CONTACT US

Further information can be found on the ETF website:
www.etf.europa.eu

For any additional information please contact:
European Training Foundation
ETF Communication Department
Viale Settimio Severo 65
I-10133 Torino
E info@etf.europa.eu
F +390116302200
T +390116302222

EDUCATION AND BUSINESS COOPERATION
EDUCATION AND BUSINESS COOPERATION
ACKNOWLEDGEMENTS

This education and business cross-country and cross-regional analysis is the result of a team effort. The ETF would like to acknowledge the contributions of Franca Crestani, Ulrike Damyanovic, Gérard Mayen, Evgenia Petkova and Manfred Wallenborn who analysed the information in the national reports for the preparation of this document. Administrative support was provided by Denise Loughran Lampugnani. The ETF would also like to take this opportunity to thank all the counterparts from the partner countries who contributed to the national country reporting process in 2010 as well as the ETF country teams who facilitated the process in the countries. The ETF is also grateful to the statistical team, the internal peer reviewers and the members of the VET and higher education reference group who provided valuable input, comments and suggestions on the final drafts of the documents.

The ETF would also like to thank DG Education and Culture (European Commission) for its invaluable guidance and support throughout the process.
CONTENTS

CROSS-REGIONAL ANALYSIS
Manfred Wallenborn

WESTERN BALKANS AND TURKEY
Evgenia Petkova

SOUTHERN AND EASTERN MEDITERRANEAN REGION
Gérard Mayen

EASTERN EUROPE
Manfred Wallenborn

CENTRAL ASIA
Manfred Wallenborn
CROSS-REGIONAL ANALYSIS

Manfred Wallenborn

INTRODUCTION

This publication inventories education and business cooperation (hereafter cooperation) in 29 partner countries and four regions where the European Training Foundation (ETF) is currently working.¹ It looks at secondary and post-secondary non-tertiary vocational education and training (VET) and higher education. The findings should serve national policy-makers in the partner countries, the European Commission and other donors to further develop their policies, programming initiatives and capacity-building measures.

The European Commission Directorate-General for Education and Culture (DG EAC) entrusted the ETF to carry out a study on education and business cooperation in the European Union neighbouring countries and territories. The area studied included the countries involved in the enlargement process as part of the Instrument for Pre-accession Assistance (IPA),² the European Neighbourhood Policy (ENP) to the East and South³ of the EU, and the Development Cooperation Instrument (DCI)⁴ in Central Asia. The objectives of the study were to:

- draw up an inventory of current cooperation between education and business, including its objectives, the levels involved and how such cooperation is managed;
- understand the current forms and modes of cooperation, and the roles and responsibilities of the different stakeholders;
- identify to what extent EU approaches and policies are relevant to its neighbouring countries.

Relevant approaches and policies on cooperation from the EU are documented in communications from the European Commission and the Council of the European Union and published with a view to improving VET and higher education. Examples are listed below.

- The conclusions of the Council of the European Union: On enhancing partnerships between education and training institutions and social partners, in particular employers, in the context of lifelong learning (2009).

Cooperation takes place according to the specificities of developing and transition countries. The term ‘education’ in this report covers secondary VET, post-secondary non-tertiary and tertiary education, including public and private institutions. The term ‘business’ covers any body with economic activities regardless of its legal status, and so may include multinationals, public and private companies and small and medium-sized enterprises (SMEs), micro-businesses and participants in the informal economy.

While the focus of the report is on identifying and reflecting on policy or strategically-driven approaches to cooperation, it considers cooperation between education and business in a very broad sense, meaning any kind of relevant policy provision and/or formalised or non-formalised interaction between an education or training provider and a business organisation.

It was important to look at several functional levels of cooperation in education institutions and business organisations, including policy cycles and multi-level governance at the following levels:

- the macro level of national councils for education, science or VET, where policy-makers, public and private stakeholders (including the social partners) are discussing and further developing secondary VET and higher education policies;
- the intermediate level, including regional councils, business sector organisations, chambers and specialised institutes, the advisory boards of VET training centres, and the governing boards of universities and research institutes;
- the local level of stakeholders in VET and higher education, comprising teachers, trainers, school managers, university lecturers, curriculum developers, researchers and employers and business representatives;

---

¹ These countries are Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, former Yugoslav Republic of Macedonia, Georgia, Iceland, Israel, Jordan, Kazakhstan, Kosovo (under UNSCR 1244/1999) hereinafter ‘Kosovo’, Kyrgyzstan, Lebanon, Republic of Moldova, Montenegro, Morocco, the occupied Palestinian territory (OPT), Russia, Serbia, Syria, Tajikistan, Tunisia, Turkey, Turkmenistan, Ukraine and Uzbekistan. Algeria did not participate in this study.
² The IPA countries are Albania, Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Iceland, Kosovo, Montenegro, Serbia and Turkey.
³ The ENP East region includes Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Russia, and Ukraine.
⁴ The ENP South region includes Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, OPT, Syria and Tunisia. Algeria did not participate in this study.
⁵ The DCI region of Central Asia includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
In addition, this report identifies common denominators and major differences in the diverse and multi-faceted socio-economic context. The analysis focuses mainly on the four regional levels – presented in four separate chapters – and provides country examples only if they seem unique and have the potential to be adapted for implementation in other countries. By definition, this cross-regional section presents a rather generic analysis of the situation. More specific findings can be found in both the separate regional chapters and the individual country reports.

The present chapter introduces the context in which cooperation takes place (Section 2) and highlights the main challenges that may hinder cooperation (Section 3). Section 4 discusses the relevance of European policies for the partner countries, while Section 5 summarises recommendations for the promotion of further cooperation.

The entire study was a joint effort between the ETF and the institutions and organisations involved in education and business in the partner countries. Experts from the countries and from European institutions commented at several stages on the conceptual framework of the study and the preliminary drafts of the regional studies. Special thanks are due to the VET and Higher Education reference group (Annex, Table 1) set up by the ETF to steer the review process based on their regional expertise and to the experts and representatives of the DG EAC and the European Centre for the Development of Vocational Training (Cedefop), who reviewed the four regional reports and made useful comments on this cross-regional report. All the reports have also been through ETF peer review procedures.

The ETF is grateful for the opinions shared and insights provided by participants in meeting discussions. The final report is structured around this cross-regional chapter, which covers the main findings and recommendations drawn from country and regional evidence, and the four regional chapters that follow.

1. CONTEXT

The vast majority of ETF partner countries have transition or developing economies. They are confronted with major challenges to sustainable socio-economic development. Effective and efficient education systems can make a substantial contribution to economic, social and ecological progress.

The partner countries can be characterised using four common indicators: income (FIGURE 1), total public expenditure on education as a percentage of gross domestic product (GDP) (FIGURE 2), global competitive index and research (FIGURE 4), training and development as a percentage of GDP (FIGURE 5).

![FIGURE 1: CATEGORISATION OF COUNTRIES BY INCOME, JANUARY 2011](http://data.worldbank.org/about/country-classifications/country-and-lending-groups).
Most of the partner countries (25 out of 29) fall into the upper and lower-middle income categories. The distortions in the countries in the high and low income segments, fragmentation in a modern and informal economy, and the consequences for education and training cannot be reflected in such graphs. Nevertheless, FIGURE 1 shows the country’s overall socio-economic development stage and the efforts that still need to be made for further progress. Moreover, the relatively low ranking of the vast majority of the countries in the World Economic Forum’s global competitive index (FIGURE 4) points to the relevance of education and training in the task of increasing employability, competitiveness and sustainable growth.

Cooperation in all four regions could be best described as an interest-driven attempt to support the ongoing transition of education institutions and the business world towards a more global market-driven and competitive economy. To date, cooperation has had little impact on creating new governance modes of education and training that systematically involve the main stakeholders, such as the social partners (ETF, 1998). However, the partners are well aware that education and training is a strategic instrument for supporting cooperation. Both sides benefit in different ways; the business sector gains improved levels of competitiveness, and the education sector benefits from higher-quality courses, additional income, improved infrastructure and improved standing in the local socio-economic environment.

The main challenges are similar in all the countries in the region. However, due to different development dynamics, they take specific country and regional forms and hence have differing consequences for further action and reform of the education and training systems.

The transition countries are at various stages of economic restructuring, a situation that has severe internal consequences on labour markets, economic activities, social security and education and training systems.

The developing countries have made considerable efforts to achieve long-lasting economic growth, which is a precondition for further improving the economy, infrastructure and education and training systems.

National conversion and development strategies are heavily affected by global trends and country-specific socio-economic problems. These problems require more coherent sector policies in line with national priorities and/or regional integration policies. The major external worldwide challenges are as follows:

- The globalised economy, which affects different sectors of the economy in the partner countries with its transnational dynamism. Technological standards for products and services are no longer national but are defined by the global production, trade and supply chains.
- Knowledge and innovation has become the main driver for competitiveness, sustainable economic growth and social well-being.
- Rapid technological innovation, changing markets and transnational alliances and unions, such as the Arab Maghreb Union, the Commonwealth of Independent States and the European Union, require repositioning in alliances and considerable efforts in the partner countries.

These global influences are complemented by the following country-specific internal constraints.

- Distorted labour markets and a lack of employment opportunities due to rapid population growth, economic restructuring, financial and economic crises, unemployment and modest growth rates (OECD, 2009). This situation gives rise to considerable poverty and increasing urban/rural disparities.
- A growing informal sector and mushrooming micro enterprises and SMEs. Despite the employment opportunities they offer, these companies can limit innovation and growth.
- High levels of national and regional (supra-national) migration driven by political, economic and social pressures.

Well-functioning education and training systems combined with coherent national sector policies on the economy and the labour market can enable countries to cope with these challenges. However, the performance levels of the education and training systems are currently not adequately adjusted to human capital development.

All the partner countries have made remarkable efforts to improve education and training but are still involved in the long-term process of reforming several education subsystems. Apart from improvements in basic and secondary general education, there are new challenges and perspectives related to the developments mentioned above for both secondary and post-secondary VET and for higher education in a lifelong learning perspective.

- Rapid technological and economic progress requires a labour force with a solid grounding in core skills that can adapt effectively to these changes.
- Economic standing, sustainable growth, employability and enhanced competitiveness in global markets demand a flexible and skilled labour force capable of using and extending technical skills for new products and growth. Empirical evidence has shown that there is a strong correlation between long-term economic growth and high quality education, measured by Programme for International Student Assessment (PISA) outcomes (Hanushek and Woessmann, 2010).
- Skills dimensions must be constantly upgraded in order to cope with changing markets and other economic influences.

---

6 This is a general tendency although many partner country economies are still very reliant on primary industries such as agriculture and manufacturing.
There is a consensus among education experts that such requirements for human capital development — driven by global challenges and country-specific constraints — require different policies and more investment in education and training. An important benchmark is the UNESCO recommendation that public expenditure on education should represent 6% of a country’s GDP. FIGURE 2 shows that the vast majority of the countries covered by this report invest less than 6%. Moreover, the combination of modest spending on education and low efficiency in using the available resources leads to low returns on educational investment in these countries.

There is general agreement among experts on the potential advantages of business sector involvement in secondary, post-secondary and tertiary education policy in modern economies (see G20/International Labour Organisation, 2011). Four main recurrent reasons are mentioned:

- Curricula and syllabi for primary and secondary education may still be designed by experts in ministries or curriculum development agencies. However, the world of work is changing so rapidly that skills for sound workplace performance should be developed in cooperation with the business sector (European Commission, 2010b) because these actors are more informed about future trends in human capital development.

- The modern manufacturing and crafts sector produces services and products using sophisticated and capital-intensive infrastructure and skill levels that cannot be simulated in school-based VET courses and higher education institutions, but are available in the local economy (European Commission, 2010a).

- While public authorities are responsible for providing an enabling organisational, legal and financial framework, their capacity to factor the dynamic context of the work environment into the system has structural limits, especially in increasingly knowledge-driven economies. Technological and scientific innovation are driven by enhanced research and development, which in turn relies partly on the industrial infrastructure available in the local environment (Reichert, 2009). Cooperative approaches, including joint funding between education and business, are necessary to bridge the gap between fast moving technology and the provision of skills and to spread development more broadly across the economy. The issue becomes even more relevant in light of the modest investment made by most partner countries in research, training and development (FIGURE 5).

- Flexible policies are required for initial and continuing training, as reflected by European lifelong learning approaches, and business premises are well-suited to providing human capital development opportunities (European Centre for the Development of Vocational Training [Cedefop], 2011).

Apart from the very few examples given in the four regional reports, the partner countries have not yet systematically outlined policies in secondary and tertiary education for implementing cooperation and benefiting from its advantages for human capital development. Nevertheless, many initiatives are flourishing at local level and stakeholders are seeking policy-level solutions and frameworks.

The aim of the four regional reports is to support the ongoing discussions and efforts of the decision-makers and public and private stakeholders in the formulation of education and business cooperation policy at secondary and tertiary level, including post-secondary VET, while taking into account the main challenges.
2. CHALLENGES

Important challenges that may hamper cooperation have been identified in several areas and at various levels of the education and training systems in all regions. The business sector is facing similar problems in implementing more systematic cooperation and social partnership-driven approaches, which still need to be further developed in all regions, especially the Western Balkans and Turkey (IPA region), Eastern Europe (ENP East) and the southern and eastern Mediterranean (ENP South).

2.1 Policy formulation and multi-level governance

Policy and governance modes in education and training are multi-faceted and operate at the three functional levels mentioned in section 1 (macro, intermediate and local). However, they are not coherently linked for better cooperation. Cooperation also has a supra-national level because governance, policy formulation and implementation in education and training take place in a complex environment of defined educational standards that vary according to national specificities and also to the challenges in the region (for example, employment, mobility and migration). This situation obliges experts to cooperate beyond their national context in a range of EU initiatives for the IPA, Central Asia (the DCI education initiative), ENP East and ENP South regions.

The main drivers for cooperation are not domestic governance and policies but rather external (economic) factors that include the presence of multinational corporations in the country, global technologies and challenges in certain economic sectors, global production and supply chains, export to countries with high quality standards, tourism, and international trade and finance.

There are some exceptions that go beyond sporadic cooperation (apprenticeship systems) in initial VET in ENP East and the IPA region. These exceptions are based on traditions and are stand-alone approaches without any consequences for governance and policies in neighbouring countries. In all regions, the higher education sector does not build on the systematic application of policies supporting cooperation but on sporadic efforts that depend on the interests of the institutions and stakeholders involved.

So cooperation is sporadic and not policy-based. These overall findings are not contradicted by more systematic cooperation in VET in the IPA and ENP East regions and some examples in higher education in the ENP East and ENP South regions. However, sporadic cooperation based on good practice is accepted in national policy debates as a viable systemic policy option for education and training at secondary and tertiary levels.

This growing awareness in the ENP East, ENP South and IPA regions among decision-makers, education institutions and the business sector of the relevance of cooperation for human capital development is not, however, complemented by sufficient capacity for policy design. This is true for both the higher education sector and for secondary VET, which could build on excellent examples in the ENP East and the IPA regions. The lack of capacity in policy monitoring and evaluation, including the consequences for policy cycles, impedes coherent and systematic debate based on existing good practice.

Efforts towards more systematic cooperation have so far had little effect on policy cycles. They have failed to build on adequate cooperation in decision-making processes, policy formulation and implementation, and sound monitoring and evaluation procedures in order to optimise and improve policies for cooperation. Capacity development for policy design is required in both the education and business sectors. Moreover, mistrust, friction and obstacles are still found on both sides. In Central Asia, ENP East and part of the IPA region, there is also political resistance to cooperation because education is perceived to be an exclusively public responsibility.

Procedures and benchmarks for reform and innovation, such as well-thought-out policy cycles and joint design of professional standards and national qualifications frameworks, must fit into the regional and country-specific context of education and business cooperation and be coherent with the existing human capital endowment. This is only partly the case today. The same constraint applies to other issues relevant to innovative actions carried out in ETF projects for the four regions, such as teacher training reforms, social partnership-driven education and training, financing (ETF, 2007b), career guidance, and entrepreneurial learning in the context of the huge number of SMEs.

In the ENP East, ENP South and IPA regions, growing awareness of the importance for cooperation of certain areas, such as national qualifications frameworks, VET, higher education councils and joint learning efforts, is not complemented by sufficient capacity development activities to formulate new policies, foster their effective implementation or to monitor and evaluate the results.

Moreover, the huge number of small and micro enterprises throughout all regions tends to represent an obstacle to cooperation rather than a good reason for its further dissemination. Human capital development strategies play only a minor role in current SME-promoting policies. This issue was exacerbated in Central Asia and ENP East when both regions had to cope with the collapse of industrial conglomerates. At the same time, the design of policies to further develop SMEs is improving.

2.2 Policy adoption and results

Cooperation at both levels of education and in all regions is sporadic rather than systematic. At intermediate and micro level both the education and business sectors lack the capacity to disseminate good practice to policy-makers in terms of sound marketing for increased cooperation. They also lack the capacity to implement any policies supporting more systematic cooperation that already
exist, so cooperation remains sporadic and does not build on partnerships that involve ‘concrete goals shared by all participants, a clear definition of roles and division of labour, the establishment of mutual communication and decision-making schemes’ (Council of Europe, 2010).

The business sector should have a vested interest in solving its human capital development problems with improved cooperation strategies. In fact, a high proportion of large and medium-sized enterprises identify the skills level of the workforce as a major constraint to business operations, and this situation drives pragmatic and sporadic cooperation. This problem has not yet been considered in the relevant policies (FIGURE 3).

In the 2008 Business Environment and Enterprise Performance Surveys, the question was only put to the firms which confirmed that they had applied for a government contract in the previous fiscal year, whereas in the surveys carried out before 2008, it was put to all firms participating in the survey.

Due to differences in the scales used in the 2002 and 2005 surveys (four points) and those used in the 2008 surveys (five points), indicators based on business constraint questions are not entirely comparable. Readers should bear this in mind when analysing historical trends. The raw data can be downloaded for additional information (www.etf.europa.eu).

The reasons why fewer constraints were perceived in the IPA region may be the high proportion of small and micro enterprises. Such companies tend to define their major problems in terms of credits and access to markets. Moreover, most of the Western Balkan countries, especially the ex-Yugoslav countries, had quite well-developed education systems that included career-oriented VET streams with company-based opportunities for continuing training. The restructuring or downizing of companies in recent years has been accompanied by considerable shedding of labour. In view of the relative oversupply of qualified labour, companies may still find it easy to hire workers today. This situation even leads to the phenomenon of over-qualification: those with high qualifications taking jobs requiring lower skills, finding themselves unemployed or migrating to other countries.

Small and micro enterprises (including family businesses) developed short-term survival strategies in highly competitive and partly informal markets. The existing technical and entrepreneurial skills gaps significantly reveal that small enterprises do not yet give enough consideration to initial VET or continuing training, and almost none to entrepreneurial training. However, this sector is unable to formulate its interest and readiness to move towards human capital development and International Labour Organisation Decent Work strategies.

Cooperation plays only a minor role in post-secondary VET. In Eastern Europe it is considered too academic by employers because universities use modules from study programmes for post-secondary VET and technicums are still isolated from the world of work. Moreover, the relevance of joint activities in lifelong learning policies is not sufficiently considered or implemented in most of the countries. Some exceptions in ENP South are not representative of the partner countries in general.

FIGURE 3: PERCENTAGE OF BUSINESSES IDENTIFYING LACK OF SKILLED LABOUR AS A MAJOR CONSTRAINT

Notes: The computation of the indicator is based on the rating of the obstacle as a potential constraint on the current operations of the company; data are missing for Turkmenistan, Algeria, Israel and Tunisia. OPT refers to the Occupied Palestinian Territory. The years to which data refer are specified after each country name.
There is, however, good practice at local level, especially in ENP East and ENP South, where more interesting forms of cooperation in higher education can be found than in other regions. Such cooperation is complemented by EU Tempus projects. However, there are no major consequences for policy design and implementation, despite the increasing awareness that ‘better and more diversified funding and closer university/business cooperation is needed’ as stated in the key documents of the Bologna Process (Zgaga, 2006).

3. RELEVANCE OF EUROPEAN POLICIES

The influence of European policies and approaches is notable in the IPA, ENP East and ENP South regions and less evident in Central Asia. In higher education, this influence is predominantly reflected in efforts directed towards and alignments with the Bologna objectives and, in the case of VET, the design of national qualifications frameworks and social partnerships.

European best practice and approaches influence both levels of education. The influence has its roots in the assistance provided to Eastern European countries after the fall of the Soviet Union, which was complemented by high-level policy dialogue and numerous cooperation projects at both levels. Such technical cooperation projects and the Tempus programme situated issues such as national qualifications frameworks, social partnerships and VET councils high on the reform and innovation agenda in that area. Moreover, the Bologna Process has had an incredible impact in the ENP East and ENP South regions and is a key driver in the reform of higher education. This development has also brought about some good practice whereby ‘governments, employers and higher education institutions have increased their partnerships in order to create jobs for the graduates and graduates for the jobs’. (Eurashe, 2010)

After 1990, the Western Balkans also benefited from similar assistance from the European Union and the Member States. Today, many countries are following European approaches, procedures and conditions on their way to achieving EU membership.

The recent global debate among donors and researchers saw the revitalisation of education and training as a prominent tool for sustainable socio-economic and ecological progress. Consequently, cooperation with transition and developing countries approaches education and training against the background of these global objectives. Transnational markets, competitiveness, production processes driven by knowledge and innovation are the key issues that education and training policies and development cooperation must take into consideration in formulating new policies to support cooperation.

Moreover, common EU approaches, such as reliable labour market information and intelligence, including career guidance (ETF, 2009), social partnership, mutual trust and the open method of coordination, are the guiding principles and instruments in democratic but complex societies for further improvement of the quality and relevance of education and training, including cooperation. Many experts in education institutions and the business sector wish to learn more about the background of the strong European assistance for policy design and implementation, but first they need to design regional and country-specific projects and activities. For this reason, the four regional reports include more specific recommendations.

Europe and the donor community may play an important role in promoting greater cooperation. For the reform of their VET systems, partner country experts would welcome a similar approach to the Bologna Process, which has had a considerable influence on higher education in most countries. The EU, the Member States and other donors have contributed to the European experience of social partnership in cooperation, taking into account the advantages and disadvantages. Enhanced policy dialogue and peer and evidenced-based learning (ETF, 2008) are examples of appropriate instruments and good practice for further improving policy design, legislation and regulations, and capacity building for better cooperation.

The Tempus programme, complemented by Erasmus Mundus in higher education in the Western Balkans, is frequently used by the partner countries for cooperation projects.

All the regional EU instruments for the partner countries include resources for education and training that could be used to promote education and business cooperation and to build on prior European experience.

However, reforms will only be successful if they are based on country-specific commitment and ownership on the part of the policy-makers and main stakeholders. Furthermore, solutions must be tailored to the specific context in which they are implemented. Policy dialogue, regional exchange, peer and evidence-based learning can all help to systematically involve policy-makers in discussions about the advantages and disadvantages of education and business cooperation and the consequences of its implementation.

---

7 Public-private partnerships as a specific mode of cooperation are also emerging and already efficiently used in some countries where governments and the business sector jointly finance innovations in education and training at both levels. Moreover, the transfer of knowledge between education and business, the generation of new knowledge through joint research and development projects, and the transformation of such projects into drivers of economic productivity and growth has begun to gain ground but does not affect the prevailing policies.

8 In recent policy papers, nearly all multilateral organisations and donors perceive of VET as a tool for socio-economic development rather than simply an alternative in the overall education system. A similar discussion is emerging in higher education (see European Commission, 2009).

9 There is a dedicated website for Erasmus Mundus calls in the region (http://www.wbc-inco.net/caal/92830.html).
4. RECOMMENDATIONS

In all the regions, important challenges for cooperation have been identified at different levels of the education and training systems and in the business sector. The following recommendations refer to these challenges. Capacity development measures for governance, policy formulation, and implementation should be targeted at all levels of the education and training systems and the business community.

4.1 Policy formulation and multi-level governance

Ownership, commitment and political willingness are preconditions for reformulated policies and modified governance modes that support more cooperation and they could be strengthened in all regions, including external support fostering a chain of activities ranging from good practice to applied research analysis, dissemination and dialogue to promote cooperation. The existing diverse and sporadic activities in cooperation are not a substitute for governance and policies promoting more systematic cooperation and a supportive environment.

Such an environment would consist of supportive economic and regional policies and multi-level governance modes at the various functional levels in education institutions and employers’ organisations. This environment for better cooperation should be coherent with national social and economic objectives and also involve further decentralisation, flexibility and accountability for VET and higher education institutions. It should also have a vision of VET and higher education that goes beyond purely educational objectives to include competitiveness, employability, social inclusion, social partnership and sustainable growth.

Close links between VET, higher education and business in multi-level governance modes should draw conclusions from existing good practice, where the business sector could contribute to systemic education and training options that support mobility in labour markets. These include the Bologna Process, the European Qualifications Framework, lifelong learning and the recognition of skills acquired by migrants.

Policies aimed at increasing cooperation are relevant to ENP East and ENP South and partly to the IPA region. These countries still have considerable industrial infrastructure and the manufacturing sector has advantages compared with European countries in terms of price levels. Many of the countries would therefore be attractive to foreign direct investment if certain quality levels of products and services could be achieved. The majority of the countries in the DCI region should build more systematically on sound SME policies, including entrepreneurial learning and human capital development in a lifelong learning perspective. Cooperation at both levels of education should be planned on a case by case basis.

The three larger countries in ENP East could further develop existing good practice at both levels of education for the consolidation of cooperation in tandem with other socio-economic development policies. Plenty of operational expertise is already in place but could be better used by stakeholders and decision-makers for future reforms. The smaller countries should make a greater effort to design comprehensive SME policies with links to entrepreneurial and lifelong learning and VET-driven human capital development, including the above-mentioned SME policies.

Bearing in mind the likelihood of future free trade zones with Europe, the ENP South region should systematically learn from existing good practice and implement more flexible environments for cooperation, taking into account the great diversity of the education system and the economic infrastructure composed of a range of different types of companies from multinational corporations to informal micro enterprises. The informal sector also deserves more focus in comprehensive policies and programme support (credits, improving access to markets, energy supply and human capital development measures to improve existing work-based learning schemes). The preparation for a common market with Europe should build on comprehensive enterprise policies and try to avoid a potential new type of fragmentation created by more competitive external relations with Europe in some sectors of the economy.

In the IPA region, cooperation in VET can partly build on existing tradition and implemented policies. However, many countries have neither the supportive environment nor the tradition and they lack the economic infrastructure of medium and larger enterprises suitable for business-driven cooperation. Economic policies have to cope with the very large number of small and micro enterprises and evaluate human capital contributions in the context of sustainable economic growth. Cooperation cannot grow in a piecemeal economy, and programmes should realistically target only certain sectors of the economy, notably seeking employment and growth, larger enterprises and greater involvement in the global economy.

The lower-middle and low income countries in Central Asia have no significant experience in systematic cooperation in education. Private and public stakeholders should carefully examine successful good practice and dedicate more time to drawing up the sound outlines of small enterprise development policy, which might include entrepreneurial learning and human capital development in a lifelong learning perspective, as well as cooperation between sectors of the economy more involved in global business.

These options for the four regions must be adapted to the specific context of each country, which may currently favour other priorities. However, even countries where policy-makers lack the will and ownership, the main stakeholders will be confronted with the international debate on education and training, which is increasingly focused on the advantages of cooperation between education (at both higher education and VET levels) and
business. Rather than proactively avoiding policy discussions on future cooperation, country strategies should systematically introduce the topic in ongoing discussions between policy-makers and other public and private stakeholders.

4.2 Policy implementation and results

The development of new options in education and training systems and the introduction of policies favouring cooperation should provide further support for existing apprenticeship schemes and recognise the skills acquired in informal apprenticeship systems or work-based learning processes (Sweet, 2009). Apprenticeships, one of the few formalised modes of cooperation, are poorly accepted and seen as second-best educational alternatives, a perception that has negatively influenced policy making favouring cooperation in VET.

Education reforms must therefore be linked to awareness campaigns about the future importance of work-based learning and sound salary policies for apprentices and skilled workers based on agreements with the social partners that highlight the reduction in transition problems among work-based learners. Sector and higher education committees and regional VET councils play a key role in the implementation and decentralised delivery of joint education programmes. The students and instructors, school and university directors, teachers (ETF, 2007a) and lecturers in joint programmes all deserve more support from national representatives and donors to help them build capacities for cooperation.

The promotion of training and research networks providing information on employment opportunities and including both education and business sectors is still underdeveloped. Higher education institutions in particular should look more carefully at all regional and global research networks and draw conclusions about the institutional benefits of membership. Both the business and higher education sectors should be supported in good practice and in developing instruments and communication channels that make cooperation easier for all concerned.

Nearly all partner countries lack education provision that fulfils the needs of SMEs and specific target groups and includes entrepreneurial learning. However, activities in this area will only make sustainable progress if, in addition to decent work and human capital development, new policies also include instruments and tools that will help the sector to articulate its problems and identify possible solutions. Craft associations, extension services, savings and investment services, marketing strategies, and market access can all play an important role in targeted VET programmes.

It is recommended that the findings in the regional reports be used to further explore cooperation. This process could include additional questions relevant to policy formulation, such as whether business-driven education institutions are generally doing better than public facilities in the three key areas of institutional performance, education quality and accountability. These are important questions for new policies and further improvements of the education systems in partner countries.

BIBLIOGRAPHY

Cedefop, Learning while working, success stories on workplace learning in Europe, European Centre for the Development of Vocational Training, Thessaloniki, 2011.


European Commission, An agenda for new skills and jobs, anticipating and matching labour market and skill needs, European Commission, Brussels, 2010a.


World Bank, Washington DC.

World Development Indicators, World Bank, Washington DC.

World Bank Group, Washington DC.


Expenditure on research training and development is considered globally as an indicator for business and higher education cooperation. **FIGURE 5** shows a low level of current expenditure on this issue for the vast majority of the countries, a finding that underlines the sporadic cooperation of higher education and business in the countries concerned.

### ANNEX

#### TABLE 1. MEMBERS OF THE VET AND HIGHER EDUCATION REFERENCE GROUP (STEERING GROUP)

<table>
<thead>
<tr>
<th>Mr</th>
<th>Bergan</th>
<th>Sjur</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mr</strong></td>
<td><strong>Curovic</strong></td>
<td>Vladimir</td>
</tr>
<tr>
<td><strong>Mr</strong></td>
<td><strong>Delplace</strong></td>
<td>Stefan</td>
</tr>
<tr>
<td><strong>Ms</strong></td>
<td><strong>Oleynikova</strong></td>
<td>Olga</td>
</tr>
<tr>
<td><strong>Ms</strong></td>
<td><strong>Podolieva</strong></td>
<td>Olena</td>
</tr>
<tr>
<td><strong>Mr</strong></td>
<td><strong>Slassi Sennou</strong></td>
<td>Mohamed</td>
</tr>
<tr>
<td><strong>Ms</strong></td>
<td><strong>Weitgruber</strong></td>
<td>Barbara</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Head of Department of Higher Education and History Teaching</strong></th>
<th><strong>Council of Europe</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary General</td>
<td>Montenegrin Employers Federation</td>
</tr>
<tr>
<td>Secretary General</td>
<td>EURASHE</td>
</tr>
<tr>
<td>Director</td>
<td>Centre for VET Studies, IVETA President-elect</td>
</tr>
<tr>
<td>Vice President</td>
<td>Ukrainian Chamber of Commerce</td>
</tr>
<tr>
<td>Vice President</td>
<td>Confédération Générale des Entreprises au Maroc, APEBI</td>
</tr>
<tr>
<td>Chair of the Working Group</td>
<td>Global Dimension of the Bologna Process</td>
</tr>
</tbody>
</table>

---

**FIGURE 5** shows a low level of current expenditure on this issue for the vast majority of the countries, a finding that underlines the sporadic cooperation of higher education and business in the countries concerned.
FIGURE 4: GLOBAL COMPETITIVE INDEX (VALUE), 2010

Notes: The values of the Global Competitiveness Index for participating countries in 2010 ranged from 2.73 to 5.63.

