular, they must ensure adequate financing of schools outside the city. This is quite difficult to achieve. City administrations will naturally try to restrict access to VET schools to the citizens of their city, creating problems regarding social cohesion and/or equity issues.

These understandable tendencies will make it very difficult to bridge the gap that exists between the quality of equipment, buildings and other factors, between schools in rural and urban environments. This will have a range of negative impacts on the ability of VET to contribute to the socio-economic development of the regions.

There is evidence that the assignment of responsibility for the financing of VET schools located on the territory of cities of oblast significance as carried out in 2016 has had profoundly negative consequences for the VET sector as a whole in Ukraine. The same situation is more or less being repeated in 2017. These issues were foreseen by experienced VET professionals and could have been avoided, had the decision been based on due consultation with stakeholders. The general approach to decentralisation should now be re-examined in the light of lessons learned. If necessary any needed changes should be reflected in revisions to the draft VET law.

Already there is evidence that some city administrations try to restrict the profiles taught in their schools to the needs of the labour market in their city. Indeed, the formulation of the regional order has become a major problem for VET schools located in cities of oblast significance. The cities are not interested in skilling students who do not come from the city. On average, the student cohort includes about 30% of city inhabitants, and about 70% of students commuting from outside of the city. Cities are also analyzing whether they should spend their money on future workers who will be employed in other cities.

Article 27 of the Law of Ukraine "On State Budget of Ukraine for 2016" has resulted in regional offices of the Vocational Education Section taking on functions that do not fall within their jurisdiction such as carrying out checks on VET schools that go beyond financing, and touch upon the organisation of educational, training and production processes. This situation should be re-examined with a view to determining the most appropriate level at which to locate responsibility for these functions.

According to the reports on progress with the Torino process completed in 2016, the VET sector has been under-financed during the whole period of Ukraine's independence. This has resulted in the decline of VET quality. Data from the State Statistics Service indicate that budget for VET over the last five years in Ukraine totalled 0.4% of GDP, which is far too low compared with the average of 6.2–6.4% of GDP allocated to the whole of the educational system over this period. As a result the new system for VET governance and finance is now confronted with the following challenges:

- The global under-resourcing of the system, mainly from public budget. This urgently calls for much higher level of private sector engagement in VET governance and financing;
- The manner in which VET competence has been transferred to the regional and city level has left some cities facing difficulty in dedicating the necessary budgets. This situation is exacerbated by the unmanaged transition from a state order to a regional order, which has created considerable uncertainty and confusion;

- The optimisation of VET networks and the introduction of new categories of VET providers, must now be made in alignment with regional (and urban) development strategies, based on a vision of initial and continuing VET services as part of system for lifelong learning;
- The discussion so far of VET financing has really only focused on limited budgets that struggle to cover basic expenses such as salaries and running costs. It does not address the provision of adequate salaries for teachers, the purchase of new equipment, the modernisation and maintenance of buildings, laboratories and workshops as well as the introduction of innovative learning methods. This has held back the delivery of good quality VET services in the period since independence and will continue to do so in the period post-reform unless adequate provision is made in the new system for VET finance.

In the meeting of December 21 2016 in Kyiv, it was argued by some that cities want to take charge of the management of VET school networks on their territory, that many are ready and able to do this, and that they should be allowed to move ahead and assume this responsibility. To some extent this has already started to happen. A city-centric governance of VET school financing is therefore already a part of the Ukrainian reality. The emerging system of VET governance therefore appears to be a hybrid region-city system. If this situation cannot be reversed, then it becomes urgent and important to directly address the challenges that such a hybrid system will pose. This is the only way to ensure:

- adequate financing for all VET schools;
- equitable access to VET services for all citizens;
- high quality of VET services independent of the location of VET schools;
- alignment of VET services with regional strategies for growth and development;
- optimisation of school networks for the benefit of all communities within the region and for all sectors spanning regions.

An important consideration in the case of a hybrid system where powers are delegated to both region and city level will be the nature of the relationship between the region and the city on issues related to VET governance. The draft legislation is mute on this issue. It does not indicate how the city and the region in which it is embedded, should work together to ensure an outcome that is good for the region and its communities, the city and the country as a whole. A key question in this regard is whether the city network of VET schools is subordinated to the regional network or if the city and the region act independently being both subordinated directly to the state.

The new VET law refers to the regional order as an important input to planning and budgeting for the VET system. This makes sense in the context of a region-centric management of VET school networks. The existence of city-centric VET networks would by that logic require a city order. The draft law however does not refer to such a city order. If a hybrid city-region VET governance system is adopted, this might appear to be an omission. In any case, there is a need to define a planning and budgeting mechanism that balances the need of the city and the region, in terms of service provision, school finance and network optimisation.

OPTIONS

- Re-launch a coordinated consultative dialogue at national and regional levels as part of an effective rule-making process. This should involve the Directors of the Regional VET Departments. It could build upon the regional platforms of the Torino process, the outputs of on-going reforms and recent experience of the impact of recent ill-fated attempts to transfer the financing and management of vocational schools to regions and cities of oblast significance.

It is widely acknowledged that the transfer of VET school financing to local budgets has created significant problems. These include instability in the financing the social functions of VET schools,

job insecurity for teachers and poor cooperation with local administration due to a lack of clarity in the roles they should play and the functions they should assume. This has created important risks for the development and sustainability of the Ukrainian VET system. In many cases it has driven the system to the brink of collapse.

Arguments have been provided as to why the governance of VET financing should be focused at the regional level. Ideally control of VET financing should now be returned to the regional (oblast) level. If this is not possible and if a hybrid city-region approach is to be adopted, this should be made explicit and the new issues accompanying such a choice should be addressed. City level departments dealing with VET also need to be involved in this structured dialogue. The result of this dialogue should impact the draft VET law, in terms of the nature of the relationship between cities and the regions in which they are embedded, on everything that concerns the governance of the VET school networks.

- This evidence-based dialogue (e.g., effectiveness of schools, VET schools, teachers and student's performance, new technologies in training process etc.) should involve the sectoral ministries that manage VET schools networks that traverse regional and city boundaries. It should allow all actors to move forward with clarity on mechanisms that ensure:
 - Adequate financing for all VET schools;
 - Equitable access to VET services for all citizens;
 - High quality of VET services independent of the location of VET schools;
 - Alignment of VET services with regional strategies for growth and development;
 - Optimisation of school networks for the benefit of all communities within the region and for all sectors spanning regions.

The MoES could use the outcomes of this consultation with the Ukrainian VET community to engage more fully with the Ministry of Finance.

This process would provide a basis for collaboration on the development of an Analytical Framework for decentralised VET financing in Ukraine. This should involve both the Ministry of Finance and the MoES, other stakeholder ministries such as the Ministry for Labor and Social Policy and the Ministry for the Economy, with participation of regional and local governments, and VET service providers.

In a first step towards improving the draft law, new text could be introduced referring to the decentralisation process, defining relevant terms as they apply to the reform of VET governance and finance in Ukraine.

The involvement of social partners is very important, in particular the involvement of organisations that represent employers. The dialogue could take the form of an inter-ministerial cooperation group or high level task force on VET governance and financing. It should cover the whole spectrum of financial resource mobilisation, allocation and management.

In this context, the following options should be considered:

- Relieve the cities of oblast significance of their financial and managerial responsibilities for VET. Decentralise financial responsibility for VET schools to the level of the region with the exception of the City of Kyiv. The cities nevertheless play a key role in development of the regions. They have legitimate needs with respect to the VET system, based on their own plans for growth and development. It is therefore meaningful that city administrations should be closely involved in the process of VET finance and in decision-making processes led by the regional VET authorities.

- Although a clear recommendation has emerged from the focus groups that the regions should be the focus of a VET decentralisation plan, this does not mean that schools do not require greater levels of autonomy, or that they do not need to cooperate with regional powers on VET school financing. The transition towards a realistic and sustainable model for the decentralised governance of VET finance should take place in phases. Such a transition is not a total transfer of responsibility from central government to some other level in the hierarchy. It should be a staged re-distribution of roles to different levels of governance that balances the interest of the state, the region or city, the school, students and employers. In the Ukrainian context, the administrative unit most ready to take on this kind of leadership role in decentralised context is the oblast.
- Policy dialogue engaging the MoES and the Ministry of Finance could already be rolled out on *urgent issues*. For instance, on the use of fiscal policies to encourage the involvement of private enterprise in the financing of VET system services, on cost-sharing mechanisms such as Public-Private Partnerships, on funding formulas, the mechanism for determining Regional Orders or equalisation principles for balancing the financial contribution across regions from the poorest to the most developed. Other Ministers such the ministry dealing with regional development or social policy, as well as the social partners might also need to be involved to arrive at sustainable models for further action.
- Whatever model of decentralised VET governance is chosen, whether a purely region-centric model or a hybrid region-city model, there is a need to examine the proposed law in the light of this choice and suggest improvements to make sure the new VET law is clear and fully compatible with that choice. Right now for example, the state order no longer functions as a mechanism for determining school budgets, staffing levels and enrolment policies. This is replaced by the regional order. The draft VET law does not indicate how the regional order is to be determined. Whatever the mechanism, it should be different from the national order, and take account of the new economic reality based on innovation, entrepreneurship and enhanced trade with the EU, but it has not been defined. It will be different depending on whether decentralisation is based on the purely regional or hybrid region-city model. This is only one area that urgently needs to be developed. There will be many more, but these will be hard to discern until a clear choice is made on the model for decentralisation.

2.5.1. The need to revisit funding mechanisms for better steering the Ukrainian VET system

The financial management of public VET schools usually involves some form of funding formula. That is a system for allocating funds to schools on the basis of an algorithm. In most countries where VET is centrally managed, the approach tends to be *teacher-centric*, with financing largely based on the number of teachers. In many transition and developing countries however, the approach is based on the number of students, using per-student or per-capita funding. The degree of autonomy afforded VET schools is a crucial issue in the design of funding formulas. These issues deserve full consideration in the case of Ukraine. It is worth bearing in mind that by design, funding formulas also support specific policy orientations:

- Funding formulas can help to develop a competitive market environment for quality VET services.
- Funding formulas can encourage high levels of social equity while providing incentives for efficiency based on appropriate indicators.
- Funding formulas can support the implementation of directives intended to promote specific vocational education policies or state priorities. For example by providing additional funding for activities that state authorities want to favour such as preserving schools located in rural areas or developing curricula for training related to key occupations of interest to industry.

ISSUES

The fragmented nature of the VET finance in Ukraine has resulted in a situation where VET services provided by professional technical schools are treated very differently from VET services provided by institutes of higher education. Professional Technical Schools are funded from regional and city budgets, whereas HE institutes are funded centrally. VET services provided by institutes of HE appear to be well financed whereas those provided by the Professional Technical Schools are now in a critical financial situation. In both cases finance ultimately comes from the national budget of the MoES.

A similar situation prevails in the case of VET schools providing services comparable to those provided by the system for general secondary education. In this case VET services are financed by budgets from the city and rayon, whereas general secondary education is covered by central funding. In either case the result is a fragmented system, with different levels of financing for different institutions expected to provide similar levels of service, with the result that the Professional Technical Schools face an acute shortage of funding.

One of the reasons behind this is the difference in the way that funding formulas are applied to determine school finances. In 2015, only three coefficients are employed in the funding formulas for the VET school subvention:

- The number of students of Professional Technical Schools not located in the mountains;
- The number of students of Professional Technical Schools located in the mountains; and
- The number of orphan students attending Professional Technical Schools.

This simple formula stands in contrast to the more comprehensive funding formula used to compute the education subventions for general secondary schools and institutes of higher education. These use over 20 coefficients. There is clearly scope for improvement. In fiscal year 2016, the subvention for the preparation of workers was discontinued. Discussions regarding fiscal year 2017 have been finalised. One of the proposals is to finance the general education component of teaching done at Professional Technical Schools from the education subvention. The proposal to decentralise the financing of VET schools to the lowest intermediary level of governance, that is to local or city level instead of regional level, might need to be revised.

In any case, funding formulas need to be efficient and equitable, while affording schools a sufficient level of autonomy for them to make the necessary investments in the development of new courses, or in bonus and other wage measures needed to encourage high levels of performance from teachers and other staff.

A number of stakeholder participants in the meeting of December 6 2016 in Kyiv pointed out that funding formula should take account of the nature of the profession and the level of qualification being acquired. The cost of equipment and tuition varies greatly from one profession to another. Someone pursuing a qualification to work in a bar or restaurant has very different needs from someone pursuing a qualification in advanced manufacturing techniques where they have to master the use of laser cutting tools or robotic welding machines.

The draft VET law does not provide a reference to or guidance on the funding mechanism. Attempts by the VET community to influence the decision-making of the Ministry of Finance in this regard have been entirely unsatisfactory and frustrating.

OPTIONS

- If Ukraine continues to apply its current inadequate and inconsistent funding formula for professional technical schools without introducing new coefficients to address the missing factors cited above and without applying the education subvention, the Professional Technical Schools

will continue to be chronically underfinanced. This will lead to the closure of a large number of them.

- If the state so wishes, this could enable or accelerate the closure or merger of large numbers of schools in the context of the optimisation of the VET school network. However, this will come at a terrible cost. There are better and kinder ways to achieve the same end. Whatever schools remain after such a process of death by neglect, they will not be better than the existing ones. The network will be smaller but subject to the same inadequate method of financing. The process will have a profound effect on the reputation of the overall VET school system. It will wreak havoc on the lives and careers of the school heads and teachers involved. It will leave a hole in the system that will be hard to fill in.
- The formulas used to allocate subventions can be significantly improved. Their coefficients do not take account of important factors which have a significant impact on the recurring costs of VET service provision. They do not take account of the vocational profile of the school and whether it provides evening or day programs. They do not take account of the educational program being followed, in particular the number of teaching years required or the number of practical activities organised in collaboration with employers. Improving existing formulas will require a constructive dialogue based on a thematic working group or task force involving the relevant financial cells or units at national, regional and school levels in order to identify how they can adapt the current approach to improve the funding of VET schools.
- There are at least four main components to consider in the improvement of funding formulas, so as to balance equity, efficiency and support for relevant policy directives. These include:
 - A basic allocation per student and by grade;
 - An allocation for curriculum enhancement for example for occupations demanded by industry;
 - An allocation for social equity enabling access for students with special needs;
 - An allocation for school-specific factors related to the cost of maintenance of buildings, grounds, infrastructure and equipment.
- The discussion until now has mainly focused on the cost of infrastructure and tuition. A well run VET school needs to carry out other activities without which it will be impossible to achieve a high level of quality in tuition or relevance to the local economy. For these reasons the school also requires adequate funding for activities such as:
 - The design and piloting of a modern VET school model (Educational Institution);
 - The design and construction of indicators of efficiency for the VET sector;
 - The monitoring of regional labour market demand and the definition of a skills strategies linked to regional development;
 - The further training (professional development) of teaching heads;
 - The development of centres of excellence, resource centres or research and practice centres.
- The use of funding formulas requires a certain level of transparency. It demands that schools adopt certain practices of measurement, data gathering and reporting. The implementation of a new formula funding mechanism requires improvements in terms of gathering, verifying and publishing data and indicators processed at all levels to support work carried out central, regional, local and school levels. This is entirely compatible with efforts to achieve higher quality, develop a performance-based culture and manage by objectives.

- Another issue for consideration is the option of giving more financial autonomy to VET schools under the supervision of local and regional authorities. This is very important to enable schools to reach high levels of performance in the delivery of basic VET services. It is essential for the development of centres of excellence worthy of the name. It is also essential as an enabler of meaningful collaboration between schools, enterprise and social partners based on Public private partnerships.
- It would be useful at this stage to carry out an analytical review of funding formulas employed in Ukraine in the financial management of the VET school system. The goal of the exercise would be to determine the merits and shortcomings of each approach. In principle, it is possible to compare funding formulas employed at national, regional or individual school level along with the financial logic on which they are based. This can lead to a unified view of how funding formulas ought to be applied in the VET system in Ukraine. It can culminate in the creation of a reference model for use in the management of regional VET school networks. This activity could feed into a more comprehensive “Analytical Framework for VET Decentralisation in Ukraine.”

This review will provide insights needed to inform decision-making in relation to the process of VET decentralisation and school network optimisation. It will motivate the progressive development of school autonomy ⁽¹⁰⁾. International practice demonstrates that funding mechanisms can be used to balance decision-making involving central and regional or local levels of governance. The practices are many and their success is varied. A lot depends on how actors at different levels of governance exercise their powers in cooperation with schools. There is scope for discussion in particular on issues related to *per-capita* approaches to school budget determination.

2.5.2. The need to revisit multi-channel financing approaches for sustaining and improving VET sector prospects in Ukraine

Many sources of information on the VET system in Ukraine, including this green paper, the “inception report”, the 2016 Torino process reports, and feedback from local stakeholders, testify that improving VET governance and financing in Ukraine is essential for achieving higher levels of prosperity, growth and development in the country.

On the one hand, there is a need to integrate financial contributions from different layers of public administration, gathering resources so as to reduce fragmentation and create a complete budget package for the entire VET system. On the other hand there is a need for significant reform and the introduction of new practices at every level from the setting of national policy to the management of regional networks, the running of school and the introduction of new teaching practices. This will require the assessment of alternatives and the creation of mechanisms that inject additional sources of finance into a chronically underfunded system. Improving the system so that it is capable of providing high quality VET services will require financing from multiple funding channels.

Given the current financial situation of VET in Ukraine, policy makers must now work together to put in place a new framework of co-financing arrangements that will allow the full cost of the VET system to be shared between the state at central regional and local level, with social partners, employers and students.

ISSUES

Currently, VET finance comes from multiple sources. Typically, these include the budget of the oblast and the rayon, the budget of the cities of oblast significance, as well as various stabilisation subventions coming from the central administration of the state. Nevertheless, according to MoES

⁽¹⁰⁾ In highly decentralized systems almost all school resources are delivered via formula (e.g. including staff policies) whereas in less decentralized systems authorities allow schools to use budget allocated by other means (e.g. for non-staff resources).

data, these funds cover just over 60% of the financial needs of schools in a region. Schools that lie outside of the territory of cities of oblast significance fare worse in that only 45% of their needs are met on the basis of current financial arrangements.

Discrepancies exist between what the proposed new VET law suggests, and what is currently legally allowed. In the absence of approval of the new VET law, there is so far no clear mechanism for the redistribution of local budgets so as to ensure the adequate funding of schools, whatever their nature and wherever their location. Even when the draft law is passed, it is unlikely that schools will find themselves adequately financed.

The 2016 Torino Process reports tell us that the allocation of budget for the maintenance of VET institutions is made on the basis of the proven marginal costs for VET school maintenance in the regions. So far, no funds are being allocated from the state budget for the construction or repair of facilities, for the procurement of machinery and equipment needed for training, for computers, textbooks or teaching materials. No funds have been allocated for further training or retraining teachers and trainers. This situation, if it persists, will make it impossible to systematically develop the VET system in Ukraine.

Despite such a clear and urgent need for additional sources of finance, many opportunities for financing remain either unexploited or unexploitable:

- Since the financial governance of certain VET schools has been transferred to cities of oblast significance, the cities have been unable to spend large parts of the budgets allocated to them for the financing of VET schools under their control. These budget surpluses could have been reallocated to schools with greater need, regional schools lying outside the cities.
- Chapter X of the draft VET law indicates in Article 47.2 that schools may draw upon public funding sources including funds from state and local government budgets, the education subvention, and state funding for qualifications and occupations of national interest. However the draft law does not indicate how such sources of finance might be distributed or accessed, and they remain unused. Clarifying this will immediately provide schools with potential new sources of finance.
- Article 49 exists to encourage the co-financing of the VET system based on Public-Private Partnerships. However it does not indicate how this might work. This mechanism which plays such an important role in many countries in Europe is effectively inaccessible in Ukraine. This issue that is further developed in Section 5 of the green paper.
- Finance is available for the development of the VET system and new VET services on the basis of regional investment and development programs. For schools governed by the regions, this is an interesting new source of finance that needs to be systematically explored. Questions arise however in the case of schools governed by cities of oblast significance. The financing of such schools from regional budgets may amount to a breach of budget discipline. Until this situation is clarified it will be difficult for those schools to access finance via funds for regional development.

OPTIONS

- Considering that many potential sources of finance are either underused or effectively inaccessible, it would be useful to open up a discussion on the establishment of an institutional mechanism for the coordination and management of the overall VET system. This would address among other things issues related to access to funds and the redistribution of unused budgets. This issue is addressed further on in Section 2.4, where we look at the option of an “apex body” similar to that which exists in Germany.
- In addition to VET financing contributions from central, regional and local authorities, from the MoES and from other ministries participating in the VET system, it is worth considering the use of taxation and more general fiscal policies to raise revenues for investment in VET. For example, a

share of taxes and charges related to value-added, consumption or other business levies that go to the treasuries of central, regional and local governments could be set-aside to help finance the VET system. Another mechanism is the use of fiscal incentives or tax deductions to encourage investment by enterprises in VET, making it tax efficient for them to enter into Public-Private Partnerships with VET institutions or directly buy services from schools that provide services adapted to their immediate training needs. Potential pro-VET fiscal incentives include:

- *Tax allowances* that are deducted from gross income to arrive at a reduced taxable income.
- *Tax exemptions* applied to certain categories of income.
- *Tax credits* that are deducted from tax due.
- *Tax relief* that allows certain classes of taxpayers or those engaging in relevant activities, to benefit from lower rates of tax.
- *Tax deferrals* that allow enterprises engaged in relevant activities to postpone the payment of taxes until certain conditions are met.
- *National training taxes* based on a percentage of the company payroll.

Developing new channels for VET financing on the basis of fiscal policies will require careful study and intense interaction with relevant government office at national, regional and local level. However some form of fiscal incentive is used by most countries and there is a wealth of international experience that Ukraine can draw upon.

- The identification of business taxes and other fiscal incentives that could immediately and directly contribute to the financing of the VET system is part of a bigger debate on how to incentivise business participation in VET. It is better to address the role of fiscal policy and the feasibility of specific measures, as part of a multi-channel framework for VET financing that includes national, sectoral or regional training funds fed by payroll levies. In exchange for their money, companies also need to be involved in VET governance so that employers can influence how their money is spent and what skills are developed.
- The VET system contains not only public providers of VET services, but private ones as well. The private ones play an important role. There is a need to create a competitive and transparent market for VET services, one that includes private as well as public providers, engaging fully, openly and in a competitive manner with private companies buying their services. Regional authorities under the control of MoES can use fiscal policies and other instruments to stimulate the development of such markets. This is discussed further in Section 3 of the green paper.
- There is and will continue to be a need for the subvention of VET education by central government. The financing of VET schools from own revenues or from the tax-based revenues of local governments, is reasonable in the case of rich cities of oblast significance, because they may generate sufficient revenues to cover their costs. The situation is different however for schools lying outside of the influence of such cities. It will therefore be necessary for the regions to tap into additional financing mechanisms to adequately fund their schools. Mechanisms based on shares of personal income tax, will not work in general for example, because of the regional variation across Ukraine. A more natural mechanism could be a dedicated subvention to regions, allocated by central government on the basis of per-student funding formulas.
- The VET system currently suffers from problems of image and reputation. Despite its potential for getting people into work it is not seen by many families and young people as an attractive option for initial education. Corrective measures are needed to encourage participation, for example based on affordable tuition fees. The process of network optimisation will have to grapple with the issue of demand for VET services. Patience may be required for demand to develop in areas of

strategic importance for the future. Areas where demand is currently high may be of less relevance in future. There is therefore a need to factor into the cost of the VET system, cost items related to incentivising student participation, not only to deal with issues of image and reputation, but also as a lever to encourage people to consider professions of emerging importance for the economy. Possible mechanisms, which represent additional VET school funding channels of relevance for both IVET and CVET, include for instance:

- School vouchers;
- Educational credit schemes;
- Student loans; and/or
- Individual learning accounts (ILAs).

2.6. The lifelong learning logic requires holistic VET governance

Article 3 of the proposed new VET Law refers to the principle of lifelong learning and the right of individuals in Ukraine to choose their own educational trajectory. VET in Ukraine is therefore legally embedded into a lifelong learning perspective, according to which individuals should be free and able to access high quality learning in multiple settings and formats.

The logic of lifelong learning should therefore guide and orient the institutional arrangements that will make up the new decentralised VET system. Many of the inter- and intra-institutional cooperation initiatives evoked in this green paper, should therefore extend to VET actors from secondary and higher education and training, as well as to providers from both the public and private sectors.

Ideally, both VET and HE should be seen as parts of single system aimed at human capital and personal development, which individuals will access on many occasions over the span of a lifetime, as they progress in their career, or as they move from one career to another.

ISSUES

Articles 3.2 and 8 of the draft VET law stipulate that VET education should be implemented in adherence the principles of unity and continuity of the educational system, and that VET should develop both professional and core competencies needed to support a process of lifelong learning.

This presents a challenge for the VET system in Ukraine, due to its high degree of fragmentation. Although the VET sector as a whole is regulated by the MoES and many schools are managed by the MoES, many others schools are managed by ministries responsible for sectors such as transport, defence and agriculture. Many more belong to the private sector. Within the MoES itself, fragmentation occurs due to the existence of separate VET and HE departments. Fragmentation also arises because the Ministry for Labour and Social Policy (MoLSP) supervises Continuing VET or CVT, and provides training aimed at those who are unemployed.

It is almost impossible to avoid some degree if fragmentation. What matters in the end is the existence of mechanisms that enable the government to implement coherent policies, in spite of fragmentation. While the draft VET law clearly encourages collaboration between ministries and between departments within ministries, it does not identify the institutional arrangements needed to support such collaboration, not does it identify specific issues on which collaboration is required.

The private sector plays an important role in that most of the training of people in work, is provided by enterprise, mainly but not exclusively by large enterprise. Non-formal and informal learning tends to be undocumented. Until recently at least there have been no mechanisms to link informal or non-formal learning outcomes to the pre-existing qualifications of individuals, so as to improve their access to

further educational opportunities and career development. The situation is improving but much more need to be done to achieve the principle of unity and continuity.

The Tariff Qualification system with its requirements for labour registration, and its wage levels, the Classifier of Occupation, the handbook of qualification characteristics, and the list of occupations for the training of skilled workers still define the VET offer and regulate CVT to a great extent, but the system is not maintained and not maintainable.

OPTIONS

There is a need to move up a gear for designing and implementing concrete institutional mechanisms that will facilitate coordination and provide practical support for the realisation of a system for lifelong learning that integrates secondary education with IVET, CVET and HE, with higher accessibility and lower barriers to mobility for youth, adult learners and the unemployed. Measures to reduce fragmentation and improve cooperation with a view to achieving these goals include the following.

- Stimulate cooperation between VET and HE institutions based on activities such as:
 - Joint skill needs analysis at territorial level;
 - The analysis of labour market dynamics in given districts or regions;
 - Joint elaboration of content for education, training and career guidance;
 - The development of alliances with enterprises to increasing the accessibility of CVET.
- The need to complete and implement the National Qualifications Framework (NQF), which was launched in 2011. This is a must for Ukrainian VET in the context of EU and Ukraine cooperation agreement. The NQF should be seen as a key tool for changing the contents of education that foresees defining minimal requirements in terms of learning outcomes, which inform both learning and assessment and therefore act as well as a tool for quality assurance. Learning outcomes define what learners are expected to know, understand, and are able to do at the end of the learning process. These learning outcomes for VET qualifications can be informed by occupational standards that describe work-related competences for a specific occupation. The NQF have to play a key role on validation of non-formal and informal learning outcomes and recognising such outcomes of all forms of initial (I-VET) and continuing VET (CVT).
- The new educational standards and curricula that are needed to reshape the contents of secondary education will be part of the national framework and developed in line with the learning outcomes descriptors. The key competences development will need to continue to play an important role as well in vocational education and training, higher education and adult learning. The NQF implementation should be better developed within and aligned to VET decentralisation process, and taking into account the specific needs of the regions and local layers. The role of Sector Skills Councils (SSCs) should be strengthened to facilitate all these processes.
- Upgrade the current VET Quality Assessment procedure to a Quality Assurance approach based on the principle of continuous improvement, along the lines of the EU Quality Assurance Framework. This should encompass both VET and HE. It should address teaching content and pedagogy, the adequacy of equipment and infrastructure, student life, the professional development of teachers, cooperation with industry and social partners, as well as interaction with other local associations. The National system for QA in Education, involving QA cells in schools, QA offices in regions and an agency at national level should be considered in the context of decentralisation, with a view to transforming VET into an attractive option for students, families, teachers and employers in Ukraine.

- Create a single executive or supervisory body to regulate both public and private sector providers of HE and VET services. To function effectively, a decentralised system needs autonomous national authorities with executive functions and broad powers to ensure that a high quality of service is provided in line with relevant policies at national, regional and sectoral level (11). These need to include credible stakeholder representation. A single agency granted such powers could manage and evolve the National Qualifications Framework. It could act as the national agency for Quality Assurance. It could deal with the licensing of schools and execute any other executive function needed to steer the system. It is easier to add functions to an existing institution than to create entirely new entities. New entities would only increase the problem of fragmentation and create a need for coordination.

The existence of a single executive body would make it easier to exercise the principle of unity and continuity referred to in the proposed VET law. It would make it easier to realise a system of lifelong learning whereby HE and VET complete each other as parts of a greater whole. Example of executive bodies organised along these lines exist in Europe and provide important lessons for the Ukraine. The form might be a kind of Apex body.

As in almost every country, HE also provides VET services in Ukraine. A national executive agency for HE is already planned. Creating a separate one to regulate VET services under the MoES will not only create extra costs, but it will likely create confusion among employers and private service providers, who will then have two agencies to choose. For this reason it seems better to extend the planned HE agency, making it into an agency that will cover both HE and VET. Such an agency could be designed with a functional and operational scope that is broader than initially anticipated. It could have regional branches, close to the regional VET and HE networks, tuned into regional processes for investment and economic development.

In the light of the current financial crisis within VET, and in view of the potential use of fiscal policy at national, regional and local level to generate new funding channels, this Apex Body should cover issues related to overall management and oversight, resource allocation, information sharing, monitoring partnerships with industry and systems for evaluation and performance measurement.

- Build on previous work that introduced modern e-governance practices to public administration in Ukraine to implement the principles of transparency and accountability referred to in the draft VET law. The adoption of these new approaches should be a part of the modernisation of institutional arrangements needed to implement VET decentralisation. The administrations of regions and schools might also adopt such solutions so as to embed VET in the broader system for lifelong learning information transparent and accountable to best support efficiency and efficacy of VET public services to serve Ukrainian citizens.
- Discuss how to revise or reverse current Tariff Qualification system as it seen to be very rigid, whilst containing too many mechanical linkages, too high number of occupations, qualification characteristics and even educational standards to ensure that new qualifications and new occupations are up to date and included in the classifiers.

(11) See for instance, IZA Policy Paper No.110, "Funding Mechanisms for Financing Vocational Training: An Analytical Framework," April 2016 by Adrian Ziderman.

2.7. Regional VET governance: Local powers and Regional VET Councils

This subsection is complemented by Section 5 of this paper: Public-Private Partnerships in VET in Ukraine. In concrete, by subsection 5.2: Public-Private Partnerships in Ukrainian VET: how to move beyond to modernise VET system?

The 2016 reports by the ETF on the implementation of the Torino process in Ukraine demonstrate that there is now a clearly shared understanding among stakeholders of the need to improve the VET management system. In particular, regional stakeholders have expressed the need to:

- Develop a realistic and feasible approach to VET financing;
- Mobilise the regional councils and regional state administrations to approve and realise regional plans for the development of the VET system, including plans for the transfer of ownership of VET property complexes from state to communal ownership;
- Secure the right for the territorial communities involved, to manage these properties;
- Develop effective systems for regional labour force anticipation and forecasting;
- Establish broad use of information and communication technologies in the administration and management process.

Many regional VET councils have already been established. These have been given important roles in the proposed new VET law. Articles 7.3, 16.1 and 18 for example refer to their role in regional VET governance. The Regional Education Departments, the Regional VET Councils, the local powers on Cities and VET schools themselves share competences for the development of the VET school systems. This section addresses issues and options that arise as a result of this transfer of power. Additional material on the role of Regional VET Councils is developed later on in Section 5 of this paper in relation to Public-Private Partnership in VET in Ukraine.

ISSUES

The draft law stipulates that the executive authority of local self-government must approve the function and composition of Regional VET Councils. Other than that, the draft law provides little by way of guidance on how the regional VET councils should operate. This gap needs to be filled, by improving the legal text, or by publishing some form of official guidance note to accompany the text. The draft law makes no provision to ensure that the regional VET councils will have access to knowledge, data or other information on the VET system they need to make evidence based decisions concerning the VET system. It does not indicate whether the regional VET councils have advisory, decision-making, or initiator roles with respect to their functions. The relationship between the regional VET council and other executive or administrative bodies in the region is not defined. These omissions create an impediment to the practical adoption and smooth implementation of the new law.

Important powers relating to the VET system have been withdrawn from other bodies. These include powers related to new licensing requirements. Legislation approved by CMU Resolution No. 1187 of 30 December 2015 (44), deprived regional state administrations of one of their controlling functions, namely license expert reviews. As a result it is no longer clear how licensing will be handled in future, an issue which has not been addressed by the new draft law.