FIGURE 5: RESEARCH, TRAINING AND DEVELOPMENT AS SHARE OF GDP

Note: Missing data for Albania, Kosovo, Jordan, Lebanon, OPT, Syria, Uzbekistan and Turkmenistan. The year to which data refer are specified after each country name.
LIST OF ACRONYMS AND ABBREVIATIONS

BEEPS  Business Environment and Enterprise Performance Surveys
Cedefop  European Centre for the Development of Vocational Training
CIS  Commonwealth of Independent States
DCI  Development Cooperation Instrument
DG EAC  European Commission Directorate-General for Education and Culture
ENP  European Neighbourhood Policy
ETF  European Training Foundation
EU  European Union
GDP  Gross domestic product
IPA  Instrument for Pre-accession Assistance
NGO  Non-governmental organisation
OECD  Organisation for Economic Co-operation and Development
PISA  Programme for International Student Assessment
SME  Small and medium-sized enterprise
UNSCR  United Nations Security Council Resolution
VET  Vocational education and training

COUNTRY CODES

AL  Albania
AM  Armenia
AZ  Azerbaijan
BiH  Bosnia and Herzegovina
BY  Belarus
DZ  Algeria
EG  Egypt
GE  Georgia
HR  Croatia
IL  Israel
JO  Jordan
KG  Kyrgyzstan
KZ  Kazakhstan
<table>
<thead>
<tr>
<th>Code</th>
<th>Country Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>LB</td>
<td>Lebanon</td>
</tr>
<tr>
<td>MA</td>
<td>Morocco</td>
</tr>
<tr>
<td>MD</td>
<td>Republic of Moldova</td>
</tr>
<tr>
<td>ME</td>
<td>Montenegro</td>
</tr>
<tr>
<td>MK*</td>
<td>Former Yugoslav Republic of Macedonia</td>
</tr>
<tr>
<td>OPT</td>
<td>Occupied Palestinian territory</td>
</tr>
<tr>
<td>RS</td>
<td>Serbia</td>
</tr>
<tr>
<td>RU</td>
<td>Russia</td>
</tr>
<tr>
<td>SY</td>
<td>Syria</td>
</tr>
<tr>
<td>TJ</td>
<td>Tajikistan</td>
</tr>
<tr>
<td>TN</td>
<td>Tunisia</td>
</tr>
<tr>
<td>TR</td>
<td>Turkey</td>
</tr>
<tr>
<td>UA</td>
<td>Ukraine</td>
</tr>
<tr>
<td>UZ</td>
<td>Uzbekistan</td>
</tr>
<tr>
<td>XK**</td>
<td>Kosovo (under UNSCR 1244/1999)</td>
</tr>
</tbody>
</table>

*Provisional code that does not affect the definitive denomination of the country to be attributed after the conclusion of the negotiations currently taking place in the United Nations.

**Code used for practical reasons and not an official ISO country code.
WESTERN BALKANS AND TURKEY

Evgenia Petkova

1. INTRODUCTION

The influence of economic globalisation is becoming more and more evident in the partner countries of the European Training Foundation (ETF). The transition and developing countries geographically close Europe must formulate and implement country-specific solutions to increase economic competitiveness, workforce employability and sustainable growth. Human capital development is an important and strategic instrument in this context.

Education and training systems and the business sector worldwide are gaining experience in new forms of cooperation that can improve educational outcomes by making optimum use of the technological competence, infrastructure, resources and knowledge of enterprises and the world-of-work learning environments. Questions remain concerning the systemic implications of cooperation in education and training systems and possible impacts at policy and implementation levels.

Social dialogue and partnership, civil society stakeholder involvement in national education and training councils also have important roles to play in formulating and implementing innovative policies for education and training. Closer examination of cooperation between education and business in partner countries is needed to provide better support for human capital development and the reform of education and training systems.

This regional report analyses education and business cooperation in the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Kosovo1 and Turkey). The report reviews policies, approaches, examples of good practice and challenges to implementation in an attempt to capture the complexity of the regional picture. The examples provided are illustrative rather than exhaustive as it is our intention only to outline general trends and patterns. The paper is based on key findings from reports drawn up by the ETF on each of the countries and is part of an overall process of assessment requested by the European Commission’s Directorate-General for Education and Culture, which also covers the southern and eastern Mediterranean and eastern Europe regions and Central Asia. This report is the outcome of a collaborative effort with partner institutions from each of the countries involving desk research, data analyses and a series of in-country meetings.

2. EXECUTIVE SUMMARY

Whereas education and business cooperation (hereafter cooperation) has a long tradition in Turkey, the practice had to be revived in the Western Balkans over the past decade against the backdrop of the transition to a market economy and the implementation of education reforms inspired by European and broader international practice and supported by donors. The countries in the region have introduced new legislation in higher education and vocational education and training (VET) that provides for the introduction of participatory mechanisms of governance and policy making. They have also made efforts to follow major European policy lines, such as the Bologna Process reforms, the European Qualifications Framework, and lifelong learning principles.

Cooperation in the Western Balkans and Turkey is seen as a way for education to better respond to labour market requirements, yet its potential is underused. Although employers may contribute to setting strategic priorities, drawing up curricula and standards, and developing new learning opportunities and NQFs, their involvement is either sporadic or essentially a formality. As a result, cooperation has not yet delivered much towards resolving regional skills mismatches. The transfer of knowledge between education and business, the generation of new knowledge through joint research and development (R&D) projects, and the conversion of such projects into drivers of economic productivity and growth is a new area that has just started to gain ground in the region. Jointly organised education programmes (internships, apprenticeships) have limited coverage in the Western Balkans and in Turkey apprenticeships follow traditional models and have to contend with an unattractive image. In general, cooperation continues to be strongly donor driven (except in Turkey and Croatia), with pilot measures prevailing over systemic ones and limited domestic capacity for scaling-up and mainstreaming good practices.

EU policies have substantially influenced cooperation between education and businesses in the region at both VET and higher education levels. The EU Member States have served as a frame of reference and a benchmark for the efforts the region has invested in bringing education and businesses closer together, but there is still room for significant improvement in the implementation, monitoring and evaluation of the strategic commitments on paper.

This report identifies a number of challenges facing the further development of education and business cooperation, of which the following are the most noteworthy:

(i) the absence of a sound tradition of cooperation, which means that education providers and businesses need incentives to enter into sustainable strategic partnerships;
(ii) the lack among education providers and businesses of the capacities and skills needed to engage in partnerships;
(iii) the need to strengthen education and business cooperation throughout the whole chain of policy formulation, policy implementation and policy monitoring and evaluation.

In line with these findings, the report makes recommendations for country and cross-country measures to address the challenges identified.

3. CONTEXT

Turkey and the Western Balkans are geographically close and share historical legacies. Today, this group of countries also share a common aspiration to join the European Union (EU). The whole region has been involved in the EU enlargement process although each country follows its own path and pace in meeting the accession requirements.

At present, four countries – Croatia, Montenegro, the former Yugoslav Republic of Macedonia and Turkey – are EU candidate countries, and the others are potential candidates. Albania and Serbia have recently submitted official applications for EU membership and look forward to achieving candidate status in the near future.

The region is diverse in terms of demographic and socio-economic development. Turkey, with a population of approximately 74 million, is one of the world’s 20 largest economies and stands out as a distinct regional power. The rest of the region covered by this report has a total population of around 23 million (see Annex, TABLE 1).

Most of the countries are categorised by the World Bank as upper-middle income economies; Croatia is a high income country and only Kosovo still falls into the lower-middle income category (World Development Indicators). Over the past decade, the Western Balkans have been involved in the transition to a market economy, a process accompanied by large-scale privatisation and restructuring. Between 2000 and 2008 (the period preceding the global financial and economic downturn), the whole region benefited from strong economic development, with annual growth in gross domestic product (GDP) of between 4% and 7% achieved with a relatively low level of productivity and competitiveness.

In spite of this pre-crisis economic expansion, Croatia and Albania were the only Western Balkan countries able to recover from the transition recession by 2009 to surpass 1989 GDP per capita levels (United Nations, 2010). The global economic crisis hit the region hard in early 2009, reversing the economic upturn. Croatia, Montenegro and Turkey suffered the most severe economic contractions, while Albania and Kosovo have been the least affected (European Commission, 2010c).

The past decade has brought about changes in the structure of the region’s economies, all of which have seen an increase in the share of tertiary (service) sector activities at the expense of the primary (agriculture) and secondary (manufacturing) sectors. However, as TABLE 2 shows, the share of agriculture in 2008 continued to be at least four times the EU average (1.8%) in all the economies with the exception of Croatia. The contribution of the service sector to GDP across the region (Montenegro excepted) falls behind the EU benchmark of 72%. Industry is still being restructured and privatised, with large industrial factories being closed down and small and medium-sized enterprises (SMEs) mushrooming.

SMEs (most of which are micro companies, i.e. up to 10 workers) dominate the business landscape and constitute the backbone of the region’s economies. SMEs not only contributed to the pre-crisis economic growth by underpinning the expansion of the service, construction and transport sectors, but are also the largest employer throughout the region (Organisation for Economic Co-operation and Development [OECD], 2010).

The region has been relatively successful in creating a business-friendly environment with low taxes and reduced state interference (World Bank et al., 2009b). The SME Policy Index 2009 report on Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans prepared by the ETF in partnership with the European Commission, OECD and the European Bank for Reconstruction and Development (EBRD) observes “increased recognition being afforded to human capital in the wider bid for more competitive enterprises” (European Commission et al., 2009, p. 21).

An important obstacle for doing business in the region is the unfair competition from a large informal sector, which accounts for between 25% and 30% of GDP in Montenegro and reaches 60% in Albania (Petkova, 2010; Viertel et al., 2010). Efforts to address the informal economy and grey employment in the region have been made by national governments and social partners in the framework of the International Labour Organisation Decent Work agenda. Other major post-transition drawbacks are weak governance and fragile institutions (which open the door to corruption) in addition to the labour emigration that has partly drained the region’s skilled labour resources. The Western Balkans and Turkey have low employment and high unemployment rates that exceed EU averages (see TABLE 3).

The capacities of regional economies to cope with the global competitive challenges have been seriously undermined by the negative aftermaths of the shift to a market economy and the global economic downturn, which include economic recession, high unemployment, deterioration of living standards, an expanding informal sector, outward migration, and meagre funding of education, science and research. The World Economic Forum’s Global Competitiveness Report (WEF, 2010) ranks them in the second tier of the 138 countries reviewed (see TABLE 4) and considers them to be at the efficiency-driven stage, with only Croatia taking steps to shift from an efficiency-driven to an innovation-driven economy.

---

1. Iceland is also an EU candidate but remains beyond the geographical scope of this report; (ii) accession negotiations with Montenegro and the former Yugoslav Republic of Macedonia have not yet begun.
The demand for innovation and the capacity of the region’s economies to absorb it remain low. The performance of research and development systems across the region, on the other hand, has deteriorated, suffering from severe brain-drain and underfunding (from both public and private sources). In 2007, expenditure on research and development ranged from 0.03% of GDP in Bosnia and Herzegovina to 1.2% in Montenegro, falling behind the EU 27 average rate of 1.83% (TABLE 5). The output of research and development (as measured by the number of US patents obtained per capita and the amount received per capita in royalty payments and receipts, illustrated in TABLE 6), has been quite modest, with only Croatia standing out. Overall, the Western Balkans and Turkey have not yet been able to establish knowledge-based economies that make effective use of knowledge for generating growth and welfare (see also TABLE 7).

However, in general there is a critical lack of comprehensive data on both business development and cooperation between education and business. This is confirmed by the SME Policy Index 2009 report, which notes the ‘growing recognition of the importance of reliable data for more targeted developments in enterprise-based human capital’ (European Commission, et al., 2009, p. 21). The report encourages the countries both individually and at a supranational level across the Western Balkans and Turkey to work together to reinforce the information base.

Summary: The transition to a market-based economy in the Western Balkans and the recent global downturn have resulted in economic recession, high unemployment, deterioration of living standards, an expanding informal sector, outbound migration, meagre funding of education, science and research, all of which seriously undermines the capacity of the region’s economies to cope with global competitive challenges.

4. EDUCATION POLICIES

Over the past two decades, education and training systems in the Western Balkans and Turkey have been involved in large-scale reforms undertaken to bring their legal frameworks, governance mechanisms, institutional settings, learning content and outcomes into line with evolving democratic values and a market oriented society. The reforms have been inspired to a great extent by European and broader international practice and donors.

4.1 Higher education policies

In the last decade, all the national higher education systems underwent major transformations triggered by the Bologna Process. Turkey and Croatia became full participants of the Bologna Process in 2001, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia joined in 2003, while Kosovo is not formally a participant but follows and echoes Bologna developments. All higher education systems have undergone major changes in legislation. Enrolment has been rising in recent years across the region and there has been a rapid increase in the number of private higher education institutions although public universities have remained the main providers of higher education. The rapid expansion of the higher education system has drawn attention to the issue of the quality of provision and the need for accreditation and quality assurance.

The new legislation on higher education passed in the last decade (see TABLE 9) has provided for the introduction and implementation of the Bologna reforms: the three cycles of university education, the European Credits Transfer System, and the Diploma Supplement. Education and business cooperation has been indirectly regulated, mainly through the themes of governance (representation of external members in university governing boards) and student mobility between business and academia (the right of students to practical training).

The region has access to several international higher education programmes, including Tempus, the Central European Exchange Programme for University Students, the Central European Initiative University Network, and Erasmus Mundus. All of these programmes offer possibilities for cooperation and exchange of experience and Tempus has also provided major support for structural reforms in national higher education systems.

The introduction of a university-enterprise cooperation indicator within the region’s enterprise policy index to be applied in the European Commission’s 2011 enterprise assessment in the IPA region represents an opportunity for a more systemic approach to promoting cooperation between higher education institutions and local businesses.

4.2 Vocational education and training policies

VET in the Western Balkans and Turkey is characterised by diverse national systems, each one of which is embedded in a specific economic and social environment. Initial VET is usually part of secondary education but includes post-secondary tertiary or non-tertiary level courses and institutions. The average proportion of students enrolled in secondary VET in the region varies. In Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Croatia, Serbia, and Bosnia and Herzegovina most secondary education students (between 56% and 75%) choose VET streams, while in Albania and Turkey VET accounts for 17%–20% and 29%, respectively.

Higher vocational education is developed in Turkey, Croatia and Serbia through colleges of vocational studies. Post-secondary and higher vocational education is still under consideration in the rest of the region. In Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Montenegro legal provisions for post-secondary VET are in place, but have not yet been implemented, although some courses provided by adult training institutions in the four countries could be categorised as this type of VET provision.
Continuing VET has been severely neglected during the past decade in the Western Balkans and is primarily focused on functional literacy and low-skill training for the unemployed, while in-company training of employees is underfunded, sporadic or almost non-existent.

The VET reforms conducted to date have mainly targeted secondary VET and much less attention has been paid to post-secondary or higher VET. The main impetus behind the reform processes has been the need to move away from the supply-driven model and to develop VET systems that are more sensitive and responsive to labour market needs. Therefore curricula, occupational profiles and occupational standards have been the primary focus of the transformations undertaken. New VET legislation has been adopted and new institutions and bodies set up for its enforcement (e.g. VET centres, VET and adult education councils, among others).

Given the depth and breadth of the reforms and their intended systemic effect, putting them into practice takes time and the outcomes are unpredictable. However, current labour market outcomes are disappointing, and the skills gaps and mismatches in the labour market persist (Masson, 2011).

Concerning the EU integration perspective, VET policies and reforms in the region have attempted to keep abreast of and address the recent EU policy lines, references and the tools developed within the framework of the Employment and Growth Strategy, the Education and Training 2010 programme and the enhanced European Cooperation in VET (Copenhagen Process). The principle of lifelong learning, the learning outcomes approach and the end of armed conflicts in the region are revived following the dissolution of the SFRY and the privatisation of Western Balkan economies, the region's vocational schools lost their traditional partners for work-based training. For a while, the formal education systems were left without any kind of support from the business sector. The business-education relations in the region were revived following the dissolution of the SFRY and the end of armed conflicts in the region. Today, there is a growing awareness of the benefits of cooperation, but putting this into practice is still new and represents a challenge to the capacity of participants across the Western Balkans and Turkey.

With the transition to a market economy and the subsequent cumbersome process of the restructuring and privatisation of Western Balkan economies, the region's vocational schools lost their traditional partners for work-based training. For a while, the formal education systems were left without any kind of support from the business sector. The business-education relations in the region were revived following the dissolution of the SFRY and the end of armed conflicts in the region. Today, there is a growing awareness of the benefits of cooperation, but putting this into practice is still new and represents a challenge to the capacity of participants across the Western Balkans and Turkey.

The region's higher education systems have been particularly slow and even somewhat reluctant to open up to the labour market. Academic freedom and university autonomy were perceived to represent emancipation from a utilitarian perspective. Universities were seen as ivory towers of knowledge, and higher education represented learning primarily for diplomas and prestige with labour market considerations coming second. As the mission of higher education is to prepare young people for both their professional careers and for active citizenship, it is true that finding the right balance between the two
aspects is not an easy task for any higher education system. More and more universities from the region are now attempting to improve the societal relevance of their study programmes and to enhance the employability of their graduates.

The current modes of cooperation between the business sector, VET and higher education analysed in this paper have been ordered in the following sections according to the different phases of the policy cycle.

5.1 Policy making and multi-level governance

5.1.1 Policy formulation

The Western Balkans and Turkey have invested a great deal of effort and resources in improving the governance of the VET and higher education systems. The main priority has been to establish decentralised management and to abandon the hierarchical, top-down mode based on issuing decrees and legislation. Formulating education and training policies and strategies, consulting social partners about them, ensuring transparency and accountability in the process of steering the education and training systems, are all tools that are being used more and more widely. The shift in the governance patterns is more pronounced in VET than in higher education, thanks mainly to the structured opportunities for social partnership involvement that have been introduced by the new VET legislation across the region.

At the level of policy formulation, a variety of new advisory bodies with tripartite or wider, multi-stakeholder composition, have been established in the region to provide strategic advice to national governments (see TABLE 9). In the whole region (with the exception of Bosnia and Herzegovina and Kosovo), tripartite national bodies for social dialogue – Economic and Social Councils – have been set up. Tripartite national VET councils (or similar structures) exist in all the countries except Bosnia and Herzegovina. In addition to the national VET council, Turkey is the only country that also has regional VET councils (Provincial Employment and Vocational Education Boards).

Sectoral VET councils involving the active participation of employers are operational only in Croatia. Comparable structures have been set up in the context of efforts to develop NQFs in Turkey and Montenegro.

New institutions have been created and joint governance models have been introduced at the level of VET policy execution. VET agencies with tripartite governing boards which remain at arm’s length from the education ministries exist in all the countries of the region with the exception of Kosovo and Turkey. Similar agencies for adult education – also with tripartite governing boards – are operational in Croatia and the former Yugoslav Republic of Macedonia, while Kosovo and Turkey have set up NQF agencies with tripartite governing boards. Public employment services with tripartite governing boards are well established and functional across the region and play a major role in adult learning and continuing VET.

At the level of vocational schools, the involvement of employers in governance is the exception rather than the rule. School boards in which parents and local businesses are represented exist in Montenegro and Serbia and in some Albanian schools.

The interest of the region in accommodating the EU policy recommendations for entrepreneurial learning and improved training provision to meet enterprise requirements has generated a new policy conversation between a range of stakeholders. A consequence is that education and training services and business are forging stronger partnerships in a bid to create more entrepreneurial outputs from the education system and a more market-driven training environment.

Set against common agreed policy indicators, a 2009 assessment finds Croatia, Montenegro and Kosovo as leading on policy cooperation arrangements for entrepreneurial learning. A particular feature of the entrepreneurial learning drive in the region is closer linkages between education and economy policy-makers, prompted particularly by the countries recognition of the human capital provisions of the Small Business Act for Europe. This policy nexus is considered critical in engaging enterprises more directly into education reforms.

Meanwhile, efforts to engage the private sector more actively in tracking skills needs and articulating these systematically to the education and training community are slow. A policy indicator agreed by the countries under the European Charter for Small Enterprises and brought forward to the Small Business Act for Europe (all pre-accession countries are participating in a regional monitoring process) aims to close the gap between demand and supply of skills. Croatia stands out for its effort in gathering data on enterprise skills.

A next assessment of the partnership arrangements involving education and the world of business is scheduled for 2011.

Goverance of the higher education and research and development sectors in the Western Balkans and Turkey has opened up to cooperation with business to a much lesser extent. Although national councils for higher education exist in most of these countries (with the exception of Bosnia and Herzegovina) and national councils for research and development exist across the region, in Albania and Macedonia neither type of council includes representatives of industry, while in Serbia and Montenegro it is the higher education councils that do not involve business representatives (see TABLE 9). Croatia, Serbia and the former Yugoslav Republic of Macedonia have set up National Competitiveness Councils with the participation of government officials, university professors and researchers, and representatives of the world of work.

The involvement of business interests in the governing boards of universities and the advisory boards of universities or faculties is uneven. It is more common

Albania has a similar structure with a narrower remit called the National Labour Council.
among private higher education institutions and in public universities in Kosovo and Turkey.

The countries covered by this report have set up a variety of institutional mechanisms and platforms to promote structured dialogue and consultation between the business world and the education system. These bodies address a wide range of issues, including enrolment policy, curriculum and standards, teaching and learning methods, qualifications in VET, research and development policies, and economic competitiveness. However, the setting, modalities and quality of cooperation need improvement as has been highlighted in the recent ETF Education and Business Country Reports (Holmes et al., 2010; Klenha, 2010b; Petkova, 2010; Van-Meele, 2010; Viertel, 2010). Employers are heavily involved and have a real say in policy formulation only in Turkey, where they are engaged from the very early stages (Majcher-Teleon, 2010; Parkes et al., 2009). In the other countries, consultation tends to be a formality and has limited impact on final policy documents and the legislation finally adopted.

One of the key features of multi-level governance in the Western Balkans and Turkey is the strong drive for cooperation between the countries. This has led to a number of policy support mechanisms, such as the Regional Cooperation Council, regional cooperation between Chambers of Commerce and even more specific cooperation mechanisms between education and business, such as the South East European Centre for Entrepreneurial Learning. This type of cooperation is also strongly promoted by the international community, for example the SME Policy Index 2009 report encourages the countries of the Western Balkans and Turkey, both individually and at supranational level, to work together to reinforce the information base for policy making (European Commission et al., 2009).

A further feature in the region, given the political focus on accession to the EU, is the development of sub-national governance mechanisms at regional and country level. The country reports picked up little information on the role of these meso-level (between micro and macro) cooperation mechanisms. This perhaps confirms the conclusions of the ETF peer learning report about the challenge of policy implementation in Albania, Kosovo and Turkey (Sultana, 2008), which concluded that regional authorities were often considered to be ‘an obstacle to the reform effort (Kosovo and Albania)’ or ‘shaped by the exigencies of public service bureaucratic management traditions … it was up to the individual schools to manage the dynamics of change’.

### 5.1.2 Policy adoption

In spite of the variety of mechanisms and platforms for structured dialogue and consultation, in reality only a small part of the policies for VET, higher education and research and development in the region (mainly in Turkey) are the result of consultations with employers and other stakeholders. Decision making and policy adoption remain a prerogative of national governments, and there is scant accountability regarding the interface between the consultations held and the decision-making outputs.

However, the ETF Education and Business Country Reports indicate some positive shifts in this regard, mainly in new policy areas, such as EQF’s and entrepreneurial learning.

Entrepreneurship, one of the eight key competences for lifelong learning, has created new opportunities and modalities for education-business interactions in the region. Serious efforts have been made in the Western Balkans to foster entrepreneurial learning at both systemic and provider level. According to the report assessing the implementation of the European Charter for Small Enterprises in the Western Balkans (European Commission et al., 2009), Croatia, Montenegro and Kosovo score fairly well in cross-stakeholder cooperation at policy level and this has resulted in the adoption of national entrepreneurial learning strategies. Policy developments remain less pronounced in the other four countries, although Albania, Bosnia and Herzegovina, and Serbia have expressed a firm intention to focus on joint policy-building in the short term.

There are differences, on the other hand, in the extent to which the private sector has been an integral part of developing entrepreneurship education. In some instances, employers’ organisations were the primary driver of change. The Chamber of Economy of Croatia, for example, had taken its own initiatives in promoting entrepreneurship training in secondary education. However, some countries, Albania for example, feel that enterprises need to be more engaged in the policy and practice of entrepreneurship education and this requires facilitation and incentives from the public sector (ETF, 2010a).

The involvement of employers in the implementation of education and training and research and development policies is analysed in sections 5.1.3–5.1.4 below. Business involvement in the next stage of the policy cycle – monitoring and evaluation – is almost non-existent, due mainly to the fact that VET, higher education and research and development systems across the region still lack the basic instruments and arrangements needed to measure progress against the objectives of the relevant strategies and action plans.

### 5.1.3 Policy in action

#### Qualifications developments: joint curriculum and study programme

The involvement of employers in the development of curricula, syllabi and study programmes is still only emerging in the Western Balkans and Turkey and the initial steps are more visible in VET than in higher education.

Typically, private universities and faculties are keener to meet the expectations of businesses because the labour market relevance of their study programmes frequently has a direct impact on their funding schemes. Consequently, private universities have started to make more systematic efforts to cooperate with the business world when designing higher education curricula. In public higher education institutions this is still a random and project-based activity, usually donor driven. An example of good practice is given in **Box 1** below.
The elaboration of the national qualifications framework (under way in the whole region) provides the most significant example of a new approach towards policy development and adoption that relies heavily on contributions from businesses. While none of the countries has yet completed or introduced the new qualifications in practice, Croatia and Turkey began the process earlier and envisage starting implementation in 2012–2013. Serbia, Albania, Montenegro, Kosovo, the former Yugoslav Republic of Macedonia and Bosnia and Herzegovina are still working on the design and descriptors of their NQFs (Castejon et al., 2011). In all of the countries with the exception of Albania the process has so far proved to be important and has successfully created a structure for cooperation on equal footing between education and business. Entrepreneurial learning has been included in higher education curricula on a large scale across the region with the support of the business sector (see example in Box 1). However, such training is mainly restricted to business and management studies and it has been insufficiently promoted in non-business higher education programmes. Across-campus entrepreneurship education combining subject-oriented entrepreneurial learning with the promotion of entrepreneurship as a key competence is still lacking. Some interest has recently been expressed, for example, by the University of Montenegro, in piloting this approach with ETF support (Petkova, 2010), but backing from the business sector is still not forthcoming.

Before the reforms were launched, VET curricula were designed by university professors and government officials in all of the countries, although in Croatia the Chamber of Trades and Crafts has always had a consultant and advisory role. One of the achievements of the VET reforms in the region over the last decade has been the fact that labour market needs have become the major driver for curriculum revision and social partners have been involved in this exercise, mainly through representation on VET councils and these councils’ curriculum committees (Masson, 2011). The contribution of employers to the revision of curricula and training programmes has been stronger in Croatia, Turkey, Montenegro and Kosovo, and much less pronounced in Serbia, Albania, and Bosnia and Herzegovina. By and large, however, businesses have been involved much more in the final stages – the accreditation of curricula and training programmes – and much less in their drafting and development. Furthermore, the whole process of VET curriculum revision has lagged behind the standards for a participatory and collaborative exercise, with government representatives dominating the process and retaining the ultimate decision making and responsibility for outcomes.

**Table 5**

| WESTERN BALKANS AND TURKEY |

**Table 6**

| WESTERN BALKANS AND TURKEY |

**Box 1. Labour market-oriented study programmes in higher education**

Through the development of labour market-relevant Master, PhD and Chair programmes (2007–11), the Austrian World University Service has been helping higher education institutions in Bosnia and Herzegovina, Kosovo, Montenegro and Serbia to design tailor-made study programmes in the areas most needed in local labour markets. New study programmes are developed in close cooperation with partner companies or institutions. In the University of Montenegro, for example, new curricula have been developed for tourism, advances in marine technologies, experimental biology and biotechnology.

In the framework of the Faculty of Integrated Studies and Practice programme funded by Germany at the Professional Academy of the University of Durrës (Albania), programmes have been developed and are being implemented jointly with employers in the fields of bank management, SME management and hotel and tourism management.


Turkey has been promoting interaction and cooperation between its research community and the business sector since the 1990s. The establishment of 16 technological development regions in the campuses of higher education institutions has played a key role in fostering knowledge transfer, providing significant benefits to both industry and the academic staff who work there, including incentives to facilitate the mobility of academic staff who work with the private companies located in technology parks (Demir, 2008; Elci, 2003). There are also six University-Industry Joint Research Centres, which are research organisations with mixed funding originating from the universities, the Scientific and Technological Research Council of Turkey and at least three companies that work in the fields of textile, ceramics, automotive technologies, biomedicine, biotechnologies and advanced manufacturing technologies (Elci, 2007).

Croatia started making serious efforts to foster science-industry cooperation and the commercial application of research in the late 1990s. Of the seven universities in Croatia, the three largest – in Zagreb, Split and Rijeka – have established technology transfer offices to ensure more active engagement with the economy. Some faculties (for example, the Electrical Engineering and Computer Sciences departments of Zagreb and Split universities and the Technical Faculty of the University of Rijeka) cooperate extensively with business, securing approximately 30%–40% of their funding from the services they provide to industry. The Croatian Ministry of Science, Education and Sports supports six technology and development centres aimed at facilitating cooperation between research and industry. Furthermore, local...
self-governments have been behind the setting up of four technology parks (Business Innovation Centre of Croatia, 2009). The activities of one of these is presented in BOX 2.

**BOX 2. VARAZDIN TECHNOLOGY PARK**

Varazdin Technology Park Ltd is a joint company owned by the City of Varazdin, Polytechnic School of Varazdin and the Faculty of Organisation and Informatics of the University of Zagreb. In 2009, the park accommodated 26 high-tech companies (mostly information and communication technologies enterprises) with a total of 220 employees. The most successful of these companies started with three employees and has grown to 115, of which 80 are research and development engineers.

The park provides a range of services to its tenants (start-up companies). In addition to standard incubation services (premises and access to infrastructure), it offers training for employees, networking with similar companies, and customised advice on the development of company profiles and products (for example, access to the polytechnic’s library and laboratories, market analyses, and assistance with patents).

*Source: Business Innovation Center of Croatia, 2009.*

Serbia has set up three technology transfer centres (in the universities of Belgrade, Novi Sad and Nis) and four science and technology parks (Novi Sad, Nis and two in Belgrade) (Bracic and Dall, 2008a). Kosovo has also set up a Centre for Innovation and Technology Transfer, and the former Yugoslav Republic of Macedonia has established the Euro-Regional Technology Centre in Bitola with expertise in technology transfer and brokerage and the transfer of technical information and knowledge between research centres and private enterprises to make them more competitive in EU markets (Bracic and Dall, 2008b). One of the goals of the 2009 National Strategy for Science, Technology and Innovation in Albania is to create four or five Albanian centres of excellence in science. These centres will provide laboratories and workspaces that can be used for pre-incubation, testing and certification of new technology-based firms. Montenegro also plans to set up technology parks and centres of excellence in science following a feasibility study to be launched in 2011 with the support of the EU.

**Jointly organised learning opportunities**

**Practical training and internships**

The countries of the region have been paying increasing attention to the importance of work-related experience as a way to enhance the relevance and quality of both secondary VET and tertiary education, but still lack the legal and institutional environment that would be conducive to regular practical training and internships.

The Bologna Process has stimulated many universities from the region, especially the private higher education institutions, to develop links with businesses and to establish internship schemes. Donors, such as the United States Agency for International Development (USAID), German Technical Cooperation (GTZ) and the Austrian World University Service, have been very active in promoting internships for higher education students. Work-related learning of students is legally binding only in the former Yugoslav Republic of Macedonia and Turkey.

The Law on Higher Education (2008) in the former Yugoslav Republic of Macedonia requires students to attend practical training no less than 30 days each academic year, yet higher education institutions in the country do not have proper staff or services to arrange the internships and placements or even to monitor and evaluate them (Holmes et al., 2010). In the absence of institutional mechanisms to advertise the internship positions available, most of interns in the country are hired through personal contacts and recommendations (OECD, 2010b).

In Turkey, students in higher vocational schools and in Bachelor’s programmes at universities are obliged to spend 30 to 60 working days in practical training/internships in enterprises (usually during the half-term and summer holidays). The placements are organised at department level and on the initiative of faculty members (Majcher-Teleon, 2010). In Serbia and Croatia, career guidance centres have also been set up in most of the universities and one of their duties is to establish contacts with potential employers for in-company training of students (Klenha, 2010a, 2010b).

Employers from the region do not show great interest in internships. The large and growing number of higher education students contrasts sharply with the few internship places offered by businesses, mainly in the expanding sectors of the Western Balkan economies – banking, tourism and construction (Viertel, 2010; Petkova, 2010). A recent review of the pertinent legal framework in the region (Callinan and Filipovska, 2010) has revealed not only a lack of formal incentives (such as tax breaks) for private and public sector companies to take on interns, but also a lack of any legal definition or formal understanding of the concept of ‘internship’. This situation acts as a disincentive for businesses since it gives rise to difficulties, extra burdens and even risks for employers who hire students as interns.

The same legal vacuum applies to the practical training and internships of vocational students in the Western Balkans. The status of interns has not been dealt with by the VET legislation currently in force in the region. All of the countries have enacted legislation on VET (or an umbrella law covering VET, as in the case of Serbia; see TABLE 9), which provide a detailed regulation of school-based vocational education but only general reference to the option for students of gaining practical skills in enterprises. Labour laws do not elaborate any further and contain only general provisions allowing employers to hire trainees (with explicit reference to cases of first employment) and to deliver on-the-job training.

The former Yugoslav Republic of Macedonia is the only country in the region where the VET law provides explicit
incentives for businesses (tax and customs benefits) that cooperate with vocational education, but the vague formulation of this legislation has not yet resulted in any increase in the intake of interns. Despite growing awareness of the importance of practical training in the real work environment, the ETF Education and Business Country Reports have clearly indicated that school-based provision of practical skills is still the prevailing model in the Western Balkans, while internships in enterprises remain an ad hoc and donor-led activity. Some good examples for expanding internship schemes can be found in well-performing sectors of the region’s economies, such as the hotel, catering and tourism, construction and transport sectors. However, these remain the exceptions rather than the rule for VET systems as a whole.

Internships and opportunities for gaining practical skills in the workplace are much more common and widespread in Turkey. As of the second year of their schooling, Turkish students from secondary vocational and technical schools start gaining practical work experience. The Turkish Vocational Education Law (amended in 2001) obliges enterprises with more than 20 employees to take on interns from vocational schools to account for a minimum of 5% and a maximum of 10% of employees. Pupils attending 10th, 11th and 12th grades receive theoretical and practical education in school two days per week and training in enterprises for the remaining three days. Pupils attending the Anatolian Vocational High School on Hotel Management and Tourism receive school-based education and training for a six-month period (October–March) and enterprise-based skill training for a six-month period (April–September) (Kavak et al., 2009).

Furthermore, not-for-profit organisations, such as the Bursa Education Promotion Foundation, the Coskunoz Training Foundation and the Elginkan Foundation Vocational and Technical Training Centres, offer free vocational training in their own premises to high-school graduates and the unemployed. Some businesses also allocate resources to support student internship schemes. Thus, Koç Holding in 2006 provided some 8,000 vocational school students from 262 schools in 81 provinces with internship-aided scholarships, as well as mentoring and personal development opportunities. Some VET programmes in Turkey are offered within the framework of active labour market measures for the unemployed. These are organised by the Turkish Employment Agency but delivered by external providers, usually education institutions. In 2009, internships were introduced as a new type of active labour market programme but on a very limited scale (Majcher-Teleon, 2010).

**Apprenticeship schemes**

Apprenticeships, or dual programmes allow students to get a job in an enterprise and to alternate periods of studying in a school environment with periods of learning in the workplace. This offers another modality for cooperation between education and business, which can make learning outcomes more beneficial for both individual learners (enhancing their employability) and for society at large (a better match between skills supply and demand).

Classical dual VET programmes exist in a structured, country-wide format only in Turkey and Croatia. In Turkey, apprenticeship has a centuries-long tradition and is regulated by the Vocational Education Law (amended in 2001), which covers the status of apprentices, contractual arrangements, work hours and conditions, social security and remuneration. Apprenticeship schemes in Turkey fall outside the formal education system and are delivered through a network of 313 Vocational Training Centres. Currently, the centres offer free training in 165 vocations to around 180,000 apprentices (Majcher-Teleon, 2010).

Apprentices, who have completed primary education, spend four days a week in the workplace and one day a week in the nearest vocational training centre. Companies pay apprentices one-third of the minimum wage and their insurance and social contributions are paid by the state. Enterprises receive no incentives for being involved in the dual training schemes but are legally obliged to provide training places. However, they do also have a genuine interest in contributing to the training of the younger generation (or a sense of moral obligation). The scheme currently includes mainly public enterprises, larger private companies and more traditional craft and artisan guilds. Data show that only 10% of former apprentices are unemployed and 90% of them manage to start their own businesses (Majcher-Teleon, 2010).

After a period of school-based VET provision during the era of the SFRY, the dual system was reintroduced into Croatia in 1995 (in 19 schools and for 24 occupations). Under Croatian law, the Ministry of Crafts and Small and Medium-Sized Enterprises, the Ministry of Education and Sport, and the Chamber of Crafts are responsible for the dual vocational training system. Since 1995, the number of new dual training programmes and apprenticeships has been increasing, although they still only cover 61 craft professions out of the approximately 320 professions, and overall enrolment represents only a small percentage (under 10%) of all secondary vocational students.

Albania and the former Yugoslav Republic of Macedonia lack the necessary legal framework for apprenticeship learning. However, donors, including the Swiss Development Cooperation, GTZ (Germany) and KulturKontakt (Austria), have carried out pilot projects combining theoretical and practical learning in both school workshops and businesses. For example, the Swiss-funded AlbVET project in Albania is testing informal apprenticeships in craft areas, such as bakery, hairdressing and traditional handicrafts. The experience gained could eventually serve as a model for the whole country. A similar pilot project supported by GTZ took place in the former Yugoslav Republic of Macedonia from 2000 to 2006 with the aim of reforming the three-year VET stream in the machine engineering, auto-traffic and electro-technical occupations. The model involved the introduction of a new curriculum with a ratio of 25% general education, 25% vocational-theoretical subjects, 25% school-based practical training, and 25%
company-based training. Since 2008, the VET Centre in Skopje has been proposing to mainstream this model (with slight modifications), but the Ministry of Education has not yet decided, mainly because of the difficulty of finding practical training providers (Zelloth, 2010).

Montenegro made an unsuccessful attempt to mainstream the apprenticeship model by introducing the relevant legal provisions in the Law on Vocational Education (2003). The scheme was piloted between 2004 and 2006 in two occupations: hairdresser and vehicle mechanic. Despite the initial interest at the beginning of the pilot, the scheme proved to be unattractive to both employers and students and was discontinued in 2006. The legal framework was abolished in amendments to the Law on Vocational Education dated July 2010. Two of the main reasons for the failure of this attempt to establish a new modality of education and business cooperation in Montenegro were the heavy administrative and financial overhead of the dual system (apprentices have full labour and related rights) and the lack of a tradition of enterprise-based VET (Petkova, 2010).

Training of trainers

A further indication of fruitful cooperation would be joint investment in the initial preparation or in-service development of teachers and trainers. However, the country reports have not shown any evidence of such joint cooperation, with the implication that the training of teachers and trainers remains largely the responsibility of the higher education sector. At the same time, however, teachers and trainers are seen as key actors in promoting cooperation at institutional level. The ETF peer learning report highlighted ‘the role played by a new cadre of teachers appointed in both Albanian and Turkish vocational schools, with specific responsibility for strengthening links between schools and enterprises’ (Sultana, 2008, p. 37) – a role that also includes career guidance.

5.1.4 Policy monitoring and evaluation

The country reports have found little information on systems for monitoring and evaluating cooperation at national, meso or local levels. Such activity is a necessary development if the countries are to monitor the efficiency and effectiveness of their policy initiatives and learn policy lessons.

5.2 Institutional capacity for cooperation

Despite the existence of a legal basis for dialogue and the presence of structures and opportunities for partnerships, the limited capacity of the representatives of education and business to connect and work together has a detrimental effect on cooperation. In some instances, there is a need to build mutual trust and the confidence that partnerships could really work in a mutually beneficial way. The generic skills needed to create and support partnerships (negotiating, leadership, problem-solving and conflict resolution) are also lacking. The ETF peer learning report noted the signs of a growing demand among vocational school managers for closer links between schools and the labour market ‘in response to the specific needs of the student population and the surrounding community’ (Sultana, 2008, p. 35). However, these demands were not necessarily accompanied by regulatory support or other mechanisms that could build effective capacity among school principals.

The capacities of the education participants are insufficiently developed due, on the one hand, to the overarching and overriding reforms that have resulted in a newly established, still fragile and inexperienced institutional setting with an administrative capacity in need of an overhaul. On the other hand, the region is strongly influenced by foreign donor interventions and has become dependent on external technical assistance. This has caused countries to rely much less on their own potential and capacity to design new systems and make change happen.

With the skills issue at the heart of school/university-enterprise interactions, the ability of businesses to articulate their demands and support the education system is of crucial importance for effective and beneficial cooperation between the two sectors. The economies in the Western Balkans and Turkey are, however, dominated by SMEs (a great many of which are family-based). This means that companies often have only limited awareness of their skills needs, extremely limited resources for investing in training and, last but not least, often appear uninterested in expanding their business.

Employers’ organisations are equally ill-prepared for dialogue with the education sector. Discussions on overall skills needs, standards, curricula, qualifications and training delivery are new topics for many Western Balkan employers and they often lack the technical expertise (knowledge and skills) needed to deliver. The low level of exposure to international good practices through membership in European associations and networks, such as BusinessEurope or UEAPME (where only Turkey, Croatia and Montenegro are represented), further adds to the problem of finding an appropriate solution.

Moreover, employers’ organisations are usually based in the capital and in the larger cities, and represent to a much lesser extent businesses operating in rural areas. Agriculture continues to play a significant role in the economies of Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia. The small size and the informality of companies across the region is another impediment to cooperation, especially with respect to apprenticeships and on-the-job training. Thus, although goodwill and readiness to cooperate may be available, the results are often modest in extent and quality.

Summary: Education and business cooperation in the Western Balkans and Turkey is seen as a way for education to better respond to labour market requirements, but its potential is underused. Although employers may make some contribution to the elaboration of curricula and standards, enrolment planning and the development of new teaching methods and NQFs, their involvement is either sporadic or something of a formality. As a result it has not yet delivered much towards resolving regional skills mismatches. The transfer of knowledge between education and business, the
generation of new knowledge through joint research and development projects and the conversion of such projects into drivers of economic productivity and growth represents a new area that has just begun to gain ground in the region and needs further encouragement. The policy development process associated with the Small Business Act for Europe, including the commonly agreed indicator package for entrepreneurial learning and the promotion of enterprise skills, provides for a more systematic engagement of education services and the private sector in addressing the region’s human capital challenges. Jointly organised education programmes (internships, apprenticeships) have limited coverage in the Western Balkans and in Turkey apprenticeships follow traditional models and have to contend with an unattractive image. In general, cooperation continues to be strongly donor driven (except in Turkey and Croatia), with pilot measures prevailing over systemic ones and limited domestic capacity for scaling-up and mainstreaming good practices.

6. THE RELEVANCE OF EUROPEAN POLICIES

EU accession is a common policy anchor for Turkey and the countries of the Western Balkans. Prospective EU membership, their central, overriding priority, shapes national policy agendas. Firm commitment to the EU accession process has, to date, been the major vehicle for change in education and training, research and development and the economy as a whole.

In the past decade, the candidate and potential candidate countries have been investing a great deal of effort in aligning their policies and practices with European standards in the education and economy sectors and in trying to follow and address all new EU developments in these areas. As mentioned above, the countries in the region have been involved in the Bologna Process and this has contributed – with assistance from the EU Tempus programme – to building the European Higher Education Area and the European Research Area.

In a similar manner, the Copenhagen Process has inspired these countries to modernise their VET systems, mainly through the adoption of the Copenhagen reference tools (for example, the European Qualifications Framework and the European Credit System for VET). With the technical and financial assistance of the EU Member States and the Instrument for Pre-accession Assistance, they have been also been engaging with other EU policy lines, such as the lifelong learning perspective, key competences, and the European SME Charter.

Furthermore, the candidate countries have been more closely integrated into the Open Method of Coordination and various Community actions. Turkey and Croatia took part in the Education and Training 2010 Work Programme Coordination Group and developed action plans for meeting its benchmarks. Turkey participates in the 7th Framework Programme for Research and Technological Development and the Lifelong Learning programme (2007–13). The former Yugoslav Republic of Macedonia and Croatia are preparing to join the Lifelong Learning programme. Turkey is also involved in the Competitiveness and Innovation Framework Programme. Croatia is also associated with that programme, and the former Yugoslav Republic of Macedonia has joined one of its pillars.

Against this background of involvement of candidate and potential candidate countries in EU policy debate and actions, there remains little doubt about the relevance of priorities for education and business cooperation as outlined in the European Commission’s latest strategic documents and papers: Europe 2020; New Skills for New Jobs: Anticipating and Matching Labour Market and Skill Needs (European Commission, 2010b); Education and Training 2020; A New Impetus for European Cooperation in Vocational Education and Training to Support the Europe 2020 Strategy (European Commission, 2010a); Conclusions of the Council and the Representatives of the Governments of the Member States on enhancing partnerships between education and training institutions and social partners, in particular employers, in the context of lifelong learning (Council of the European Union, 2009); A New Partnership for the Modernisation of Universities: the EU Forum for University-Business Dialogue (European Union, 2009).

6.1 Higher education and post-secondary VET

The key EU messages regarding university-business dialogue and cooperation identified in the above documents and papers are:

- new curricula for employability;
- fostering entrepreneurship;
- knowledge transfer;
- mobility of students and academic staff;
- opening up of universities to lifelong learning;
- better governance of universities.

The ETF Education and Business Country Reports suggest that higher education institutions in the Western Balkans and Turkey are making good progress in promoting entrepreneurial learning and internships in companies by involving employers in the redesign of curricula. Where these countries are lagging behind is in the integration of representatives from the world of work in the governance of higher education institutions, in business-related research and innovation, in and transfer of knowledge to enterprises. Universities also need to open up to the provision of lifelong learning opportunities.

6.2 Vocational education and training

The recent EU recommendations for promoting closer cooperation with employers relate to the:
development and improvement of economic and labour market forecasting, with a particular focus on trends in skills and human resources requirements at national and regional levels;

- implementation of common European tools (especially the recommendation on key competences for lifelong learning, the European Qualifications Framework, common principles for the recognition of prior learning, credit systems and quality assurance tools), and the implementation of national lifelong learning strategies;

- implementation of school-enterprise partnerships;

- development of target-specific models of cooperation between adult education and training institutions and employers aimed at helping the low-skilled into sustainable employment through lifelong learning.

Many EU concepts, such as lifelong learning, skills needs assessment, skills matching and anticipation, NQFs, employability, and school-to-work transitions, have been adopted and widely used in national VET policies and strategies in the region. However, there is still a wide gap between the commitments made on paper and delivery in practice. Moreover, greater employer involvement in the strategic planning, monitoring and evaluation of VET is needed in terms of both quantity and quality.

Summary: Policies of the EU and its Member States have served as a frame of reference and a benchmark for the efforts that the region has invested in, bringing education and business closer together, but there is still room for significant improvement as regards the implementation, monitoring and evaluation of the strategic commitments made on paper.

7. THE CHALLENGES FACING EDUCATION AND BUSINESS COOPERATION

The challenges facing cooperation between the business sector, VET and higher education, as analysed in this report, are discussed below. The discussion has been organised around the phases of the policy cycle.

7.1 Policy formulation

In the context of policy formulation and the governance of education and training in the Western Balkans and Turkey, cooperation has made substantial progress in the last decade. However, there are still serious challenges that must be overcome.

Higher education has just begun to involve businesses in the governance of its institutions (universities and faculties). The momentum gained within the Bologna Process reforms should be sustained and further reinforced. Reforms are often blocked by the universities’ codes, which may not allow for the involvement of representatives from outside academia. This institutional reluctance to change is underpinned by the persistence of a strong perception of the university as an institution whose task is to generate knowledge and a conviction that the application of such knowledge is a secondary consideration or entirely irrelevant. Efforts are needed to overcome this mindset and to establish governance mechanisms that will allow universities to better serve the needs of the labour market, their communities and society at large.

Governance of the VET subsystem has shifted away from the rigid, state-dominated model of the past to embrace social partnership as a guiding principle of its new architecture. A number of different platforms for structured dialogue with social partners in the Western Balkans and Turkey have been established or enhanced, but their composition, proceedings and impact on the overall VET policy-making cycle still requires improvement.

Since the advisory bodies tend to be established, financed and administered by the government, they appear to be state-driven and led, a situation that leaves employers feeling marginalised or undervalued. The agenda of these bodies is driven by public administrative priorities and interests and they are not always convened at regular intervals. The new governance models have been set up mainly at macro (systemic) level, while much less has been done at micro (school) level. In addition, the lack of skills, capacities, and sometimes even of genuine interest on the part of both government representatives and (new) employers undermines the quality of outputs from the consultations and thus compromises the entire process of joint planning and policy formulation. By and large, although well institutionalised, the participation of employers from the Western Balkans and Turkey in defining policies, setting priorities and planning education and training and research and development activities has yet to become systematic, comprehensive and effective.

7.2 Policy adoption

The existing consultation and exchange of opinions in VET at the national level has little real impact on legislation and policy frameworks. In spite of the rhetoric, education and training in the region continues to be considered mainly a responsibility of ‘the state’. Governments are traditionally not prepared to relinquish a share of their decision-making powers to social partners, and social partners are, in the current situation, neither prepared nor keen to assume greater ownership over the whole process.

Consultative partnerships in VET (partnerships formed to receive input on policy change or to gather ideas for future policies) prevail over collaborative ones (partnerships formed to share resources, risks and decision making). Partnerships at local and institutional levels still tend to be sporadic and opportunistic, rather than systematic and strategic. Employers in the Western Balkans are often perceived as being quick to criticise the education sector for failing to deliver the skills needed by the labour market but, at the same time, reluctant to support its reform in the belief that this responsibility lies almost exclusively with the state (Holmes et al., 2010; Klenha, 2010b; Petkova, 2010; Nikolovska, 2010; Van-Meel, 2010).
Employers are also perceived as being keener to see what they can gain from their involvement with schools (for example, cheap labour from apprenticed students, identifying potential employees) rather than what they can offer to schools in terms of equipment, knowledge transfer and so on (Sultana, 2008).

Last but not least, while examples of good practice in joint decision making and delivery involving the education and business sectors do exist in the region, there are still no mechanisms to identify, share, sustain and mainstream such practice through appropriate legal, policy or institutional assessment. Likewise, professional networks, communities and other frameworks for professional exchange of experience and mutual learning are still missing.

7.3 Policy in action

7.3.1 Qualifications developments: joint curriculum and study programme

The involvement of businesses in higher education study programmes design is embryonic, intermittent and primarily donor driven. However, since there is no alternative to tuning university studies to labour markets, the joint development of study programmes that promote graduate employability is of common interest. Nevertheless, awareness of these common benefits appears to be lacking or has not yet reached a critical mass in the Western Balkans and Turkey. Universities find it difficult to attract employers and employer organisations to participate in joint work and initiatives. Enterprises, and in particular SMEs, have short-term market goals.

Universities, on the other hand, are much more oriented to long term objectives and are interested in fundamental research in general, but they have very little entrepreneurial spirit because their institutional environment does not require it.

Companies from the region, on the other hand, often complain that university curricula are too theoretical, too academic and insufficiently oriented towards professional practice and experience. They need to take one more step and commit themselves to helping higher education institutions deliver more relevant education to their students. Closer cooperation between universities and enterprises on study programmes is a powerful tool in this respect. Dialogue with employers will also help universities from the Western Balkans and Turkey to allocate more time in their curricula to the soft skills that are in demand in the region’s labour markets, such as communication, teamwork, an entrepreneurial mindset, leadership, creativity, problem-solving, decision making and flexibility.

The need to involve employers in the revision and design of VET curricula has been broadly recognised across the region (with the exception of Albania), and pertinent structures for dialogue and cooperation have been established. The ETF Education and Business Reports have found, however, that the existing mechanisms and procedures ensure only scant input from employers (with the exception of Croatia and Turkey) because only government experts and officials work on the drafts and they outnumber the social partner representatives during voting. This situation makes consultation essentially a formality. The real challenge now is to improve the process and its outcomes.

Finally, joint delivery is lacking in both higher education and VET. The involvement of practitioners such as vocational and university teachers in the Western Balkans and Turkey is almost non-existent or very limited and needs promotion.

7.3.2 Technological innovation and research

The level of awareness of the general public, policy-makers and industry across the region concerning the role of innovation in economic growth and competitiveness remains low. Domestic demand for research and development is also low, and the private sector is still weak. The proliferation of micro and small businesses, operating in traditional industries with low capacity to absorb innovation, adds further complexity to the demand for innovation to be generated by the higher education system.

The supply side of research and development capacities in the Western Balkans has been severely underfunded and undermined during the transition period. As already mentioned, the universities in the region lack an entrepreneurial culture, customer focus and business-like behaviour, and thus fail to detect and take into consideration the requirements of the local economy.

There are few intermediary structures and platforms supporting the industrial application and transfer of knowledge between the weak demand and the frail supply system. Personal contacts rather than institutional policies seem to have been the best guarantee for success and sustainability of the joint initiatives implemented to date.

7.3.3 Jointly organised learning opportunities

The ETF Education and Business Reports have identified internships and apprenticeships as the major modalities for jointly organised learning opportunities in the Western Balkans and Turkey. These seem to be better developed and more widely used in the countries with a longer tradition of work-based vocational learning, namely Croatia and Turkey. The region as a whole, however, needs better regulation of the status of interns and apprentices. The internship infrastructure that connects universities and vocational schools with public and private sector companies and entities is either lacking or in need of reinforcement.

Apprenticeship schemes also face serious problems in attracting students and going beyond the traditional craft professions (Croatia). In Turkey, apprenticeship is perceived as a low status alternative and a last resort for school dropouts and students from the lower socio-economic groups. The lack of pathways to higher education after apprenticeship further contributes to the unattractive image and limited coverage of such training (Vos and Unluhisarcikli, 2009).

Another major problem with the otherwise well developed and established apprenticeship system in Turkey is that a great many employers are not
enthusiastic about it, preferring to employ young trainees informally. According to some estimates (Vos and Unluhisarcıcli, 2009) the number of informal, unregistered apprentices in Istanbul, for example, is 10 times higher than that of formal or registered ones.

There are serious concerns over the quality of both internships and apprenticeships across the region and no monitoring or evaluation systems exist to date.

7.4 Institutional capacity for cooperation

The lack of capacity on the part of both the education and business participants to involve themselves in partnerships is not conducive to cooperation between these two sectors. The private sector is primarily made up of micro and small businesses, most of which are newly established and have low potential for growth and expansion. These enterprises tend, therefore, to be primarily concerned with their core activities and have scant resources to allocate to cooperation with the education sector.

Similarly, VET and higher education providers are neither in a position to respond more effectively to labour market needs and the skills demands of businesses nor, indeed, expected to do so. The current financing mechanisms and the external assessment and accreditation procedures for education providers do not reward or even distinguish those institutions that enhance the quality of their education and training through dialogue and joint activities with businesses. Likewise, involvement with technological innovation and transfer of knowledge to industry is not encouraged and does not contribute to the academic advancement of university professors because the assessment of their scientific output tends to be based on the publication of academic papers.

8. RECOMMENDATIONS FOR COOPERATION IN EDUCATION AND BUSINESS

The recommendations of this report seek to outline policy development measures and tools that will enhance education and business cooperation in the Western Balkans and Turkey. They have been ordered in the following section according to the different phases of the policy cycle and its institutional capacity. While these recommendations are directed primarily at the region’s policy-makers, they could also benefit education providers, business actors and the donor community.

8.1 Policy formulation

The key message in this area is that the procedures for policy formulation and decision making should be made more transparent and include accountability. The process should also be opened up to inputs from social partners and should ensure that these inputs are properly taken into account. The further development of policy support tools which prompt direct engagement between education and business as used within the Small Business Act policy index should also be considered at all levels (local, regional and national).

Employer involvement on an equal footing in policy formulation and governance is needed not only at the macro level of national VET and higher education systems, but also at the level of education providers. Drawing up the relevant regulations and the integration of employers into university, faculty and school governing boards is highly recommended.

At regional level, platforms should be set up to foster policy learning and the exchange of cooperation experiences. This will complement activities at the national level and provide opportunities for improved efficiency through economy of scale.

8.2 Policy adoption

Cooperation between the worlds of work and education in the region should go beyond the policy formulation phase into policy implementation, monitoring and evaluation. Patterns of joint decision making are lacking across the region and need to be fostered by the introduction of financial and non-financial incentives. These should include shared responsibility for both the planning and implementation of education and training and for monitoring its outcomes against strategic priorities.

Collaborative, action-oriented partnerships with businesses at provider level (university, faculty, school, training centre) should be strengthened. One very important – and undervalued – tool for change is the establishment of mechanisms and platforms for reflection on examples of good practice in cooperation between education and business and in the dissemination and multiplication of these practices.

8.3 Policy in action

8.3.1 Qualifications developments: joint curriculum and study programme

Higher education systems across the region are still resistant to opening up their study programmes and teaching to the world of work, and businesses are not sufficiently motivated to become involved. Therefore, awareness-raising among key stakeholders (higher education institutions, businesses and students) about the benefits of tuning the design and delivery of study programmes to the labour market is needed in addition to the introduction of relevant incentives.

The creation of sectoral skills councils (with the participation of industry representatives) to develop curricula might be useful in the field of VET provided that the entire process is based on regular skills needs analysis and is embedded in the national qualifications frameworks. Horizontal support for the promotion of transferable, sector-nonspecific ‘soft’ skills should also be ensured.
National legal frameworks need to be reviewed and adapted to allow mobility of staff between the worlds of education and work. University and vocational school teachers should be able to spend periods of secondment in companies and company representatives should also be able to teach in schools and universities.

8.3.2 Technological innovation and research

There is a clear need for the region, particularly in the current situation of economic deceleration and recession, to shift from the previous growth model based on the inflow of foreign direct investments to a new growth pattern relying on home-grown determinants, such as innovation, productivity and knowledge intensity. The demand of the region’s economies for innovation should be reinforced and the innovation capabilities of companies should be strengthened (through measures such as venture capital, business angels, tax incentives for innovative start-ups, etc.).

The entrepreneurial culture and behaviour of universities need to be nurtured and stimulated through training and mentoring in business planning, the commercialisation of products and services, intellectual property rights, and management. Measures to facilitate spin-off formations are also important.

Well-thought-out and relevant incentives (based on consultations with stakeholders) for universities (for example, accreditation procedures and funding schemes for higher education institutions) and businesses (for example, tax breaks) should be introduced in order to boost joint research and the commercialisation of knowledge outputs. The establishment of intermediary structures and platforms to facilitate links and knowledge transfer between higher education and industry (triple helix models, technology parks, networks and clusters) is the next step that should be considered.

8.3.3 Jointly organised learning opportunities

The regulatory framework for internships, apprenticeships and staff secondment (relating to conclusion of agreements and contracts, safety and insurance of interns, secondments of VET and university teachers in companies, etc.) should be reviewed and legal or institutional barriers removed or proper enabling provisions put in place. Control over the quality of internships and apprenticeships and the regular monitoring and evaluation of such arrangements is another important dimension that should be taken into consideration and integrated into the design of the schemes from the outset.

To make internships available on a regular basis in the region, two strands of measures should be undertaken:

(i) make internships an integral part of VET curricula and higher education study programmes, and
(ii) introduce tax breaks and other incentives to interest companies in taking on interns.

Internships and apprenticeships in the Western Balkans and Turkey need to be made more attractive to students and employers. They also need to be enriched and overhauled with the addition of innovative new components, such as information and communication technology training internships in enterprises or virtual mobility to complement the physical mobility of students and teachers.

8.4 Institutional capacity for cooperation

Given the limited capacities of both sectors for cooperation, immediate action for training key actors (giving priority to employers, school principals and university rectors or deans) should be undertaken. Such training should develop the participants’ skills for negotiating, agreeing, developing and managing partnerships. The employers’ capacities for participating and contributing to expert discussions on skills and training needs analysis, qualifications, curricula, teaching and learning methods, etc., should also be improved.

Tools (networking, virtual platforms, etc.) for horizontal analysis, discussion and sharing of good practice examples (with particular focus on home-grown initiatives) are in high demand throughout the whole region and efforts should be made to foster their multiplication and mainstreaming.

Last, but not least, the region (potential candidates, in particular) should be involved in closer cooperation with the relevant EU networks, programmes and activities in education and business cooperation in order to strengthen and reinvigorate regional partnerships.

BIBLIOGRAPHY


EESC (European Economic and Social Committee), ‘Opinion of the European Economic and Social Committee on partnerships between education establishments and employers (Exploratory opinion)’, *Official Journal of the European Communities*, 2009/C 228/02.


ANNEX

TABLE 1: POPULATION AND GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Population in 2008 (million)</th>
<th>GDP per capita (current US dollar)</th>
<th>GDP per capita*</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>3.1</td>
<td>2007 2008 2009 2007 2008 2009</td>
<td>6 811.2 7 228.9 7 359.9</td>
</tr>
<tr>
<td>AL</td>
<td>3.1</td>
<td>3 458.6 4 075.3 3 750.4</td>
<td>6 811.2 7 228.9 7 359.9</td>
</tr>
<tr>
<td>BA</td>
<td>3.8</td>
<td>4 030.1 4903.3 4 545.8</td>
<td>7 161.2 7 559.9 7 315.5</td>
</tr>
<tr>
<td>HR</td>
<td>4.4**</td>
<td>13 200.7 15 636.6 14 222.4 16 814.4</td>
<td>17 218.8 16 227.4</td>
</tr>
<tr>
<td>XK</td>
<td>1.8**</td>
<td>2 619.5 3 155.6 2 965.1</td>
<td>m.d. m.d. m.d.</td>
</tr>
<tr>
<td>MK</td>
<td>2.0</td>
<td>3 883.3 4 662.5 4 514.6</td>
<td>8 411.5 8 808.8 8 742.2</td>
</tr>
<tr>
<td>ME</td>
<td>0.62</td>
<td>5 908.5 7 262.4 6 545.6</td>
<td>9 996.4 10 662.1 9 882.2</td>
</tr>
<tr>
<td>RS</td>
<td>7.4</td>
<td>5 335.6 6 646.9 5 819.0</td>
<td>9 654.7 10 229.2 9 973.9</td>
</tr>
<tr>
<td>TR</td>
<td>73.9</td>
<td>8 864.9 9 880.9 8 248.2</td>
<td>11 973.2 11 903.6 11 202.4</td>
</tr>
</tbody>
</table>

m.d. indicates missing data.

* Expressed in purchasing power parity, constant 2005 international dollars.

**2009 data

Source: World Development Indicators
### TABLE 2: GDP BY MAIN SECTORS (%), 2008

<table>
<thead>
<tr>
<th>Sector</th>
<th>EU 27</th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1.8</td>
<td>20.8</td>
<td>9.1</td>
<td>6.4</td>
<td>m.d.</td>
<td>11.6</td>
<td>8.8</td>
<td>13.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Industry</td>
<td>26.4</td>
<td>19.6</td>
<td>28.5</td>
<td>38.5</td>
<td>m.d.</td>
<td>29.8</td>
<td>17.8</td>
<td>28.4</td>
<td>27.2</td>
</tr>
<tr>
<td>Services</td>
<td>71.8</td>
<td>59.6</td>
<td>62.4</td>
<td>55.1</td>
<td>m.d.</td>
<td>58.6</td>
<td>73.4</td>
<td>58.6</td>
<td>64.3</td>
</tr>
</tbody>
</table>

Sources: EU-27, HR, MK and TR: Eurostat - on line database. AL, BA, ME and RS: World Development Indicators; m.d. indicates missing data.

### TABLE 3: LABOUR MARKET INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>EU 27</th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity rates</strong></td>
<td>71.0</td>
<td>61.9</td>
<td>43.6</td>
<td>62.4</td>
<td>46.0</td>
<td>64.0</td>
<td>60.3</td>
<td>60.5</td>
<td>50.8</td>
</tr>
<tr>
<td><strong>Employment rate</strong></td>
<td>64.6</td>
<td>53.8</td>
<td>40.1</td>
<td>56.6</td>
<td>21.8</td>
<td>43.3</td>
<td>48.8</td>
<td>50.0</td>
<td>44.3</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>9.3</td>
<td>13.0</td>
<td>24.1</td>
<td>9.3</td>
<td>47.5</td>
<td>32.4</td>
<td>19.1</td>
<td>19.7</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Sources: EU-27, HR, MK and TR: Eurostat Databases; AL, BA, XK and ME: Labour Force Survey.