The decentralisation process started with the adoption of the Reforms of the Local Self-Government and Territorial Organisation of Power in Ukraine in 2014. Part of these reforms concerns the Voluntary Amalgamation of Territorial Communities, local structures created by consent, linking local administrations. By August 2016, 172 amalgamated territorial communities had been developed in the

regions (12). There is no reference to these in the proposed VET law, yet they seem to have a significant role in the overall decentralisation process.

OPTIONS

State authorities could accelerate the process of defining roles and responsibilities, by working with a sample of regional councils to examine these issues in more detail, and assist the MoES in publishing formal guidance on the roles of the regional councils, the powers they must exercise, the organisation of their work and the procedures they should follow. This could be done in the five regions where the ETF-MoES VET decentralisation project is being implemented. Based on discussions with the focus groups in these five regions, the following issues should be considered:

- Draw upon insights from cases where the precise role, function and composition of regional VET councils have already been formulated and approved by the executive authority of local self-government, and decide how to further support and strengthen their role.
- Define the role of the Regional VET Council as initiator, advisor, decision-maker or partner for each its functions. Do the same for the executive body in regional administration. Describe the nature of the interaction between these two.
- For each function, define where the region must comply with national standards, where flexibility is allowed so that standards can be adapted to the specificity of the region, and where the region has full autonomy. The formulation of recommendations for the re-organisation of the VET system, being a task of utmost importance and immediate concern on which clarification is required, could be used as a test case for understanding how the Regional VET Councils might function.
- Assess the capacity requirements of the regional councils. Propose areas where technical, regulatory and management related capacity building may be required. Formulate proposals for developing needed capabilities, mobilising national expertise on the basis of regional twinning projects for mutual learning, or if needed, making use of expertise sourced from the international community. It could be useful during a transition period to include national or international experts as members of Regional VET Councils, to provide guidance based on their experience in Ukraine or elsewhere.
- Clarify whether there is a role for the regions in the licensing of VET institutions, including a role in the licencing of schools founded by sectoral ministries or by the private sector. Propose new text for the draft VET law in accordance with these clarifications.
- Clarify the status of local structures created as a result of the Voluntary Amalgamation of Territorial Communities. Clarify if they have a role in the VET system. Clarify if they have a role in decision making at regional level. Where they do have a role, clarify how this is exercised in practice. Propose new text for the draft VET law in accordance with these clarifications.

Focus group discussions on issues related to regional VET governance, indicate that the decentralisation of VET to the level of regional administration is feasible only if the following conditions are met:

- Regional and local government needs to be strengthened. As is the case in most countries, the roles of central and local self-government are clearly separated at regional level.
- The regional education departments require stronger managerial autonomy. Managerial decisions at oblast level currently require approval at central level. The elimination of dependency and the

⁽¹²⁾ See: <http://decentralisation.gov.ua>

granting of managerial autonomy may take place gradually over time. This requires a roadmap or a plan, whereby it is clear what forms of autonomy are adopted or ceded over time.

- Managerial autonomy should include the right to organise own administration, including the setting of staff levels. Without adequate staffing, regions will not be able to plan strategically for the development of the VET system or to monitor the economic relevance and quality of service of existing VET schools.
- The budgetary autonomy and budgetary capacity of the regions should be significantly strengthened. If every year the regions rely on the “largesse” of the Ministry of Finance to provide exceptional funding to cover the execution of basic costs such as maintenance and development of VET sector, the autonomy of the regions is at risk.

2.8. The anticipatory function of good multilevel governance of VET

Good multilevel governance of VET requires a good system for anticipating the future skill needs of employers and entrepreneurs. This means, a system that makes good use of statistics, labour market research and skills foresight as inputs to effective VET-related policymaking and planning.

The current system for anticipating labour market demand, based on national or regional orders may have had merit in the context of a centrally planned economy where most employers were companies owned by the state. However, it is now considered completely out of date and ill adapted to the needs of a market-oriented entrepreneurial economy, the kind of economy that the EU-Ukraine association agreement and associated DCFT is intended to consolidate.

Feedback from the regions indicates that the algorithms, which exist at national and regional levels, and which are intended to identifying demand for skills, are not fully consistent. The State Employment Service of Ukraine and its regional departments, as well as the regional job centres provides key sources of information about the skills demand at the state level. However, the VET system has difficulty using this information.

Moreover, the regions suggest that information about the available positions and occupations, and which is provided by employers to the job centres, is not always in line with the true employer’s needs. Attempts are being made to replace the state order with a series of regional orders. Despite the absence of the existing regulatory framework regional development plans in 21 regions were adopted, and regional orders for 2016-2017 have been approved on the basis of work done by the regional VET councils. This will not be effective to the extent that it replaces an inadequate state level procedure with a procedure at regional level that preserves the features that made it ineffective. Although the proposed new law makes reference to the use of a regional order, it does not say how this will be constructed. This provides an opportunity to devise a mechanism for creating the regional order based on a whole new approach.

The meeting in Kyiv in December 2016 raised a number of issues of relevance for the design of such a new mechanism. The decision of the government to transfer the governance of parts of the VET school system to the cities of oblast significance, suggests that there is a need also for a city order, as opposed to a regional order. The rapid emergence of new governance structures such as the amalgamated territorial communities, that as they identify their needs in terms of investment and economic development and investment, it will become natural for them to also generate an order.

The sectoral ministries will have plans for the development of their own sectors. This will translate into some kind of a sectoral order for VET services, spread out across the whole of the Ukraine, but presumably with a breakdown by region. The regional order should be strongly influenced by regional development plans, with growth based on entrepreneurship and innovation, infrastructure development and foreign direct investment, as well as a free trade agreement with the EU. Finally demographic effects and increased parity of esteem between VET and HE will also impact the

regional order and create increased demand for more VET services and for new VET services that the system cannot currently provide. For all of these reasons the regional requires a major overhaul and a period for experimentation and learning while it is put into place, along with the institutional and human capacities needed to make it work.

Ukraine has participated in the expert work and capacity building for Skills Anticipation and Matching, with the ETF, ILO and Cedefop. A series of tools and techniques were developed with the help of Ukrainian specialists from the MoLSP. Labor market experts and social partners now take part in related workshops through the dedicated Eastern Partnership Platform. The aim is to achieve the full appropriation of these tools and their regular use in Ukraine. The appropriation of the methods and their use may require acceleration. However there is already a basis of know-how and expertise upon which to build a new and improved regional order.

In addition to the above, feedback from the regions and the focus groups suggests that an improved system would support:

- The three main decisions that the state order was intended to support (enrollment levels, staffing levels and operational budgeting);
- Independent measurements of labour market needs, using a variety of techniques, preferably conducted by regional education departments;
- Interpretation of the meaning of these measurements based on dialogue with associations of employers and with institutions responsible for addressing unemployment, so as to help VET schools make decisions about the future development of the local VET system;
- Deeper, collective dialogue involving the regional VET departments, the network of VET schools and the regional VET councils on regional policy for the VET system and coordination of actions by schools to implement this policy.

Last but not least, Ukraine is investing in innovation to uncover potential but not yet exploited markets, where both sectors and regions can contribute. The ongoing policy dialogue with the EU also covers innovation, research and development. Innovation requires public and private sector alliances to anticipate the future at territorial level, and define priorities for investment in human capital development. The anticipation of future skill needs, linked to initiatives in research, innovation and the stimulation of sectoral growth, will greatly motivate concrete and practical proposals for Public-Private Partnership as well as cooperation involving both HE and VET school networks.

ISSUES

The draft VET law with its reference to a regional order is strongly disconnected from the modern methods of labour market matching and skill anticipation that Ukraine needs to adopt. It gives the impression that the new system for skills anticipation will be some kind of variation on the old one, whereas a total rethink is now required. For these reasons a number of changes are advised.

OPTIONS

- Remove references to the regional order in the proposed new law. Replace it with a different terminology to emphasise the adoption of more modern approaches to anticipate and match labour market needs. The ETF-ILO-Cedefop guidebooks can serve as a reliable reference.
- Promote the integrated development of the regions for economic competitiveness and social cohesion, based on systematic interaction between the VET system, government and employers, capable of delivering short and medium term projections of labour market demand. These can be linked to efforts to unlock territorial potential on the basis of technological, social and economic innovation.

- Stimulate collaboration between different ministries and their departments or agencies at regional level, to address structural deficits in the regional economies. This should have an impact on anticipated demand for labour and skill profiles. The current system does not allow this.
- Create a system for feeding the above into a reflection on skill needs for the qualified labour force. To this end, establish the practice of Skills Foresight. This can often be executed by extending regional, sectoral or technological foresight initiatives by adding a skills related activity.
- Develop a labour market observatory based on collaboration with regional and sectoral skills' councils. This could be a distributed structure linked to the state employment service, contributing to decisions related to VET decentralisation and VET school network optimisation.
- It might be useful to employ in VET institutions, experts available from areas such as innovation, industrial development or foreign direct investment, perhaps based on secondments from line ministries and their state agencies.
- Open effective dialogue whilst ensuring involvement and coordination with Research institutions participating in analysis and projections regarding VET system to ensure accuracy and yielding cost-effectiveness of decisions.

BOX 1. REVIEWING UKRAINIAN EXPERIENCES TO REFORM VET WITHIN A LIFELONG LEARNING PERSPECTIVE

Case study 1

In all regions of Ukraine, Continuing Vocational Training (CVT) systems have been established to facilitate the transition of adults to employment following a period of unemployment or economic inactivity. Training is provided at job centres. Training and advanced training is delivered on the job.

Case study 2

The State Employment Service of Ukraine and its regional departments provide a well-developed network, which has been enriched in recent decades with the addition of Centres for Technical and Vocational Education and Training. These centres have managed to ensure a higher level of graduate employment compared to other VET institutions, exceeding 90% on average.

2.9. International good practice: some case studies

In essence, the transition from a centrally managed system to a decentralised system corresponds to a transition from a system governed by command-and-control to a system where decisions are driven by labour market demand and where management is based on principles of transparency, partnership and performance improvement.

Poland due to its size, cultural similarities and neighbourhood with Ukraine is good example from this point of view. Starting out it resembled the Ukraine in many ways, due to its need for industrial transformation and associated VET reform. It has been largely successful in managing its transition to a decentralised system, whereby the roles and responsibilities are now effectively distributed among institutions and organisations at state, region, district, commune and school level.

The Czech Republic is worth studying carefully for a deeper understanding of how decentralisation unfolds as powers are transferred from central to local authorities.

The system in Denmark is notable for the very high involvement of social partners as policy initiators. The social partners, schools, teachers and students work together to advise the ministry of education on all aspects of VET and policy decisions are based on consensus and shared responsibility.

Even in decentralised systems, the central level of government still has an important role to play and new schemes based on soft tools emerge (e.g. Norway, Germany and overall VET governance in EU). There are many approaches to the challenge of setting up a National Executive Agency. Canada and Australia provide good examples of how to develop QA guidelines. Many countries have multiple agencies, but this can create silos and difficulties implementing policies on lifelong learning.

Germany and Australia provide good examples of how executive roles can be organised on the basis of agencies that perform multiple roles. One of the issues is how to fully integrate the role of the private VET providers. The case of Georgia is very relevant in this regard.

Lithuania provides a good example of how VET and HE education work together on curriculum development to ensure continuity between VET and HE for students and to realise a system for lifelong learning. This country also provides a good case study for the organisation of career guidance and counselling. It also provides an example of how structural funds can be used to develop these aspects of the VET system. This is coordinated at national level by the Lithuanian Students' Non-Formal Education Centre, responsible for guidance related websites, the training of guidance practitioners and the monitoring of guidance services.

3. OPTIMISATION, CONSOLIDATION AND RATIONALISATION OF VET NETWORKS

VET institutions in Ukraine can be divided into two main categories:

- Professional-technical schools which formally belonging to the sector of professional-vocational education, and
- Institutions of accreditation level I and II which are formally part of the system of higher education (HE).

In the period 2000-2015, the number of professional-technical schools decreased by 18%, and the number of institutions of I/II accreditation level decreased by 44% whilst the overall number of students is in steady decline as well ⁽¹³⁾.

The MoES and regional VET actors must now carry out an urgent process of VET system optimisation in this context. Various provisions of the proposed new VET law effectively place constraints on MoES decision making with regard to the optimisation of the VET system, will affect the way in which this is carried out.

The region is the unit for the economic development of the country. Each region has already developed a strategy for its economic development. The modern tendency is to see the VET system, not as a nebulous public good or an end in itself, but as a tool for economic development. For these reasons and many others it is possible to argue that the natural unit for the optimisation of the VET school system, should be the regional VET school network, and that this network should be optimised on the basis of its contribution to the economic development of the region.

It is well known from experience elsewhere that decisions related to the optimisation or rationalisation of VET school networks are amongst the most difficult and contentious aspects of educational reform. These decisions involve consideration of a wide range of issues that are political and economic in nature, as well as practical in the way they affect established relations with a wide variety of actors in labour relations, as well as education and training policy.

This is a multiple challenge in the case of Ukraine. Indeed a number of issues are: the need for far-reaching reform of the system, in terms of the decentralisation. The introduction of new modes of governance at national regional and local level, at the level of the school and its management, the courses on offer and the teaching techniques employed, teacher salaries and teacher training, as well as the modernisation of institutional arrangements, systems for demand anticipation, licensing, Quality Assurance, evaluation and monitoring.

3.1. The transfer of VET school property ownership

The transfer of property from state-owned VET institutions to municipalities in accordance with the law "On the Transfer of Objects of State and Municipal Property," the "Resolution of the Cabinet of Ministers of Ukraine" dated 21 09 1998 and law No. 1482 "On the Transfer of Objects of State and Municipal Property" is perhaps premature. Indeed, both the framework law "On Education" and the new law "On Professional Education" have not been adopted yet.

⁽¹³⁾ The ETF & MoES VET decentralisation in Ukraine inception report (2016 unpublished).

ISSUES

The question of school property is one of most complex and difficult problems of VET sector today. Legally, the VET school property, that is buildings and land, belong to Ukrainian state. However, VET schools are administered by the regions. The procedures for changing the use of the property are defined in the laws and are complex to implement.

Whenever a change to the VET school network is contemplated, a closure or merger of existing schools for example, the question of what will happen to VET school property immediately arises. Due to the difficulty this currently represents, regional education departments are unwilling to start the process and often refuse to completely close down VET schools.

In practice, after the closure of a VET school two courses of action are possible:

- To transfer the use and ownership of the property to another state organ. This process requires many stages and is concluded through a decision by the Cabinet of Ministers. It may take years of hard work by the regional education departments, who are understandably reluctant to go down this route.
- To leave the VET school property unused. Despite the placement of fences and the employment of guards to look after the property, this typically results in the complete deterioration of the VET school building in a year or two owing to the theft of equipment and furniture, doors and windows, as well as unauthorised use. Very soon, especially after a few harsh winters, the building becomes unusable for any purpose.

The decline of the population of students of VET schools is an ongoing demographic process, which will not be reversed in the near future. The problem of what to do with underused VET facilities will therefore remain. The lack of workable procedures to dispose on these properties continues to be a problem, hampering any efforts to improve the efficiency of the VET sector in Ukraine.

OPTIONS

- Discussions with the focus groups suggest that a first step in the optimisation process in Ukraine could be based on the amalgamation of schools located in different areas, whereby schools become affiliated to one another. This avoids the problems of closure, and should afford minor economies in terms of administrative staff. However, it will lead to a significant increase in managerial problems due to the difficulty of communicating between the different locations of the amalgamated school. It is unlikely to lead to any real improvement in the VET teaching process or the VET service itself.
- The design of VET decentralisation should directly address the problem of unneeded or underused facilities. A number of options need to be considered and discussed at the highest level of national and regional government in the context of on-going educational and legislative reforms:
 - *Assignment of buildings to other education institutions.* The VET system is not the only one being restructured. Ongoing structural reform of education in Ukraine includes plans to replace the current secondary school system, based on 11 grades into a basic secondary school system based on eight grades, and an upper secondary school system based on three grades. This creates a demand for new facilities, including a demand for dormitories. Another part of the educational system that currently faces an acute shortage of accommodation is the system of preschool education. The advantage of this approach is that the buildings all remain property of the MoES.
 - *Assignment of buildings to other state functions.* Many state institutions today are in dire need of new of additional facilities. However they lack the resources to purchase land or make other

necessary investments. A discussion at the level of the Ukrainian Parliament is likely to reveal parties with a potential interest in taking over these unwanted properties.