### TABLE 4: GLOBAL COMPETITIVENESS INDEXES, 2009 AND 2010

<table>
<thead>
<tr>
<th></th>
<th>EU 27</th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ranking 2010</strong></td>
<td>88</td>
<td>102</td>
<td>77</td>
<td>m.d.</td>
<td>79</td>
<td>49</td>
<td>96</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>(out of 139 countries)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ranking 2009</strong></td>
<td>96</td>
<td>109</td>
<td>72</td>
<td>m.d.</td>
<td>84</td>
<td>62</td>
<td>93</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>(out of 133 countries)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: WEF (2009, 2010); m.d. indicates missing data.
## TABLE 5: RESEARCH AND DEVELOPMENT EXPENDITURE AS PERCENTAGE OF GDP, 2007

<table>
<thead>
<tr>
<th></th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenditure (% GDP)</td>
<td>m.d.</td>
<td>0.03</td>
<td>0.9</td>
<td>m.d.</td>
<td>0.18 (A)</td>
<td>1.2</td>
<td>0.3</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Sources: World Development Indicators; (A) – State Statistical Office of MK; m.d. indicates missing data.

## TABLE 6: OUTPUT OF RESEARCH AND DEVELOPMENT SYSTEMS, 2007

<table>
<thead>
<tr>
<th></th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total royalty payments and receipts (USD per capita) 2007</td>
<td>2.36</td>
<td>m.d.</td>
<td>57.03</td>
<td>m.d.</td>
<td>5.61</td>
<td>m.d.</td>
<td>m.d.</td>
<td>4.96</td>
</tr>
<tr>
<td>Patents granted by USPTO* (per million population) annual average 2003–07</td>
<td>0</td>
<td>0</td>
<td>2.88</td>
<td>m.d.</td>
<td>0.10</td>
<td>m.d.</td>
<td>0.19</td>
<td>0.31</td>
</tr>
</tbody>
</table>

Source: World Bank, KAM database; m.d. indicates missing data.


## TABLE 7: KNOWLEDGE ECONOMY INDICES, 2009

<table>
<thead>
<tr>
<th></th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge economy index (score)</td>
<td>3.96</td>
<td>4.58</td>
<td>7.28</td>
<td>m.d.</td>
<td>5.58</td>
<td>m.d.</td>
<td>5.74</td>
<td>5.55</td>
</tr>
<tr>
<td>Knowledge economy index (rank)</td>
<td>93</td>
<td>79</td>
<td>40</td>
<td>m.d.</td>
<td>58</td>
<td>m.d.</td>
<td>53</td>
<td>61</td>
</tr>
</tbody>
</table>

Sources: World Bank, KAM 2009; index scores range from 0 to 10, 10 being the highest rate; ranks show the position in a group of 145 countries reviewed; m.d. indicates missing data.

## TABLE 8: UNIVERSITY-ENTERPRISE RESEARCH COLLABORATION, 2008

<table>
<thead>
<tr>
<th></th>
<th>AL</th>
<th>BA</th>
<th>HR</th>
<th>XK</th>
<th>MK</th>
<th>ME</th>
<th>RS</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>University-enterprise research collaboration, actual values (scale of 1-7)</td>
<td>1.9</td>
<td>2.30</td>
<td>3.60</td>
<td>m.d.</td>
<td>2.90</td>
<td>m.d.</td>
<td>3.30</td>
<td>3.40</td>
</tr>
<tr>
<td>University-enterprise research collaboration, normalized values (scale of 1-10)</td>
<td>0.16</td>
<td>0.88</td>
<td>6.80</td>
<td>m.d.</td>
<td>3.36</td>
<td>m.d.</td>
<td>5.44</td>
<td>5.76</td>
</tr>
</tbody>
</table>

Source: World Bank, KAM database, November 2010; 1 = minimal or non-existent cooperation; 7 = intensive and ongoing cooperation; m.d. indicates missing data.
<table>
<thead>
<tr>
<th>Relevant national legislation in the fields of:</th>
<th>Relevant decision-making bodies at the level of central government</th>
<th>Relevant multi-stakeholder* advisory bodies at national/regional/sectoral level</th>
<th>Most representative national employers’ organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, science and technology, research and development</td>
<td>Employment Promotion (2005)</td>
<td>Ministries responsible for education, science, labour, economy, regional development</td>
<td>National Labour Council (tripartite)</td>
</tr>
<tr>
<td></td>
<td>National Agency for VET</td>
<td>Albanian Qualifications Framework Council (employers not involved)</td>
<td>Albanian Confederation of Industrialists (KISH)</td>
</tr>
<tr>
<td></td>
<td>National Employment Service</td>
<td></td>
<td>Albanian Builders’ Association (SHNSH)</td>
</tr>
<tr>
<td></td>
<td>SME Development Agency</td>
<td></td>
<td>Union of Chambers of Commerce and Industry of Albania (UCCIAL)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BA</td>
<td>Framework law on secondary VET (2008)</td>
<td>No framework labour law at state level</td>
<td>Science Councils at state and entity levels</td>
</tr>
<tr>
<td></td>
<td>Framework law on Higher Education (2007)</td>
<td>Labour Code (1999) for FBiH</td>
<td>Pilot VET Advisory Councils at State level were established under a EU funded VET project, none is currently operational</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Labour law (2000) and Employment act (2000) for Republic of Srpska</td>
<td>Social and Economic Council (Republic of Srpska)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Labour Code (2000) for Brcko district</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agency for the Development of Higher Education and Quality Assurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agency for Preschool, Primary and Secondary Education (including a VET department)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Labour and Employment Agency</td>
<td></td>
</tr>
</tbody>
</table>

*In this context this includes representatives from the world of education and work.
<table>
<thead>
<tr>
<th>Relevant national legislation in the fields of:</th>
<th>Relevant decision-making bodies at the level of central government</th>
<th>Relevant multi-stakeholder’s advisory bodies at national/regional/sectoral level</th>
<th>Most representative national employers’ organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, science and technology, research and development</td>
<td>Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Act on Scientific Activity and Higher Education (2003)</td>
<td></td>
<td>Agency for Science and Higher Education</td>
</tr>
<tr>
<td></td>
<td>(currently under revision)</td>
<td></td>
<td>Agency for VET and Adult Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Innovation Center of Croatia (BICRO)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Croatian Institute for Technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>National Foundation for Science, Higher Education and Technological Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Agency for SME Support</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Croatian Employment Service</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Relevant national legislation in the fields of:

<table>
<thead>
<tr>
<th>Education, science and technology, research and development</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law on Higher Education (2008)</td>
<td></td>
</tr>
<tr>
<td>Law on Scientific and Research Activities (2008)</td>
<td></td>
</tr>
<tr>
<td>Law on Encouraging and Supporting the Technological Development (2008)</td>
<td></td>
</tr>
</tbody>
</table>

### Relevant decision-making bodies at the level of central government

<table>
<thead>
<tr>
<th>Ministries responsible for education, science, labour, economy, regional development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency for Evaluation of Higher Education</td>
</tr>
<tr>
<td>VET Centre</td>
</tr>
<tr>
<td>Adult Education Centre</td>
</tr>
<tr>
<td>Agency for Promotion of Entrepreneurship</td>
</tr>
<tr>
<td>Employment Service Agency</td>
</tr>
</tbody>
</table>

### Relevant multi-stakeholder’s advisory bodies at national/regional/sectoral level

<table>
<thead>
<tr>
<th>Economic and Social Council (tripartite)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Entrepreneurship and Competitiveness Council (comprises representatives from the government and industry; established with USAID support, problematic sustainability following the end of donor funding)</td>
</tr>
<tr>
<td>National Committee for Development of Scientific Research and Technological Development (advisory body of the government; comprises scientists/researchers and the Minister of Education and Science)</td>
</tr>
<tr>
<td>Commission for Technological Development (advisory body of the Ministry of Education and Science)</td>
</tr>
<tr>
<td>Council for Scientific Research (advisory body of the Ministry of Education and Science)</td>
</tr>
<tr>
<td>Higher Education Financing and Development Council (employers not involved)</td>
</tr>
<tr>
<td>VET Council (tripartite)</td>
</tr>
<tr>
<td>Adult Education Council (tripartite)</td>
</tr>
</tbody>
</table>

### Most representative national employers’ organisations

<table>
<thead>
<tr>
<th>Confederation of Employers of Republic of Macedonia (KERM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers’ Organisation of Macedonia (ORM)</td>
</tr>
<tr>
<td>Economic Chamber of Macedonia (SKM)</td>
</tr>
<tr>
<td>Union of Chambers of Commerce (SSK)</td>
</tr>
<tr>
<td>Kosovo Employers’ Confederation (KPK)</td>
</tr>
<tr>
<td>Kosovo Chamber of Commerce (OEK)</td>
</tr>
<tr>
<td>American Chamber of Commerce in Kosovo (OAK)</td>
</tr>
<tr>
<td>Alliance of Kosovar Businesses (AKB)</td>
</tr>
<tr>
<td>Union of Employers of Kosovo (UEK)</td>
</tr>
<tr>
<td>Women’s Business Association (SHE-ERA)</td>
</tr>
<tr>
<td>Relevant national legislation in the fields of:</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>Education, science and technology, research and development</strong></td>
</tr>
<tr>
<td>TR</td>
</tr>
</tbody>
</table>
LIST OF ACRONYMS AND ABBREVIATIONS

BICRO  Business Innovation Centre of Croatia
EBRD  European Bank for Reconstruction and Development
ETF  European Training Foundation
EU  European Union
GDP  Gross domestic product
GTZ  German Technical Cooperation
NQF  National Qualifications Framework
OECD  Organisation for Economic Co-operation and Development
R&D  Research and development
SFRY  Socialist Federal Republic of Yugoslavia
SME  Small and medium-sized enterprise
UNSCR  United Nations Security Council Resolution
USAID  United States Agency for International Development
VET  vocational education and training
WEF  World Economic Forum

LIST OF COUNTRY CODES

AL  Albania
BA  Bosnia and Herzegovina
HR  Croatia
XK*  Kosovo (under UNSCR 1244/1999)
MK**  The former Yugoslav Republic of Macedonia
ME  Montenegro
RS  Serbia
TR  Turkey

*This is a code used for practical reasons and not an official ISO country code.
**Provisional code that does not affect the definitive denomination of the country to be attributed after the conclusion of the negotiation currently taking place on this subject at the United Nations.
SOUTHERN AND EASTERN MEDITERRANEAN REGION

Gérard Mayen

1. INTRODUCTION

The impact of economic globalisation is becoming more and more noticeable in the partner countries of the European Training Foundation (ETF). Consequently, transition and developing countries on the borders of the European Union (EU) need to formulate and implement country-specific solutions to increase their economic competitiveness and workforce employability and to boost sustainable growth. Human capital development is a key tool in this context.

Education and training systems and the business sector worldwide are experimenting with new forms of cooperation in order to strengthen educational outcomes while making optimum use of the infrastructure and technological competence of enterprises, their resources, knowledge and the world-of-work learning environments they can provide. Questions remain concerning the systemic implications of such cooperation for education and training systems and the possible impacts at policy and implementation levels.

Social dialogue and partnership and civil society stakeholder involvement in national education and training councils can also make a useful contribution to the formulation and implementation of innovative policies in education and training. Cooperation between education and business in the partner countries must therefore be increased to provide better support for human capital development and the reform of education and training systems.

This report examines education and business cooperation in the Southern and Eastern Mediterranean region, an area comprising Egypt, Israel, Jordan, Lebanon, Morocco, the Occupied Palestinian Territories, Syria and Tunisia. The report reviews policies, approaches, examples of good practice and challenges to successful implementation in an attempt to capture the complexity of the regional picture. The examples provided are illustrative rather than exhaustive as our intention was to outline general trends and patterns. The paper is based on the findings of reports drawn up by the ETF on each of the countries and is part of an overall process of assessment that also covers the Enlargement and Eastern Neighbourhood regions and Central Asia, which was requested by the Directorate-General for Education and Culture of the European Commission. This report is the outcome of a collaborative effort with partner institutions from each of the countries that involved desk research, data analysis and a series of in-country meetings.

Some countries use the terms ‘public-private partnerships’ and ‘education and business cooperation’ interchangeably. In this chapter, we will consistently use the terms ‘education and business cooperation’ and ‘cooperation’ as defined in the general introduction to this cross-country report.

2. EXECUTIVE SUMMARY

The economies of the Southern and Eastern Mediterranean region are predominantly made up of small and medium-sized enterprises (SMEs) and micro businesses, with this sector accounting for more than 95% of businesses in some countries. They are also characterised by the existence of a sizeable informal sector. All the countries in the region are currently in the process of modernising their human resource development systems with a view to bringing them into line with national and global economic requirements.

The low level of salaries offered by the labour market, in particular for basic occupations, and the higher job security offered by the public sector, leads many families to opt for higher education rather than vocational education and training (VET) as they believe that higher education is more likely to lead to the desired white-collar jobs and public employment. However, the fact that many graduates are unemployed shows that higher education does not necessarily guarantee employment. In the same way, many employers see VET as lacking relevance and are therefore reluctant to recruit VET graduates. This has serious consequences for education and business cooperation, in particular in VET.

While many of these countries do have a number of multi-stakeholder platforms for policy discussions in their reform strategies, education and training systems throughout the region remain driven by public authorities, and in no case do private partners play a leading role in determining VET or higher education policy. In general, government actors can be reluctant to allow partners from the business world to assume greater responsibility for policy making. Only in a few countries is this the case to a certain extent in VET and less frequently in higher education, where academic studies continue to be held in high esteem.

Nonetheless, a policy drive prompted by the Euro-Mediterranean Charter for Enterprise, where all countries are participants within a regional monitoring process, demonstrates an increasing readiness to acknowledge the world of enterprise as a core partner in all education and training developments. Most of the countries do have some provision for education and business cooperation in their national policies.

Limited access to information and stakeholders in Algeria meant it has not been possible to undertake a proper analysis for this country.
cooperation in their legislation or strategies. However, even where this is the case, only very rarely are such legislation or strategies backed up by action plans or formal mechanisms for implementing and evaluating such cooperation.

Examples of both higher education and VET working with business exist in all of the countries. This kind of cooperation can take different forms and is at different stages of development. In general, however, in the absence of mechanisms to identify and scale up successful examples, most initiatives remain one-off pilots. Few companies train or cooperate with training providers in other ways. The situation is estimated to be even worse for companies operating in the informal sector and public training services fail to meet their demands.

According to the UNESCO Science Report (2010), ‘in the majority of Arab countries, higher education is succeeding only in producing bureaucrats with little innovative capacity to meet the needs of the private sector’. As regards higher education, Israel, Morocco and Tunisia have been taking constructive steps towards involving businesses and their representative organisations as partners. In Israel, one major driver for these moves is the high level of investment in research and development, one of the world’s highest. In the other two countries, the ongoing modernisation of their economies and societies, partly modelled on the example of France and influenced by substantial EU support, has played a decisive role.

Education and business cooperation in VET does take place locally and nationally in Tunisia, Morocco, Israel and Egypt, while in Jordan initial steps have been taken to involve employers more consistently in policy making and to include references to cooperation in the legislative framework currently being drafted. In Syria, Lebanon and the occupied Palestinian territory (OPT), cooperation remains limited to piecemeal initiatives.

There are several factors which could boost cooperation in future. On the economic side, these include the presence of multinational companies and technological advances in industry. On the education side, they include apprenticeship schemes, which are by their very nature structured ways of organising such cooperation, and continuing training, which could be organised with the support of businesses. Last but not least, if employers are well organised and represented by sector organisations, they are more likely to be interested in making strategic investments in human resource development as a way of securing suitable labour for their own future needs.

In a few countries, EU processes and approaches, such as the Bologna Process and the European Qualifications Framework, are being followed and, to some extent, have served as a model to move education agendas forward.

This paper contains a series of recommendations for improving education and business cooperation. At national level, it recommends setting up (or revamping) a dedicated platform for human resource development under the responsibility of the prime minister or an equivalent figure. This platform would be responsible for developing lifelong learning policies for education, higher education and VET. The process should be managed on a tripartite basis and facilitate the involvement of civil society. Another key recommendation is to make better use of the information available both nationally and regionally to develop indicators for cooperation between education and business and make this information available to policy-makers. Across the region, this could include collecting and analysing relevant information and using existing EU monitoring tools such as the Tempus reporting system in higher education or the ETF’s Torino Process on VET. Regular reporting in the framework of the Euromed Cairo Declaration could also be used for this purpose.

If employers contribute to and are given a role in managing any special funds set up to foster cooperation between education and business, they will be more likely to engage with such activities.

Traditional and novel ways of teaching and learning through apprenticeship and continuing education are recognised worldwide and to some extent in some of the countries in the region. Using existing tools such as the EU’s Lifelong Learning Programme to create projects between EU Member States and partner countries would expose partners to success stories and make it easier for them to mainstream successful projects.

The Bologna Process is widely recognised as a dynamic and pragmatic approach. Following the success of initial steps towards sharing the latest developments with southern and eastern Mediterranean countries, regular meetings should be organised to maintain the high level of exchange and to encourage higher education ministries to look at successful examples of cooperation. Similarly, the countries of the region could be invited to take part in meetings organised as part of the Copenhagen process – also seen as a good learning platform and community of practice in the field of VET. Furthermore, the Union for the Mediterranean (UfM) Euromed Social Dialogue Forum could serve as the platform where education and business cooperation could be discussed at a high level, also involving representatives from employers and employees’ associations. Other meetings of ministerial representatives and experts on higher education and VET/employment issues organised under the auspices of the UfM could also be used for this purpose.

Stakeholders from both sides need to develop their capacity to deal with their new roles in lifelong learning. Special programmes based on alternative and internship models designed to train teachers, trainers and enterprise staff together would reinforce mutual learning. This should happen in both VET and higher education.

Boosting education and research is a high priority throughout the region. In the case of higher education, there are proposals to launch a regional project to support pilot initiatives and explore the mechanisms for fostering cooperation between education and business to support research and development.

A multiannual EU-funded regional programme that addresses the capacity building needs of both groups of actors could give impetus to raising awareness and
establishing partnerships. There is a need to draw up guidelines and develop modes of cooperation that are acceptable and user-friendly for ministry and employers’ representatives who may lack experience in joint human resource development. A peer learning programme could be launched involving visits to or internships in similar organisations in Europe.

Finally, the programming phases of EU projects typically involve government actors in strategic discussions and activity planning. One topic of discussion could be how employers’ associations or broader civil society could be encouraged to participate in such processes alongside government.

3. CONTEXT

The economies of the eight countries of the southern and eastern Mediterranean region covered by this report differ greatly in terms of size, population and degree of economic and social development. They are either at an early stage of introducing market principles, which is the case of Syria, or are already advanced market economies, for example Israel, Lebanon, Morocco and Tunisia. They share some common demographic features, in particular the relatively large size of the young population.

Population size ranges from 4.3 million in Lebanon to 80.4 million in Egypt. According to the recent Global Monitoring Report of the World Bank (2010), the region comprises one higher income country (Israel) and one upper-middle income country (Lebanon), while the six others count as lower-middle income countries.

Common features in this last group include the existence of a large informal sector, an economy mainly made up of SMEs and micro businesses with limited potential for cooperating with education, and rapidly growing populations, with fertility rates ranging from 2.1 in Tunisia to 4.6 in the OPT. Decent employment is a priority to absorb the large number of young people looking for better opportunities (ETF, 2009). Similarly, all countries have a primarily young population, with the cohort under 15 ranging from 24% in Tunisia to 44% in the OPT. These statistics raise questions about the capacity of local labour markets to absorb all of the new entrants in coming years. Employment rates in the region are low – only accounting for between 30% and 50% of the active population. Another key feature is the very high rate of female unemployment, which averages 25% (ETF, 2009).

Most of these countries face the challenge of ‘educated unemployment’. As part of structural reforms, governments are currently shrinking their public administration. Until recently, many higher education graduates, especially women, saw the public sector as a desirable place to work despite low wages because of the job security and social advantages it offered. The decline in the number of public sector jobs coupled with the limited orientation of VET and higher education programmes towards practical skills, leave large cohorts of educated youth with little choice but to work in the informal sector, in small family businesses or else to be underemployed.

According to the authors of the UNESCO Science Report (2010), the Arab private sector has always been stronger in trading goods and services than in manufacturing. Apart from Israel, Morocco is the leading country for high tech exports, which account for around 10% of its total exports. In Tunisia, Morocco, Egypt, Jordan, Syria and Lebanon, some priority sectors, such as tourism, construction and information and communication technologies, find it difficult to find workers with the required qualifications. Hence, representatives from these sectors have approached VET authorities to try to find ways of meeting their labour needs. This has often resulted in projects in which private and public actors work together in partnership to revise education and training schemes. In more traditional activities or less organised ones, this type of partnership is found less often (Mayen, 2011).

Summary: Countries in the region vary in terms of size, population and degree of economic and social development. They all have large informal sectors, and the backbone of their economies is typically made up of SMEs and micro businesses. These small companies have limited potential for cooperation with education. Cooperation works better when sectors are well organised and where there is demand for qualified labour. If governance is considered in terms of inclusiveness (the ways and the extent to which different components of a society participate in decision making) and public accountability (the extent to which public officials and institutions are accountable to the population), the region does not perform well (ETF, 2011).

4. EDUCATION POLICIES

Most of the countries in the region are currently in the process of wholesale reforms of their education systems to try to make them more responsive to the needs of the economy and to try to address the critically high levels of youth and female unemployment. However, public education systems are still mainly centrally managed and there is little room for social partner involvement (Mayen, ETF, 2011). There are few examples of system-wide, structured mechanisms for cooperation. In Jordan, Egypt, Tunisia, OPT and Morocco, governments under the leadership of one or more ministries (mainly education, higher education and labour) have agreed on strategies, and donors are co-financing reform efforts. Lebanon and Syria have made efforts to develop their VET systems, but these have been pilot activities undertaken with donor support to respond to specific needs. In the absence throughout the region of efficient human resources and labour market information systems, education and training providers find it difficult to adapt their policies to the needs of the labour market, and employers cannot precisely identify their needs.

3 Source of data: World Bank, World Development Indicators, June 2010
4.1 Higher education policies

Higher education policies often refer to the need to initiate and/or boost education and business cooperation. This need has also been explicitly mentioned in the legislative framework for higher education in Egypt, Tunisia, Jordan and Morocco. However, none of the countries of the region have structured mechanisms in place that would enable such cooperation to flourish. Private universities and colleges are usually more active than public institutions in initiating cooperation with the business world.

4.2 Vocational education and training policies

Laws governing VET are being amended in all of the countries with the aim of moving from a supply-driven system to one that can respond to demand, but progress in implementation is patchy. While the greater involvement of representatives of business and in some countries of social partners in general is seen as desirable, the management of the public education and training systems remains highly centralised and there is little opportunity for private training providers. Only a few countries, mainly in North Africa, have legislation that covers both initial and continuing education. Decentralisation of education, especially VET, is not common. The exception is Egypt, which has opted to use education as a pilot sector as part of a broader drive for decentralisation. Regional benchmarking on training for enterprises as part of the Euro-Mediterranean Charter for Enterprise provides an opportunity for all countries to regularly update and evaluate data on training offer and where the world of enterprise will be key to gathering data on its human capital and ensuring the training communities are able to better match the demand and supply of skills.

Summary: There is an awareness of the benefits of education and business cooperation, and references are made to it in strategies and laws. However the management of public education systems remains highly centralised, with little room for social partner involvement. System-wide, structured mechanisms for cooperation are lacking. In several countries, there has been a continuous decline in the quality of education over recent decades.

5. COOPERATION IN PRACTICE: MAIN FINDINGS

Business and, more generally, social partners are more likely to be practically involved in the governance of VET than of higher education. Business representatives also tend to play a greater role in those countries of the region that have developed continuing education and/or regulated apprenticeship schemes. Effective cooperation does take place at local/school level when legislation allows. However, there is little evidence that business is being systematically involved in policy design or implementation in higher education and VET. Some funding initiatives based on taxing businesses do exist. Both in higher education and VET, steps have been taken to involve business in curriculum development but, owing to the lack of specific supportive and regulated environments, these initiatives tend to remain at the pilot stage. Research and development is the policy field where cooperation between education and business is most lacking. There is a real need for investment by both parties in order to boost the competitiveness of the region’s enterprises and make the education sector a real resource for innovation both strategically and as a local resource that can provide support to SMEs. Where a supportive environment for cooperation already exists, such as apprenticeship or continuing education, there tend to be more opportunities for other kinds of partnership in both VET and higher education. More efforts are needed to provide the countries of the region with graduates equipped with a more entrepreneurial mindset. While there is broad consensus on the need for education and business to work more closely together, the capacities of both parties to do so are extremely limited and there are few incentives in place to boost this cooperation.

The current modes of cooperation between the business sector, VET and higher education analysed in this paper have been ordered in the sections that follow according to the different phases of the policy cycle.

5.1 Policy making and multi-level governance

A few of the countries have developed multi-level governance at a regional level. One successful example is Morocco, where regional committees of the Office of Vocational Training and the Promotion of Employment (OFPPT) are run on a tripartite basis. These committees formulate regional sectoral strategies and contribute to policy implementation. In Tunisia, regional pilot initiatives have been undertaken to involve social partners in designing training curricula (Mayen, 2011).

The implementation of the Euro-Mediterranean Charter for Enterprise offers both a national and regional opportunity to promote business and education cooperation in the areas of entrepreneurial learning and enterprise skills (European Commission and OECD, 2008). Central to the Charter where all countries have engaged in a common policy monitoring framework is cooperation and exchange between countries on policy developments including sharing good practice. The ETF is supporting a number of regional projects aimed at encouraging policy-makers and social partners to look at key issues relating to the modernisation of VET systems. One such example is the MEDA Education and Training for Employment project (MEDA-ETE) (2005-08), which helped to set up a regional platform for exchange on policy issues among all the countries of the region.
Current projects include two regional initiatives on national qualifications frameworks and social partnership in VET that both provide opportunities for peer and mutual learning, facilitating debate and the exchange of information on policy issues (ETF, 2010).

5.1.1 Policy formulation

In general, the business sector has not had a systematic influence on higher education policy in the region, and governance mechanisms remain largely centralised. With the exception of Israel, Tunisia and Morocco, education and business cooperation has not had an impact on the delivery of teaching and training at universities, where a theoretical approach is still favoured. In VET, it is the countries of the Maghreb region that have a stronger tradition of social partner participation in policy formulation, decision making and governance.

In Tunisia, the 2008 Law for Higher Education is part of a drive to better prepare young people for the labour market. Cooperation between business and higher education in Tunisia was indirectly inspired by the Bologna Process and started as a spillover from examples of cooperation in VET that have been under way for several years. Contributions by the business sector are generally welcomed and frameworks for cooperation have been established. Tunisia has also formally adopted a national qualifications framework for higher education and has started to implement it.

In Israel, a special committee on the links between industry and higher education under the auspices of the National Council for Research and Civilian Development helps to formulate national policies on education and business cooperation.

In Morocco, reform started in the early 2000s has given universities more autonomy. Governing boards of universities now include representatives from chambers of commerce and they are allowed to take decisions on setting up new programmes in response to regional needs.

In Syria, Jordan, Egypt and OPT, cooperation takes place on an ad hoc rather than a systematic basis. There are more examples of cooperation in post-secondary VET than in general higher education. In Syria, the Ministry of Higher Education and the Council for Higher Education have highlighted the need to invest in human resource development and have stated that universities need to train a competent workforce that can meet the demands of the labour market. However, as yet this statement of intention has not been translated into formal cooperation between business and universities. What limited examples of cooperation exist are primarily due to donor intervention. With support of the EU’s Upgrading the Higher Education System programme, Syria has designed a methodology for regular training needs analysis.

In Jordan, the Higher Education Law gives colleges and universities some autonomy to initiate cooperation with the private sector. Professional associations are not bound by any formal agreement with the ministry in charge of higher education.

In Egypt, according to a recent decision by the Ministries of Education and Higher Education, boards of trustees are to be established in all secondary schools, technical colleges and universities. This is a first attempt to provide education institutions with independent governing boards. Boards will include representatives from local business and communities and will be responsible for designing and implementing institutional policies and strategies.

In the OPT, the Council for Higher Education is a consultative body which does not include any representatives of business. Following the Academic-Governmental-Industrial Partnership Conference last May, a new committee has been established which includes representatives from the Ministry of National Economy, the Palestine Polytechnic University and the Palestinian Private Sector Coordinating Council. Its aim is to unify efforts and donations and make Palestinian industry more competitive.

In Lebanon, the Higher Council of Higher Education is the body in charge of licensing private universities, which make up the overwhelming majority. Some of the country’s 27 private universities have a board of trustees, which may include representatives from industry. One of the major objectives of the 2006 higher education strategic plan was to enhance cooperation between business and higher education, but the Directorate-General of Higher Education in the Ministry of Education has no powers to regulate this kind of cooperation. Lebanon’s sole public university, the Lebanese University, enjoys a great deal of autonomy but does not have any representatives of business sitting on its governing council.

Labour market intelligence systems that could inform skills development are underdeveloped throughout the whole region. Education and business actors do not have access to tools, such as observatories, to diagnose and forecast skills and training needs. The report on the implementation of the Euro-Mediterranean Charter for Enterprise (European Commission, 2008) identifies the lack of enterprise statistics as a significant shortcoming. However, some of the better organised sectors in Israel, Egypt, Tunisia, Morocco, Syria and Jordan have made some attempts to remedy this. The ETF has provided support to the tourism and construction sectors to this end.

With the exception of Lebanon and Syria, all the countries have set up national VET governance structures that involve business representatives. However, in all cases this occurs under the leadership of the public authorities, and business and social partner representatives play only a limited role in decision making. While, in most cases, the presence of private sector representatives may be seen to be rather symbolic owing to the limited powers they are accorded by the mechanisms in place, more active cooperation does exist in those countries that have formal apprenticeship schemes or effective continuing education systems.

In Tunisia and Morocco, tripartite coordinating and advisory bodies exist nationally, locally and in sectors. The introduction of apprenticeships in Tunisia and of continuing education in Morocco has created the
conditions for innovative partnerships, and social partners are involved in the strategic management of the public vocational training system. Memoranda of understanding have been signed between employers, trade unions and government outlining the roles and responsibilities of each in VET policy design and implementation. Employers’ federations, such as the Tunisian Union of Industry, Trade and Handicrafts (UTICA) and the General Confederation of Moroccan Employers (CGEM), have developed their own visions and strategies and dedicate some of their own resources to training. Interestingly, Tunisia is developing special units to support sector federations in their new role as providers of vocational training. In Morocco, nine advisory units known as Inter-Professional Advice Groups (GIAC) linked to priority sectors have been set up to support enterprises, mainly SMEs, in their training requests and functions.

In Jordan, the Council for Employment and TVET set up in 2008 is in theory the vehicle for involving social partners in policy making, although this is not functioning well in practice. Jordan’s chambers of industry and commerce and the General Federation of Jordanian Trade Unions have recently started to clarify their role in vocational training with the support of the ETF. In the absence of an umbrella employers’ association, only a few branch organisations, such as those representing the hospitality and pharmaceutical sectors, have begun to play a role in vocational training, mainly through donor projects. Public-private agreements have been signed in a limited number of sectors with the Vocational Training Corporation, one of the public VET providers. The recently established Centre for Accreditation and Quality Assurance has set up a number of sector committees, where qualifications are being defined with the involvement of social partners.

In Egypt, the Supreme Council for Human Resource Development is the highest authority in charge of formulating human resource development policies. Together with 26 ministries, private sector representatives are full members of the council but it meets only very rarely. Real partnership occurs at the level of human resource development councils established in three main sectors: manufacturing, construction and tourism. As part of the EU-funded TVET reform programme, 12 Enterprise Training Partnerships have been set up and the private sector accounts for the majority on their governing boards.

In Israel, the Ministry of Education is in charge of secondary and post-secondary education, while the Ministry of Industry, Trade and Labour is responsible for secondary technical and vocational training. The Manufacturers Association of Israel, which represents the entire Israeli manufacturing sector, is the main organisation working with public bodies in the provision of apprenticeship schemes and secondary VET.

In OPT, the Higher Council for TVET, set up in 2005 and chaired in rotation by the Minister of Labour and the Minister of Education and Higher Education, is composed of 16 members with equal representation of public, private and other relevant bodies. Its mandate is to define VET policy and strategies, oversee their implementation and secure financial resources. In practice, this council does not function effectively due to the lack of a properly defined regulatory environment.

In Syria, governance of the VET system is the responsibility of the VET Council (nominally under the Ministry of Education), which involves 14 ministries. The private sector is not formally represented. The Chambers of Commerce and Industry of Damascus and Aleppo are members of the National Apprenticeship Committee.

In Lebanon, the overall governance framework of VET does not allow for much involvement of business in the decision-making process. However, a ministerial decree on the organisation of joint projects does provide a framework for cooperation between the public and private sectors. Projects are currently under way in 23 schools. Meanwhile, the ETF has road-tested a number of indicators for entrepreneurship in higher education in all countries (apart from Syria). Central to all indicators is university-enterprise cooperation. These indicators will be put to all countries for formal integration in the policy index of the Euro-Mediterranean Charter for Enterprise and where a next assessment in each country is foreseen in 2012. The outcomes of the assessment will determine to what extent the high education community is systematically cooperating with the world of enterprise with recommendations for improvement.

5.1.2 Policy adoption

The education and business cooperation that exists in higher education in the region is not supported by explicit policies. In VET, only Tunisia and Morocco have established policy mechanisms that engage business to a certain extent. In some countries, cofunding of both VET and higher education is identified as a specific policy aim, but with the leading role still reserved for the state.

A few countries have set up funding mechanisms in higher education, an area in which (except in the case of private universities or colleges) funding is generally provided by the state budget. Tunisia is the only country where higher education students and enterprises may access a vocational training fund financed by a tax on employment. These funds can be used to subsidise internships in companies. In Jordan, a special research and development fund set up in 2005 levies a 1% tax on the profits of state-owned companies to finance research. In addition, public and private universities are expected to allocate 5% of their annual budgets to research and development (UNESCO, 2010). No other country has set up mechanisms to collect tax from enterprises and redistribute them for training purposes.
In Egypt, a European-Egyptian Innovation Fund was established in 2008 under the Ministry of Scientific Research as part of a joint research and development and innovation programme (UNESCO, 2010).

In addition to the vocational training fund mentioned earlier, Tunisia has now started to explore new funding mechanisms, such as a training voucher scheme to encourage the private sector to invest more in VET.

Morocco also has a training tax, but it is specifically reserved for vocational training purposes only or, more specifically, for the retraining of workers. By means of training contracts, 70% of the costs of retraining staff can be reimbursed. Sectoral employers’ organisations (GIAC), currently also financed through this fund, help redistribute the money to enterprises to support the planning and implementation of training. Although the law states that 30% of funds should be used for continuing education, funds are mainly used to support initial vocational training at secondary and post-secondary institutions. Since the complexity of the application procedures prevents many smaller companies from accessing this fund it mainly benefits large enterprises. There are plans to adapt arrangements for financing the continuing education system to better benefit SMEs and micro businesses. If agreed by the partners, the CGEM will be in charge of running the fund under the supervision of the tripartite governing body for VET.

In Jordan, a TVET fund exists which levies a 1% tax on companies’ profits. Originally, there were plans to give the private sector a majority on the board and a bigger role in managing the fund, but in March 2010, the government halted this process. As a result, enterprises are now reluctant to contribute and funds now come from fees levied on migrant permits.

In Egypt, where no such tax exists, some sectors have initiated training programmes together with the relevant ministries. In the Mubarak-Kohl Initiative, enterprises mainly contribute to salaries and student transport. Cooperation agreements have also been signed between multinational companies and government bodies, and training programmes have been launched in the fast food and construction sectors.

In Israel, encouraging enterprises to cooperate with secondary schools is envisaged but not regulated, making it difficult to find businesses willing to participate.

5.1.3 Policy in action

Qualifications development: joint curricula and study programme

There are only sporadic examples of cooperation in curriculum development in higher education in the region. There are relevant initiatives in private universities, where there is greater awareness of the need to design training programmes that respond to labour market needs. As regards VET, several countries are piloting cooperation between education and business, mainly in specific sectors and based on initiatives linked to the introduction of quality assurance mechanisms.

Some countries have developed interesting approaches. In Tunisia, cooperation between business and higher education has grown rapidly since the signing of a 2005 agreement between the employer federation UTICA and the Ministry of Higher Education. Together with 16 sectoral agreements, this document provides a broad framework of action for cooperation, which has led to the creation of 41 professional Bachelors’ and Masters’ degrees developed jointly with professional associations. The aim of this unique initiative is to respond to the needs of the labour market, provide students with marketable qualifications and comply with the principles of the Bologna Process.

In Lebanon, the Saint Joseph University cooperation programme is an agreement between the university and the Association of Banks of Lebanon. The association contributes funding in addition to curriculum development and the practical training of students. The Beirut Arab University runs various programmes with construction firms by providing testing services for businesses through its certified lab.

An interesting example in Morocco is provided by the country’s engineering schools, which have a great deal of experience in developing curricula based on the needs of enterprises. However, engineering schools are highly selective, producing only a few hundred students graduating every year.

With ETF support, pilots have been carried out with some universities in the region to develop a set of indicators to facilitate the mainstreaming of entrepreneurship education in university curricula. This is a practical contribution to the work of the Euro-Mediterranean Charter for Enterprise.

In Morocco and Tunisia, countries where the competency-based approach has been chosen as a model for implementing VET reform and where the ETF has provided support through the MEDA-ETE project (ETF, 2009a), the quality assurance and accreditation processes in place include the definition and review of occupational standards. These processes receive technical support from employers’ federations and participation from trade unions. They are centrally managed and regularly updated and are seen as a fundamental component of qualifications design.

Egypt has an emerging quality assurance system based on the National Authority for Quality Assurance and Accreditation in Education, but so far no social partners are engaged in the process. The Industrial Training Council, which works with 330 training centres, contributes to the quality assurance and accreditation process through the National Skills Standards Project. The standards developed through this project are now also being tested by the Building and Construction Training Council and have been used by companies such as Arab Contractors.
In Tunisia, social partners are present on the tripartite board of the National Centre for Teacher Training and Training Development, which is in charge of updating qualifications and training standards.

In Syria, in sectors with apprenticeship schemes, occupational standards are developed with the support of the relevant employer organisations.

In Jordan, the newly established Centre for Accreditation and Quality Assurance has started reviewing national qualifications in 10 priority pilot sectors with the involvement of business.

An ETF project on qualifications in Egypt, Jordan, Morocco, Tunisia and Lebanon has seen cooperation between both sides (ETF, 2009b).

**Technological innovation and research**

In the region, only Israel has developed a structured mechanism to support research and development with strong cooperation between business and universities. According to the UNESCO Science Report (2010), the Arab countries of the region invest little in research and development, with rates lower than the world average; Tunisia is in the lead with a gross domestic expenditure on research and development at just under 1% of gross domestic product (GDP).

In Israel, the National Council for Research and Civilian Development under the auspices of the Ministry of Science and Technology determines the national strategy and priorities for research and development. Israel’s investment was 4.74% of GDP in 2007, making it the world’s biggest research and development investor. Universities are free to define their own research and development strategies, including how they cooperate with business. Cooperation occurs mainly through research and development activities and student internships. Universities also run small offices that are in charge of establishing contacts with enterprises to commercialise and sell research findings and innovations. Technological incubators supported by the state are another element with strong financial support from the private sector. Cooperation is usually managed by local agreements rather than being embedded in a national framework.

The Israeli technological incubators and the Jordanian initiative at the Irbid University set up with EU funding demonstrate that the education world is capable of finding innovative ways of sharing its experience with business.

There are no obvious examples of the contribution of VET institutions to research and development in the region. More needs to be done if vocational training institutions are to become human resources development competence centres. Skjølstrup and Mayen (ETF, 2007) call for a move towards a more integrated model in which vocational training institutions would be given several functions including that of carrying out research and development for SMEs.

**Jointly organised learning opportunities**

In countries where regulated apprenticeship schemes (Egypt, Jordan, Morocco, Syria, Tunisia) and/or continuing training are in place (Morocco, Tunisia), these provide the principal framework for cooperation.

In Morocco and Tunisia, agreements and structures underpin cooperation and cover the whole VET system, although cooperation does not work in the same way throughout. In other countries, cooperation may be limited to a few of the more active sectors and occurs within a less structured framework. In Egypt, interventions by business take place through Enterprise Training Partnerships as part of the VET reform programme and through the Mubarak-Kohl Initiative, which organises the dual system in the manufacturing sector. In all active countries, activities range from identifying qualifications and developing occupational profiles and training packages to trainer training.

In Syria, the chambers of industry and commerce in Damascus, Aleppo and Homs have signed agreements to carry out joint initiatives in VET and higher education and have contributed to all stages of designing and implementing an apprenticeship scheme. However, this project mainly serves larger companies and is still at an early stage of development. Currently, this project seems to be on hold due to the lack of job opportunities for graduates.

In Lebanon, work is under way on a joint training scheme involving employers’ representatives from the agro-food sector.

The universities of all of the countries in the region have pilot projects involving internships and exchanges of students and teaching staff, generally through the Tempus programme.

Finally, a multi-country initiative to develop common indicators for entrepreneurship in third-level education and where university-enterprise cooperation is a core element in all indicators demonstrates the value of peer cooperation and exchange in indicator development in the policy development drive.

**5.1.4 Policy monitoring and evaluation**

The ETF’s country reports have found little information on systems for monitoring and evaluating education and business cooperation at national or local levels. This is a necessary development if the countries are to learn policy lessons and be able to monitor the efficiency and effectiveness of their policy initiatives.

**5.2 Institutional capacity for cooperation**

Most employers are not sufficiently organised for getting involved in the management and delivery of VET and higher education. Cooperation with education is more likely to take place in well-organised sectors where qualified labour is in short supply and to involve larger companies.
With the exception of Israel, the region is not currently home to leading companies which can compete globally or which are able to make use of the intellectual capacities available at university level. Cooperation rarely takes place in traditional sectors, which do not tend to be represented by dynamic employers’ associations. All the countries are trying to make their higher education and VET systems more responsive to labour market needs, but this is rarely done using an inclusive approach involving all stakeholders.

What is more, many employers and other social partner institutions are not equipped or keen to get involved in a field they know little about and which they do not see as a priority. Very few social partner organisations have dedicated staff who can work on human resources development activities. Employer and employee representatives have not taken growing demands from society for more and better education or the need to continuously upgrade the skills of the workforce very seriously (Mayen, 2011).

Higher education in the region continues to favour theory over practical skills, and the decision-making process remains highly centralised in both VET and higher education. Some governments see involving social partners in their decision making as an intrusion into their territory. University lecturers lack experience of the private sector and new teaching methods.

ETF country reports found little evidence that school and university managers are ready to take on new roles and responsibilities for boosting education and business cooperation.

All of these factors work against the development of effective education and business cooperation in the region.

6. THE RELEVANCE OF EUROPEAN POLICIES

There are a number of reform initiatives under way with the support of the European Commission, the EuroMed ministers of labour, social partners and the European Economic and Social Committee within the context of the UfM. These are generally aimed at facilitating the role of social partners as active players in designing and implementing policy for VET and higher education. This creates momentum for change and provides a potential platform for discussions about education and business cooperation.

Likewise, the thrust of the Euro-Mediterranean Charter for Enterprise in encouraging all countries to cooperate on entrepreneurial learning and development of enterprise skills, which borrow on the European education and enterprise policies, and where all countries have signed up to a common monitoring framework, underlines the interest and relevance of EU policies to the region.

6.1 Higher education and post-secondary VET

The 2007 Cairo Declaration of ministers of higher education recognises the importance of education and business cooperation. The Bologna Process has also had an influence on policy making in some of the countries in recent years. By 2010, the Bologna structure of 3+2+2 has been implemented in most institutions in Israel, Lebanon, Morocco and Tunisia (Education, Audiovisual and Culture Executive Agency, 2010). In Tunisia, professional Bachelors’ and Masters’ qualifications have been jointly developed with business. Cooperation frameworks have been established between the higher education ministries and the main employer associations and sector federations. In 2003, Morocco signed a cooperation agreement with the EU on science and technology, and the Bologna principle of a three-cycle structure for qualifications has been enshrined in Moroccan law. In OPT, a team of experts on higher education reform has been set up under the Tempus programme to promote the Bologna Process. In Egypt, the Tempus programme is recognised as a key facilitator of cooperation between business and universities. In Morocco, 25% of Tempus projects include representatives of business as stakeholders.

6.2 Vocational education and training

The EU has supported numerous reform initiatives in countries in the region. Through EU support and the work of the ETF, various concepts existing in EU countries and new ideas and tools for reform have been shared and discussed in the countries. These include the concept of social partnership in general, but also other elements such as qualification structures, apprenticeship schemes, guidance and counselling, sector observatories for skills forecasting, sharing the cost of VET, and gender issues in education and training. Employers have been involved in all of these developments.

Inspired by developments in Europe, some countries started developing national qualifications frameworks. Egypt, Jordan, Morocco and Tunisia are likely to make their national frameworks compatible with the European Qualifications Framework. In these same four countries, pilot activities have begun in tourism and construction with the support of the ETF. In Egypt and Jordan, the establishment of national bodies to deal with qualifications development is a first step towards national qualifications frameworks. However the presence of employers from the different sectors needs to be increased.

Summary: Some countries in the region show strong interest in bringing their higher education and VET systems into line with the broad outline of EU policies and practices. EU policies and reform projects have in fact influenced local policies to a great extent. This is especially clear in the case of national qualifications frameworks, although this is certainly not the only example.
7. THE CHALLENGES FACING EDUCATION AND BUSINESS COOPERATION

The challenges facing cooperation between the business sector and VET and higher education have been ordered in the sections that follow according to the different phases of the policy cycle.

7.1 Policy formulation

In this region, education is traditionally the responsibility of government. The few fields in which business currently plays an active role are VET apprenticeship qualifications (due to the large but under regulated presence of students on work placements) and continuing VET. A major challenge in both VET and higher education is the willingness of all interested parties to establish relations based on trust and to agree on mechanisms for structured ways of working together. The role of each stakeholder needs to be defined. The countries which have managed to achieve solid cooperation between education and business are precisely those which have clearly set out the roles and obligations of all those involved.

Being in a position to come up with policies which are based on evidence is a key issue for decision-makers from both education and business. In the region, the lack of current and relevant information for analysing the labour market and human capital development is an important constraint. Also, there are few monitoring mechanisms and few benchmarks by which successful cooperation could be measured.

7.2 Policy adoption

Governments must develop their capacity to work more closely with business when designing policy to encourage this form of cooperation. In the rapidly evolving arena of globalisation, education and training systems cannot adapt and attract the investment they will need without an active role for business in terms of both policy and implementation. There is a strong need for decentralisation at all levels – national, regional and local.

At the same time, this evolution requires adequate funding mechanisms which can elicit contributions from enterprises while offering incentives to engage them. There is also a need to reduce bureaucracy and to encourage devolution so that cooperation can flourish at the local level.

7.3 Policy in action

Qualifications development: joint curricula

Facilitating mutual learning between countries to share good practices and elaborate new policies for cooperation is a challenge in the region. There are currently no regional platforms where representatives of VET, higher education and business can discuss options, policies, and the success stories of this kind of cooperation.

Entrepreneurial education is weak in most of the countries of the region at all levels. The major challenge is to promote understanding of the concept as part of the modern learning paradigm, to get it accepted as a key competence at all levels of education and training (European Commission et al., 2008) and to encourage companies to play an active role in its implementation.

Technological innovation and research

In the absence of formal agreements on research and development, the links between universities and business are weak. Although technical colleges may be in a strong position to engage in this kind of cooperation with their direct economic environment, an academic approach still prevails.

To a greater extent than VET, higher education needs to radically change the way it is organised, its working practices and curricula if it is to find ways of working with the business sector and accepting that companies are also valid venues for learning. Investing in applied research and development tailored to specific sectors could be one way of boosting cooperation and creating a win-win situation for enterprises and universities.

VET faces the challenge of adapting to the rapid rate of technological change while still being able to respond to the needs of SMEs. One way forward could be to develop close cooperation with local businesses so as to be able to identify their needs and provide direct technical support to enterprises which would otherwise find it difficult to upgrade their technology.

Jointly organised learning opportunities

Throughout the region, there is a long tradition of developing skills through informal or traditional apprenticeships. These are still the main training route for many sectors and occupations. Entry to these programmes usually occurs at the age of entry into secondary education. (Sweet, 2009, p. 7). Only a few countries have set up continuing training programmes. The main challenge in the region is to look for new models of delivery in education based on the principles of lifelong learning with strong business involvement.

7.4 Institutional capacity for cooperation

Education and business need to work hard to get better acquainted with each other and to build relationships based on trust.

If there is neither a clear vision nor the necessary mechanisms, business is not in a position to drive the radical changes needed to move from supply-driven to demand-driven systems. Business partners need to come to the negotiating table with public authorities with a clear understanding of what kind of education and training
policies are needed to service a global economy. They may find themselves taking the lead in changing the attitudes of the different players.

In a business environment mainly composed of SMEs as well as informal and family businesses, it is hard for companies to take on an active role due to the lack of organisations to represent them. Strengthening the capacity of sector federations and national business associations to deal with education and training is important.

The ability of education workers to engage with this new context and cope with change appears to be a key factor in success. The challenge is whether teachers and managers can adapt to their new roles in a cooperative environment. The way to proceed is by working at the local level with cooperation supported by simple mechanisms. If there is commitment from both education and business, such a framework would allow the exchange of information and promote an awareness of success stories at regional and national levels.

8. RECOMMENDATIONS

The recommendations of this report are geared to national and regional policy-makers and business authorities as well as the donor community. They have been structured to address the different phases of the policy cycle.

Since lifelong learning is a key way of helping modern economies to face up to rapid economic change, the following recommendations are equally valid for higher education, VET and business stakeholders.

8.1 Policy formulation

Different ministries often formulate separate policies on human capital development for the area under their mandate. However, we would recommend giving overall responsibility for national lifelong learning policy to the highest level of government, such as the prime minister’s office or a higher council for human resources if such a body exists. This should be backed up by a steering committee with equal representation of government and social partners. Such a structure would promote coherence between the different policies and ensure that effective cooperative mechanisms are in place to implement effective lifelong learning.

The limited availability of information on the labour market and human capital development indicates the need for better collection mechanisms to clearly identify labour market needs. Only then can appropriate training policies be designed and priorities set. Through the current Torino Process, the employment policy analyses carried out for the Directorate-General for Employment, and work on the regional MEDA-ETE project, the ETF has worked with countries to improve the availability of relevant and comparable data that can provide local decision-makers and the EU with first-hand information.

The ETF’s Torino Process collects evidence to serve the decision-making process in VET. The development of a selected number of indicators of the ability to facilitate and evaluate education and business cooperation would be a useful addition.

8.2 Policy adoption

Efficient cooperation between education and business has to be properly funded. This means that existing funding arrangements must be revised. Transparent mechanisms that can efficiently distribute tax revenue to the enterprises and workers so as to promote human resource development are needed in all the countries of the region. Joint management of these funds by stakeholders is a prerequisite for success.

8.3 Policy in action

Qualifications development: joint curricula

There are interesting examples of cooperation between education and business in EU Member States and partner countries in both higher education and VET. Sharing experience with others and designing projects together is a successful approach that has been tested in the EU through various programmes since the early 1980s.

The involvement of European institutions from both sides in the process could facilitate peer learning. The approach could focus on building trust and developing user-friendly methodologies for environments where funding and resources are often scarce. The Tempus programme could also report on its success stories. Access to EU programmes on education, such as the Lifelong Learning Programme and the new Youth on the Move initiative, should be made easier for the institutions of partner countries. Country teams, including both public and business representatives, should be given the chance to participate. Monitoring of such projects by national authorities may make including success stories in national policy easier.

Quick win approaches have to be looked at, mainly at local and/or sectoral level involving convinced and dedicated promoters of education and business partnership.

Technological innovation and research

Education and business cooperation could help boost leading sectors of the economy. Applied research and development could be an attractive activity for both business and higher education. A pilot regional project concentrating on one leading sector could be the first step. The aim would be to explore the conditions for successful cooperation and provide a set of tools and methodologies to facilitate the involvement of businesses and universities. Areas covered might include managing intellectual property, knowledge transfer, qualifications and curricula development, and examination implementation. This project should include a lengthy period for dissemination.
Bearing in mind that the private sector has only limited resources for research and development, pilot projects to explore how VET and higher education institutions could become service providers to private and public companies should be implemented with support of business associations. Priority should be given to sectors that have a high potential for development and the capacity to adopt and scale up positive results.

**Jointly organised learning opportunities**

The Bologna Process has awoken the interest of several countries in the region, five of whom have become signatories. If regional events aimed at ministers of higher education and top business representatives could be organised, this could provide a chance to disseminate information about the achievements of the process, including success stories from the five countries in question, and at the same time to raise awareness about the benefits of education and business cooperation. A regional pilot project for higher education could help to establish a community of practice, strengthen cooperation and design a set of tools to help business and universities handle complex matters related to this way of working. Taking into account the different stages of development of the two sub-regions, regional activities could be the best way of answering the needs of stakeholders. The project design should allow each of the targeted groups to work independently while also having the opportunity to develop strategies together.

Participation in carefully selected meetings of the Copenhagen Process for VET could raise awareness about EU policies and activities linked to education and business cooperation. This could allow EU Member States to exchange information and initiate supportive activities with partner countries.

Within the framework of the Euromed Social Dialogue Forum under the auspices of the UfM, broadening the scope of the discussions to encompass cooperation between education and business in the wider context of economic and social challenges at regional level would offer a chance to exchange ideas and policy orientation and would contribute to the development of common visions and goals.

**8.4 Institutional capacity for cooperation**

As we have already seen, both education and business stakeholders are ill-equipped to work together or to conduct a real and systemic reform of higher education and VET.

During the negotiation phase of strategic plans between the EU and governments, special attention should be paid to providing support for the role of employers’ associations and sector federations so as to strengthen their ability to deal with human capital development at operational level. Indicators to measure the degree of involvement of business in education should be developed as part of the monitoring tools of projects and programmes. Since cooperation will mainly take place at local level, support should be channelled to support local initiatives involving partnership and cooperation between civil society and schools.

The countries of the region are encouraged to launch special training and capacity-building initiatives that will bring government and enterprise staff together to develop methodologies. Special attention should be given to training teachers from both VET and higher education by direct placement in companies. Employees from leading enterprises could be asked to stand in for absent teaching staff in universities and VET institutions. Higher education needs to better prepare students for the labour market and upgrade teaching and learning methodologies. These initiatives would benefit from getting support from the international donor community.

**BIBLIOGRAPHY**


European Training Foundation, *Regional cooperation in education and training: the whole is more than the sum of its parts*, Publications Office of the European Union, Luxembourg, 2009b.


TABLE 1. LEGISLATION AND GOVERNANCE STRUCTURES FOR EDUCATION AND BUSINESS COOPERATION

<table>
<thead>
<tr>
<th>Country</th>
<th>Relevant national legislation in the field of:</th>
<th>Employment</th>
<th>Relevant decision-making bodies of central government</th>
<th>Relevant multi-stakeholder advisory bodies at national/regional/sectoral level</th>
<th>Most representative employers’ organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>Law on education (Law-1953) Youth labour law Law on apprenticeship</td>
<td>Labour law Employment and TVET Council</td>
<td>National Council for Research and Civilian development Office of the Chief Scientist Pilot project in Agro-food sector (EU-supported)</td>
<td>Manufacturers Association of Israel</td>
<td></td>
</tr>
<tr>
<td>Jordan</td>
<td>Laws on education, and higher education</td>
<td>Labour law E-TVET law</td>
<td>The Higher Council of Vocational Technical Education</td>
<td></td>
<td>Jordanian Chamber of Commerce Jordanian Chamber of Industry</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Law on education</td>
<td>Ministerial decree -Organisation of joint projects</td>
<td>The Higher Council of Vocational Technical Education</td>
<td>Pilot project in Agro-food sector (EU-supported)</td>
<td>Association of Lebanese Industrialists Lebanese Chambers of Commerce, Industry and Agriculture</td>
</tr>
<tr>
<td>Morocco</td>
<td>Law on higher education (00001) Framework for implementation of LMD (higher education) Decree on financing of VET National charter for education and training</td>
<td>Law on private VET (13;00) Law on apprenticeship (12/00 of 01-06-2000)</td>
<td>OFPPT Governing Board Special Committee for Education and Training (CDE) Higher Council for Education (CSE)</td>
<td>OFPPT regional and local committees National and regional committees for licensing public and private vocational schools, curriculum development and accreditation Inter-Professional Advice Group (GIAC) for 9 priority sectors</td>
<td>CGEM Federation of Moroccan Chambers of Commerce, Industry and Services</td>
</tr>
</tbody>
</table>
## TABLE 2. GROSS DOMESTIC PRODUCT PER CAPITA BASED ON PURCHASING POWER PARITY (CONSTANT 2005 INTERNATIONAL DOLLARS)

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>4 318.9</td>
<td>4 529.6</td>
<td>4 761.7</td>
<td>5 010.8</td>
<td>5 150.8</td>
</tr>
<tr>
<td>Israel</td>
<td>23 390.1</td>
<td>24 194.3</td>
<td>25 005.3</td>
<td>25 547.8</td>
<td>2 5267.9</td>
</tr>
<tr>
<td>Jordan</td>
<td>4 348.2</td>
<td>4 586.8</td>
<td>4 876.0</td>
<td>5 137.2</td>
<td>5 160.1</td>
</tr>
<tr>
<td>Lebanon</td>
<td>9 526.7</td>
<td>9 480.2</td>
<td>10 100.4</td>
<td>10 960.0</td>
<td>11 753.3</td>
</tr>
<tr>
<td>Morocco</td>
<td>3 496.7</td>
<td>3 722.4</td>
<td>3 776.5</td>
<td>3 937.5</td>
<td>4 083.4</td>
</tr>
<tr>
<td>Occupied Palestinian territory</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
</tr>
<tr>
<td>Syria</td>
<td>3 954.2</td>
<td>4 055.2</td>
<td>4 123.1</td>
<td>4 232.4</td>
<td>4 295.1</td>
</tr>
<tr>
<td>Tunisia</td>
<td>6 444.8</td>
<td>6 743.0</td>
<td>7 101.8</td>
<td>7 357.5</td>
<td>7 512.0</td>
</tr>
</tbody>
</table>

**GDP per capita, PPP (constant 2005 international dollars)**

<table>
<thead>
<tr>
<th>Country Name</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>100.0</td>
<td>104.9</td>
<td>110.3</td>
<td>116.0</td>
<td>119.3</td>
</tr>
<tr>
<td>Israel</td>
<td>100.0</td>
<td>103.4</td>
<td>106.9</td>
<td>109.2</td>
<td>108.0</td>
</tr>
<tr>
<td>Jordan</td>
<td>100.0</td>
<td>105.5</td>
<td>112.1</td>
<td>118.1</td>
<td>118.7</td>
</tr>
<tr>
<td>Lebanon</td>
<td>100.0</td>
<td>99.5</td>
<td>106.0</td>
<td>115.0</td>
<td>123.4</td>
</tr>
<tr>
<td>Morocco</td>
<td>100.0</td>
<td>106.5</td>
<td>108.0</td>
<td>112.6</td>
<td>116.8</td>
</tr>
<tr>
<td>Occupied Palestinian territory</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
</tr>
<tr>
<td>Syria</td>
<td>100.0</td>
<td>102.6</td>
<td>104.3</td>
<td>107.0</td>
<td>108.6</td>
</tr>
<tr>
<td>Tunisia</td>
<td>100.0</td>
<td>104.6</td>
<td>110.2</td>
<td>114.2</td>
<td>116.6</td>
</tr>
</tbody>
</table>

Note: m.d. stands for missing data; a country’s position in the ranking is shown in brackets. The number of participating countries were 117 in 2005; 125 in 2006; 131 in 2007; 134 in 2008; 133 in 2009; and 139 in 2010.

Source: World Economic Forum

## TABLE 3. GLOBAL COMPETITIVENESS INDEX SCORE

<table>
<thead>
<tr>
<th>Country Name</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>3.96 (53)</td>
<td>4.07 (63)</td>
<td>3.96 (77)</td>
<td>3.98 (81)</td>
<td>4.04 (70)</td>
<td>4.00 (81)</td>
</tr>
<tr>
<td>Israel</td>
<td>4.84 (27)</td>
<td>5.38 (15)</td>
<td>5.20 (17)</td>
<td>4.97 (23)</td>
<td>4.80 (27)</td>
<td>4.91 (24)</td>
</tr>
<tr>
<td>Jordan</td>
<td>4.28 (45)</td>
<td>4.25 (52)</td>
<td>4.32 (49)</td>
<td>4.37 (48)</td>
<td>4.30 (50)</td>
<td>4.21 (65)</td>
</tr>
<tr>
<td>Lebanon</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>3.89 (92)</td>
</tr>
<tr>
<td>Morocco</td>
<td>3.49 (76)</td>
<td>4.01 (70)</td>
<td>4.08 (64)</td>
<td>4.08 (73)</td>
<td>4.03 (73)</td>
<td>4.08 (75)</td>
</tr>
<tr>
<td>Occupied Palestinian territory</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
<td>m.d.</td>
</tr>
<tr>
<td>Syria</td>
<td>m.d.</td>
<td>m.d.</td>
<td>3.91 (80)</td>
<td>3.99 (78)</td>
<td>3.76 (94)</td>
<td>3.79 (97)</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4.32 (40)</td>
<td>4.71 (30)</td>
<td>4.59 (32)</td>
<td>4.58 (36)</td>
<td>4.50 (40)</td>
<td>4.65 (32)</td>
</tr>
</tbody>
</table>
LIST OF ACRONYMS AND ABBREVIATIONS

CGEM General Confederation of Moroccan Employers (Confédération Générale des Entreprises du Maroc)
COSEF Special Committee for Education and Training (Commission Spéciale pour l’Éducation et la Formation)
CSE Higher Council for Education (Conseil Supérieur de l’Enseignement)
ETF European Training Foundation
EU European Union
E-TVET Employment and technical vocational education and training
GDP Gross domestic product
GIAC Inter-Professional Advice Group (Groupement inter professionnel d’aide au conseil)
MEDA-ETE MEDA-Education and Training for Employment
OFPPT Office of Vocational Training and the Promotion of Employment (Office de la Formation Professionnelle et de la Promotion du Travail)
SME Small and medium-sized enterprises
TVET Technical vocational education and training
UfM Union for the Mediterranean
UTICA Tunisian Union of Industry, Trade and Handicrafts
VET Vocational education and training

LIST OF COUNTRY CODES

<table>
<thead>
<tr>
<th>Country Code</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>DZ</td>
<td>Algeria</td>
</tr>
<tr>
<td>EG</td>
<td>Egypt</td>
</tr>
<tr>
<td>IL</td>
<td>Israel</td>
</tr>
<tr>
<td>JO</td>
<td>Jordan</td>
</tr>
<tr>
<td>LB</td>
<td>Lebanon</td>
</tr>
<tr>
<td>MA</td>
<td>Morocco</td>
</tr>
<tr>
<td>OPT</td>
<td>Occupied Palestinian territory</td>
</tr>
<tr>
<td>SY</td>
<td>Syria</td>
</tr>
<tr>
<td>TN</td>
<td>Tunisia</td>
</tr>
</tbody>
</table>
EASTERN EUROPE

Manfred Wallenborn

1. INTRODUCTION

The influence of economic globalisation is becoming increasingly evident in the partner countries of the European Training Foundation (ETF). Transition and developing countries geographically close to Europe must formulate and implement country-specific solutions to increase the economic competitiveness, workforce employability and sustainable growth. Human capital development is an important and strategic instrument in this context.

Education and training systems and the business sector worldwide are gaining experience in new forms of cooperation that can improve educational outcomes while making optimum use of the technological competence and the infrastructure of enterprises, their resources, knowledge and world-of-work learning environments. Questions remain concerning the systemic implications of cooperation for education and training systems and how policy and implementation might be affected.

Social dialogue and partnership, civil society stakeholder involvement in national education and training councils also have important roles to play in formulating and implementing innovative policies in education and training. A more intensive examination of cooperation between education and business in partner countries is needed to provide better support for human capital development and the reform of education and training systems.

This regional report analyses education and business cooperation (hereafter cooperation) in the framework of the European Neighbourhood Policy (ENP) – East Region, comprising Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine. The report also covers Russia. It reviews policies, approaches, good practice examples and challenges to implementation in an attempt to capture the complexity of the regional picture. The examples provided are illustrative rather than exhaustive as it is our intention to outline general trends and patterns. They are based on key findings from reports drawn up on each of the countries either by the ETF (Armenia, Azerbaijan and Georgia) or by a self-assessment process (Belarus, Republic of Moldova, Russia and Ukraine) as part of an overall process of assessment requested by the European Commission’s Directorate-General for Education and Culture, also covering the Enlargement and Southern Neighbourhood regions and Central Asia. This report is the outcome of a collaborative effort with relevant partner institutions from each of the countries concerned and has involved desk research, data analyses and a series of in-country meetings.

2. EXECUTIVE SUMMARY

Education institutions and the business sector are increasingly aware of the relevance of cooperation to socio-economic development and specifically to employment competitiveness and sustainable growth. Cooperation is now playing a greater role in a region that includes very different countries, such as Azerbaijan and Russia, with their important extraction sectors, as well as other countries that cannot rely on large reserves of natural resources. Hardly any formulated policies or governance modes exist in the region. Although cooperation is not systematically implemented, certain laws and regulations do make positive reference to it. However, relevant issues, such as comprehensive legal frameworks including incentives, greater decentralisation and accountability in education institutions have still not been addressed in the policies adopted.