- *Sale of facilities to private companies.* This move would require clear and transparent procedures to avoid corruption, in addition to guarantees or guidelines on how the revenues arising from these sales could be used. The state could use this option to pilot initiatives intended to support collaboration with private sector VET providers or as a basis for Public-Private Partnerships involving industry.
- A combination of options might best serve the system. Each option will require the preparation of specific legislation. The draft VET law might take it into account in the next versions. In any case each specific option will bring the following constraints on implementation:
 - If the first option is taken, guarantees will be needed that the facilities are maintained until the new educational institutions are created. The prevention of vandalism or damage to property should be a clear goal of the new regulation. Clear procedures are needed regarding who can take the necessary decisions regarding these properties and in what manner. It seems clear that MoES should remain the key actor until the process is completed. This process could take several years and should not distract VET system actors who will be busy with other aspects of VET reform.
 - If the second option is chosen, a serious discussion is required about which Ukrainian institution will take over the facilities and through what administrative procedure. This process will also take time. The central government administration will play a crucial role in the transition process.
 - In the case of the third option, it would be good to know that any revenues raised are used for the development of the remaining VET institutions in the territory. One possible approach is to assign responsibility for the sale of state property to regional authorities, subject to oversight by the MoES, and in return for a percentage of the proceeds being transferred to regional budgets, to finance the development of the VET system.
- A pre-condition to starting the optimisation process, might be the finalisation of plans for upper secondary educational reform. Unused VET facilities may be of use as venues for the planned new multi-profile lyceums. If this is the case then relevant facilities will need to be maintained within the VET sector until the start of this reform program.

3.2. Network optimisation: Merging, closing or creating new VET schools

According to Article 13.1 of the draft VET law, the MoES decides on the creation, reorganisation or liquidation of VET institutions. Article 17.4 grants similar powers to any founders of a VET institution, taking account of the provision of Article 13. The task of formulating recommendations for the founders, concerning the restructuring of VET networks, falls to the regional VET councils. These founders include the MoES, along with sectoral ministries for transport, agriculture and defense, as well as the Ministry for labour and social policy. This seems clear, but there are many missing details.

- The formal procedure for formulating recommendations is not clear. A formal process and timetable would be helpful.
- The procedure for transmitting them to the relevant founder ministries is not clear either. Should all 24 regions separately address recommendations directly to the ministries concerned, or will some body coordinate and intervene on their behalf?
- The draft VET law is not clear about how cities will take part in the optimisation process if at all. This issue is especially important for cities of oblast significance to which responsibility for the

financing of VET schools on their territory has been transferred. Having been given responsibility for financing this network, how are they to influence the optimisation of their network?

- Furthermore it is not clear if Articles 13.1 and 17.4 concerning the rights of the “founders” of institutions will remain valid once the ownership of the corresponding properties has been transferred. There may be scope for confusion between the rights of the “founders” of the institutions and the rights of the “owners” of any associated property.

The proposed new VET law refers to changes in the classification of VET schools under Article 25.1, under which there are now four categories of VET school, namely:

- Professional training Centres;
- Professional education Centres;
- Professional Lyceums; and
- Professional Colleges.

The law also allows for other types of educational institutions specifically referring to examples such as schools for sports and military disciplines as well as schools aimed at gifted youth, or people with creative or athletic abilities.

The focus groups and the 2016 reports on process with the Torino Process, indicate that the existing VET networks are not effective, that they are out of touch with the needs of the regional economy both in terms of demographic and labour market demand.

Networks in general need to be nurtured in terms of their mission, leadership, resources and oversight. This is also true for networks of VET schools. To function effectively they not only need a clear mission with the expectation of delivering results that will have an impact on the economy, they also need to be connected to their international counterparts for peer-to-peer learning and exchange of international good practice.

ISSUES

- Working with focus groups on different topics in five different regions of Ukraine, reveals a high level of frustration at the level of regions and schools at the slow pace of reform. The status quo has been maintained for too long, and people are impatient that central authorities in Kyiv should act more decisively. There are serious concerns at regional level about the sustainability of the sector. This lends a sense of urgency in relation to VET decentralisation in Ukraine.
- The experience of some of the pilot regions in Ukraine shows that attempts to optimise the VET school network do not typically lead to expected cost savings. As a result, there is little appetite at regional level for VET school closures. The management of VET school property, both land and buildings, is a burning issue. The system lacks an effective procedure for disposing of unwanted or underused properties. This lack of clear procedure hinders is holding back work on network optimisation.
- According to the MoES, the process for the optimisation of VET schools network is not yet clear. In particular, criteria are required for merging VET schools. So far there is no guidance on what criteria should apply. Some existing schools require modernisation. There is also a need to create new schools. But it is not clear where the money from this will come from. It is difficult for people to make plans, when they do not know how these plans will be financed.
- The procedure for constructing the regional order is very complex and bureaucratic. It has many weaknesses and needs to be improved. For example it ignores the needs of the shadow economy. In some regions the shadow economy accounts for more than a third of all economic activity. It provides jobs and livelihoods and has its own training needs. Companies that are not

legal and formally registered cannot participate in the process for determining regional orders. The process relies on formal contracts between VET schools and employers. However these contracts put no obligation on VET school graduates to work for the company upon graduation, not do they oblige companies to make offers of employment to the graduates. The procedure is supposed to provide an estimate of future labour market needs, but it is really driven and initiated by VET schools. As a result the order says more about VET schools are able to teach than what the labour market really needs.

- The role of regional VET councils in this process is a mere formality, since the core of the process is the collection and processing of contracts between the VET schools and companies. The VET councils cannot really challenge these documents. The absence of proper analysis of labour market needs makes this even more challenging. Under these conditions the presence of stakeholders in the regional VET council, is superfluous and a wasted opportunity.
- After the Law on Higher Education the status of the Vocational Colleges (former technikums), that deliver Junior Specialist programmes are formally and reluctantly part of the VET system. The status of the Colleges is now in a kind of *limbo*, and will need to be re-considered in order to re-thinking how the network of VET providers will look like. Vocational colleges should not be forgotten in policy discussions around VET network optimisation. Ignoring them and focusing only on traditional Professional Technical Schools might only reproduce existing divisions.

OPTIONS

- The proposed new VET Law in Ukraine should replace the system of state and regional orders with a simple more flexible planning process. The law should give explicit decision-making roles to the regional VET councils. They should be vested with managerial functions that allow them to learn in detail how the VET schools operate. This will help them to have equal status in front of central powers and founders, in the taking of decisions related to the merging, closing or opening of VET schools.
- International experience shows that decisions related to the rationalisation of VET school networks in decentralised systems, should be made with the strong coordinated participation of regional powers, as they are in a good position to make decisions in the interest of the regional economy. A clear option is therefore to ask the Regional VET Departments, Regional VET Councils and local authorities, to work with employers from both formal and informal sectors of the economy that take part in the VET system, on the provision of regional guidelines for the optimisation of regional VET networks. The leadership of regional platforms involved in the ETF Torino process, should be good partners in this process.
- These guidelines should identify a process for the merger, closure or creation of VET institutions. A step-by-step approach might be best. One that starts with mergers maybe of amalgamated training centres (with ambition of establishing VET Centres of Excellence) that can offer qualified worker certificates, diplomas and junior specialist diplomas (e.g. at level 3, 4 and 5 of the NQF) as well as short courses for adult learners before moving on to the creation of new schools. Then, finishing with closures only when the architecture of the optimised network is clear. Such guidelines can serve as a basis for discussion with the MoES, who in turn can use this to dialogue with other Ministries leading to the provision of guidelines for the optimisation of the national VET school network.

This process might distinguish between two types of VET establishment, leading to a two track approach, and providing:

- Guidelines for Professional-vocational education institutions coordinated by MoES, produced in cooperation with VET community;

- Guidelines for Institutions with accreditation levels I and II, developed based on collaboration involving VET and HE authorities.
- The involvement of VET institutions in the process is essential to achieving ownership and buy-in. A differentiated region-by-region approach might encourage individual VET schools to move towards amalgamated forms cooperating in formal clusters, where big schools with significant capacity work with smaller less well-resourced schools, in search of win-win situations. This process of amalgamation might require the preparation of secondary legislation that complements the new VET law, and which can be passed with a Parliamentary reading.
- Another option worthy of consideration is to integrate the above approach into a formal transition plan that presents the process of optimisation-by-amalgamation applied to the regional VET networks, as part of a larger more long-term process of VET reform. This should be consistent with regional strategies for growth and development as well as with regional visions for development of regional VET networks. This provides an opportunity to elaborate a general plan for VET reform, which will address issues such as the creation of criteria for the rationalisation and optimisation of VET networks in the regions of Ukraine. This can serve to integrate national and regional strategic goals and a national system of performance indicators, which could also become the subject of additional regulation or legislation.
- All of these decision-making processes might benefit from the context provided by a well-targeted project to encourage the use of “evidence” in support of decision-making at all levels of the VET system. Such a project would address the quality and efficiency of VET provision in Ukraine. The results of this project should introduce the measurement of performance as a management tool and expose the strengths and weaknesses affecting the performance of individual VET providers as well as the system as a whole. The regions could introduce a measurement process in cooperation with actors at national, regional, local (cities) and VET provider levels. International partners could be involved, perhaps for funding project as well as for sharing their expertise.
- Digging deeper into management and decision-making using performance-based approaches, the draft law includes many instances of what might be called management by principle. This is very much in line with modern management thinking. Following this logic, Article 11.3 of the draft VET law could be improved by introducing the principle of “performance” in the management of the VET system. One way to introduce this is to discuss the use of outcome indicators to measure the performance of VET providers based on the student learning outcomes. These can be measured in many ways. They might refer to the completion of qualifications or to rates of access to employment by speciality of the graduate, or to the impact of the VET provider on the learning process and outcomes.
- The number of types of professional schools referred to in the draft VET law has been reduced to 4. In principle this is an improvement. Nevertheless the difference between professional college and regional centre of professional preparation is not clear, leading to confusion in the use of this classification. It is clear that the new VET law should include text that provides a clear definition of what these terms mean so as to facilitate the transition to system based on this new terminology.
- An interesting option to consider in the context of VET school reform regional governance and the optimisation of VET school networks is the role of Centres of Excellence. These can be used to deepen the connection between VET and regional economic development, based on finding new ways to increasing worker productivity and address labour market challenges. Challenges such as reducing skill gaps, dealing with shortages of workers with key capabilities, piloting programs that deliver innovative skills for new and emerging or in-demand occupations. The ability to address these challenges is crucial to increasing the attractiveness of Ukraine as a venue for investment at both national and regional level. Centres of excellence are a feature of many VET systems in Europe and the world over. They take a variety of different forms and go by a variety of different

names such as industrial training institutes, industrial training centres, industry skills centres or multifunctional centres.

The analysis of international practices shows that the term centre of excellence mostly refers to a network organisation, comprised of vocational education and training institutions, linked together by a partnership, established in different regions of the country, reflecting national priorities with respect to industrial and economic development. They normally provide high quality qualifications via VET and CVT programs, providing entry into highly-specialised professions. They are often connected to tertiary education routes. They tend to have a strong orientation towards technological and innovative sectoral or multi-sectoral training, to meet the skill needs of companies and individuals ⁽¹⁴⁾.

- It is worth recalling that “ПТУЗ” or “Professional-technical teaching institution” the classical name for a vocational school in Ukraine, was discontinued because it was judged to have low prestige in the eyes of the public and employers. It reminds us that the use of new names can help us signal a change in the nature of the VET system in Ukraine that will help to develop positive more modern associations with its schools, so as to enhance their image and reputation.

3.3. International good practice: some case studies

The optimisation of the VET school network in Latvia was a phased process carried out over a five year period. It gave stakeholders adequate time to adjust to the many changes taking place. The approach is considered to have been highly successful and may provide insights of use for the Ukraine. Another case of good practise in the organisation of the overall optimisation process is provided by Lithuania. This too may provide lessons applicable to Ukraine.

France is a good reference for optimisation in the context of regional cooperation and development. The case of Albania is another good reference for network optimisation, in particular for its use of multi-functional centres.

The Netherlands provides a good case study in the development of VET Centres of excellence. They provide models for the merging of VET schools in the course of optimising existing networks. These represent networks of VET partner based institutions. They normally provide high quality qualification levels of VET and CVT programs for the acquisition of high-specialised professions. The Netherlands merged many of its schools in the 1990s. This process unfolded in waves. First giving rise to Regional Training Centres, then to Centres of Expertise for Higher Vocational Education (HBO) and more recently to Centres for Innovative Craftsmanship for middle vocational education (MBOs). Other examples worth studying are provided by France where the networks involve both VET and HE actors, as well as by Spain, Luxembourg, Belgium, Denmark, Lithuania, Albania and Serbia.

The Netherlands has put in place a system for labour market intelligence that helps the system remain flexible and relevant, adjusting regularly to changes in demand for new skills. The main components of the system include The ROA (Research Centre for Education and the Labour Market), the UWV (National Social Security Agency) and the SBB an organisation for cooperation on for vocational education, training and the labour market. These combine top down and bottom up approaches to publish guides and manuals on labour market trends aimed at teachers, employers and students, on a sectoral and regional basis.

⁽¹⁴⁾ ETF Concept Note 'Setting-up Centres of VET Excellence in ETF PCs: thinking policies and learning practices' (2015, unpublished).

4. VET SCHOOL OPERATIONS IN THE CONTEXT OF DECENTRALISATION DILEMMAS IN UKRAINE

School autonomy refers to a form of school management in which schools are given decision-making authority over their operations. This might mean autonomy over the hiring and firing of personnel, or autonomy over the assessment of teachers and the evaluation of pedagogical practices.

School autonomy generally refers to autonomy over the management of human resources, the development of curricula and the management of school finances. VET schools are generally considered to have a high degree of autonomy if they are fully responsible for decisions taken, subject to the constraints imposed by legislation, or by requirements to consult with relevant authorities and stakeholders. Schools are partly autonomous if they take decisions within a set of predetermined options or require approval for decisions from their education authority. Autonomy may also be implied where there is an absence of rules or regulations in a given area.

A school that enjoys a high level of autonomy might give an important role to the VET school council. The council usually represents the interests of parents. They have a legitimate interest in the way the school budget is used and in how spending is prioritised. They will therefore like to be involved in budgetary planning and approval, or in decisions relating to the appointment of personnel.

By involving the school council in school management, higher levels of autonomy are balanced up by higher levels of accountability ⁽¹⁵⁾. This approach ensures that better decisions concerning the running of schools are made in the interest of stakeholders such as parents, students and employers. The higher levels of scrutiny associated with the involvement of councils in management affairs also provide extra layers of protection against fraud.

4.1. Leadership and management of VET schools in Ukraine

ISSUES

Feedback from the focus groups indicates that the autonomy of VET school directors remains rather limited. The first limitation comes from the educational legislation currently in force. This prescribes few areas of autonomy for the director. The management of VET schools is typically conducted by numerous commissions of which the director is only a part. Although the director is responsible, it is constrained in its ability to act by the other members of the commission.

In general a school director is selected from existing members of staff. This is based on a vote followed by the interview of eligible candidates by a selection commission. The membership of the commission varies. The commission makes a recommendation to the MoES which takes the final decision.

Although feedback from the focus groups indicates that responsibility for final selection of VET school directors will be moved to the regional level, stakeholders at the December 2016 meeting in Kyiv, strongly asserted that this has already happened. Nevertheless, it still seems that details concerning the process of hiring and firing of directors and teachers still need to be worked out.

The details of how teachers and managers are hired and fired matter a great deal. From a regional perspective there may be a need to put in place directors capable of introducing reforms, aligning VET services with the needs of the local economy, developing partnership with industry or managing a difficult transition such as the process of VET school network optimisation. A director selected by

⁽¹⁵⁾ Barrera, Felipe, Tazeen Fasih, and Harry Patrinos, with Lucrecia Santibáñez, 2009. Decentralized Decision-Making in Schools. The theory and evidence on School-based management. Washington DC: The World Bank.

election from available teaching staff may have difficulty living up to these expectations. A system that allows the director to be transferred from another school might have a better chance of finding the right person to get the job done. It might be desirable to appoint someone from the private sector, or with experience in industry.

On the other hand a director would like to appoint a team it knows can deliver. One that it knows will respond positively to his efforts at personnel development or try to earn the bonuses and incentives it will put in place as a reward for high levels of performance. It will be difficult for a director to achieve high levels of performance if it has limited or no control over hiring and firing.

Especially in the context of decentralisation and in view of the need to the optimisation of school networks, an effective system of personnel management should provide regions with the ability to select someone they think can implement their policies. It should also schools heads to take difficult decisions regarding the role of the school, the courses it teaches and the teachers it should retain.

The old fashioned system whereby the government appoints the teachers and the teachers select their director is a poor solution from this point of view, ill-suited to the current challenge of decentralisation and VET reform.

It is useful to consider the relative merits of the following two approaches to the appointment of teachers and school heads, in terms of their effectiveness in providing the region with the control it needs to achieve its policy goals.

- The region appoints all teachers and the teachers select the director;
- The region selects the director and the director selects the teachers.

There may of course be other alternatives and there are indeed many more details to discuss, but the example serves to anchor a discussion on how the system for human resources management can best serve the public good. In the current situation we can ask which approach will best serve the purpose of delivering the changes required throughout the process of decentralisation, aligning VET services with the needs of the region and supporting the region throughout the process of school network optimisation.