Occasional cooperation exists in all the countries at both secondary and tertiary levels of education. Belarus, Ukraine and Russia have made an effort to implement more systematic cooperation in initial VET and have installed joint learning opportunities that take into account the advantages of work-based learning. However, the relevance of cooperation to lifelong learning and continuing training is not fully acknowledged in these three countries with ageing societies, and cooperation is not in place. In the other countries in the region, cooperation is not very systematic but exists sporadically at both levels. European influences on education and training are very notable throughout the region, but these cannot replace the design of proper policies favouring enhanced cooperation.

European approaches are influencing the development of policy areas, such as the design and implementation of national qualifications frameworks (NQF) and the social partnership or business-driven definition of professional and occupational standards. The interest of the region in joining a common policy monitoring framework for entrepreneurial learning and improved enterprise skills and where the education-economy nexus is a core theme behind a set of indicators bodes well for education and business cooperation. There is broad acceptance and ongoing implementation of the Bologna Process and efforts are being made to include the business sector in policy design and implementation in education reform. Such initiatives look intensively at European models and practice.

At institutional levels, cooperation in education includes participation in the governance of universities and VET centres and in many cases positively influences study programmes and curriculum development. It is more driven by the interests of social partners in enterprises,
universities and vocational schools than by education policies and supportive environments geared to the overall socio-economic strategies of the countries. The human capital development needs of enterprises and the survival strategies of education institutions are the main drivers for cooperation, generally managed on a case-by-case basis rather than against a background of capacity and the corresponding instruments.

Both business and education lack the necessary capacity to engage in policy design and cooperation. This crucial point also explains why cooperation is currently more driven by individual initiatives than by coherent policies. The participants need support for sustainable policy formulation and implementation of cooperation. This must be based on an improved legal framework and a supportive environment (incentives and institutional support for cooperation) according to country-specific needs.

VET councils may have a decisive and/or advisory role in this process at policy level. At the level of implementation, there will be a role for the university governing boards and vocational school boards. Governments should recognise the efforts of such bodies and education institutions and they should be treated as relevant stakeholders and providers in future policy developments at the respective education level.

Europe and the donor community could play an important role in this context. EU Member States and other donors have contributed to policy discussions in the countries by providing evidence of working social partnerships and sharing their vast experience on the advantages and disadvantages of cooperation. An enhanced policy dialogue is an instrument for learning more about European approaches and good practice with a view to improving policy design and adoption (laws and regulations) and capacity building for cooperation.

The EU can also help to develop the capacities required to implement cooperation on the basis of the knowledge, instruments and tools used in Europe. Social partnership, mutual trust and open methods of coordination are the guiding principles in complex societies and the instruments used to improve the quality and relevance of education and training. These are the subjects of interest to education institutions and business sectors in partner countries.

3. CONTEXT

While there is a growing awareness of the importance of business sector participation, consensus on the involvement of civil society representatives, especially employers and trade unions, may end when the consequences for governance, stakeholder involvement and implementation are discussed. These issues touch on the partly unresolved problems of the balance of central political power, decentralisation, accountability, subsidiarity and the role of civil society in transition countries.

Social structures in transition countries, fragmentation in modern and informal sectors of the economy, high unemployment and migration rates (in Armenia, Georgia and Republic of Moldova) and the consequences of the economic and financial crises reveal country-specific strengths and weaknesses. These are also good reasons for cooperation. Moreover, there is no consensus that complex societies can be best steered and managed when the main stakeholders affected by the different sector policies are involved in policy design and implementation.

Balanced political power in a democratic society and collective bargaining in social partnership (ETF, 2008) on relevant societal or educational objectives have not yet been fully implemented or continuously developed in the ENP East Region. These issues are covered by the EU’s Eastern Partnership Initiative launched in 2009 in the framework of the ENP, which aims to achieve political association and economic integration. Moreover, the lack of reliable labour market intelligence severely hampers the discussion between representatives of the world of work and education on future skills needs.

Azerbaijan, Belarus and Russia are classified as upper-middle income economies, whereas Armenia, Georgia, the Republic of Moldova and Ukraine are lower-middle income economies. Looking at the ranking in global competitiveness in 2010, Azerbaijan ranks highest with an overall rank of 57, followed by Russia (63), Ukraine (89), Georgia (93), Republic of Moldova (94) and Armenia (98). Figures for Belarus are not available, although this country experienced remarkable economic growth before the economic and financial crisis (Borisova and Kuusela, 2009).

Since economic recovery began in 2000, gross domestic product rates in Armenia, Azerbaijan and Belarus have been growing faster than the Commonwealth of Independent States average, while in the Republic of Moldova, Georgia and Ukraine they were slightly below this average (ETF, 2010a). Data reveal that all the countries were heavily affected by the financial and economic crises, but are now recovering.

Economic reforms are being undertaken in different ways based on a number of different priorities mainly fostering the extraction sector in Azerbaijan and Russia, the manufacturing sector in Belarus and Ukraine, and the service and information and communication technologies (ICT) sectors in Armenia and Georgia. The Republic of Moldova, where agriculture is still strong, has not prioritised any economic sector. Cooperation to date is a reflection of country-specific economic issues and the prevailing political context. Employment figures are affected by these issues too as researched by the ETF.
Waged employment accounts for only one-third of total employment in Georgia and approximately 50% in Armenia and Azerbaijan (ETF, 2010a), reflecting high rates of self employment, unpaid family workers and a growing number of small enterprises operating partly in the informal economy.

The problem of an ageing population persists in the three larger countries (Belarus, Russia and Ukraine) along with high youth unemployment rates influenced by questionable educational streaming.

4. EDUCATION POLICIES

The education systems are currently in a process of reform and innovation. Until 2000, they tried to survive as they were, as did many other sectors and systems in the transition countries. General and higher education were the first sectors where problems were addressed by attempts at reform. These two sectors still play a major role in all the countries, producing a high proportion of higher education graduates who subsequently fail to find employment in line with the level of their qualifications. Data on total public expenditure on education as a share of gross domestic product is available for six out of seven countries for 2007: Armenia, 3.0%; Azerbaijan, 1.7%; Belarus, 5.2%; Georgia, 2.7%; Republic of Moldova, 8.3%; and Ukraine, 5.3%. The corresponding share in Russia in 2006 was 3.9%.

VET provision in most countries was severely affected by the closure of basic enterprises because schools were often part of a one enterprise—one vocational school system. Improvised solutions were required to deal with this problem. The independent status of these countries has been a major challenge, not least with regard to the development of NQFs and respective expertise. For example, new occupational profiles emerged in all the countries, for example in the financial, retail, hospitality and ICT sectors.

The system of education streaming and the high prestige of higher education still give rise to a huge demand for higher education and produces an imbalance in spending on education. A considerable share of public resources is spent on general and higher education and a lower proportion on secondary and post-secondary VET. Georgia, which spends only 3% of its public education budget on VET, is one of the countries where this imbalance is the most marked. However, the over qualification of graduates has not solved the lack of skilled employees cited by many companies as a major obstacle to further consolidation and development (Murthi and Sondergaard, 2010).

4.1 Higher education and post-secondary VET

There are different approaches to cooperation, ranging from more (neo)liberal and market-driven education offers to what is still state-dominated delivery. Most of the countries (Armenia, Belarus, Georgia, the Republic of Moldova, Russia and Ukraine) recognise that partnerships between education and business are one of the main drivers of innovation and employment. Moreover, such partnerships have a positive influence on the quality and labour market relevance of the study programmes and can contribute to country-specific knowledge triangles involving education, research and innovation.

Russia has a sound legal framework for extending cooperation. The Federal Law on Higher and Post-Graduate Education of 1996 recognises the importance of the influence of the business sector on quality education programmes and on helping higher education institutions to bring education programmes into line with labour market demands. This is supposed to be managed and achieved through cooperation, including joint monitoring of the labour market, corresponding requests to higher education institutions, the development of new professional standards and other measures.

In its vision for the modernisation of Russian education to 2010, Russia declared that competitiveness, innovative development and partnership of government with stakeholders were the reference points for higher education reform. Private universities and a fee-based system for the courses most in demand are one consequence of this strategy. Other countries have reformed their systems to achieve the same objectives. In Georgia, two-thirds of the universities are private and the legal framework allows private schooling at all education levels.

The ICT sector is a trendsetter in the field of cooperation. On the one hand, its influence is increasing throughout the region in all sectors of the economy and, on the other, the ICT sector itself is pushing through investments in new partnerships with higher education institutions in order to expand its market and improve the human capital development in these institutions in terms of the quality and labour market relevance of learning outcomes.

Six countries (Armenia, Azerbaijan, Georgia, the Republic of Moldova, Russia and Ukraine) joined the Bologna Process and some are already in an advanced stage of implementing the reform. All the countries joined Tempus between 1993 and 1995. Tempus assistance is partly used to promote cooperation in governance and the management of the institutions involved. Links to European industry have also been established. The World Bank has supported the higher education sector in the region by building links to industry and promoting quality assurance. In 2007, only Russia (1.1), Belarus (1.0) and Ukraine (0.9) achieved indicator of approximately 1% of gross domestic product spent on the research, training and development budgets. This figure in all the other countries is below 0.5.

Technicums for the specific preparation of the labour force at post-secondary non-tertiary level still exist in many Eastern European countries. They are taking part in the ongoing reform process and are trying to forge stronger links with the world of work. Employers consider

---

5 UNESCO Institute for Statistics (http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?).
6 World Development Indicators (www.worldbank.org/)
that these schools must adjust their curricula to meet emerging training needs as an essential step towards coping with future challenges.

4.2 Vocational education and training

The early years of independence left the business and education sectors struggling with their own particular problems during a phase of socio-economic distress. Since 2000, however, all the countries of the region are moving towards new memoranda of understanding and specific partnerships between business and education, which also build on previous experience in the former Soviet Union, when representatives of enterprises were involved in curriculum development and examination boards.

The modes of cooperation at secondary level are far from being systematically addressed by the respective policies. This is the case for both the governance structures and more operational aspects at the level of training providers. A legal base does not guarantee nationwide cooperation. Depending on the economic realities in different sectors and countries, cooperation may vary substantially. Hotels in the capital or certain parts of the manufacturing sector that are involved in the globalised economy have human capital development needs that differ from those of micro businesses in the informal sector, where most of the recently created employment opportunities are found (OECD, 2009).

All the countries are aware of the shortage of skilled employees and the need for more effective training if they are to achieve their ambitious socio-economic objectives. There is also awareness that the substantial reform of VET systems and institutions needs better legal underpinning and incentives to support the business sector’s participation. Cooperation is considered necessary in most of the countries in order to effectively adjust training to the demands of the modern economy. Ukraine, for example, has coordinated all legislative acts with its social partners and has established a permanent strategic social dialogue for the further improvement of the VET system.

New approaches to cooperation in VET build on the former tradition in the Soviet Union, where cooperation mechanisms were well established. In Ukraine, they can also build on existing apprenticeship schemes. Cooperation could lead to a better market position through targeted human capital development because policy-makers are aware that social inclusion/cohesion and the supply of highly qualified labour is no longer the exclusive domain of higher education.

Belarus has a continuous history of cooperation and the VET system survived the economic downturn quite smoothly. Businesses did not dismantle the existing cooperation channels with vocational institutions, and the VET system played an active role in initiating partnerships with business and state authorities in the economic sector.

Smaller countries, such as Armenia, Georgia and the Republic of Moldova, acknowledge the participation of the business sector despite an inherited historical mistrust between public institutions and the business sector based on the outcome of previous approaches to reform. Meanwhile, a growing number of national experts are aware that cooperation could have a strong and positive impact on future reforms of VET and higher education.

The Armenian national development strategy fosters public-private partnerships and concise labour market forecasts. Russia has also endorsed such partnerships in both higher education and VET, and is working on legislation providing for levy-based business contributions to VET. This will mean that the business sector will contributes financially to the education services it benefits from. However, the legislation has not yet been implemented. In other countries, the VET institutions are legally allowed to operate a separate account for earnings derived from education services delivered to the business sector.

In areas such as social partnership-driven NQF design and professional/occupational standards, the former EU cooperation programme Tacis contributed to a better perception and understanding of cooperation throughout the region. The ETF has also maintained a policy dialogue on NQFs with the countries and this is being documented for Eastern Europe and other regions (Castejon et al., 2011). Some countries are working on the design of an NQF. The process of developing VET qualification levels and standards, which in the European view should include social partners, also fosters cooperation. Many countries have included social partners in their efforts to develop standards and NQFs and have received support from EU or other donors.

**Summary:** The current policies at both education levels do not systematically promote cooperation, although the three larger countries (Belarus, Russia and Ukraine) have further developed their legal framework to facilitate greater cooperation. Education streaming leads to overqualification and severe labour market problems for higher education graduates. Cooperation in VET is not yet systematically considered in the three smaller countries (Armenia, Georgia and the Republic of Moldova) or Azerbaijan. Existing laws and regulations are more driven by the education sector than by the business sector.

5. COOPERATION IN PRACTICE: MAIN FINDINGS

The ETF Education and Business Country Reports have confirmed the limited availability of structured information on cooperation across VET and higher education. In some countries and sectors, cooperation appears to be limited to pilot actions, which may be successful but are not very systematic.

The current modes of cooperation between the business sector, VET and higher education analysed in this report have been ordered in the following sections according to the different phases of the policy cycle.
5.1 Policy making and multi-level governance

5.1.1 Policy formulation

The region reveals a diverse picture of cooperation in higher education. Improvements in cooperation are evident in almost all of the countries, with the exception of Russia. However, these are not based on the formulation and implementation of policies but rather on learning from good practice. Good practice is taken from a number of different cooperative initiatives, including Tempus projects. There is a growing awareness that sound human capital development and labour market relevance in university programmes cannot be achieved without consultation and cooperation with the business sector.

Russia is moving ahead towards policies based on good practice supported by regulations. Education institutions at both levels and the business sector contribute equally to curriculum development and new infrastructure. Many universities in the region have established governing boards that include representatives from the business sector. In some Georgian universities these boards are composed exclusively of business representative. These new forms of governance in higher education have a positive impact on the labour market relevance of the education offered by these institutions, as to some degree they are a substitute for unavailable labour market data.

Another approach to cooperation in VET is evident in politics at the macro level. Policy-makers are taking greater account of the fact that effective VET cannot be achieved without the participation of the business world at various levels (NQFs, economic and labour market forecasts, and so on). Such considerations demand innovation and reform. Innovative VET in Russia is included in the above-mentioned public-private partnership efforts and this is also the case in other countries, where current initiatives are in part built on previous tradition. All the countries have involved employers in the design of their NQFs and/or the formulation of professional standards, and ETF has prepared the ground for NQF design with regional projects (see Castejon et al., 2011).

National and regional VET councils and sector committees involving employers rather than the trade unions are established or emerging. The function of these councils is strictly advisory, and accountability remains in the public sector. Ukraine has established national and regional VET councils since an EU Tacis project supported improved VET management in the region. As in other countries, the main concern of business interests is the labour market relevance of VET.

The advisory and governing boards of vocational schools now include more business sector representatives. However, these activities are still sporadic and interest-driven rather than policy-supported. Hence VET governance in the region has a tendency to be mono-cultural as governance is left entirely to the state or the Ministry of Education (Zelloth, 2011). Moreover, cooperation at governance level is not necessarily important for the business sector. It becomes important if it is a precondition and tool that can influence the quality and labour market relevance of VET. Enterprises send representatives to the advisory boards of the training centres they cooperate with where they can influence the quality of training in the short-term.

However, there is a growing awareness of the consequences for governance of increased cooperation, and VET councils are already in place. Governance has supranational, national, regional and local levels, each one of which involves different activities for education and business stakeholders. Examples include the convergence of NQFs with other countries and institutionalised communication and advisory channels at different levels of the education and training system.

5.1.2 Policy adoption

Apart from the Russian example mentioned above, there are no systematic policy approaches that foster cooperation in higher education. The United Nations Educational, Scientific and Cultural Organization (UNESCO) found even in Russia a ‘lack of appropriate incentives and conditions for fostering a “pragmatic coalition” between business, the government and the public’ (2010, p. 216). The statement is representative of the whole region.

The situation in VET is slightly different. In Belarus, a legal framework exists in which enterprises can demand certain training services from schools, and the Ministry of Education has set up a Coordination Committee with the participation of employers where trends in skills development are discussed (ETF, 2009a). One of the main priorities in Belarus for the development of the vocational education system, as specified by the National Programme for Technical Vocational Education for 2006–10, is the design of effective tools and mechanisms for closer cooperation between the VET system and economic and social sectors.

Russia has developed a legal framework which regulates cooperation and allows enterprises to make human resources and equipment available to VET institutions in order to cover business demand for human capital development. These activities are driven by a growing awareness of the strategic relevance of VET to socio-economic objectives (employment, competitiveness and sustainable growth) as well as educational objectives. This perception of the functional role of VET-driven human capital development is emerging in all the countries of the region. The problem however is ‘to formulate coherent policies and outline implementation phases, because both sides (education and business) lack a culture of cooperation’ (Oleynikova, 2009).

Some countries (Republic of Moldova, Georgia, Russia and Ukraine) have started to develop approaches to multi-level governance in VET systems, an important precondition for greater autonomy, programmes more focused on the local economy, and future accountability. Moreover, sector committees are involved in the outline of new VET programmes (see also the regional matrix).
In Georgia, income-generating activities are legally possible in VET centres, but not systematically promoted. This additional revenue from the business sector for education services in further training for employees is used to renovate and upgrade schools. However, there are no policies supporting incentives such as tax rebate schemes.

5.1.3 Policy in action

Qualifications development: joint curricula and study programmes

Cooperation in higher education includes operational topics such as the joint development of study programmes. These initiatives often have consequences for financing and the recruitment of university graduates. Joint study programme development improves mutual understanding and increases the influence of the business sector on governing boards, especially in private universities.

Russian employers are involved in the development of standards in higher education. Such institutionalised contacts are characteristic of almost all the countries in the region, but are restricted to certain sectors of the economy.

In Georgia, the majority of higher education institutions are private. Many of them have excellent contacts with employers, who are members of advisory and governing boards and provide input to the development of curricula relevant to the labour market. Universities have adjusted their education services to create programmes with direct relevance to the business world. Many private universities are keen to meet the labour market expectations of the business sector and have developed institutional channels of communication and cooperation. However, in many cases it has been the business sector that has taken the first step and initiated the contact by requesting the cooperation of universities to further improve study programmes. This is mirrored in the other countries of the region too.

The updated content of the university courses on offer in all of the countries facilitates the transition to work, a very important consideration for higher education graduates. The example from Georgia described in BOX 1 reveals good practice because it comprehensively links improved study programmes with joint activities in order to increase employability.

The cooperation initiated by the business sector gives rise to economic success and improvement in the market position of the companies involved. Improved curricula designed in collaboration with experienced employees are a precondition to better outcomes. The business sector also promotes any activities they consider will improve the performance of their employees or newly recruited staff.

VET curricula developed to target emerging labour market opportunities and the new qualifications documented in NQFs (ETF, 2010b) could greatly benefit from the knowledge of the business sector. Such cooperation also benefits private initiatives, as can be seen in the example described in BOX 2.

BOX 1. COOPERATION IMPROVES THE CURRICULA OF STUDY PROGRAMMES AND GRADUATE EMPLOYABILITY

A leading Georgian private university periodically holds fairs where business representatives (chambers of commerce, sector organisations, etc.) and individual companies can present employment opportunities and make known their mid-term human capital needs. Furthermore, a mandatory ‘guest day’ obliges students to invite business representatives to the university. The aim of such compulsory events is to teach students how to approach business people and cooperate with them. Students are responsible for the preparation of such meetings and the follow-up activities and they are fully accountable for such activities. University staff may be invited to these events but this is a voluntary option.

The curricula of higher education degree courses are systematically reviewed in collaboration with representatives of the business sector to ensure that emerging skills needs are covered. People already working also come to lecture at the university. The governing board is made up exclusively of representatives from the business sector. Institutional performance in terms of quality and employability is very good.

BOX 2. COOPERATION AND SYNERGY INCREASES EMPLOYABILITY

A private company in the Republic of Moldova has helped to design new training courses in public VET. When the company was established in 2005, none of the existing vocational schools provided training for industrial machinists, a priority occupation in the textile industry. The company had to train its own staff independently of the existing VET system. Now the training centre operates in collaboration with a technical college and the national employment agency, providing tailor-made training courses for future employees. Even though the curriculum had to go through a long and complicated process of ministry approval, it is now being successfully implemented and the course trains almost 100% of the company’s employees.

At the vocational school level in all the countries there are sector-specific and interest-driven activities to improve VET quality through curriculum revision. Such efforts are partly institutionalised in advisory boards.

Technological innovation and research

In some countries (Armenia, Georgia, Republic of Moldova and Russia), universities train employees and undertake research relevant to the business world and the business sector helps to revise curricula and sponsors equipment in return for the efforts to target research. However, joint activities are still modest. One reason is that many private universities linked to the business sector focus more on...
lecturing than on cost-intensive research, the results of which they may not be able to sell on the market.

Technological innovation in the economy is a driver for joint VET activities. Businesses involved in global markets use new technologies in order to comply with international standards. These changes have enormous consequences on human capital development and the necessary training can take the form of in-house schemes or be undertaken in cooperation with VET centres. Both modalities are emerging in the region and most activities are initiated by larger enterprises or business sectors with connections to universal global technologies.

**Jointly organised learning opportunities**

There are considerable joint efforts that focus on facilitating the transition from higher education to work. In over half of the countries, employment facilitation takes the form of career centres and business incubator activities at universities complemented by agreements between businesses and university management on internships for students and lecturers.

Some Tempus projects bring together universities and the business sector to enhance the quality and labour market relevance of training and to transfer research outcomes. Business start-up activities and entrepreneurial learning are also promoted among students. For better implementation, business sector representatives support universities with advice and lecturing.

The overall trend is that counselling and lecturing by experienced employees at universities, business days in higher education institutions, and entrepreneurial learning activities are slowly moving from being pilot schemes to wider implementation as university management becomes increasingly aware of the institutional advantages.

The example from the Armenian construction sector described in **BOX 3** illustrates how rich and varied cooperation can be. This is relevant because the construction sector plays a major role in cooperation across all of the countries in the region.

The economic context gives rise to different perceptions of the strategic relevance of VET-driven human capital development in the business sector. Small firms are mainly concerned about maintaining their market position; most of them exist under precarious conditions (lack of credit, informal status, no advice from business organisations, etc.) and some do not follow the ILO Decent Work concepts. They are less involved in cooperation. Moreover, they do not have financial and personal resources to invest in training.

The situation is different in sectors of the economy that have to comply with international standards, such as tourism, ICT, transport and logistics. In Azerbaijan and Belarus, cooperation is found in the food processing sector, and companies are particularly interested in retraining and certifying vocational teachers.

**BOX 3. MULTI-LEVEL COOPERATION BETWEEN EDUCATION AND BUSINESS**

Yerevan State University of Architecture and Construction (YSUAC) and the Union of Builders of Armenia (UBA) have established successful cooperation on several levels. The UBA specialists participate in the Scientific Councils of YSUAC and the Rector of YSUAC is a member of the UBA Board. Experts from UBA often deliver lectures and presentations on various topics at YSUAC. UBA representatives organise consultations for students, young academics and specialists, they supervise the design of papers and scholarly theses, and they support research activities and the development of scholarly articles and their publication in the UBA journal. UBA also helps to organise student internships (200–300 students per year), providing construction sites and construction materials and ensuring the availability of appropriate specialists. UBA also pays for the tuition of four to five gifted students per year.

The path cooperation takes depends on country- and sector-specific conditions and interests. Firms are more proactive in seeking such cooperation when they are convinced that human capital demands are a considerable obstacle to business development. Many enterprises in transition countries were confronted before the crisis with major or severe constraints related to skills shortages (Mitra et al., 2009; World Bank, 2010). This could be a driver for cooperation and a strong motivation for firms to invest in training.

Belarus, Georgia, Russia and Ukraine have implemented a wide range of measures to enhance the quality of VET. These measures include internships for teachers and the delivery of textbooks. Employers can influence changes in the VET curricula and many of them see the advantages of such cooperation. Investing in existing training centres makes more economic sense to them than creating their own in-company VET infrastructure. Moreover, graduates from such training programmes have positive employment opportunities.

There are operational consequences in Belarus. The Ministry of Education has introduced an application system so as to match the numbers of trainees by specialisation and sector with the needs of enterprises. These courses were readjusted to achieve more appropriately skilled graduates. Companies have to apply in advance to vocational schools for such training programmes. This system makes it possible for the authorities to calculate how many students are required and the number of training places in vocational schools is adjusted to meet this demand. Regional Coordination Committees dealing with youth vocational training and employment work together with employers, the local administration and public organisations.
Cooperation across the region ranges from very liberal approaches to more state-controlled activities. Azerbaijan has applied a mixed approach. Local employers can work with vocational schools on practical training, but any real changes in the programmes and any new courses delivered by schools have to be submitted to the regional and national authorities for approval and have to be developed in collaboration with the Baku VET Centre.

5.1.4 Policy monitoring and evaluation

The country reports have little information on systems for monitoring and evaluating education-business cooperation at national, meso (between micro and macro) and local levels. Such activity is a necessary development if the countries are to monitor the efficiency and effectiveness of their policy initiatives and learn policy lessons.

5.2 Institutional capacity for cooperation

Universities are dominated by academism and are market-driven in only a few cases in which higher education coincides with profit-making. The entrepreneurial spirit of university managers and advisory and governing board members in these few cases is remarkable. However, the vast majority of higher education institutions do not give any priority to such cooperation because they perceive their core tasks to be in other areas.

The public VET centres have a different motivation for cooperation. In countries such as Georgia or Russia, where VET centres are legally allowed to sell education services to the business world, a certain entrepreneur spirit is found in school management. They have updated their skills and started marketing their education services in a dynamic economic environment. Such schools tend to be concentrated in urban rather than rural areas. The interest of management is driven by the enhanced reputation of their institutions and programmes, which enables them to sell additional education services in the marketplace.

Cooperation is an important precondition for improving the education infrastructure and the competences of management and teaching staff. Increased competences for cooperation, such as marketing education courses or networking in training design and delivery, are not yet in place. Training centres try to include business sector representatives on advisory boards in order to establish closer links with the business world and benefit from its expertise. A better school profile and performance level is considered necessary because the education reforms in initial VET and lifelong learning have not yet been completed in many countries. In a context characterised by small public budgets, there is a certain danger that training centres with a low profile and/or irrelevant labour market outcomes might face closure.

Typical areas of concern, apart from new curricula, are the improvement of teacher (further) training, the quality of textbooks, new learning facilities, and internships in businesses for teachers and learners. In-service training for teachers and learners is an issue of growing importance and it is beginning to be actively requested by school management because teachers must be aware of the changing requirements of the world of work.

Summary: Sporadic cooperation between education and business differs by country. Increasingly, cooperation is based on new laws and regulations aimed at improving the quality and employability of graduates. Such improvements are in turn related to redesigned curricula as well as improved staff training and education infrastructure. Individual initiatives originating in both sectors are currently the main drivers of cooperation and vocational school managers have generally become more entrepreneurial. The growing number of activities that are working towards the creation of NQFs, sector committees and VET councils and the promotion of business participation in university governance may have a positive influence on the formulation of policies for cooperation, which as yet do not exist.

6. THE RELEVANCE OF EUROPEAN POLICIES

Education experts in the region are increasingly aware of EU approaches and policies and have gained some experience in EU policies, such as NQFs, quality enhancement and social partnership-based education standards development as well as higher education and VET councils. They agree that higher education should not be related exclusively to academic knowledge, but should also be linked to the world of work. However, each national context is different and the further involvement of these countries in the globalised economy will raise the stakes and drive the greater involvement of the business sector and civil society in education and training.

6.1 Higher education and post-secondary VET

Armenia, Azerbaijan, Georgia, Republic of Moldova, Russia and Ukraine have joined the Bologna Process. All the countries have a Tempus office and promote cooperation partly with the help of Tempus funds. Innovation in higher education and cooperation has built strongly on the Bologna Process and Tempus.

European policies in the Member States favour public-private partnerships in the areas of governance, curriculum development and funding. All of these activities are also found in this region, but they tend to be pilot schemes rather than systematically implemented approaches. They encompass six issues relating to improvement highlighted by the European Commission (2009): curricula and employability, entrepreneurship, knowledge transfer, mobility, opening universities for lifelong learning and improved university governance.

Further development of the higher education sector includes building strong links between public institutions and the business world for the benefit of both sides. In this context, good European practice is considered relevant for improving cooperation. While Tempus
projects are not restricted to cooperation or to the above-mentioned issues, they have focused on developing partnerships between universities and companies. As a result of many cooperation projects, the transition from education to work has been improved, an outcome that would scarcely have been possible without business sector involvement.

Finally, all countries have signed up to a common policy monitoring framework from 2011 onward associated with the Small Business Act for Europe and which pays specific attention to education-economy cooperation, underscores the political interest of the region in accommodating EU policies for an improved contribution of education and training to the world of enterprise.

6.2 Vocational education and training

European approaches and good practice for evidence-based learning play an important role in supporting efforts to move towards social partnership-based VET. Education and business relations at all education levels, consultation of all relevant stakeholders and social partners, and the creation of partnerships based on trust and dialogue (Council of the European Union, 2009) are all activities relevant to the region requested by many stakeholders. Stakeholders would favour a similar approach to the Bologna Process for secondary VET. Tacis projects have contributed to better cooperation and reforms in VET.

The creation of VET councils and the presence of employers on VET centre advisory boards are a good start to the future development of education and business relations which might benefit from the above-mentioned activities.

The countries share implicitly European values in their pilot approaches to cooperation. Some of them state explicitly that they will reform their VET systems according to European policies on NQFs, joint development of professional standards, and quality approaches. Pilot schemes are in line with European experience and they consider VET to be a tool with a dual role (European Commission, 2010) that does not design innovations exclusively from the point of view of purely educational objectives. If VET is to be effective in the future in Europe and neighbouring countries, it must meet emerging skill needs and reduce the social impact of economic and financial crises.

The agenda for new skills and jobs (European Commission, 2010a) will be relevant in the partner countries. Production and consumption patterns require new green skills that will reduce carbon emissions and use energy more efficiently. The involvement of the partner countries in a globalised world requires more skill-based expertise aimed at achieving sustainable development and growth. The Union of Employers in Russia has already set up a National Qualification Agency that systematically aims to include such skills.

Summary: European policies and approaches strongly influence cooperation at both education levels. The vast experience and knowledge of Europe and specific measures such as quality enhancement and NQFs are important for a structured dialogue that will promote awareness-raising and knowledge at both policy and implementation levels. The Tempus programme, European-supported VET reform initiatives and a continuous dialogue are notable for encouraging cooperation.

7. THE CHALLENGES FACING EDUCATION AND BUSINESS COOPERATION

The challenges facing cooperation between the business sector, VET and higher education analysed in this report have been ordered in the following sections according to the different phases of the policy cycle.

7.1 Policy formulation

Across the entire region, there is a gap between the increased awareness of the need for cooperation and the lack of consistent policies, laws and regulations geared towards the provision of incentives and coherent implementation at both education levels. At present, it is the market opportunities rather than the policies that drive cooperation in higher education. Private universities have found a niche and are cooperating with the business sector intensively in teaching and to a lesser degree in research in an effort to improve the employability of graduates.

The absence of institutionalised communication at policy level between public and market-driven businesses still prevails and hampers policy formulation and new governance modes at all levels. The high investment in higher education is driven by socio-cultural aspirations that place a premium on higher education and public accountability while disregarding country-specific economic and employment structures and the human resource requirements of the economy. The prevailing policies in education still support this demand rather than making other educational pathways more attractive.

Many experts in all the Eastern European partner countries have stressed that existing experiences in cooperation remain “isolated”. Good practice is not systematically discussed and analysed with a view to using it to support a policy outline or to build capacity in the education and business institutions concerned. Examples of good practice are needed to improve implementation and to reinforce VET governance with solid expertise in cooperation mechanisms and the creation of communication channels between education and business.

Business organisations, such as confederations, chambers of industry and commerce and sector organisations, have a range of important responsibilities in the transition countries. However, a clearer vision and communication from business on the strategic role of human capital development for further socio-economic development and on proactive readiness for
co-governance and involvement in VET discussions is lacking in almost all of the countries, as is competent, systematic advice. This situation is aggravated by the fact that ‘on the sector level employers are more aware of an urgent need to shift towards market-oriented competence-based VET system than the VET system itself’ (Oleynikova, 2009, p. 693).

Many observers advocate that the VET system should be more open and responsive to the world of work and that students should have more opportunities to move between different streams and receive improved guidance for lifelong learning. However, such policies are rarely implemented in the VET system and most are not complemented by regulations designed to create incentives and institutional opportunities.

VET policies, governance, administration and management are mainly centralised. Schools are often not permitted to take responsibility for their own financial management. This situation can remove the incentive for local or regional initiatives to cooperate with the business environment. In many rural zones, institutions such as advisory services or microfinance schemes are giving advice and partly running training programmes. However, there are no comprehensive approaches based on specific regulations drawn up to involve such initiatives and their expertise in training centre programmes (ETF, 2009b).

7.2 Policy adoption

In all the countries of the region, the higher education sector produces a large number of graduates, but there are few incentives and little motivation for mid-term engagement of the business sector. The situation is aggravated by the fact that the labour market cannot absorb the large number of graduates so that the business sector has plenty of choice in recruitment in view of the abundance of higher education graduates. This gives rise to the phenomenon of graduates being overqualified for the work they are doing, which also reduces the job prospects of those with lower qualifications.

Moreover, not enough universities have introduced instruments for cooperation with the business sector, such as business days, job fairs and dialogue between students and employers. All these measures would help to guide student choices. Nor have policy-makers adequately discussed financial incentives for cooperation, on either the education or the business side. Russia has set up 81 incubator centres, but has a less supportive environment for cooperation (UNESCO, 2010). It has no comprehensive legislation providing for incentives and a there is still a lack of trust between partners, partly because of the unwillingness of education institutions to cooperate and also due to the prejudices of businesses, which are wary of regulations.

Initial VET is perceived of mainly as a public responsibility financed by government funds. But even if this is the case, it does not prevent the ministries concerned from using a structured dialogue and implementing cooperation schemes with expertise from the business sector in order to further improve the initial VET system.

Lifelong learning and continuing training in the context of labour market relevance and competitiveness are also issues that deserve more attention. Good practice is not systematically discussed and evaluated. Consequently, instruments and tools, such as cooperative training funds for sustainable approaches, are lacking in this area. Likewise, mechanisms for formulating and recognising learning outcomes and individual learning pathways are not supported by either education or business institutions. In 2011, the ETF started a lifelong learning project in Eastern Europe to support better policy design and implementation.

7.3 Policy in action

7.3.1 Qualifications development: joint curricula and study programme

Most higher and post-secondary education programmes and degree courses at universities are still considered too academic by employers in all the countries. Universities have no accurate information concerning the emerging skills and competencies required by business because of the lack of any adequately structured partnership or communication with the business sector. Moreover, there is no systematic feedback from former graduates and no instruments to facilitate fast changes in the education content on offer across a large number of higher education institutions. It has been observed that ‘a large number of students complete tertiary education, but too many of them graduate without the right skills needed by industry’ (Murthi and Sondergaard, 2010). Unemployment rates among university graduates remain high. For example, about 50% of graduates in Russia in 2009 were unable to find a job, a result of study programmes that were not relevant to the needs of the labour market and the declining demand for higher education graduates (Chigisheva and Chigisheva, 2010).

Post-secondary VET is delivered partly by Technicums and partly by universities that offer modules of higher education courses as stand-alone post-secondary VET programmes in order to increase their student numbers. In both cases, academic subjects play a dominant role and less significance is attributed to cooperation. The learning outcomes are often considered by employers as not labour market relevant. However, employers’ questioning of the quality of programmes has not given rise to cooperation.

7.3.2 Technological innovation and research

The link between higher education institutions and the business sector with regard to the application of research and development is underdeveloped, although business interests would be ready to pay for research. The incubation centres in Russia are the exception rather than the rule. This is an important issue for many institutions, which are not well financed by public budgets. Apart from the Tempus initiatives, there are not many scientific networks in the countries that also foster networking...
between higher education institutions, research institutions and the business sector.

Social dialogue on the education consequences of globalisation and the knowledge society has is not yet been sufficiently develop to determine education solutions for the problems identified. High-level commitment to analysing technological advances in the context of a global economy and country-specific transition problems are lacking because education and business remain two different and separate worlds.

In the manufacturing and modern craft sector, VET is heavily affected by technological innovation. However, most of the countries have not succeeded in setting up communication channels or joint technical bodies to analyse the major trends and draw up plans for modernising secondary and post-secondary VET programmes and continuing training courses.

7.3.3 Jointly organised learning opportunities

The EU Tempus project supports joint learning opportunities at university level. However, this cannot replace home-grown efforts to foster more cooperation. There are examples in the region in which both sides are learning to cooperate and benefitting from the trade-offs in joint activities. The obstacles to such joint learning opportunities are more on the education side than on the business side. Competition for markets creates stronger motivation for the business sector to cooperate with higher education, especially if such activities are fit in with company strategies.

The structural characteristics of the economies are another obstacle to joint learning in VET and to more systematic use of work-based learning. All the countries in the region have a high proportion of self employment and an growing number of small enterprises. Moreover, a fragmented modern, informal economy cannot entirely embrace cooperation. The constraints and the human capital development needs such economies are very different from more formal economies. There is a lack of information about training opportunities. The prevailing perception of VET and lifelong learning strategies do not adequately consider the needs of SMEs, family businesses and disadvantaged groups, and nor are they proactively involved in initial and further training programmes.

On the business side, the drivers for active cooperation are usually large-scale companies involved in the global economy. Their human resource needs are influenced by the quality standards required in global markets and they have sufficient capacity to launch joint training programmes with VET centres. However, from Russia it is reported that many companies do not engage in cooperation because they can ‘pick and choose from the surplus’, that is, the huge population of unemployed higher education graduates (Oleynikova, 2009).

External expertise and donors are not used effectively to create joint learning environments. There are no procedures or mechanisms for using recent labour market information to tailor existing curricula and to inform both education and business sides. Moreover, the performance level of the VET systems and institutions remains low, making most of them unattractive to potential learners from the business sector.

Consequently, in a study of the South Caucasus (Armenia, Azerbaijan and Georgia) carried out by the British Council and drafted by City and Guilds (2009) only a few employers stated that they used external providers for training staff. The majority of them arrange further staff training in house. The study also reveals that many companies expected their current working method to reach its limits in the coming five years, thus highlighting the need to reconnect local VET providers with companies.

7.4 Institutional capacity for cooperation

Policy design and developing the capacity of decision-makers, employer’s organisations and public institutions in the skills needed to promote cooperation are still pending issues in the region. Both the demand and the supply side are insufficiently involved in capacity development programmes for redesigning policies supporting cooperation. A similar pattern is seen in multi-level governance and the implementation of cooperation schemes. Moreover, all the countries have a number of committed experts on cooperation, but only a few institutions are involved in research that could support evidence-based policies. This is also the case with respect to policy and implementation levels.

Furthermore, there is insufficient capacity for creating regular institutional links between universities, the business sector and the labour market (government and advisory boards, education/employment events aimed at orienting education towards the labour market, business incubator initiatives).

Summary: Well-functioning cooperation at both levels remains isolated and sporadic. Existing good practice does not, by and large, systematically inform policy design and implementation. As a result, there is no supportive environment for cooperation (legal framework, financial incentives etc.) or individual and institutional capacity. Policy-makers and institutions in universities, VET centres and in the business sector do not have the capacity or preparation to introduce and mainstream cooperation at both education levels. However, the three larger countries (Belarus, Russia and Ukraine) have made progress in terms of developing a legal framework for cooperation.

8. RECOMMENDATIONS FOR COOPERATION IN EDUCATION AND BUSINESS

Six strategic areas are relevant to further and enhanced education and business cooperation at both education levels in the region. These are the areas in which European policies and activities could strongly support sustainable change. However, reform attempts can only be specified and designed on the basis of each country’s specific environment. These six
strategic areas, which could be supported by different donors, were considered in the ETF Work Programme 2011\(^7\) and have been ordered in the following sections according to the phases of the policy cycle.

### 8.1 Policy formulation

Social dialogue, policy and evidence-based learning (ETF, 2008) should analyse good practice and external experiences in order to foster cooperation as an integral part of new education policies, including lifelong learning and continuing training, in line with country-specific socio-economic policies. The aim would be to promote cooperation not only in large industries through reformulated policies, but also in the SME sector, including entrepreneurial learning, particularly in the Caucasus where there are not many large enterprises and VET-driven human capital formation would be more concerned with SME issues (ETF, 2011).

In all the countries, social partnership (ETF, 1998) and governance would benefit from improved and structured communication channels, including national or regional councils like those already in place in Ukraine, sector committees and school boards in VET, and the participation of business sector representatives in higher education governing and advisory boards, as is already the case in Georgia.

All the countries in the region (with the exception of Azerbaijan) have set up councils or sector committees and boards in vocational schools and universities. The experts in these partner countries see an urgent need to reinforce the functions of these bodies and to turn them into effective forums for dialogue on cooperation where good practice and its consequences for policy and the further dissemination of cooperation can be discussed. This dialogue should include discussion about NOFs, quality improvement strategies, the findings of labour market research, and further development of standards at both education levels, all of which are topics closely related to better cooperation.

The government should make better use of the expertise of national VET councils when discussing and drawing conclusions about policies and in exploring cross-cutting issues, such as financial incentives for cooperation, new taxation policies and the legal framework. The role of these councils should be to stimulate the ministries to implement reforms in a way that is more coherent with the overall reform objectives, taking into account the needs of both the learners and the business sector, including SMEs.

### 8.2 Policy adoption

Each country’s stakeholders should develop an agenda itemising possible areas for cooperation in higher education (for example, advice, joint study programme development, internships). This should include defined mechanisms for the division of work between education and business and clear responsibilities in terms of infrastructure, financial contributions and human resources. Before starting such innovative cooperation, issues must be clarified.

A supportive environment requires a legal framework that includes incentives for and contributions from both sides (legal and pedagogical freedom for schools to generate additional income, tax incentives for companies, more decentralisation, and autonomy within frameworks that set standards for both quality and accountability). This model is similar to the Russian national priority projects at both education levels. Tools for pricing and costing education services and marketing higher education research findings must also be developed.

Policies and governance must offer the lecturers in higher education an environment that will enhance motivation and knowledge. This must be linked to incentives to approach new horizons in research. A viable method would be to systematically involve university staff in research and development projects related to the economy and to proactively offer research findings to the business world through technology transfer offices (European Commission, 2007). There are no one-way streets in the sense that business could only benefit from expertise transferred from education institutions. This option is still underestimated in the effort to rehabilitate university knowledge as well as institutional profiles and performance.

The promotion of global research networks and stronger participation in such networks is another alternative that could strengthen the institutional performance of universities while also making them more attractive to the business sector.

More information, structured dialogue and capacity building are required to improve the implementation of cooperation between education and business. However, this entails certain preconditions. The key is labour market research and information, which is an area where donors might help. Communication channels to cutting-edge enterprises in specific sectors must be developed in order to process the information needed to tailor training programmes to emerging skills needs. Cooperation is likely to be more effective in countries where vocational schools are stimulated to build up local networks and provide educational services to industry.

In view of their ageing populations, the three larger countries in the region (Belarus, Russia, Ukraine) should also discuss the advantages and disadvantages of funds for continuing training being financed by learners and employers. There is cooperation-driven good practice in this area in Europe that could provide useful evidence.
8.3 Policy in action

8.3.1 Qualifications development: joint curricula and study programmes

The reform of study programmes and the inclusion of more entrepreneurial content requires regular meetings and constant communication with the business world. Universities tend to underestimate the knowledge of experienced business people in a technologically fast-changing environment. Institutionalised mechanisms must be set up to put such knowledge to use in study programme development.

Post-secondary non-tertiary VET and higher education programmes must be restructured to produce more practical workplace skills. The course content in this sector cannot simply be derived from the scientific disciplines and delivered in a university format. They should be redesigned with input from business sector representatives. New modes of governance must be designed to facilitate communication and contact with the business sector to create a platform for discussion and the design of the types of qualifications needed at different levels of competence to meet the needs of the labour market.

Good practice emerging from advanced sectors such as ICT could be discussed with a view to updating post-secondary VET programmes, and those in other sectors of the economy, using the tools already developed for training needs analysis, namely, the DACUM or functional analysis approach. Representatives from the business sector should be systematically included and make real contributions from the world of work to the further development of technical and entrepreneurial contents.

More sector committees are an alternative solution for updating curricula taking into account technological trends and the institutional infrastructure of vocational schools.

8.3.2 Technological innovation and research

The Russian incubator initiative has created a useful tool for forging stronger links between education and business in the context of research and technological advance. This type of initiative should be carefully evaluated and discussed in order to determine the framework required and the institutional possibilities and perspectives on both sides.

External knowledge could also be helpful. However, the Russian experience is growing in a transition environment and in the context of new business and research areas. Hence this experience should be analysed and conclusions drawn for innovation in other countries of the region.

Technological advances in VET are closely linked to the world of work, which relies on innovation in the production and distribution of goods and services. It should be strongly emphasised that under-financed vocational schools are structurally limited in the ways they cope with the accelerating rhythm of innovation. Joint and trust-based discussion will be a major challenge for public vocational schools. However, it is their only viable chance to develop a sound connection with the world of work (G20/ILO, 2010) and to use trade-offs on both sides for the benefit of the education institutions, the business sector and the learners.

8.3.3 Jointly organised learning opportunities

Incentives for research that link universities and the business sector need further development. Strengthening such cooperation in business and technology parks is a viable way to promote networks bringing together business and education institutions. Flexible intermediary bodies created by universities that acquire and try to sell research findings and knowledge to the business world would promote a common language linking the two sectors.

In VET, plenty of joint learning opportunities are already available. They should be carefully evaluated and wherever possible extended taking into account the structural limits of schools and the advantages of work-based learning opportunities. In this context, continuing education plays an increasing role in the future competitiveness of the region and, whenever possible, should also take the form of joint initiatives designed to benefit the education institutions, the businesses and the learners.

8.4 Institutional capacity for cooperation

More knowledge of tools and good practice in cooperation is required at governance level, based for example on Tempus projects and the existing experience of the commercialisation of research results. An evaluation (European Commission, 2008) recommends that ‘stronger links to the labour market would also help universities find appropriate and sustainable means of providing services and continuing education to the business sector’ and as well on home-grown efforts.

Capacity building in the region cannot be exclusively top-down in the important area of supporting policy formulation on cooperation. Institutional structures must be reinforced on both sides to produce sound labour market information and forecasts and to implement tools and instruments for improved cooperation between business and education.

This will have a knock-on effect in terms of more effective structures for in-service training of teachers and school directors in companies to update their skills. Employees of ministries and managers of training centres need training and leadership skills in order to effectively manage cooperation. Information campaigns could be organised after training. A website could be set up to further cooperation and competition between training centres and demonstrate good practice.

Social dialogue on good practice and governance issues is an important area for international cooperation. Initiatives
should involve not only policy-makers and representatives of the education sector but also representatives from businesses who can outline country-specific forms of cooperation.

International cooperation from Europe could reinforce the external dimensions of EU policies towards trust-based social partnership and business involvement at all education levels through activities promoting structured dialogue and evidence-based learning. For European organisations and experts this implies an intercultural competence that would build on learning from the countries' previous experiences of successful and unsuccessful adaption and implementation of European approaches in the region.

Europe has a vast range of experience in cooperation at the secondary VET level. The social partners are involved in cooperation based on trust in many different ways and support universal concepts such as the ILO Decent Work agenda. In some countries the business sector contributes financially, with considerable amounts going even to initial VET. Experience, instruments and procedures used in EU Member States could inform the efforts of the partner countries, helping them to design their own solutions. Cooperation and social partnership should therefore play a major role, because training that is solely publicly designed and delivered will in many sectors of the economy be unable to cope with the technological and economic challenges of the future.

Donor expertise on social partnerships could be targeted more towards specific solutions in order to support new policies and define action plans and capacity-building measures.

**BIBLIOGRAPHY**


European Training Foundation, Enhancing the Role of Social Partner Organisations in the Area of Vocational Education and Training in the Candidate Countries of Central and Eastern Europe, Turin, 1998.


European Training Foundation, Innovative Training for Poverty Reduction in Rural Central Asia, Turin, 2009b.


European Training Foundation, Inventory of Recent NQF Developments in the ETF’s Partner Countries, Turin, 2010b.


Zelloth, H., European Training Foundation, *Comparative Analysis of Vocational Education and Training (VET) in the Countries of the ENP East Region*, Turin, 2011.
### TABLE 1: MAP OF LEGAL REGULATION AND GOVERNANCE STRUCTURES OF EDUCATION AND BUSINESS COOPERATION

<table>
<thead>
<tr>
<th>Country</th>
<th>Relevant national legislation</th>
<th>Relevant advisory bodies</th>
<th>Relevant executive governmental structures</th>
<th>Full member of Bologna Process</th>
<th>NQF</th>
<th>Most representative national employers’ organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Concept on the Development of Preliminary Professional education with Action Plan for 2009-11 Concept of Lifelong Learning (2009) (not yet adopted)</td>
<td>Law on Employment of the Population and Social Protection in Case of Unemployment</td>
<td>The National Council for Vocational Education and Training Development (NCVD) is a tripartite consultative body and includes an equal number of representatives from the three parties (public + employers + trade unions) and ensures the achievement of social partnership in the VET sector on national level. The National Competitiveness Foundation is an independent entity founded through a partnership between the government and a group of leading representatives of the private sector from the United States, Russia, the European Union and the Middle East. A key priority for the Foundation, is the development of a strong education system. Concept on Social Partnership in the Field of Preliminary Professional Education (2009). Four levels of Social Partnership – National, Regional, Sectoral and Institutional – are foreseen with clearly defined responsibilities.</td>
<td>Since 2005</td>
<td>No</td>
<td>Republican Union of Employers of Armenia Union of Manufactures and Businessmen (Employers) of Armenia UMBIEJA Chamber of Commerce and Industry of the Republic of Armenia</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Law on Education 2009 Labour Code 1999 Regulation on initial VET 2011 Regulation on VET Centres 2010</td>
<td>At a national level a policy group has been functioning over the past three years to advise on VET reforms. There are some positive examples for partnership at the school level where a small number of schools have been able to establish formal and informal links with enterprises. In the two VET centres employers are involved in the school boards.</td>
<td>State Agencies/Institutes which are intermediate structures linking the business and education spheres, such as the ‘State Employment Service’ Agency and its regional (Marz) and local employment centres; the Youth Professional Orientation Centre; the National Institute of Labour and Social Researches; the National Centre for VET Development; the National Centres of Professional Education Quality Assurance.</td>
<td>Since 2005</td>
<td>In preparation</td>
<td>National Confederation of Entrepreneurs (Employers’) Organisations of Azerbaijan Azerbaijani Turkish Employers Association Azerbaijan Chamber of Commerce</td>
</tr>
<tr>
<td>Country</td>
<td>Education</td>
<td>Employment</td>
<td>Relevant advisory bodies</td>
<td>Relevant executive governmental structures</td>
<td>Full member of Bologna Process</td>
<td>NOF</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>Country</td>
<td>Relevant national legislation</td>
<td>Relevant advisory bodies</td>
<td>Relevant executive governmental structures</td>
<td>Full member of Bologna Process</td>
<td>NQF</td>
<td>Most representative national employers' organisations</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Russia   | Law on Education (1992)  
Law on amending the rules and regulations of the Russian Federation to provide employers' association with the right to participate in development and implementation for vocational training (2007)  
Concept of Long Term Social-Economic Development of Russia for period until 2020.  
Special Commission of Russian Union of Industrialists and Entrepreneurs (RSPP) on occupational standards  
Agreement between Ministry of Education and Science and Russian Union of Industrialists and Entrepreneurs (RSPP) on the establishing a Coordinative Commission (2007)  
Resolution on Approval of the Rules of Employers' Participation in the Development and Implementation of the State Policy in the Field of Vocational Education (2008)  
Federal Service for Supervision in Education and Science (Rosobrnadzor) | Since 2003 | Yes | Russian Union of Industrialists and Entrepreneurs (RSPP)  
Russian Federation of Chambers of Commerce and Industry |
| Ukraine  | Law on Education  
Law on Vocational Technical Training  
Draft Law on In-service Professional Development of the Personnel | Law on Employment  
In some areas of Ukraine inter-sector councils of VET social partners are in common practice but not a norm. The Coordination Council for Employment Facilitation has been established and operates at the Ministry of Labour and Social Policy, comprising representatives of employers' organisations, trade unions and other stakeholders, as well as the Interdisciplinary Council on In-service Training of Personnel, members of which are the representatives of businesses, education establishments, line ministries etc. VET councils, which include employers and other interested partners are established in VET at the national and regional levels. | Since 2005 | No | Confederation of Employers of Ukraine  
Ukrainian Chamber of Commerce |
LIST OF ACRONYMS AND ABBREVIATIONS

DACUM  Development of a curriculum
ENP    European Neighbourhood Policy
ETF    European Training Foundation
EU     European Union
ICT    Information and communication technologies
ILO    International Labour Organisation
NQF    National Qualifications Framework
SME    Small and medium-sized enterprise
UBA    Union of Builders of Armenia
VET    Vocational education and training
YSUAC  Yerevan State University of Architecture and Construction

LIST OF COUNTRY CODES

AM    Armenia
AZ    Azerbaijan
GE    Georgia
MD    Republic of Moldova
RU    Russia
UA    Ukraine
CENTRAL ASIA

Manfred Wallenborn

1. INTRODUCTION

The influence of economic globalisation is increasingly marked in the partner countries of the European Training Foundation (ETF). Transition and developing countries geographically close to Europe must formulate and implement country-specific solutions to increase economic competitiveness, workforce employability and sustainable growth. Human capital development is an important and strategic instrument in this context.

Education and training systems and the business sector worldwide are gaining experience in new forms of cooperation that can improve educational outcomes while making optimum use of the technological competence and infrastructure of enterprises, their resources, knowledge and world-of-work learning environments. Questions remain concerning the systemic implications of cooperation for education and training systems and possible impacts at policy and implementation levels.

Social dialogue and partnership, civil society stakeholder involvement in national education, and training councils also have important parts to play in formulating and implementing innovative policies in education and training. A more intensive examination of cooperation between education and business in partner countries is needed in order to provide better support for human capital development and the reform of education and training systems.

This regional report examines education and business cooperation in the Development Cooperation Instrument countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The report reviews policies, approaches, examples of good practice and challenges to implementation in an attempt to capture the complexity of the regional picture. The examples provided are illustrative rather than exhaustive as it is our intention only to outline general trends and patterns. The paper is based on key findings from reports drawn up by the ETF on each of the countries and is part of an overall process of assessment requested by the European Commission’s Directorate General for Education and Culture for the Enlargement and Southern and Eastern Neighbourhood regions. This report is the outcome of a collaborative effort with partner institutions from each of the countries involving desk research, data analysis and a series of in-country meetings.

2. EXECUTIVE SUMMARY

Cooperation between business and education plays only a minor role in this region. While Kazakhstan and Turkmenistan have important extractive industries, the region as a whole is made up of low income countries with few natural resources. Official records show little social dialogue, a lack of pro-cooperation policies and an absence of policies for the establishment of legal frameworks or financial incentives. Cooperation does however exist on the ground in all of these countries because of the growing interest in education and awareness of the importance of such partnerships among policy-makers and the more dynamic business sectors linked to the global economy.

As a result, cooperation in the region is driven by the interests of individual actors (employers and education institutions) rather than by policies. The interplay of socio-economic influences means that the preparation for good practice and future cooperation varies in quality within and between countries. The huge weight of small and micro enterprises in these economies is likely to be an obstacle to the rapid dissemination of cooperation.

Kazakhstan is an exception to the rule in many ways because its expanding national business sector is experiencing insufficient human capital development and the workforce is insufficiently skilled to cope effectively with technological innovations and economic challenges. This lack of a qualified workforce is a major concern in the extractive industries and the emerging services sector, while environmental problems, such as desertification, add further pressures. Kyrgyzstan, Tajikistan and Uzbekistan experience similar but less extensive shortages of qualified workers in certain economic sectors.

Larger firms are aware that enhanced competitiveness is related to better human capital endowment. Moreover, the business sector is prepared to undertake initial and continuing training of employees while complaining about the low quality of public-driven VET. The situation has led larger firms to resort to self-help to improve skill levels. Most firms rely on company in-house training while a smaller number develop learning opportunities in conjunction with public training centres.

Awareness of the strategic importance for socio-economic development of vocational education and training (VET) does not automatically lead to cooperation policies or joint learning activities and many of the efforts made are hampered by widespread mutual mistrust, gaps in policy and poor implementation capacity.

Only Kazakhstan and Uzbekistan have a policy prioritising cooperation in VET, and this is largely an outcome of recent developments in new economic sectors. Direct foreign investment as a driver for cooperation is modest in the low income countries, and the huge number of small and medium enterprises (SMEs) and family businesses in all of these countries adds to the lack of coherence between VET and business interests in education reform efforts.
Cooperation is mainly related to certain economic sectors, including information and communication technologies (ICT), tourism, construction, transport and mining. Donor support could be provided for the discussion of good practices in cooperation to encourage greater consideration of this aspect in education policy development. Increases in cooperation and policy changes in VET and higher education are only likely to succeed if the business sector and other stakeholders are more systematically involved in social dialogue on other issues, including governance.

Prevailing opinion attributes responsibility for education as a whole, including policy change, to the public sector, and there is insufficient consideration of the potential capacity of the business sector to contribute to future innovation in education. This is not a good starting point for cooperation or social dialogue on key issues in education and training.

Moreover, the weak involvement of the small business sector is symptomatic of the lack of awareness of the strategic role of education in this sector, although recent policies supporting smaller businesses are more encouraging. Capacity for cooperation is weak on all governance levels, and more space must be made for donor-supported projects and dialogue.

New policy options for improved cooperation should be built on discussions of good practice covering a variety of aspects, including quality in education, professional and occupational standards, and NQFs. These processes will only be sustainable if they are complemented by capacity development measures for both the education and business sides. Donor support will be needed at the policy development and implementation stage. This must concentrate initially on the development of joint curriculum or study programmes and an increase in the number of jointly organised learning opportunities in areas where successful activities have already been piloted.

European influence on education and training is weak in this region despite the efforts in higher education and VET of the European Education Initiative for Central Asia, although Kazakhstan is exceptional in some ways. Tempus projects based on cooperation have been established in all the countries but they, and other projects, have so far failed to improve the design or implementation of cooperation policy.

3. CONTEXT

The five countries present a diverse picture. Kazakhstan saw considerable economic growth in the decade before the economic and financial crisis, while Tajikistan and Kyrgyzstan experienced steady lower-level growth without the development of strategic industries and with a heavy reliance on remittances from migrants. Both countries would have wider and deeper internal employment problems if a considerable share of their labour force were not working abroad. Kazakhstan reduced poverty rates from 32% to 13% between 2000 and 2008 as a consequence of relatively high oil and gas prices (Agency of Statistics of the Republic of Kazakhstan, 2010), while Tajikistan and Uzbekistan reduced poverty without this income flow.

Pasadilla (2010) cites specific reasons for the situation in Kazakhstan:

Buoyed by a more favourable external environment and the high prices of its main export products (e.g. natural resources), Central Asia recovered from a decade of transition-related problems. Now, the most advanced economy of the group, Kazakhstan, has a gross national income (GNI) per capita of more than US$ 6 000, which is within the upper middle income bracket globally. The score remains below the average of that income group, but is close to other relatively developed economies like Argentina [...]. The Kyrgyz Republic, Tajikistan, and Uzbekistan remain in the low income group of countries globally, but have GNI per capita figures that are more than 20% higher than the group average. Turkmenistan is in the lower middle income group, like many South-east Asian economies.

Steady economic growth before the crisis and remittance inflows keep modest household incomes in Kyrgyzstan and Tajikistan relatively stable. Most rural areas in these countries have stagnated into economic development characterised by labour-intensive production in predominantly family businesses with low skills and productivity levels. Self-sustaining rural households are unlikely to form education and business relations due to the low levels of investment in the rural economy.

Table 1 in annex gives recent indicators that show a degree of recovery following the economic and financial crisis in five countries. The World Bank classifies Kazakhstan as an upper middle income economy, Turkmenistan and Uzbekistan as lower middle income, and Kyrgyzstan and Tajikistan as low income. These countries were included in the ETF project on skills development and poverty reduction (ETF, 2006). The global competitiveness index ranks three of the countries covered by this report in a global listing of 139 nations: Kazakhstan (72), Tajikistan (116) and the Kyrgyz Republic (121).

A lack of policies for SMEs or poorly developed policies are a matter of concern in the region, especially as many small companies operate in the informal economy. This legacy of the Soviet era plays a significant role in regional development policies, where attention is still concentrated on large industrial conglomerates and hardly any notice is taken of the employment-intensive SME sector. The strategic relevance of the SME sector is, however, now fully recognised, especially the flexibility, employment potential, and provision of local products and services it offers. Initial policies and strategies are in place but further

---

1 In 1998-2007 Tajikistan lost 34 000 jobs on top of the 234 000 lost between 1991-1998 (State Statistics Committee of Tajikistan, 2008)
2 http://www.eng.stat.kz/Pages/default.aspx
3 Source: http://data.worldbank.org/abol/country-classifications/country-and-lending-groups
components on VET-driven human capital development for this economic sector need to be added (OECD and World Bank, 2011). The EU supports SME business intermediary organisations that could play a key role in cooperation.5 Small firms in Central Asia identified many obstacles not addressed by policies in their environment including finance costs, tax administration, corruption, macroeconomic instability and uncertainty about regulatory policies. These were closely followed by issues concerning the skills and education levels of available workers. Almost all small enterprises and more than 80% of medium-sized companies are started from scratch by entrepreneurs rather than state-owned enterprises (Pasadilla, 2010).6 Decent work is a hot topic, as many of these micro and small enterprises have low productivity levels and can only survive with some degree of exploitation of both bosses and workers in precarious working environments.

Since 2009, the EU Strategy for a New Partnership in Central Asia has assigned a prominent role to further activities in the education sector.

Summary: Data from all five countries reveal some optimistic signs of economic recovery following the economic and financial crisis. The labour markets in Kazakhstan and Russia are once again attracting workers from Kyrgyzstan and Tajikistan so that remittances are once again playing an important role in gross domestic product growth and providing a degree of income stability in both countries. Rural development approaches, including skills and business training, are not linked to the promotion of SMEs.

4. EDUCATION POLICIES

National independence has caused major changes and the new nations were forced to design national qualifications systems and create national expertise in the development of qualifications. Moreover, VET provision in most of these countries was severely affected by the closure of enterprises following the dissolution of the Soviet Union (many schools operated on a one enterprise–one VET school basis) and the improvised solutions often had negative consequences on quality and access to education (ETF, 2006a). New, previously unknown occupational profiles have appeared in all the countries in areas such as the financial sector, retail, hospitality and ICT.

Policies view the public sector as the main driver for general education and even for VET in most of the countries in the region, although public expenditure on education varies from one country to another. Figures for public spending on education in 2007 as a percentage of public spending on education in 2007 as a percentage of gross domestic product are available for Kazakhstan (2.8%), Kyrgyzstan (3.5%) and Tajikistan (3.4%).7 Cooperation may be a powerful instrument in achieving socio-economic objectives at certain stages of development, but the business sector has specific demands in many areas that cannot be met entirely by publicly-driven education institutions because these entities are focused on broader educational objectives rather than functional human capital development needs. As a result, education policies that concentrate on greater permeability and equity are more prevalent than those that encourage cooperation in the region (Ouzoun, 2011).

4.1 Higher education and post-secondary VET

Kazakhstan has joined the Bologna Process and has consequently started to restructure its higher education system. New legislation made provision for private universities and their number has grown rapidly over the last decade. There is a growing awareness among policy-makers and higher education management of the need for universities to cooperate with the business sector in the context of a booming economy characterised by rapid technological progress in key economic sectors. Kazakhstan is the only country in the region with an infrastructure that provides for innovation and supports the shift towards a knowledge-based economy by way of ‘a network of business incubators and technoparks’ (UNESCO, 2010: p. 241).

For the most part, the other countries see higher education as the responsibility of the public sector and have no active policies to promote cooperation at this level. Academism and freedom for science and research are core components of existing policies, although cooperation is not ruled out and there are a few cases of successful projects at the institutional level.

In 2007, the percentage of research, training and development expenditure as a share of GDP was relatively low in Kazakhstan (0.2%), Kyrgyzstan (0.3%) and Tajikistan (0.1 %) and no figures were given for Turkmenistan and Uzbekistan.8

4.2 Vocational education and training

Soviet era cooperation between enterprises and VET schools disappeared during the severe economic and social upheaval of the early years of transition. A moderate level of cooperation has been re-established in some countries in recent years, but at nowhere near the previous levels.