Feedback from the focus groups suggests that a key factor limiting the autonomy of VET school is the procedural and legal difficulty involved in firing teachers. The staffing levels of regional education departments are mandated by staff schedules. These dictate the number of staff that can be employed in each school based on parameters such as the number of students, the number of groups, the area of school buildings and the size of the plot of land on which they are built. This limits the number of staff who can be employed and the ability of the departments to monitor and control the VET system on their territory. The situation has become even more acute with the transfer of some VET schools from the control of regions to the control of cities of oblast significance. This further limits the ability of regional VET departments to manage the system, in particular to monitor the quality of VET service provision.

The selection of staff for any vacant position is the responsibility of the director. The director can employ less staff than the number allowed by the schedule. It is common to employ less staff than allowed, as a mechanism to boost salaries, which are in any case low in the VET sector compared to HE. This is possible because the salaries of vacancies can be used to increase the wages of those that are already employed. The allocation of these unused salaries is the responsibility of the school director and may be used to reward some teachers.

Directors of VET schools cannot independently appoint deputies and chief accountants. These are nominated with the consent of the Department of Education and Science. In any case they can only employ as a maximum, the number of staff set out in the staffing schedule. Any deviation from this is

deemed to be a breach of budget discipline. In this way both the school director and the regional department of education is constrained by staff schedule.

These rules were intended to protect the interests of schools by making it difficult for school owners to reduce staff numbers. They were intended to protect the interests of school owners from excessive demands of directors who might argue that their school needs higher levels of staffing. In reality they already put schools in difficult situations and contribute to a decline in the quality of service provision. If a school has a high proportion of orphans or students from socially disadvantaged groups, it is obliged by law to provide additional staff to ensure they are adequately catered for. If the school hires extra staff for this purpose and exceeds the number allowed by the staff schedule, it is considered to be in breach of budget discipline and the school director will be subject to sanctions.

This system has already become overly rigid and ill-suited to the needs of students, and it also ill-suited to the needs of an economy that must now evolve on the basis of innovation, entrepreneurship and increased trade with the EU.

The procedure for firing staff at VET schools is extremely difficult to carry out. There are no plans to make this easier under the new draft law. Grounds for firing are not clearly defined in the legislation. Moreover, all of those who are fired appeal. In almost all cases they turn to labour courts who routinely return them to work. This reduces the willingness of directors of VET schools to punish bad teachers and has a negative impact on teacher discipline and motivation. In fact, VET school directors are not eager at all to fire even bad schoolteachers, because it is very difficult to find new staff, who are discouraged by low salaries.

VET schools face an acute shortage of masters of professional training. This is partly due to the low salaries and the fact that someone with the required skills can easily find employment that pays better. It is also due in part to uncertainty regarding the future of these schools. Teachers with a Masters in professional training must live with the prospect of working months without a salary and the fear that the VET school founders may decide to close them.

OPTIONS

- The transfer of some VET schools from the managerial sphere of regions to the managerial sphere of cities of oblast significance has not been smooth and has further limited the ability of the regional departments to manage the territorial VET system, in particular to monitor the quality of education. As part of VET decentralisation in Ukraine, it is useful to progressively increase the regional component of the VET school network from its current level of 20% to 30% of the network, to a higher level of 40% to 50%.
- Article 16 of the new VET law allows regions to become VET school founders. It also allows local authorities to do the same. This creates opportunities for confusion, both in language and in practice. The draft VET law should therefore include text that clarifies how the regional component is defined, along with guidelines for obligatory reporting on the regional component.
- VET decentralisation will not be successful without clear accountability of VET school directors. More responsibility and freedom should be allocated to school directors to decide among other things, on the level of academic stipends. The new VET law should recognise the authority of the school director in their interactions with the various commissions and committees that currently operate in VET schools.
- The social function of VET schools should be limited and clarified. The director of the school cannot become the tutor for minority groups enrolled in the school. The dormitories should be provided separately from the school. In the interest of social integration, those housed in dormitories should not be restricted in their choice of school. They should be free to choose any type of school according to their individual interests and talents. They should be free to attend

general academic school, sports school, art school, school for the specialised teaching of some subjects, bilingual schools or any other school of their choosing.

- Due to plans for decentralisation, the MoES has not intervened in the appointment of school directors since 2015, and has simply approved the candidate recommended by the oblast. This is an important example of practice preceding policy. Nevertheless decentralisation requires that the process for the selection of school directors be very clearly defined in the legislation through a process involving regional commissions.
- The staffing schedule has become a barrier to progress. It should be repealed and replaced with a new flexible mechanism that provides the school director with powers to hire and fire personnel in compliance with labour laws, with the authority to verify the work of teachers, set teacher salaries and reinforce the principle of accountability by making teachers more responsive to the needs of community.
- There are two main options for dealing with the shortage of Masters in VET. Practical ways for dealing with this shortage include:
 - Allocation of extra work that requires a Masters in VET;
 - Increase of the salaries of staff assigned to this work, by re-allocating salaries for unfilled posts if necessary;
 - The training of future masters selected from among school students.

This last approach is quite common in Ukraine. Many schools have former students among their staff. For this reason there is an urgent need for Ukraine to launch a General Plan for the Continuing Education of VET teachers, intended to increase the qualifications of trainers, as well as the skills and competencies of staff, as an urgent measure to support improvements in the quality of VET service provision.

4.2. Dilemmas in the financing of VET schools in Ukraine

ISSUES

The transfer of budgets for the financing of VET schools located in cities of oblast significance, from the oblast budgets to the budgets of their cities of residence, has not resulted in a more holistic approach to VET or skills development in support of growth and competitiveness.

Many cities of oblast significance do not have sufficient funds in their own budget to ensure the adequate financing of VET schools on their territory. They rely on the receipt of additional funds from the state budget, which makes them dependent on financial decisions taken at central level.

The current situation, in which some VET institutions are subordinated to and financed by regions, whereas others are subordinated to and financed by cities of oblast significance, creates a problem for the creation of the regional order. The process is not defined in the new VET law and responsibility for the execution of the various steps in the process, are not clear. In particular, it is not clear whether the teaching and financial plans of VET institutions located in cities of oblast significance should be included in the regional order organised by the regional education department, or not. As these schools are financed from city budgets, they are not included in the regional order, which therefore only covers schools subordinated to the regional education department.

To help deal with the funding difficulties, the Ministry of Finance has provided a stabilisation donation, the first tranche of which arrived in March 2016. This was given to the regions, which retained a part to finance VET schools subordinated to the region, transferring the rest to the budgets of cities of oblast significance. This complex distribution procedure was not based on funding formulas or other objective

criteria. As a result, the VET schools subordinated to the regions have sufficient funds to cover several months of salaries, and further requests for funds have had to be made to the central authorities.

The situation has led to a direct breach of constitutional rights, which guarantee the citizens of Ukraine access, access to a full secondary education irrespective of the type of school they choose, including VET schools. The financing model adopted in 2016 has created a very serious situation for the staff of VET schools, many of whom have received their salary with some delays. As a result it is estimated that about 15% of those with a Masters in professional education have left the VET system.

The exact situation varies from region to region. The best situation occurs in the case of Kyiv, which has its own legislative framework and is considered both as an oblast and as a city of oblast significance. This means that Kyiv has been spared the problems associated with the new financing scheme. In some regions, thanks to an ongoing pilot project for fiscal decentralisation, cities have ended up managing VET school financing from city budgets. In other cities, especially in the cities of regional significance which are not capitals, the situation is very difficult.

The method of financing of VET schools currently takes no account of local labour market demand and the current legislation affords no financial autonomy to schools. The draft VET law does not foresee the introduction of financial autonomy. This situation is accepted by the VET community and school directors have little appetite to take on extra tasks. One of the few areas of financial autonomy granted to VET school directors is discretion over the provision of paid VET services. Even in this case however, there are strict and regulations governing the prices that schools may charge clients for their services.

The state treasury system has created many problems for VET schools, disturbing the routine operation of the school, undermining the trust of teachers, trainees and their families. It does not serve well the needs of the regions, local institutions and communities. The difficulties are most acute in the case of special funds. These represent a part of the school budget that does not come from public funding sources. They consist of revenues generated by the school for service provision and from donations. The reality is that schools face many problems when they try to spend those funds, problems which frustratingly put them beyond the reach of directors.

OPTIONS

- The state order no longer works. The transfer of responsibility for VET school financing to both cities of oblast significance and to regions has resulted in uncoordinated parallel processes, including “mixed” orders representing regions and cities, in spite of the lack of guidance on how to create them and on how they should be employed. The funds available in regional budgets are barely sufficient to cover salaries and communal expenses. They are not sufficient to guarantee a well-functioning VET system. Inadequate procedures effectively make other available funds inaccessible. There is a urgent need to ensure adequate financing, mobilising all possible sources of funding, including contributions from private industrial actors.
- The transfer of responsibilities for financing of VET schools to cities of oblast significance was not a good option, either for the VET schools concerned or for the overall VET system. Ideally this decision should be reversed and responsibility should revert to regional level. If it cannot be reversed, the problems that have arisen as a result of this decision urgently need to be addressed.
- The system of academic stipends is also in need of reform. The use of performance-based criteria for the award of stipends would improve learning outcomes and reduce the considerable financial burden it places on the system.
- VET school budgets are maintained in the treasury system operated by the Ministry of Finance. This holds true whether the money comes from general funds or from special funds which include donations and revenues raised by selling services to client. As a result of this, funds are often very

difficult to access. VET schools need to have a separate bank account in a commercial bank, at least for the management of special funds. The new VET law should provide VET schools with autonomy in opening, operating and closing bank accounts. Clearly the schools and their directors should be held accountable for the use of these funds. Accountability is easy to achieve and the freedom to open and use bank accounts is standard practice in most parts of the world. It is considered necessary for the efficient management of partnerships, joint projects with other schools and new initiatives such as Public-Private Partnerships.

- VET schools have a certain degree of autonomy in raising funds, but are constrained in how they use these funds. They should be autonomous in making purchases from their special funds. This would help schools address funding gaps in regional budgets. Restrictions should only apply for purchases made using funds from central government. Every encouragement should be provided for income generating activities.
- Funds allocated to VET schools from central budgets do not take account of costs related to the modernisation of curricula based on the needs of industry, the purchase and maintenance of new equipment or the further training of teachers. The revision of formula funding mechanisms, which is urgently required, should take these other costs into account.
- The regional administration and other local self-government bodies could take part in pilot projects that demonstrate how they can more fully play a role in the governance of the VET system. Where “smart region” initiatives are already foreseen, this could be achieved by including a VET or educational dimension in the development of regional or city growth plans, along with roadmaps for their execution.

One approach is to launch a formal structured dialogue that will build upon the recently completed regional growth strategies, so that educators can understand regional needs for growth and development, innovation, research and technology, and interpret these in terms of the demand for education and training and new skills that this will create. Issues such as the need for new types of qualifications, new equipment and education resources are then more easily explained and motivated with reference to the regional-economic- growth strategies.

4.3. Strengthening VET school autonomy in Ukraine: Is this the right time?

ISSUES

VET schools in Ukraine enjoy some degree of institutional autonomy. They are legal persons and can conduct their own employment policies. The draft VET law provides for even greater levels of autonomy. In principle this means independence, self-sufficiency, and responsibility in making decisions that concern, among other things, the development of academic freedom, the development of educational content and the organisation of the educational process, the governance of internal affairs and economic activities, as well as the selection and placement of staff.

Feedback from the focus groups however, indicates that the reality quite different. The budgetary position of VET schools is very weak, even with respect to their own revenues. The reality is that schools cannot decide on staffing levels, that hiring and firing of teachers is extremely difficult. The managerial authority of school directors is also very weak. In all areas, his or her decisions are influenced by the opinions of members of numerous commissions, which operate in the VET schools, diffusing personal responsibility and leadership.

It is remarkable that the school directors interviewed during the focus group meetings did not demand more authority or more responsibility. They consider that the current tasks of directors are already sufficiently difficult and time consuming. Similarly, the representatives of regional education departments, while stressing the lack of VET school autonomy, did not propose that this should be

significantly reinforced. Overall, a number of important factors are holding back decisions related to giving real autonomy to VET schools, in order to improve the quality of VET services and align them with the socioeconomic and industrial development needs of the regions of Ukraine. These factors include:

- Clarification of issues concerning the overall system governance of the VET school system;
- Clarification on the process of reform and rationalisation of the VET school network;
- Solutions to issues concerning the transfer of VET schools lands and properties;
- Solution of problems related to VET school financing and access to available finances;
- Reform of the system of state and regional orders;
- The attribution of roles and powers across regions, cities and schools, concerning school finance; and spending, the appointment of directors and the management of personnel.

OPTIONS

- At this stage, the conditions are not favorable for a significant decentralisation of the VET sector to the level of individual VET providers. The most feasible approach appears to be decentralisation towards the level of the region on the basis of regional VET school networks.
- The position of the school directors should be strengthened. It would be useful to limit the number of commissions and exclusively assign to the director specific responsibilities and the necessary competencies to fulfill those responsibilities. These should include responsibility for the hiring and dismissal of school staff. Nevertheless responsibility for key budgetary and institutional decisions should not be assigned to individual VET schools.
- VET schools can be invited to adopt the practice of self-assessment based on the formulation of objective measurable performance criteria. The introduction of VET school performance monitoring based on teacher evaluation and on the evaluation of learning outcomes is essential for the development of a culture of accountability. This might best be done as part of a broader measure to develop a National Quality Assurance System.
- The decision to replace the state or regional orders should be part of a larger debate on the overall system for VET school financing. The new system for multi-channel funding will rely on algorithmic formulas, modern methods for the anticipation of labour market demand, and a process of alignment with the needs of the region based on its strategy for growth and development. Assuming that many key decisions will remain in the hands of Regional Education Departments, a number of general options present themselves as alternatives to the “state order” as a mechanism for deciding enrollment and staffing levels. These range from a more market-oriented approach to one which is more administrative in nature. They are:
 - *Competition between VET schools for students.* Under such a system, each VET school opens as many new groups for learning specific professions as it considers attractive for potential students, and as it considers possible for staff to teach based on available resources. Each school actively encourages grade nine graduates from general secondary school to enroll. Whenever a full group of is formed, it is accepted and the founder commits to funding the complete course of studies for that group. Where a full group is not formed, a procedure is needed either to complete the group or to form new groups from students whose initial preferences have not resulted in a course offer.
 - *Competition between VET schools for assigned groups.* Under such a system, the regional education department announces, on the basis of its assessment of future labour market needs in the region and in cooperation with the association of employers and the local VET

council, how many groups of students learning specific professions it is willing to finance in the coming years. Interested VET schools submit proposals to the regional department of education indicating which groups they are able to teach and for what price. The regional department of education then allocates the work to the schools it has selected from among those who applied. Each school now has to market the course and attract students, based on processes similar to that described above.

- *Enrollment numbers set by the founder.* In this type of system, the regional education department decides based on its own analysis of regional labour market needs and on the availability of resources in its subordinated VET schools, which groups may be formed in each school in the region. This is done in collaboration with the regional VET council and VET school directors. If enrollment is successful, the groups are formed and are financed for the full course of study. In cases where enrollment has not been successful, the regional education department will try to form groups made up of candidates for the same profession, who have applied to different schools in the region and assign them to the school best placed to provide training for the group.

4.4. International good practice: some case studies

France provides an interesting example of international good practice in VET school financing. In this case the financing comes from central government funds, regional funds and contributions from all private sector companies based on a % of their wage bill. The training of employees in the private sector is financed directly by companies involved. In any given year up to one in three employees in France take part in some form of on the job training.

Formula Funding is often used as a component of a multi-channel funding system, along with enrolment fees and performance contracts. There is great variation in formula used and how they contribute to the overall budget. Case studies that provide good insights include UK which is currently adopting a national funding formula intended to ensure equitable access to education for all its citizens.

The Netherlands uses a system of block grant funding that gives schools considerable freedom in how it uses its resources. Further funding is available based on performance such as reaching national targets on completion rates. A similar approach is employed in Denmark.

There are many cases of good practice in teacher training. The ETF has identified examples of good practice in the introduction of new programs and teaching methods in Albania, Bulgaria and Bosnia-Herzegovina. Croatia stands out for the way it approaches the development of creativity, Serbia for its use of innovation funds and Romania for the way VET has helped to boost the tourism industry.

Many interesting examples of good practice in school management can be found in Switzerland. It employs a dual-track approach whereby two thirds of Swiss youth receive some kind of VET and 85% of these gain up to four years of experience in real work environments before they finish their education. As a case study in multi-channel funding, the operations of the VET system of Switzerland are financed by the Confederation, the regions (cantons) as well as the professional associations and social partners. The development of school curricula is overseen at regional level.