Driven by a dynamic econormy, Kazakhstan developed regulations suited to the promotion of cooperation on different education levels in the 2007 education law. Human capital is seen as a strategic driver for competitiveness, and employers are legally entitled to organise training and retraining within companies.

---

5 For further information see http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/sme-development/ca_invest_en.htm
6 The definition of ‘small’ and ‘medium’ varies in the countries and even in the different economic sectors (see Pasadilla 2010, p. 7).
8 World Bank, World Development Indicators, at: www.worldbank.org
Moreover, they can request services from the education system on all levels. The National Programme of VET Development 2008–12 was designed with the participation of social partners in a procedure that was completely innovative for the country. The objectives include new standards defined by employers, more active business sector participation in VET and a system for forecasting skills requirements in industry. Consequently, this legal framework presents no real obstacles to cooperation.

In Uzbekistan, some VET centres make good contributions to human capital in strategic sectors, such as mining, transport, gas and ICT. Some of these VET centres are fully financed by the industries that rely on their services to develop the human capital they need. The 2007 Uzbek welfare strategy promotes public-private partnership initiatives.

Employers in all of these countries are increasingly aware of the relevance of education and training to socio-economic progress. However, such awareness is particularly noticeable in the emerging economic sectors and larger enterprises that have sufficient economic resources to invest in human capital development and are involved in the global economy. The SME sector has its own particular problems in terms of human capital development.

Kazakhstan is exceptional in this group because a great many employers have started to improve their own human capital by organising independent in-house training to address skill-based constraints that are affecting their development. However, the prevailing culture and derived policies in the region consider further innovation and the reform of VET policy outlines to be the responsibility of the state and government.

Summary: Economic development and country-specific efforts in Kazakhstan will certainly lead to greater cooperation in higher education and VET based on existing good practice. Kyrgyzstan, Tajikistan and Uzbekistan are still publicly-driven in all education sectors. While no new policies are expected in those countries in the short-term, awareness of the need for cooperation is growing. Turkmenistan is another example of a country with a wholly state-dominated higher education system, and the socio-economic situation in this and the other less developed countries provides no clear prospects for future cooperation. Heterogeneity and diversity are likely to persist.

### 5. COOPERATION IN PRACTICE: MAIN FINDINGS

No data is available on the number of higher education and VET institutions and resources that are involved in cooperation although pilot schemes are known to be underway in some countries. Education and business institutions are learning from good practice and there has been modest extension of cooperation in some economic sectors.

The current modes of cooperation between the business sector, VET and higher education analysed in this paper have been ordered in the following sections according to the different phases of the policy cycle.

#### 5.1 Policy making and multi-level governance

##### 5.1.1 Policy formulation

Kazakhstan has joined the Bologna Process and all of the countries are involved in Tempus projects that encourage closer links between education and business. As a result, higher education policies in Kazakhstan concentrate on Bologna objectives, and there are no plans at present for policy on greater cooperation in higher education. The other countries currently share a similar outlook.

Kazakh government policy on an NQF is highly appreciated by business sector representatives and this initiative builds on a previous ETF project on NQFs in Kazakhstan, Kyrgyzstan and Tajikistan. Business representatives try to play a major role in this specific form of social dialogue and can contribute considerably with their expertise to the formulation of standards. Further cooperation could be focused on governance issues, improved communication and the development of planning tools to support multi-level governance. The other countries currently have no VET qualification framework, but they have participated in donor-driven activities to pilot the development of frameworks in professional areas of economic relevance.

While education and business cooperation initiatives are very diverse, they operate without any policy as this simply does not exist. Having said that, an initial agreement on the systematic involvement of the business sector in VET has been signed by the Ministry of Education and Science, the Ministry of Labour and the Atameken Union National Economic Chamber in Kazakhstan (Ouzoun, 2011). Employers in Kyrgyzstan are involved in a consultative public forum on initial VET, but cooperation here is sporadic and driven by the initiative of inspired individuals (school directors and teachers) or larger companies who know from experience that cooperation is mutually beneficial. This type of initiative is aimed either at meeting urgent human capital needs (Murthi et al, 2010) or improving the reputation and education infrastructure of schools.

This means that the traditional and public-driven multi-level governance bodies on the supra-national, national, regional and local levels are hardly touched by business representatives. These entities are still dominated by ministries, which take a traditional line on all levels and rarely consult the private sector. The ETF has already touched on the issue of new governance structures in a project on qualification frameworks for three of the countries in the region (ETF, 2010).

##### 5.1.2 Policy adoption

Cooperation is still in the early stages, and the countries are predominantly preoccupied with other concerns, such as
the low quality and permeability of education, equity issues and the scant resources available for higher education and VET. As a result, legal frameworks and efforts for greater decentralisation, autonomy and accountability for education institutions in the context of cooperation are not in place and are currently not even slated for discussion. There are no incentives for business-driven education efforts in either higher education or VET.

There is one notable example of a new approach to future cooperation in VET in Kazakhstan. This is based on an agreement that recognises the responsibility of business sector organisations to achieve more effective VET through joint financing, labour market relevance and the production of more employable graduates.

**BOX 1. AGREEMENT ON COOPERATIVE VET PROGRAMMES IN KAZAKHSTAN**

In 2009, the Ministry of Education and Science, the Ministry of Labour and Atameken (the National Union of Entrepreneurs and Employers) signed an agreement to support VET. Three successful pilot projects have already been launched. The learning outcomes of the training programmes have been designed to meet the human capital requirements of the business sector. The pilot schemes registered high labour market relevance and very successful placement of participants, with employability levels higher than those of all other existing programmes (Ouzoun, 2011).

**5.1.3 Policy in action**

**Qualifications development: joint curriculum and study programmes**

Tempus projects support cooperation and concentrate mostly on curriculum development, entrepreneurial activities and learning, and links between science and research and the business sector. The technology transfer institutes are partly an outcome of former EU-sponsored projects linking non-academic and business organisations with the higher education sector.

The impact of the modest initiatives in joint curriculum development in VET should not be overestimated. Nearly all of these countries still have public-driven traditional curriculum development authorities that are unaware of the possible advantages of business sector know-how in curriculum development. However, there is an general tendency in the region towards the integration of more entrepreneurial learning into existing VET curricula and joint efforts for the further design of national qualifications frameworks (ETF, 2010).

Cooperation initiatives target the skills shortages that hamper economic development at enterprise level. According to experts in these countries, the main areas of sporadic cooperation are curriculum improvement, teacher upgrading, student internships and the provision of data on skills needs to schools. Cooperation in curriculum development occurs more often in continuing VET.

**Technological innovation and research**

In 2008, Tempus supported a project in Uzbekistan and Kazakhstan to encourage structured liaison between higher education and enterprises in research, development and innovation. Uzbekistan was also involved in an integrative strategic international management project for SMEs that underlined the need for further development of sound policies for the SME sector. Another Tempus-supported project in Kazakhstan analyses the interface between universities and the economy.

Targeted cooperation is used to achieve technological progress in relevant, dynamic economic sectors, such as the oil and gas industries in Kazakhstan. Higher education departments in these areas organise knowledge transfer to companies on topics requested by the business sector, building on the work of the technology parks to some extent.

Targeted cooperation is focused on economic areas that have potential for further development and have to deal with the standards and technologies used in globalised markets, such as ICT, construction, and the financial and tourism sectors. These external standards affect cooperation in all of the countries. However, cooperation is initiated by individuals and enterprises to close skill gaps and remains at operational level.

One example from Kyrgyzstan reveals that rapid technological progress can open the door to new prospects for schools and the business sector.

**BOX 2. COOPERATION IN TELECOMMUNICATIONS IN KYRGYZSTAN**

Lyceum No. 98 is the only provider of initial VET in telecommunications in the country. The school has always maintained close links with telecom providers, who participate actively on the school board, regularly take part in discussions on teaching content and approaches, and cooperate closely on staff retraining issues.

The results of market analysis clearly showed telecoms to be a growth area and in 2009, under this cooperation plan, the lyceum launched a new 10-month course to train multilingual call centre and telemarketing staff. The course content was developed in cooperation with telecom providers who have agreed to a three-month work placement scheme for students. Discussions are in progress on the provision of equipment to Lyceum No. 98 to ensure that students experience real-life working conditions from the earliest possible point in their training. The trainers have all worked in the sector and are keen to use interactive and practice-oriented approaches. As part of a new project, Lyceum No. 98 is intending to collect feedback from graduates from this course in order to gain a better understanding of their position in the labour market.
There are other examples of good practice but the outcomes have not yet been analysed systematically and the benefits are not being disseminated to other areas. One particularly good example is Tajikistan’s National Lyceum of Tourism which has established a tripartite agreement for skills certification with the Agency on Standardisation and the Association of Restaurateurs and Hoteliers.

Joint organisation of learning opportunities

Some higher education institutions already invite entrepreneurs to speak at universities and involve these experts in discussions about the transition to work for higher education graduates and the options and outcomes of curriculum reform. Several countries have partial legal frameworks for internships intended to update student knowledge.

The privately-funded University of Central Asia is exceptional in that it has found cooperation to be a viable alternative even in remote rural areas.

BOX 3. UNIVERSITY INTEGRATES CONTINUING TRAINING AND COOPERATION

The University of Central Asia operates in Kazakhstan, Kyrgyzstan and Tajikistan. It covers rural areas and its cooperation with the business world includes internships for students in enterprises. The University of Central Asia operates a continuing vocational education school and became the first active institution and university in remote rural areas.

The university’s primary mission is to contribute to socio-economic development through adult training. Its activities are unique in that they provide up-to-date further training programmes designed to meet the requirements of the local labour market. The school works in partnership with employers, employment centres, vocational schools and government agencies. Internships are included when appropriate.

The most impressive regional innovation in cooperative VET is currently being implemented in Kazakhstan with considerable donor support. The fact that the state and the national economic chamber have agreed to work with donors in this way clearly indicates a higher level of awareness and readiness to address human capital challenges in VET through cooperation.

Employers in Kyrgyzstan and Uzbekistan are represented on school boards and the final assessment committees of vocational schools. This often has positive consequences in terms of internships and the recruitment of VET students (Ouzoun, 2011). Uzbekistan has considerably extended internships for VET students, and some VET schools are fully funded by state-owned enterprises.

5.1.4 Policy monitoring and evaluation

Country reports provide little information on the monitoring and evaluation of education-business cooperation at national, district or local levels. The collection and analysis of such data would represent a key development and would allow the countries to monitor the efficiency and effectiveness of policy initiatives and to learn policy lessons.

5.2 Institutional capacity for cooperation between education and business actors

Cooperation capacities are not currently a major concern in any of the countries covered by this report except Kazakhstan. No notable efforts are being made to improve such capacities in this region because policy-makers are more concerned with other issues.

However, the basic building blocks for cooperation are present, and capacity development efforts could build on the experience and good practice already available. In many of these initiatives, learning is based on real experience, but cooperation is not systematically promoted and the political environment is not ready to proactively support policies, governance modes and learning opportunities based on greater cooperation.

Summary: There are examples in these five countries of targeted but limited cooperation in higher education based on specific demands rather than systemic efforts. The region is marked by varying degrees of national involvement in the global economy. As a result, Kazakh employers invest heavily in human capital development while only minor cooperation in emerging sectors, such as ICT or tourism, is seen in other countries. Larger companies in all these countries implement systematic or sporadic staff training to meet their skills needs. Such initiatives are not necessarily approached through cooperation, and they have practically no impact at policy level.

6. RELEVANCE OF EUROPEAN POLICIES

The European Commission and the Council of the European Union have issued a number of communications aimed at improving VET and higher education.

- Conclusions of the Council of the European Union on enhancing partnerships between education and training institutions and social partners, in particular employers in the context of lifelong learning (2009). (VET.)
The European Commission published *A new impetus for European cooperation in vocational education and training* (2010b) and *An agenda for new skills and jobs* in order to promote a better match between supply and demand and to anticipate labour market skills needs (2010a). (VET.)

Education experts in the region are generally aware that they can access experience on policies, the implementation of qualifications frameworks, quality enhancement, social partnership-driven education standards and higher education and VET councils. However, the situation varies widely across the different countries in terms of the stage of transition, economic dynamics and migration levels (ETF, 2010) and the secondary and post-secondary and higher education sectors. The issue of greater stakeholder involvement in education and training will undoubtedly come to the forefront with increased involvement in the global economy.

### 6.1 Higher education and post-secondary VET

Kazakhstan joined the Bologna Process and is actively embarking on education and training reform based on EU policies and good practice from EU Member States. However, the pace is slow. The strategic country target of ranking among the 50 most competitive economies by 2015 is well formulated, but they have not yet formulated the clearly designed and coherent governance and implementation strategies needed to achieve these ambitious objectives, and further adjustments are needed in higher education.

The other countries do not currently give a high priority to cooperation policies in higher education. However, Tempus projects in nearly all of the countries include European approaches and objectives aimed at strengthening education and business relations and establishing better preconditions for cooperation on both sides.

These projects do not necessarily lead to lessons learned and coherent governance structures as the business sector does not systematically request the cooperation of higher education institutions in meeting their training needs. In fact, the latter are more concerned with basic survival because of stringent resource constraints.

### 6.2 Vocational education and training

European approaches and good practice play a supportive role in efforts to achieve more partnership-driven VET that may include more cooperation in the long-term. Uzbekistan’s National Programme for Personnel Training is aware of this issue and is considering making a combination of training and real work experience a precondition for highly qualified specialists (Republic of Uzbekistan, 1997). The principles underlying the relationship between education and business at all education levels require further development. Examples of good practice can be taken from approaches applied in the Member States involving consultation of all stakeholders or social partners and partnerships based on trust and dialogue (Council of the European Union, 2009).

The establishment of relevant advisory boards (see Annex) and employer involvement on the advisory boards of VET centres in some countries present a good starting point for further development of education and business relations that might benefit from the principles cited above and from (regional) open methods of coordination.

In their pilot activities in cooperation, many countries have implemented implicitly European policies in VET (professional standards and quality concepts). Moreover, in an ETF project on NQF in Kazakhstan, Kyrgyzstan and Tajikistan they gained an understanding of qualification frameworks (Castejon et al., 2011). Activities in the region are based on a concept of VET not unlike that of the European Commission, viewing it as a tool with a dual role in that VET innovations are not designed exclusively from the perspective of attaining educational objectives (European Commission, 2010b). Effective training must also meet emerging skills needs and reduce the social impact of economic and financial crises.

The Agenda for New Skills and Jobs (European Commission, 2010a) is relevant to both higher education and VET. Production and consumption patterns require new and greener skills if they are to reduce greenhouse emissions and use energy more efficiently. Moreover, the increasing involvement of partner countries in a globalised world generates a need for the expanded skill set needed to cope with international standards and conform with sustainable development and growth targets.

**Summary:** European policies have little influence in terms of policy outline and implementation in these educational segments. However, specific issues, such as curriculum development, financing and government, are considered relevant areas for cooperation in higher education and post-secondary VET in Europe and in Central Asia. Most of the countries see European practice as a benchmark, particularly in the development of standards and qualification frameworks, and they appreciate European investment in cooperation on both education levels.

### 7. THE CHALLENGES FACING EDUCATION AND BUSINESS COOPERATION

The challenges facing cooperation between the business sector, VET and higher education analysed in this paper have been ordered in the sections below according to the different phases of the policy cycle.
7.1 Policy formulation

There is scant cooperation between education institutions and business in the governance or operation of higher education institutions apart from the various Tempus projects and a few specific attempts to use university departments for knowledge transfer.

Kazakhstan is the only country in the region so far to complete stock-taking research on higher education and the findings on cooperation are modest: ‘There seems to be no regular or formal involvement of employers in estimating the numbers of graduates needed in different disciplines; preparing occupational profiles or state educational standards; defining the knowledge, skills and competences required on graduation; or assessing final standards. Nor are there effective links between universities and employers for the purposes of research, fundamental or applied, or commercialising scientific discoveries’ (OECD and World Bank, 2007, p. 24).

Policy discussions are presently not pushing for major changes in higher education. The current priority for policies and the main concern of institutions is to deliver a certain level of quality despite scarce human and financial resources.

Social dialogue for the higher education sector does not exist in the region and even in Kazakhstan there is no legal provision for internships. European approaches have been partly piloted in some Tempus projects, but real partnership and cooperation in terms of governance is missing.

In VET, there is also little idea of how to consult the business sector on new policies via institutional communication channels or how to identify suitable mechanisms for social dialogue at different levels. This affects both the policy and the implementation levels of VET institutions and business organisations. The ETF is currently working with three countries in the region on a three-year school development project (2009–11) to establish links between education institutions and the business sector at the policy and implementation level and to examine how cooperation might work.

The promotion of SMEs is an emerging concept in the region, and initial policies are now in place. However, these policies are not coherently linked to VET policies and the systematic integration of entrepreneurial learning into the VET curriculum is still pending.

7.2 Policy adoption

There is no legal framework or financial incentives for the business sector to cooperate with VET institutions. This has created a paradoxical situation where the public VET infrastructure is not used by the business sector despite the fact that they need to fill skill gaps. Moreover, social dialogue is missing. As long as the VET centres remain unattractive in terms of the training objectives of the private sector, any legal provisions to encourage cooperation will not be implemented at any operational level. Hence, there is a gap between the legal provisions for business cooperation in education and VET delivery.

Finally, the complex regulatory framework hampers cooperation. Kyrgyz experts report that training centres selling education services are subject to strict bureaucratic control in order to prevent corruption. In addition, a 20% tax is imposed on non-budgetary revenues, which leads directors of education establishments to adopt a risk-avoidance mentality. The same factors are responsible for the poor operation of the new law on public-private partnership.

7.3 Policy in action

7.3.1 Joint curriculum and study programme development

Experts from the region report that companies are not normally involved in the development of higher education curricula. The lack of entrepreneurial culture and the low number of businesses actively seeking involvement throughout the region also goes some way towards explaining the absence of cooperation.

Similar factors are responsible for the lack of cooperation in the area of VET curriculum development. In the few cases of cooperation seen in the region, the business sector is more interested in upgrading the skills of their employees in the short term than systematic work on curriculum revision and innovation.

7.3.2 Technological innovation and research

Apart from the initiatives in Kazakhstan, where the socio-economic development dynamic has more influence on the education agenda, authorities in the other countries concentrate on consolidating the coverage, quality, permeability and equity of their education and training systems. The small number of targeted requests from the business sector for cooperation in innovation and research are not yet sufficient to move the education system as a whole toward other objectives, such as cooperation.

7.3.3 Jointly organised learning opportunities

Many employers in large companies are actively involved in initial and further training. This process is quite separate from the VET system and tends to work against the development of joint learning activities. The underfinanced and unattractive VET system cannot cope with the innovations required by the companies and the rapid and intensive rate of technological advance requires flexible and adaptable training offers from the VET system. In 2009, 50.4% of businesses in Kazakhstan considered the low skills level of the workforce to be a major constraint on the development of enterprise (World Bank, 2010). The business sector responded by designing and organising many in-house training activities and a small number of training initiatives in cooperation with VET centres. Employers are also represented in the new state-dominated National VET Council.
In Turkmenistan, the ministries establish quotas for new graduates from secondary and post-secondary VET institutions in a way that provides no flexibility for cooperation since the schools work almost exclusively according to the government prescriptions. Private companies rely on higher education services from abroad to address their human capital shortfall and they pay privately for these education services. The situation will not change unless new labour market information systems are established that can highlight emerging skills needs on various levels across many economic sectors.

The situation of continuing VET is different. In Kazakhstan, larger enterprises provide initial and further training for employees that is not necessarily linked to vocational schools. The schools are underfunded and teachers are poorly motivated. The scarcity of resources has created a situation that is hardly likely to increase the attractiveness and quality of VET, despite the fact that most students pay fees.

In all of the countries, the SME sector faces serious problems which are partly linked to constraints on human capital development. There are no good examples of cooperation with this sector. SMEs are generally poorly organised and unable to articulate the VET requirements that would increase their employment potential. In many economic areas, the SME sector is still isolated from the VET system. This situation is aggravated by gaps in the range of national tools available to analyse training needs for SME-dominated professions.

Cooperation is mainly restricted to larger companies that are to some degree involved in the global economy. At present, these are the only enterprises with sufficient potential to achieve self-help, a vision for cooperation and medium-term human capital development strategies. These concerns might favour more intensive cooperation if an enabling environment were to be created.

7.4 Institutional capacity for cooperation

There is a lack of capacity for cooperation at various levels of the education systems. There is also a lack of experience, good practice and communication strategies. The problem is even more deeply entrenched in rural areas, where business activities are largely characterised by self-employment and precarious survival strategies (ETF, 2009). Teachers and trainers in these regions have no access to further training in technical areas, and new areas of country-relevant knowledge, such as entrepreneurial skills, are hardly offered at all. This impedes the process of raising awareness and changing attitudes to encourage greater cooperation between education and the rural economy.

**Summary:** There is little cooperation in higher education and existing initiatives are uncomplicated in terms of the levels of institutions involved and the areas of activities covered. More time will be needed for further development. There is slightly more cooperation in VET than in other higher education institutions, but the SME sector is not covered at all. Capacity development to further promote cooperation is missing in higher education and VET in both the business community and the training institutions. On the whole, Kazakhstan and certain economic areas in other countries offer good perspectives for the promotion of existing cooperation in VET on the basis of donor-supported policies.

8. RECOMMENDATIONS FOR COOPERATION IN EDUCATION AND BUSINESS

Six strategic areas relating to increased and enhanced cooperation in higher education and VET already form part of the ETF work programme for 2011. Strategic recommendations are included for local actors and donors. However, reform and innovation must take into account stakeholder opinions and country-specific constraints and demands. These areas could be given donor support. The recommendations are ordered in the sections that follow according to the different phases of the policy cycle.

8.1 Policy formulation

Awareness-raising on the advantages of cooperation is still needed. This could be achieved through high-level, structured policy dialogue including social partners and other relevant stakeholders and based on the analysis of best practice and external experience in evidence-based learning. Discussion should include the needs and constraints of SMEs even in rural areas (ETF, 2009) and combining education and training with entrepreneurial learning in Uzbekistan, Kyrgyzstan and Tajikistan.

Activities must be supported by labour market intelligence and findings or indicators relating to socio-economic and economic sector development. This information will have considerable influence on the debate about new concepts and policies to support cooperation and is highly useful in contextualising the issue. Full agreement on the chief challenges and priorities for the future and on the contribution of the education system is needed to ensure the correct focus for the policy debate and discussion of the possible consequences of different approaches to governance in VET and higher education.

The issue of standards and their relation to NQFs is a viable alternative starting point for social dialogue and better cooperation between education and business in all of the countries. Standards are relevant to both the quality of VET and the employability of learners. They need to be developed using a joint approach and taking into account technological changes and the constraints on human capital in the workplace and not drawn up by the public sector curriculum development authorities. Smaller countries with less institutional capacity could even opt to pilot joint efforts in key professions and economic areas.
8.2 Policy adoption

An increase in cooperation would require legal frameworks including provisions and incentives for cooperation. Laws and regulations offering incentives for both businesses and education institutions make cooperation easier. The advantages offered to education institutions could include more decentralisation, greater autonomy and accountability, and a certain legal flexibility to facilitate income generation. The business sector could be motivated by tax rebate schemes.

There are examples of good practice in other transition countries that could be systematically built on in policy debates. Not everything has to be reinvented. There only remains some uncertainty as to how the laws, regulations, instruments and tools that work successfully in other countries will work in each country-specific context.

Good practice already exists in transition countries where training centres deliver regular state-financed programmes alongside education services that target the economy. Policy-makers must decide whether to implement incentive mechanisms for both sides. While teachers could be motivated through better pay for additional services, the business sector could be offered tax deductions on its training outlay and support in human capital development. This type of win-win situation must be outlined by the policy-makers taking into account their own country-specific realities rather than acting exclusively on the advice of donors, whose wisdom is often based on a very different environment.

8.3 Policy in action

8.3.1 Joint curriculum and study programme development

VET and higher education institutions should engage in cooperation and seek assistance to develop their capacity for steady dialogue on technological and labour market developments with social partners and the business sector. The chief prerequisite for this is awareness and an acceptance of the concept that business representatives are a valid source of information in well-structured consultation processes. Members of the business community could be systematically integrated in endorsed processes for curriculum or study programme development.

Sector committees in VET and advisory boards in higher education institutions are suitable instruments for ongoing updating of existing curricula in initial and continuing VET. They should systematically include experts from the world of work and establish communication channels that support the integration of new curriculum content through regular meetings.

8.3.2 Technological innovation and research

Co-funding of research is a hot topic that also has high priority in the EU (European Commission, 2009). The very early stage of cooperation in this area requires further learning input and viable and realistic objectives to improve joint efforts. Radical systemic changes are not suitable tools for improvement. Education institutions and the business sector should realistically start with initial steps including consultation, lectures from entrepreneurs at universities and the identification of research areas of common interest. These activities offer possibilities for cooperation and learning in the country-specific context and in learning environments driven by innovative methods.

Tempus projects can contribute further to such innovations, but they cannot replace the efforts and policy options of the individual countries. National initiatives could rely on good practice, dialogue with European partners and capacity development on both the business and the education side to improve fruitful cooperation.

8.3.3 Joint learning opportunities

Business interests and universities should jointly report good practice. Compiling lists of good practice supports further learning and is an excellent preparation for rapid change in the environment of business and education institutions. Examples from outside the region can also be useful as the ‘need to align education to the needs of the economy is not different in the countries that surround the EU’ (European Commission, 2007).

The design of joint learning opportunities should take into account the relevance of work-based learning. A sound division of work between education and business would allow both sides to benefit from the comparative advantages of learning in education and business environments in terms of different teacher profiles, existing infrastructure and learning approaches in initial and continuing training.

Existing good practice on policy and implementation in the region should be further explored and discussed as it could offer worthwhile contributions.

8.4 Institutional capacity for cooperation

Capacity development in all countries should aim at generating robust labour market information and skills forecasts and implementing procedures and instruments for improved cooperation between education institutions and the business sector. Structured dialogue should be included at the policy level in order to better support the implementation of cooperation procedures and instruments, such as greater flexibility for universities and schools in marketing education services. Pilot schemes on these issues could provide more data for future policy formulation favouring cooperation.

Policy-makers should look carefully at emerging cooperation on evidence-based learning in several areas and different levels of education. Apparently the time is not yet ripe for substantial reform but efforts can certainly be made to improve cooperation, develop dialogue and cooperation mechanisms and build capacity.
All strategies for cooperation policies and implementation must include capacity development measures for both VET institutions and experts from the business sector. Chambers, business organisations and VET authorities are currently not sufficiently focused on the advantages such cooperation might provide on both sides. Evidence-based learning and examination of good practice in the region should raise awareness and prepare the ground for cooperation.

Kazakhstan could operate as a role model for Kyrgyzstan and Tajikistan. Its efforts towards greater cooperation could provide a point of reference and learning opportunity for others.

Social partnership and business participation in VET and higher education should be reinforced in EU projects. Agreements should be made with the partner countries on future activities to promote cooperation in development strategies. This implies that European organisations and experts will need to develop inter-cultural competence, learning from previous experiences of successful and unsuccessful adaption and implementation of European approaches in the Central Asian countries.

Donors could support all six of the above-mentioned relevant areas. The EU and Member States already have excellent experience in cooperation-based initial and continuing VET and an growing knowledge of higher education cooperation.

BIBLIOGRAPHY


Council of the European Union, Conclusions of the Council and the Representatives of the Governments of the Member States on enhancing partnerships between education and training institutions and social partners, in particular employers, in the context of lifelong learning, Brussels, 2009.


European Commission, An agenda for new skills and jobs, Anticipating and matching labour market and skill needs, Brussels, 2010a.


European Training Foundation, Innovative training for poverty reduction in rural Central Asia, Turin, 2009.

European Training Foundation, Legal migration and its skills dimension, Turin, 2010.

European Training Foundation, Inventory of recent NQF developments in the ETF’s partner countries, Turin, 2010.


## ANNEX

### TABLE 1: MAIN MACROECONOMIC INDICATORS OF THE COUNTRIES OF THE CIS
(JANUARY-JUNE 2010 AS % OF JANUARY-JUNE 2009)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross domestic product</th>
<th>Industrial production</th>
<th>Agricultural production</th>
<th>Capital investment in fixed capital</th>
<th>Retail turnover</th>
<th>Exports</th>
<th>Imports</th>
<th>Consumer price index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>108.0</td>
<td>111.0</td>
<td>103.1</td>
<td>95.2</td>
<td>113.1</td>
<td>172.2</td>
<td>98.2</td>
<td>107.1</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>105.0</td>
<td>141.8</td>
<td>100.2</td>
<td>102.7</td>
<td>96.0</td>
<td>136.2</td>
<td>102.0</td>
<td>102.9</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>107.4</td>
<td>112.0</td>
<td>109.2</td>
<td>128.9</td>
<td>112.0</td>
<td>135.4</td>
<td>93.9</td>
<td>105.3</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>106.1</td>
<td>...</td>
<td>...</td>
<td>140.2</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>108.0</td>
<td>108.0</td>
<td>106.9</td>
<td>104.8</td>
<td>110.3</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>CIS average*</td>
<td>105</td>
<td>110</td>
<td>103</td>
<td>101</td>
<td>104</td>
<td>150.9</td>
<td>124.7</td>
<td>107</td>
</tr>
</tbody>
</table>

*estimated by Cisstat
Source: [http://www.cisstat.com/eng](http://www.cisstat.com/eng)
<table>
<thead>
<tr>
<th>Country</th>
<th>Relevant national legislation</th>
<th>Relevant advisory bodies</th>
<th>Relevant executive governmental structures</th>
<th>Full member of the Bologna Process</th>
<th>NQF</th>
<th>Most representative national employers’ organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>Law on Education amended in 2007&lt;br&gt;National Programme on Education to 2020&lt;br&gt;National Programme of VET development 2008–12</td>
<td>Law on Employment&lt;br&gt;Yes, at national level</td>
<td>Atameken Union National Economy Chamber of Kazakhstan</td>
<td>Since 2010&lt;br&gt;Awaiting ministry approval</td>
<td>National confederation of employers of the Republic of Kazakhstan&lt;br&gt;Forum of Entrepreneurs of Kazakhstan&lt;br&gt;Chamber of Commerce and Industry Astana&lt;br&gt;Union of Industrialists and Entrepreneurs of Almaty City</td>
<td></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Law on education&lt;br&gt;Law on the primary vocational education&lt;br&gt;Law on public-private partnership&lt;br&gt;General Agreement between the Government, the Federation of Trade Unions and The National Associations of Employers for 2009–11&lt;br&gt;Law on social partnership in the field of labour relations&lt;br&gt;Education Development Strategy for 2012–20</td>
<td>Law on Employment&lt;br&gt;No – but for initial VET there is a tripartite agreement between the Government, the Federation of Trade Unions and the Republican Employers’ association. Furthermore, a “consultative forum” was set up. Employers/Business is represented in regional sector committees.</td>
<td>For initial VET, a consultative forum was set up.&lt;br&gt;For education in general there is an advisory forum which also involves donors</td>
<td>N&lt;br&gt;N</td>
<td>Employers’ Confederation in Kyrgyzstan&lt;br&gt;Chamber of Commerce and Industry of Kyrgyzstan&lt;br&gt;The Union of Entrepreneurs of Kyrgyzstan</td>
<td></td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>Law on Education (2009)</td>
<td>Law on Employment</td>
<td>N&lt;br&gt;N</td>
<td>Chamber of Commerce and Industry of Turkmenistan&lt;br&gt;Union of Entrepreneurs and Industrialists of Turkmenistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>National Programme for Personnel Training System (adopted as a law in 1997)</td>
<td>Law of employment of population</td>
<td>N&lt;br&gt;N</td>
<td>Chamber of Commerce and Industry of Uzbekistan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
LIST OF ACRONYMS AND ABBREVIATIONS

ETF  European Training Foundation
EU   European Union
ICT  Information and communication technologies
NQF  National qualifications framework
OECD Organisation for Economic Cooperation and Development
SME  Small and medium-sized enterprises
VET  Vocational education and training

LIST OF COUNTRY CODES

KG   Kyrgyzstan
KZ   Kazakhstan
TJ   Tajikistan
UZ   Uzbekistan
CONTACT US

For any additional information please contact:

European Training Foundation
ETF Communication Department
Via Gualino
Viale Settimo Severo 65
I–10133 Torino

E info@etf.europa.eu
F +390116302200
T +390116302222

Further information can be found on the ETF website:

www.etf.europa.eu

EDUCATION AND BUSINESS COOPERATION