The Ukraine also provides worthy cases of good practice in new program development. Examples include the training of adult populations, the use of vouchers to support the “competitive ability of individuals in the labour market” and the recognition of non-formal learning outcomes, based on cooperation between job centres, VET institutions and employers.

5. VET-RELATED PUBLIC-PRIVATE PARTNERSHIPS IN UKRAINE

Public-Private Partnerships or PPPs can be defined in different ways as their implementation relies a lot on the cultural background of countries in public management policies, the administrative form of the state as well as on the maturity of their market-oriented economies.

Looking at international experience of the use of Public-Private Partnership in VET, it can be understood as a mechanism for coordinating action and sharing responsibility between public and private stakeholders in VET, with a view to formulating, designing, financing, managing or sustaining a project of common interest. Such a project could take the form of actions to develop strategies or programmes to implement them. It might a range of integrated topics such as research, innovation, VET and HE as well as entrepreneurship, investment and business development.

The Public-Private Partnership concept goes beyond VET and may address a wider range of private sector needs. The overall partnership can be conceived using a multilevel governance approach, involving actors from different levels in the government hierarchy. This can help to improve communication, break-down silos and achieve a good balance between political, economic and societal interests. Developing and transition economies in particular have to create supportive new environments that will help increase the competitiveness of business, by ensuring the availability of skills needed for growth.

Although the further development and application of Public-Private Partnership in VET is a priority in Ukraine, there are number of inter-related issues that will have an impact on the ability of Ukraine to use Public-Private Partnerships. The Public-Private Partnerships in Ukraine should become as a tool to improve the relevance, attractiveness and impact of VET policies.

Although the financial crisis in the VET sector has led to urgent calls for increased participation of employers in the VET system, the current legal and financial framework does not do enough to encourage the involvement of either public or private sector entities in the development of the VET system based on Public-Private Partnership.

Many factors currently cause confusion in the minds of actors from the private sector. These include uncertainty over:

- the impact of the optimisation process on partnerships with individual VET schools;
- the conversion of VET schools into the four types as proposed by the draft VET;
- the role of regional and local powers in the governance of the VET school system;
- the nature of VET school autonomy; and
- the application of the principle of accountability in the Ukrainian VET school system.

5.1 Current models and motivations for VET-related public-private partnership in Ukraine

The proposed VET law makes eight explicit references to Public-Private Partnership. Article 4.2 elevates Public-Private Partnership to the level of a basic principle for the management of VET. Art. 49 of the draft law, is entirely dedicated to Public-Private Partnership and gives broad scope to its form, activity and financing. It refers to four other legislative texts that will shape the concept in Ukraine - the Constitution, the Civil Code, the Economic Code and a dedicated Public-Private Partnership law. These leave a lot of room for interpretation at all governance levels. The constraints imposed by laws

limiting the activities of public bodies such as VET schools, regional VET departments and regional VET councils add further layers of uncertainty. This situation needs to be simplified before large scale adoption of Public-Private Partnership is truly feasible in the VET system in Ukraine.

It is therefore incumbent on VET schools and other institutions to engage with the private sector based on formal arrangements referred to as Public-Private Partnerships. In principle these can be very flexible allowing public bodies to take part in activities that they would find impossible to carry out on their own. The detailed arrangements are laid out in a contract that describes among other things the activities that the partners will carry out, along with the rules for how this will be managed and financed.

ISSUES

- Ukrainian policy makers, experts and practitioners already have a clear tradition and understanding of something resembling the modern Public-Private Partnership. These are referred to as social partnerships or *социальное партнерство*. Typically these are organised as councils, or so called elected collective organs. The new Public-Private Partnership concept promoted in the draft VET law updates, modernise and expanding the scope of these traditions in line with international practice.
- For a number of reasons Ukraine now hosts a very large shadow economy. These employers are not officially registered, and may have difficulty taking part in Public private partnerships. These shadow companies provide support to schools and may become members of sponsor councils. VET schools cooperate with them because they are interested in employing VET graduates.
- A new challenge arising in the context of the decentralisation process concerns the creation of new administrative units, the amalgamated gromadas. These do not see themselves as having a role in relation to the labour market and so far have shown no interest in cooperation with VET providers. This is particularly felt by agricultural VET schools, which have traditionally cooperated with rayons. Actions may be needed to resuscitate cooperation between agriculturally oriented VET schools and the amalgamated gromadas, which in principle should have an interest in the development of the agrifood sector.
- A common result of social partnership in Ukraine has been creation of practical training centres organised within the facilities of VET schools. These centres are equipped by companies that consider themselves possible employers of future graduates of that school. They enable the school to teach production practices using modern technology as well as work processes employed by the company. These centres are created on the basis of contracts signed by the Ministry of Education. There are currently more than 90 such centres across the country. Teaching is provided to any interested person from outside the school. Fees are charged for attendance, often paid by the employers of the participants. Courses are sometimes offered for free to the students of VET school in which the centre is located. The companies involved in this form of social partnership are exclusively foreign. They include German firms such as Henkel and Knauf, as well as Polish companies such as Śnieżka.
- Another form of Public-Private Partnership that already exists in the VET system is based on sponsorship. This is less systematic. It does not employ national contracts signed by the Ministry. The precise form that it takes varies greatly as a function of the region, school and profession. Sponsorship most often takes the form of the supply of physical goods or materials for the school, for example input materials for production or cleaning materials, rather than financial donations. This practice arises because the formal use of funds received by the school in the form of a donation is difficult. The money is first transferred to the treasury, and the school must then submit applications to withdraw the funds as they are needed.

- From a VET school perspective one of the most important forms of Public-Private Partnership provides support for the organisation of company internships (*производственная практика*). These are not easy to organise. Not all companies are interested in accepting the students, and if accepted, the students are not always given access to modern technologies. Some companies that use new technologies for design and printing, IT companies and some service companies, are too small to organise and cannot accommodate more than a few trainees on placement.
- In some cases, VET students are paid during their internship. They may even receive bonus payments as a reward for good work. In general half of the money earned is collected by the school. In addition to this, students who exceed expectations may receive bonuses. Companies may also support VET schools through provision of career guidance services to students.
- From a VET school point of view, the effectiveness of the social partnership depends primarily upon the level of economic activity of the company and on the legislative basis for the partnership. Both of these factors are having a negative effect on social partnerships. For many companies especially for non-shadow companies, the level of economic activity is low and legislation which should encourage Public-Private Partnership is in a difficult process of adjustment.

OPTIONS

- Public-Private Partnership already exists in the VET system in Ukraine. It takes a variety of forms.
- The sponsorship of individual schools by companies, usually based on in-kind contributions
 - Investment in practical training centres, usually with the help of national programmes
 - The organisation of internships to provide work-experience or on-the-job training

Before taking steps to further develop the role of Public-Private Partnership in the VET system, it would be useful to evaluate ongoing practices with a view to identifying the challenges that need to be addressed in order to bring the practice in Ukraine in line with good international practice.

- This analysis could be carried out under the leadership of regional authorities. In this way it would serve to support social dialogue involving the regional VET authorities, VET schools, enterprise and civil society. This could help to reinforce awareness of the role of Public-Private Partnership and the existence of models for win-win cooperation between companies and VET providers, that could increase VET student access to internships at companies and help establish a more homogenous and effective VET apprenticeship system in the country and throughout its regions.
- In order to more fully engage the cooperation and commitment of the social partners in this kind of exercise, it would help if they were to provide leadership on specific tasks such as the development of a framework for action intended to improve VET service provision based on the large-scale adoption of Public-Private Partnership.
- New regulation should give importance to the use of Public-Private Partnership, to boost the availability of internships in VET education, and to increase the participation of companies from the informal economy in the VET system. International expertise of relevance for developing such topics is readily available from organisations such as the ILO, ETF, UNESCO and the UNDP.
- Social partners and professional associations can play a pro-active role in promoting the use of Public-Private Partnership for the development of VET. To succeed they need to develop their own capabilities for dialogue and advocacy. They need to develop an understanding of how Public-Private Partnership might apply in their sector. The identification of champion companies in key sectors could help in this regard. The experience of sectoral skill's councils working at the level of the rayon is worth building upon. Support for strategic VET initiatives involving all of these

stakeholders, so as to understand new and emerging skill needs could support the growth of companies in these domains.

- Regional authorities could work with social partners to identify the priority sectors that will drive growth within the region. The results of these exercises will be different from one region to another. They will provide a platform for cooperation between the region and sectoral ministries, resulting in clear ideas as to how each sector should be developed, motivating investments by central government in research, motivating investment by regional government in innovation and in the development of new training programmes. This kind of activity supported by a Public-Private Partnership could involve public sector actors from the MoES, the Ministry of Finance as well as sectoral ministries to develop sectoral and regional visions for growth, supported by roadmaps for implementation, and mobilising the funds needed to make it happen. Activities such as this can include legislative measures to remove obstacles to Public-Private Partnership that will encourage both private and public sector to pool resources in pursuit of their shared goals.

5.2. Modernising VET-related public-private partnership in Ukraine

The 2016 meetings of the Torino process in Ukraine, confirm that in spite of some successful examples of industry support for VET, supported by contractual relations linking VET schools and industrial actors, employers are reluctant to include financial contributions as part of their Public-Private Partnership commitments.

Following the transfer of VET funding to the local level in 2016, and in view of subsequent systemic failures, dialogue on financial support for the VET system was initiated with the involvement of a wide range of social partners, professional organisations and civil society representatives ⁽¹⁶⁾.

At the same time the MoES recommended the creation of regional skills councils charged with the development of regional orders for skills provision in accordance with the overall plan for the modernisation of VET networks, which would include the amalgamation of VET providers over the period 2016 to 2018. These councils were intended as advisory and coordination bodies that would support the implementation of a national policy for vocational education at regional level.

The creation of regional skills councils is an important development in the decentralisation process. Such councils already exist in 22 regions of Ukraine. They comprise local executive authorities and local self-government bodies, as well as employers and their associations, trade unions and professional associations, educational institutions and VET providers, self-governing bodies representing parents along with international and domestic experts.

In order for these councils to act effectively, it is necessary to develop a mechanism by which they will work with employers as well as tools by which to monitor and implement the decisions they will take.

ISSUES

The tradition of inter-branch councils on professional-technical education which existed until recently in Ukraine included representatives of different branches of the economy. They were created by Decree of Cabinet of Ministers of Ukraine on 7 April 1998. A statute for these councils was also adopted and many were created at national and regional level to coordinate state policy for VET. Nevertheless their impact was very limited. No state organ was obliged to react to the decisions of

(16) The dialogue involved Association of Ukrainian Cities; the Federation of Employers of Ukraine. The Ukrainian Federation of Metallurgists, the All-Ukrainian Bakers' Association, the Ukrainian Light Industry Partnership, the Confederation of Builders of Ukraine, the Ukrainian Chemists Union, the Ukrainian Logistics Association, the Ukrainian Association of Enterprises of Water Supply and Sewerage Services "UKRVODOKANALEKOLOGIA", DTEK LLC, Metallurgprom Business Union, Ukrposhta SE, Agroosvita SMC (and others).

these councils. As a result they were abolished by decree of the Cabinet of Ministers in 2013 after 15 years of activity.

The current councils are even weaker than they were. They have no normative basis. Their type, number and composition are not regulated by law. As a result their designation, size and composition, vary by region. The names by which they are referred include agreement council (*Согласовательный совет*) branch council (*Отраслевой совет*), council of profession (*Совет профессий*), Consultative council on specialisation (*Консультативный совет по специальности*) and Inter-branch council (*Межотраслевой совет*). The number of participants ranges from 6 and 10, or 15 to 20. They play different roles ranging from formulation of educational content to the provision of material support to schools. There are no standards as to who the members are, their professional competence or what they represent.

In practice, the majority of these councils are of two main types. The first type reviews and decides who should be taught and what they should be taught. These often include representatives of mid-sized companies. They often do not include the participation of VET school directors and any single VET school might have multiple councils. The second type is the sponsor council. These focus on the provision of material and financial support to schools. Their membership usually includes the representatives of region, the managers of companies, the parents of students and of course the VET school director.

A recent addition to the context of decentralisation and education reform are so-called “stakeholder councils” or councils on professional-technical education. The draft VET law does not refer to these. However it does include text concerning a stakeholders council at national level. The name of this council was later change to the council of professional-technical education. This creates scope for confusion. A revised VET law could include text to clarify these arrangements.

New councils are being actively created at regional level, at least in part because they are needed to help in the formulation of the regional order. In practice however these councils are not effective and their role in determining the regional order is quite small. There is a lack of good anticipative analysis and companies involved in the labour market are unable to predict their own demand for qualified cadres.

Although positive examples of Public-Private Partnership can be found in every region, the 2016 Torino process in Ukraine tells us that the use of Public-Private Partnership in Ukrainian VET is not consistent or systematic. The main reason is the absence of legislation that regulates the involvement of social partners. This has resulted in an unwillingness or reticence on their part to invest in the workforce related training. The amount invested in skills training by the whole of industry and business, amounts to less than 1.5% of Ukrainian GDP (Torino process, 2016).

OPTIONS

- The focus groups confirm that the tradition of using councils in Ukraine provides a good base from which to develop certain aspects of VET governance and financing. For this reason, the future development of Public-Private Partnership will benefit from a deeper involvement of the Regional VET Councils. They are an important part of a new institutional platform for regional VET governance and their role in the development of Public-Private Partnership should be reinforced on the basis of the new legal framework.
- The precise mission, mandate, responsibilities, functions and operational scope of the VET councils could be further elaborated in the draft VET law, addressing the roles and tasks of the various stakeholders involved. The law could be more specific about the role of companies, educational institutions and civil society actors that take part in the work of the regional VET councils. Such clarification is required to launch the policy dialogue needed to design and implement strategic frameworks for VET-related Public private partnerships in the regions. To

oversee these initiatives and ensure their implementation, the regional VET councils should be vested with managerial and networking responsibilities, covering all steps of development of Public-Private Partnership, from advocacy and engagement with partners to the conclusion of agreements with industry. Training by contract as is done at national level, could be replicated at regional level, should the competence to do so be clearly assigned at regional level as part of the decentralisation process.

- The Regional VET Councils should become the hubs for coordinating such action. This could be done in close collaboration with the Regional Education Departments and with other types of council operating in the region. The actions of all relevant councils could be clarified through improvements in the text of the draft VET law. Already, the regional VET councils can start to define the good governance principles and practices that will apply to their operations:
 - Common rules, procedures and regulations for coordinating feedback from stakeholders in a transparent and accountable manner. This should include feedback from stakeholder councils in VET schools. The coordination of feedback might not be enough on its own. There may be a need to support stakeholder councils in other ways, helping them to structure the reflection needed to generate feedback, for instance on local demand for skills or opportunities to develop apprenticeships at employers in the region.
 - Improved communication and learning tools to support the identification of new skill needs and match skill development with labour market dynamics, will be a core concern for the leadership of governing boards. The regional VET Methodology Centres could play an important role in this process, not only by informing the decisions of policy makers but in coaching and capacity building. The role of these centres could be enhanced. This should be reflected in improvements to the proposed new VET law. There is a need for the regional VET councils to develop methodological knowledge and the capacity to use tools for empowerment so as to lead and coordinate reflection and prognosis on labour market needs. These roles should be emphasised by improvements to the new draft law, and supported by pilot initiatives and capacity building projects.
 - The regional VET councils should play more than an advisory role. They should be pro-active in developing the networks and initiatives needed to evolve the VET system, helping it increase its relevance for the regional economy, and helping it to achieve higher levels of performance. From this point of view they should have a real capacity to enable and empower social partners and civil society, and ensure their involvement in the VET policy cycle. The social partners for example, could play a leading role in the design of new curricula, occupational profiles and norms for training and conditions of work for apprentices or participants in on-the-job training. They could also play a part in the assessment of learning outcomes or in the management of Quality Assurance. In order to fulfil roles such as these, capacity building may be required. It would help if the regional VET councils could play a pro-active role in this regard, putting these items on the regional VET budget agenda and making sure that adequate resources are mobilised to achieve a balanced development of the overall system for VET service provision.
- The creation of practical training centres, equipped by companies and operated by VET schools, is an important and successful element of VET-related public-private partnership in Ukraine. These are based on national programs signed and regulated by the MoES. VET decentralisation should be designed in such a way that these programs continue without interruption. The success of these initiatives demonstrate the feasibility of developing VET centres of excellence, not only as an element in the optimisation of regional VET networks, but as a next step in the adoption of international practice in Public-Private Partnership. In many countries the VET Centre of Excellence provides an excellent basis for cooperation between the VET system and industry, especially in the development of higher level skills based on enhanced IVET and CVET services,

and they provide models for VET-related public-private partnership that effectively balance both sectoral and regional interests.

- At national level, there are a number of clear options for short term initiatives that can support the further development of Public-Private Partnership at all levels in Ukraine, over the period 2017-2018:
 - Replicate existing examples of MoES leadership in formalising cooperation with international industrial partners for the creation of practical training centres. Do this in other strategic sectors of the Ukrainian economy. In the current context, international companies are key partners in initiatives intended to inform VET policy. It would be useful to push this as far as possible by systematically engaging with foreign companies across all possible sectors. It will take longer to get local companies on board but this will benefit from the example provided by foreign investors, and by the impact, they might have on the development of an appropriate legislative framework.
 - This could be followed up by an initiative involving the MoES, training centres and relevant social partners, to elaborate guidelines on how to improve the governance and financing of VET, in order to create more effective systems of apprenticeship. The process might lead to propose a legal framework for an apprenticeship in VET system in Ukraine.
 - Initiatives such as these provide a good basis for social partners to push forward VET-related social dialogue at national level. This could be used to deliver coordinated feedback on further improvements to VET law, in particular on how VET-related public-private partnership could be further developed in the context of decentralisation. Because of its role in relation to the State Employment Service, the Ministry of Social policy could be good player to involve in this dialogue. Activities such as these build trust and could prepare the ground for a more comprehensive intern-ministerial dialogue on the development of the VET system in Ukraine.
 - It would be useful to elaborate plans for the incorporation of specific elements of dual VET systems, in the current situation in Ukraine. Work could proceed based on rules for tripartite dialogue with support from European Social Partners and other international organisations including the ETF. This would benefit from the involvement of regional and local VET stakeholders, with national and sectoral bodies to inform on the importance of Public-Private Partnership for VET governance and financing, and the need for a framework provided by appropriate legislation in support of the delegation of relevant powers to appropriate levels of governance.
 - The MoES could follow a similar pattern at regional and local level, launching policy dialogue on the use of fiscal policy as part of a series of cost-sharing mechanisms, including the use of national training funds, regional and sectoral development funds and training subsidies, to improve governance and finance the development of the VET system in Ukraine. At some point, when ideas start to crystallise this dialogue should involve the Ministry of Finance along with the Social Partners, in particular the employers, the Ministry of Social policy, VET school founders and sectoral ministries with an interest in VET.
- The drafting of the new VET law and ensuing consultation has provided the *momentum* needed to launch dialogue and debate on a wide variety of important issues and mechanisms related to VET. There is a great need to continue to support this process. There is strong demand from employers for measures to strengthen, improve and increase cooperation with VET schools, in particular at regional and local level. Options for doing this should be explicitly addressed in improved drafts of the new VET law.

- Over the medium to long term, the period from 2018 to 2020 and onwards, all of this could result in the widespread adoption of effective models of VET-related public-private partnership in Ukraine. However, as is the case for many other options presented in the green paper this will require international donor support.

These donor supported initiatives need to be articulated around strong legal frameworks, developed at national and regional levels, along with a panoply of incentives that lower the barriers to cooperation with the private sector, and encourage them in particular to make financial contributions to VET system finances, which can be usefully deployed at the level of individual schools. Private sector actors will move at their own pace in their own time. The first to get on board will most likely be the foreign companies, then the large companies entrusted with a public service mission, finally smaller companies, also companies from the shadow economy. Cooperation with industry on VET provides occasion for the development of much richer types of relationship dealing also with HE, research and innovation. This is the basis for an eco-system of regional industrial clusters.

Ukraine has already taken steps to develop many of these elements. They form part of the bigger context within which the development of the VET system will unfold. We should not lose sight of this bigger picture. VET after all, is not an end in itself. It is but one of a variety of tools needed to support the economic and social development of the nation. The development of the VET system and requests for international assistance needed to support such development should proceed from this point of view.

5.3. International good practice: some case studies

Morocco and Turkey provide good examples of what can be achieved using the Public-Private Partnership approach. In the case of Morocco, for example the Public-Private Partnership approach has been used to develop automotive training centre (e.g. Tangiers in partnership with Renault motor company and Casablanca automotive and aeronautic industry centres).

The case of the Netherlands always provides interesting examples of Public-Private Partnerships. Continuing VET tends to be financed by sectoral training funds, foundations governed by social partners, usually financed by a payroll levy and of which there are about 125. As an example of public and private cooperation, VET Centres of Excellence tend to provide technological and innovative sectoral or multi-sectoral training that meets the needs of both companies and individuals. No less than 40 Public-Private Partnerships support the Canters of Excellence in the Netherlands.

The experience of so-called industrial clusters (following logic of VET Centres of Excellence) respond to the logic of geographic concentration of specialised companies developing high-added value activities that might require highly skilled, qualified and specialised workforce in different sectors (e.g. Tuscany region in Italy or Baden-Württemberg in Germany). The clusters connect companies with local institutions, technological suppliers and other research and development actors (e.g. technical vocational schools, universities). This public-private cooperation experience shows how are balanced regional and sectoral approaches on which clusters become learning networks, possibly through supply chains, where employers can learn from one another and they might share some of the training costs.

There are a number of examples of Public-Private Partnerships in Ukraine that can be evaluated and worth studying. This should be done in order to better appreciate the way in which the current system needs to be improved in order to encourage both public and private actors to make use of Public-Private Partnership as a way to deliver high impact VET programs led by employers requirements and regional and local needs (see annex 2).

ANNEXES

Annex 1. Example to support policy discussions to deliver an agreed *Roadmap* for VET decentralisation reform in Ukraine

This is an example on how to drive a joint-process to steer decision-making and develop capacities to decentralise VET policies in Ukraine based on delivering strategic roadmap. This does not include exhaustively all the necessary measures proposed in this green paper and it's just aimed at guiding policy thinking and internal discussions on necessary steps to be taken by MoES working with key Ukrainian VET stakeholders.

Preamble

From the point of view of the European Union and from the perspective of most international donors, VET is not an end in itself, VET is an essential part of a larger more comprehensive system for research, innovation and lifelong learning, that drives social progress and enables economic growth.

In appealing to the international community for collaboration and assistance in the development of a newly reformed and decentralised system for VET in Ukraine, it is important to work from this premise. There is an urgent need to position the national project for VET decentralisation and reform in the context of national strategies for growth and development, and in the context of its partnership with the EU, especially since the creation of the DCFTA between the EU and Ukraine in January 2016. A feasibility study is planned to be launched with support of EU Delegation in Ukraine during 2017.

Ukraine should consider VET as a driver of growth and development that motivates a need for alignment of the VET system with the strategies and plans for development of the regions and cities in Ukraine. This should be in line with the strategies and plans for development of its major industrial and economic sectors, as well as with the market-economic reality created by possibility of increased trade with the EU. This is not a simple matter of communication between the state of Ukraine and its international partners.

It is fundamental matter of creating a shared sense of purpose on the subject of VET reform, shared with the ministries responsible for industry, labour and social policy, with the ministries responsible for the development of key industrial sectors (e.g. transport agriculture and tourism). This in turn should be aligned to development plans of regions and major cities of Ukraine, as well as with the Ministry of Finance, under the leadership of the Ministry of Education and Science. The social partners and other non-state actors might be strongly coordinated.

Drafting and communication

A lot of uncertainty has been created by the fact that the drafting of the new VET law is not yet complete. Some of its provisions are already being implemented, an important one being the establishment of the regional VET Councils. However until the law is enacted and comes into force, they exist in a legal limbo and many issues related to their role and responsibilities, the powers they enjoy and the procedures by which they exercise these powers have yet to be defined. Until this legal uncertainty is removed, they will be unable to play their role in the new decentralised VET system.

The new law will inevitably require explanation and interpretation and the transition to a decentralised system will happen in stages over a period of time. One should think of decentralisation as a process that will unfold over a period of about five years. During all of this time there is a need for good communication, not just towards other ministries, regional powers, school heads and teachers, but towards companies, parents and students.

So the first steps in the roadmap should include:

- **Step 01:** Complete the drafting of the new VET law based on consultation and by involving members of the drafting team in all subsequent steps of this roadmap. New drafts should address issues of terminology to make sure that words employed in relation to decentralisation and new modes of governance as well as the concepts behind them, are clear and well understood.
- **Step 02:** Establish a communication cell with a dedicated team. Build upon earlier e-governance initiatives to provide a high level of transparency based on regular updates of progress with drafting and with the execution of the roadmap. Communication should target actors at state, regional and local level of government, schools, social partners and the private sector.

Positioning actions

To create a shared sense of purpose and to create the conditions for deeper collaboration between Ukraine and its international partners, a number of “positioning actions” are urgently required. These can be grouped together under the guise of an initiative to develop a “National Vision and Strategy for the VET System in Ukraine” led by the MoES. This relies on a process of engagement that will also serve to create a coalition for change around the MoES, and provide a platform for meaningful dialogue with the ministry of Finance. This activity requires six months to one year to bring to fruition and consists of the following steps.

- **Step 03:** The MoES creates and disseminates an initial “VET Vision” paper that provides the rationale for VET reform, introduces the principles by which the new decentralised system will be governed, and explains the role that major stakeholders will play. This need only be one to two pages long.
- **Step 04:** The MoES invites its departments for VET and HE to further develop the vision in terms of lifelong learning. It invites the ministry for labour to contribute based on its role in CVET.
- **Step 05:** The MoES discusses the “VET Vision” with regional and city authorities. It invites them to help complete the strategy by aligning it with their “Regional Development Plans” and with their “City Development Plans” wherever these exist. The department of VET of each region takes a lead on this and the exercise will result in the elaboration of a regional VET strategy for each region of Ukraine, jointly “owned” by the regional powers. Linking VET strategy with regional development goals in this way will embed VET in the agenda for growth and development at regional level and provide arguments for the implementation of VET reform on the basis of regional development funds.
- **Step 06:** The MoES discusses the “VET Vision” with the sectoral ministries and invites them to elaborate sectoral visions for role of VET in areas such as defence, transport, agriculture, tourism and ICT, based on their own plans for the development of the sectors. National Vision should be better coordinated in line development of Regional visions.
- **Step 07:** The MoES discusses the “VET Vision” with the Ministry for Social Policy and invites them to contribute to the national VET strategy by helping to up-date and modernise the social role of VET in terms of the creation of a more just, accessible and inclusive society, where all citizens have equitable access to the form of education that best suits their talent, ambition and stage of career. This will set the scene for later work on the restructuring of VET financing, and VET governance, the role of dormitories, the payment of stipends and the provision of staff to help people with special needs acquire the skills they need for social integration, independent living and working.
- **Step 08:** These contributions will be integrated into a “National Vision for VET Reform” that will be signed by all ministries concerned and widely disseminated to everyone involved in education,

employment and economic development at state region and school level. This will open room for developing VET regional strategies.

Inter- and Intra-ministerial collaboration of this kind will establish the ability of the MoES to lead change that cuts across ministerial boundaries, and that reaches through the hierarchy down to grass roots level. It prepares the ground for the further work needed to make sure that these reforms really take place.

The first major governance initiative

These positioning activities will require monitoring and follow-up over a period of three to five years, the time required to achieve a large part of the VET reform agenda, including the completion of the decentralisation process and much of the process of VET school network optimisation.

This work concerns many ministries that not only need to be informed, but which are often directly involved in various aspects of the reform process, and may require opportunities to express their views and make their interests understood. This leads us to another urgent issue:

- **Step 09:** The creation of an Inter-Ministerial Working Group on VET Decentralisation and Reform. This initiative will create a powerful place from which to develop deeper dialogue with the Ministry for Finance.

The second major governance initiative

One of the most important issues consistently raised in the 2016 December meeting in Kyiv, concerns the current lack of clarity on VET governance functions, roles and responsibilities will be balanced in relation to the governance, financing and management of VET. This means on how these aspects will be re-distributed throughout the hierarchy to appropriate bodies at the level of state, region and school, as an essential part of the decentralisation process. Based on previous work conducted by the ETF in other countries, two important activities are required, in order to prepare the ground for this systemic transformation.

- **Step 10:** Carry out a RIA a.k.a. a Review of Institutional Arrangements. Ideally this would benefit from the support of the work of a TWG (Technical Working Group) to develop a formal model for decentralisation that takes account of the role of cities and the nature of the relationship between cities and regions.
- **Step 11:** Develop an **Analytical Model for VET Financing**. This would benefit from the input of a series of TWGs, drawing on options presented in the green paper under the rubric of multi-channel funding, and working on issues such as the following:
 - Formula funding
 - Fiscal measures
 - Other sources of income such as fees for service and student loans
 - The transfer of ownership of school buildings and grounds

This last step, step 9 should provide a compelling basis for engaging with the Ministry of Finance. The foundational work provided by steps 8 and 9 will enable:

- **Step 12:** Elaborate and publish an **Analytical Model for VET decentralisation**. This should be accompanied by the publication of a formal Decentralisation Process and a calendar for its execution. This will give transparency to the overall process, eliminate a great many sources of uncertainty and establish a rhythm of work. It would provide a basis for monitoring progress along with clear deadlines by which important key goals should be achieved.

Establishing a regional governance mechanism

One of the most important new features of the decentralised VET system is the introduction of regional VET Councils. These have already been formed, but many aspects of their role and functioning remain unclear. They are intended to play an executive role, but so far their contribution has been advisory. There is a need to define these roles and the relationship between the regional VET Councils, other regional and local authorities as well as the individual schools themselves. This calls for:

- **Step 13:** Define, develop and enable the executive role of regional VET Councils. This work which will result in a lot of new text for the draft VET law will benefit from the input of a series of TWGs on topics such as the following:
 - **The optimisation process.** This should be led from the region with strong involvement of the regional VET Councils. An important input to this process will be the regional VET strategies developed in step 3, but the process should be defined, perhaps at regional level and published. Regions that are most ready could move first. Others could observe and learn from their experience. The regions might require schools to carry out **performance reviews** on the basis of self-assessment, present **continuity plans** and indicate opportunities for the creation of centres of excellence.
 - The role of **Centres of Excellence** in VET school network optimisation.
 - The role of **Public-Private Partnership** in VET financing and the development of **Centres of Excellence**.
 - The national system for Performance Measurement and QA (related to step 14)
 - Replacing the system of national and **Regional Orders** with a system based on statistics, research on labour market dynamics and foresight.
 - The **licensing** of VET schools (related to step 14). Currently it is not clear who should do this and how. It should take account of the different types of founders and acknowledge the role of private VET providers, of which there are about 2000.

Establish a national executive agency/supervisory body

There is a clear need for such an agency. References to such an agency in the draft VET law are far too vague. The green paper refers to options that might suit Ukraine at this time, while bringing it in line with international good practice.

- **Step 14:** Establish the National Executive Agency as part of a bigger and more comprehensive structure using the “apex” model. This could be created by extending the function of an existing agency such as that being put in place for HE. The work required to get it up and running requires the completion of related tasks such as:
 - Complete the NOF (occupations framework) and the NQF (qualifications framework)
 - Develop National QA guidelines for VET
 - Establish regional offices for QA management (related to step 13).
 - Provide training for relevant personnel at national, regional and institutional level
 - Push implementation of QA out to the regions and schools and establish the practice of measurement, the practice of self-assessment, the discipline of periodic performance reviews and the systematic gathering and archiving of performance data.

Addressing VET school governance Issues

A great many issues concerning the financing, management and operations of schools, await clarification and require legal certainty for schools to function reliably. This calls for a dedicated action that should result in new text for the draft VET law:

- **Step 15:** Clarify the functioning of the VET school in the new decentralised system. Perhaps by publishing “New School Management Guidelines.” This should address issues including:
 - Then re-classification of schools according to the 4 categories listed in the draft VET law. The re-branding of schools as a result of this change, the repositioning of schools in the regional VET school network, and the consequence of this for image and reputation, parity of esteem and career guidance professionals.
 - The appointment of directors. The appointment management and dismissal of teachers. The appointment of other categories of staff. Reform of the staff schedule
 - Autonomy in finance, the use of school bank accounts, oversight and accountability. The setting of fees, the charging of students and other clients. Staff salaries, bonuses and career development.
 - Enrolment policies and staffing policies in the light of a new process for developing the regional order.

Support VET service modernisation

Once school management issues are clear, and the process of network optimisation underway, attention must be given to reform of VET services and issues of performance. The main steps required for this are:

- **Step 16:** Develop a **strategic framework for Public-Private Partnership**, building upon the existing tradition and established relationships. This framework will include an updated legal framework, models for Public-Private Partnership implementation, flexible contract templates and negotiation guidelines. The process of implementation could start with foreign champion companies across all sectors, move on to large national companies with a public service mission, and then focus on private companies and the actors from the shadow economy.
- **Step 17:** Develop a national system of **apprenticeship**. This could be one of the most far-reaching reforms that will have implications for teaching and alignment with local economic need, throughout the system in Ukraine.
- **Step 18:** Develop a new framework for **career guidance**. This is an opportunity to more fully embrace the philosophy of lifelong learning, and smooth the transition by dealing with the uncertainty created by decentralisation, re-naming and optimisation.
- **Step 19:** Implement a series of **VET innovation pilot projects** to demonstrate the execution of the strategic framework and accelerate early adoption by the regions that are most ready. This could take the form of a competitive or first come first served system of competitive finance for projects undertaken by individual schools or local networks of schools and other organisations. It could draw upon funds for regional development. It could focus on initiatives in line with the process of decentralisation, in support of network optimisation and reform of VET services. It could encourage the participation of partners from the EU and the involvement of international experts from good practice case studies to help with the following.
 - Introduce modern teaching methods
 - Develop local apprenticeship initiatives

- Pilot centres of excellence and upgrade methodological centres
- Create new curricula and programs for new 21st century skill needs
- Create new schools

Priority setting

This roadmap example is summarised in the following table. All tasks are considered essential for the success of VET reform based on a process of decentralisation. In view of the scarcity of funds however and constraints on international partner programs, it may be necessary to prioritise actions. Steps 1 and 2 will in any case be implemented by Ukraine and do not require international assistance.

- First priority should be given to steps 3 and 5 because these establish the overall orientation for VET reform, and enable the regions to manage the process of decentralisation and other reforms from the point of view of local economic growth and development.
- After that priority should be given to step 09 to establish the Interministerial working group.
- Next in line is step 13 as the regional VET Councils will play a key role in decision making and in driving the reform process at regional level.
- The next priority is steps 10, 11 and 12 which come as a package. The RIA and the development of an analytical framework for VET financing provided most of what is needed to create an analytical model for VET decentralisation.

All this provides plenty of material to animate meetings of the Interministerial Working group and a good basis for engagement with the ministry of finance and with the international donor community.

The table below summarises proposed processes and schedule.

EXAMPLE OF ROADMAP SCHEDULE FOR STEERING VET REFORMS IN THE CONTEXT OF DECENTRALISATION PROCESS IN UKRAINE (2017-21)

Step	Matching Processes	2017	2018	2019	2020	2021
01	Drafting and consultation	✓				
	<ul style="list-style-type: none"> ■ First major text for enactment ■ Further clarifications ■ Launching EU feasibility study and implementing key outcomes 	✓	✓	✓		
02	Communication and tools for transparent e-governance	✓	✓	✓	✓	✓
03	MoES leads development of a two-page VET Vision	✓				
04	MoES engages with Ministry for Social Policy to develop Lifelong learning					
	<ul style="list-style-type: none"> ■ Intra-ministerial working group involving MoES departments of HE and VET ■ Bipartite working group adding ministry of employment and social policy 	✓	✓			
05	MoES engages with regions, aligning VET strategy with regional development plans	✓	✓			
06	MoES engages with sectoral ministries aligning VET strategy with sectoral growth plans	✓				
07	MoES works with Ministry for Social Policy for a modern vision of the social role of VET	✓				
08	Outputs of steps 3 to 7 are integrated into a national VET strategy		✓			
09	MoES establishes an Interministerial working group on VET reform	✓	✓	✓	✓	✓
10	Review of institutional arrangements	✓				
11	Analytical model for VET financing	✓				
12	Analytical model for VET decentralisation	✓				
13	Develop executive role of regional VET Councils	✓	✓	✓	✓	✓
14	Establish National Executive Agency					
	<ul style="list-style-type: none"> ■ Plan and legal framework ■ Regional offices ■ Training 	✓	✓	✓	✓	✓
15	Address school governance issue	✓				
16	Strategic framework for Public-Private Partnerships					
	<ul style="list-style-type: none"> ■ Legal framework and pan ■ Pilots ■ Adoption 	✓		✓	✓	✓
17	National System of Apprenticeship		✓✓	✓	✓	✓
18	Modernise career guidance	✓				
	<ul style="list-style-type: none"> ■ Manage transition (impact of re-classification, decentralisation and optimisation) ■ Embed philosophy of lifelong learning 	✓	✓	✓	✓	✓
19	Programme for VET innovation pilot projects			✓	✓	✓

Annex 2. Example of employers cooperation in VET: Metinvest Holding as a direct employer with the industry-specific VET schools

Metinvest Holding, LLC (the managing company of Metinvest Group) was founded in 2006. Metinvest Holding, LLC provides integrated management of the enterprises in coal, iron ore mining, coking and chemical, iron and steel making and pipe production segments ⁽¹⁷⁾. The existing cooperation of the holding with VET centres practice with VET Lyceums and Colleges.

Type of existing practical cooperation with lyceums

- Contracts are made for paid industrial placements of VET students / purpose-oriented training of specialists per company orders;
- New module-based educational standards are introduced in the training system (developed based on the industry-specific occupational standards); training programmes and curricula developed on the basis of such standards are approved by the company experts. Standards for three blue-collar occupations were handed over to vocational lycea of Mariupol and Zaporizhzhia cities.
- Material and technical resources are improved;
- Company specialists participate in the state examination commissions.

In 2016, the following actions have been carried out:

- Multiplication of the new module-based educational standard implementation experience at the lycea of cities where the company is operating;
- Improving qualifications of the teaching staff:
- Training under the programme "Modernised Teaching Basics" (own development of the company: a series of interactive training sessions for both theory and practice teachers/trainers);
- Arrangement of practical training at the production units of the company enterprises.

Type of existing practical cooperation with colleges

- Contracts are made for the industrial placements of VET students / purpose-oriented training of specialists per company orders;
- Students are provided with an opportunity to acquire an occupation free of charge during the industrial placement at a company;
- Material and technical resources are improved;
- Company specialists participate in the state examination commissions.

In 2016, the following actions were carried out:

- Adding extra hours of applicably theory training for blue-collar occupations (with a subsequent practical training at the enterprise and certification to confirm the acquisition of an occupational qualification);

⁽¹⁷⁾ More info: <https://www.metinvestholding.com/en>

- Improving qualifications of the teaching staff:
- Training under the programme "Modernised Teaching Basics" (own development of the company: a series of interactive training sessions for both theory and practice teachers/trainers);
- Arrangement of practical training at the production units of the company enterprises.

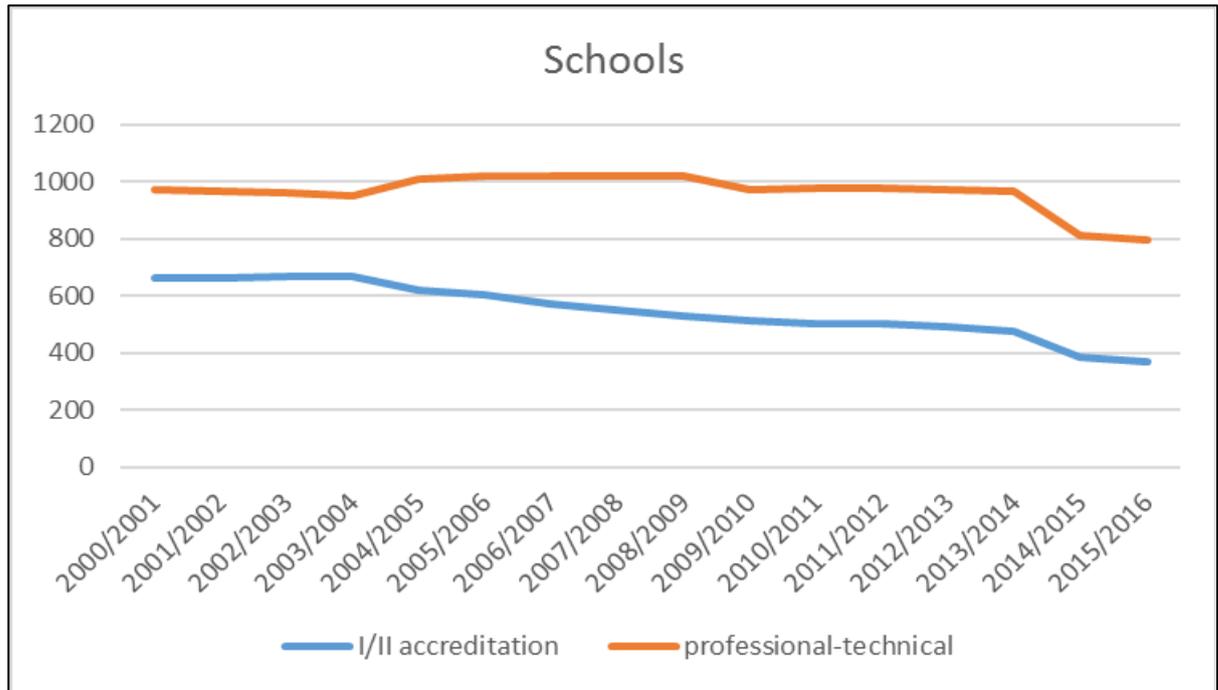
In 2015-16, there have been approximately 140,000 training cases in seven state-licensed training centres of the company (including occupational training, further training, labour safety training).

This particular company alone allocated UAH 19 million for the educational system. Also, in the course of the last two years, the company initiated and developed 35 industry-specific occupational standards, approved 22 national educational standards, and 11 more educational standards were already submitted to MoES for approval (we are talking about competence and module-based standards developed on the basis of occupational ones).

There are at least three companies with similar scope and programs in the industry (DTEK, ArcelorMittal, Ferrexpo), and about ten others of a smaller scale, but all of them work using similar programmes, all of them have training centres at the enterprises and implement an LLL model, and have a well-developed coaching system. There is a different situation in other industries, but a similar approach is applied in agriculture. Indeed, mining and metal, and agricultural sectors together represent more than a half of Ukraine's economy.

Annex 3. Some trends on the VET sector: Evolution of VET schools and students (2000-16) ⁽¹⁸⁾

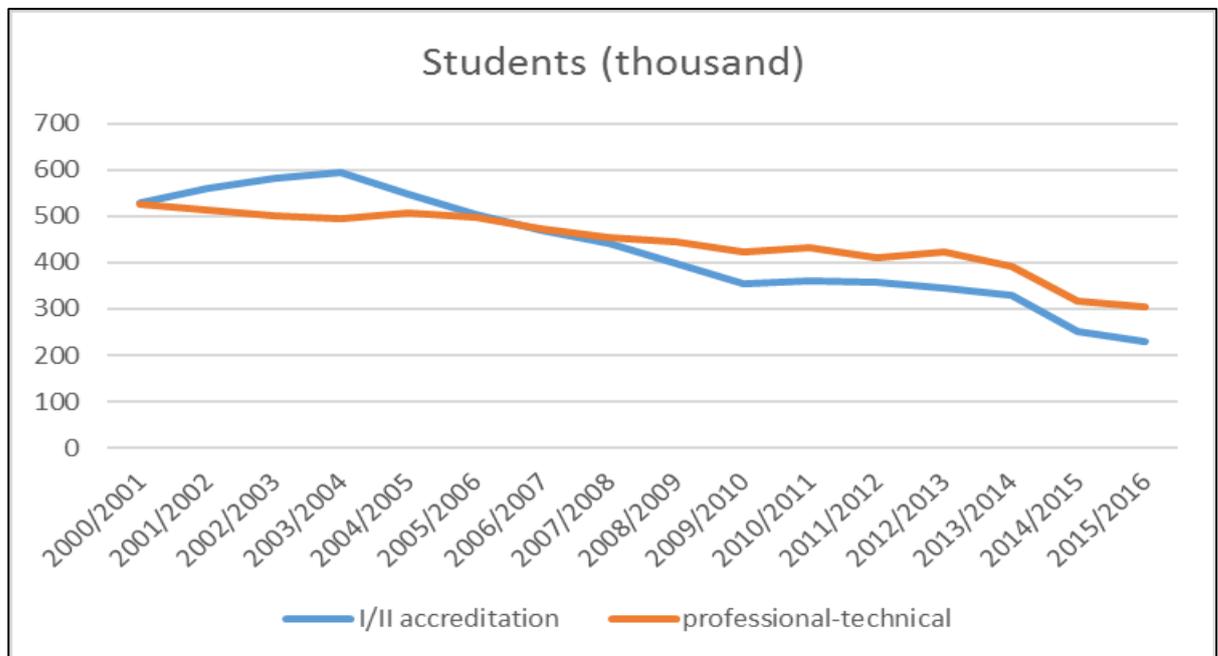
Graph 1. Evolving number of VET schools in Ukraine, by type



Source: MoES of Ukraine (2016)

Between 2000 and 2015, the number of professional-technical schools decreased by 18%, and the number of institutions of I/II accreditation level decreased by 44%.

Graph 2. Evolving number of students of VET schools in Ukraine, by type



Source: MoES of Ukraine (2016)

⁽¹⁸⁾ Source: ETF Inception Report Challenges of VET in Ukraine (September 2016).

The number of professional and technical school students slowly decreased throughout. Overall, in the reviewed period this number declined by 42%, much more than the decline of the number of schools. In higher education VET institutions, instead, the number of students was initially growing, achieving a peak in 2003 at over 592,000.

Annex 4. Brief overview of territorial-administrative reform in Ukraine ⁽¹⁹⁾

Until the administrative-territorial reform in Ukraine begun in 2015, the administrative structure of the country was largely inherited from the Soviet times and consisted of three tiers (see Aston Centre for Europe 2011, OECD 2014):

- First tier of public administrations: gromadas (in 2013, there were 10 278 rural gromadas, urban 885 gromadas).
- Second tier of local administration: rayon (490), cities of oblast significance (178).
- Third tier of public administrations, consisting of 24 oblasts, autonomous republic of Crimea and two cities of republican significance, Kyiv and Sevastopol.

Cities of oblast significance have the functions and revenues of both rayon's and gromadas. Cities of republican significance have the functions and revenues of oblasts, rayon's and gromadas. This asymmetrical organisation of local public administrations is summarised in the following table (after OECD 2014):

Table 1. Structure of local public administrations in Ukraine

Tier	Administrative units		
Third	Cities of republican significance	Oblasts, AR Crimea	
Second		Cities of oblast significance	Rayon's
First			Gromadas

Source: OECD 2014 (with adjustments).

Of these administrative units, only cities of oblast could be considered to be local governments according to the European Charter of Local Governments, in that they had locally elected councils, locally elected executive officers, appointed their own officials and enjoyed budgetary autonomy (OECD 2014). Oblast were at least partially subordinated to the central government, and rayon officials were at least partially subordinated to oblast authorities. Moreover, only cities had their own revenues and expenditures giving them some degree of financial autonomy.

The budgets of oblasts and rayon's were at least partially set by the higher order administrations (in a budgetary process, which included all tiers). Gromadas in most cases had no autonomous budgets and had no direct relation with the state budget (their budgets were in fact parts of rayon budgets). This administrative and budgetary model was directly inherited from the Soviet Union.

The goal of the administrative-territorial reform was to create, in place of this structure, a modern system of strong, local governments with clearly defined budget revenues and clearly defined managerial and expenditure responsibilities. This means in fact the administrative-territorial reform is a part of the decentralisation process, in which the consolidation of fragmented local administrations is conducted together with the strengthening of their powers and of their budgetary autonomy.

The two processes are closely linked. Indeed, it is not possible to grant very small gromadas their own revenues and direct links with the central budget, and at the same time the purpose of consolidation of small units (at either gromada or rayon level) is to ensure they may manage the increased responsibilities. In particular, since the reforms started in December 2014:

⁽¹⁹⁾ Source: ETF Inception Report Challenges of VET in Ukraine (September 2016).

- The budget code was completely revised. The allocation of responsibilities as well as revenue streams (local fees and charges, shares in national taxes, subventions, equalisation transfer) were defined for oblasts, cities, rayon's and (newly introduced) amalgamated gromadas.
- The process of amalgamation of territorial gromadas was begun, to create larger, stronger, democratic local governments. 159 amalgamated gromadas were created in 2015, and a further 25 in 2016. These administrative units took over the education and other social functions on their territory from the rayon's.
- The reform and possible consolidation of rayons was discussed, including the creation of the position of rayon prefect. This plan is not yet fully designed and not yet implemented.
- Change of the constitution to reflect new structure and introduce new institutions (such as prefects) was discussed but was not finalised yet.

Clearly, the administrative-territorial reform in Ukraine has only started. The main open challenge is to continue the creation of new amalgamated gromadas and at the same time to reform the rayon administrative structures, as they transfer more and more of their responsibilities for specific institutions (such as schools, hospitals and health centres, social protection and cultural units) to the amalgamated gromadas.

Without a new vision of the functions and budget responsibilities of the rayon's the administrative-territorial reform may encounter local disagreements and lead to tensions. Indeed, in the transition period it is necessary to continue the current functions of rayon's with respect to the towns and villages not included in newly formed amalgamated gromadas, and this means that the functions of these two tiers of local administrations may to some extent overlap.

Nevertheless, very important steps in the decentralisation reform were already taken, by redesigning the budgetary position of local administrations. Cities and amalgamated gromadas have been much strengthened. In particular, cities of oblast significance have seen their revenues increase, while amalgamated gromadas, in contrast to remaining, small non-amalgamated ones, have real budget and institutional autonomy.

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