



ETF COUNTRY ANALYSIS 2006

KOSOVO

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ETF COUNTRY ANALYSIS FOR IPA PROGRAMMING IN THE FIELD OF HUMAN RESOURCES DEVELOPMENT 2006

Summary

Kosovo's human resource potential is significantly undermined by an overstretched and under resourced education system, with public service training provision addressing only a fraction of the jobless. While good efforts have been made to modernise policy and delivery of the employment and education services, reforms are still far from satisfactory compared to developments in neighbouring partner countries and significantly removed from the policies and standards required of EU Member States towards which Kosovo needs to evolve.

This report identifies a number of issues which the European Commission could consider as part of its assessment for IPA support in the period 2007-2013. It provides an overview of the overall labour market and human resource development in Kosovo with respect to the broader EU policy objectives of full employment, quality and productivity at work and social and territorial cohesion. It particularly considers the institutional arrangements for education and employment, identifying areas for improvement and options for EU support. The paper concludes with a number of recommendations to be considered by the European Commission for support particularly with specific reference to policies and structures which will enhance Kosovo's readiness for future EU integration.

These include: labour market policy adjustment, including a national action plan for employment; the phased development of ESF-oriented central management structures as well as capacity building for local employment services administration. The analysis recommends measures which are also specific to EU policy aimed at enhancing compatibility with European developments and building local capacities: quality assurance, qualifications framework, key competences, lifelong learning, research and innovation, mobility and participation in EU networks as well as need for resources to ensure that the minimum standards are in place for Kosovo to deliver primary and secondary education.

With the aim of addressing the multi-ethnicity background of Kosovo, a minority-specific education fund is recommended to promote recognition and confidence in the national education system.



Analysis of human resources and labour market development in Kosovo

Full employment

As a primary benchmark the EU has set itself an objective of achieving 70% employment in the EU area by 2010. The average 2003 employment rate for Member States was 63%. With an employment rate of approximately 25%, Kosovo falls well behind Member State performance and trails the four candidate countries, although with fYR Macedonia at a 35% employment rate, the gap is less extreme underlining a general problem of employment in the Western Balkan region.

Table 1: Comparative employment rates for Kosovo , EU and candidate countries (2003) ¹

Employment Rates		EU25 average		63%	
		EU15 average		64%	
		Lisbon 2010 target		70%	
		Kosovo		25%	
EU better performers		EU weaker performers		EU candidates	
Denmark	75%	Luxemburg	63%	Romania	58%
NL	74%	Slovakia	58%	Croatia	53%
Sweden	73%	Hungary	57%	Bulgaria	52%
UK	72%	Malta	54%	Turkey	46%
Austria	69%	Poland	51%	fYR Macedonia	35%

Part of the difficulty with the low employment is an overall weak participation rate of approximately 50% and very high levels of unemployment (50% according to a 2003 labour force survey; public employment service data put the figures approximately 42%). Nonetheless for those who are working, it is clear that the SME sector is the primary employment generator: approximately 37% of those formally employed are engaged by small and particularly micro-businesses (96% of formal businesses have less than five employees). A liberal wage determination structure helps the employment situation and has produced only a small wage gap between the sexes².

Employment is particularly concentrated in the agriculture, retail and construction sectors and where it is assumed a significant proportion of those employed in a lively grey economy are expected to be operating. A breakdown of those formally employed finds approximately 65% as salaried employees, 24% in family enterprises or working on family farms and 17% self-employed.

The question is should those who are not formally participating in the labour market be encouraged to join? With little prospect of finding jobs and a weak social security framework not linked to unemployment registration and benefits system, there is little motivation for Kosovo's non-participants to join the labour market.

For those actively participating, at issue is how to improve employability prospects of those registered as unemployed and who openly seek support of the public services. In EU policy terms young people, women, minority groups and the long-term unemployed are critical target groups in the effort to promote employment. The same target groups equally apply to Kosovo with a difference: some 91% of the unemployed have been out of work for 12 months or more – the long-term unemployed.

¹ Data taken from Labour Force Surveys available on EUROSTAT and SOK websites.

² World Bank (2003). Kosovo Labour Market Study: policy challenges of formal and informal employment. June 26 2003. Report N°: 25993.

Youth unemployment

There will be no quick fixes to the employment problem with 'general agreement that the population's employment prospects are poor and will predictably worsen in the years to come'³. While the economy is not sufficiently ready to accommodate the jobless, a particular problem is the demographic profile of Kosovo's active population where the 'get worse' prediction is being played out: youth unemployment saw a leap of almost 9% from 2004-2005.

Central to this increase is labour market inflow from the school system which is estimated to reach 200,000 over the next five years compared to outflow (those reaching retirement age) of an estimated 60,000⁴. At three times the EU average, youth unemployment of 60% will be a significant feature of the socio-economic malaise of Kosovo and will require specific policies and measures.

Table 2: Youth unemployment: Kosovo (2004), EU and candidate countries (2003)

Youth unemployment		EU25 average		19%	
		EU15 average		17%	
		Kosovo		60%	
EU better performers		EU weaker performers		EU candidates	
Netherlands	6%	Poland	42%	Bulgaria	28%
Austria	8%	Slovakia	33%	Croatia	n/a
Germany/Ireland	9%	Greece	27%	Romania	20%
UK	12%	Spain	25%	Turkey	21%
Hungary/Sweden	13%	Italy	24%	fYR Macedonia	66%

While forecasts of increased youth unemployment are now being realised, so too are the predictions that critical levels of youth unemployment will lead to social and political instability. It is now accepted that youth unemployment was a causal factor behind the serious civil disturbances of March 2004⁵.

While creating a situation of full employment for Kosovo's young people in the short to medium term will not be possible, a number of measures (requiring external assistance to establish and support, at least initially) could go some way to easing the unemployment tension:

- retaining young people within the education system by developing tertiary/ non-university education options which now presents as a gaping omission in the country's learning framework and by-passed in the post-war international aid effort;
- introducing youth-specific and targeted vocational training provision clearly referenced to existing skills gaps. In the interest of efficient use of scarce funds, as well ensuring confidence of the enterprise community and the training consumers, broad-brush approaches to vocational education and training delivery without a sufficient and necessary link to immediate labour market requirements should be avoided;
- further development of non-statutory training and employment support services for young people to fill gaps and locations where the public employment services have difficulty reaching;

3 UNDP (2006). Employment Regeneration Project.. Project Document. p.6

4 The most recent census data for Kosovo dates back to 1991. However, it is estimated that of the existing population approximately one third is under 15 years of age and around one half is under the age of 25.

5 Ibid.p.10.

- developing alternative employment schemes (e.g. community voluntary service) to enhance civic responsibility and self-initiative amongst young people and where training and career development guidance are central features of the provision;
- engaging the employers and the private sector into youth employment integration initiatives e.g. an internship initiative to facilitate work experience and school-work transition as well as specific measures for university graduates;
- specific measures to encourage educate and support young people into self employment, including entrepreneurship learning backed-up with a range of start-up finance schemes and follow-up self-employment coaching.

Promoting female labour market integration

A second area of concern is female employment and overall participation rates. The labour force participation of women for 2002 and 2003 show a growing trend for non-participation - up to 81% from 78%⁶, although more recent data from the public employment service indicates that more women are now joining the labour market (8% rise in the year 2004-2005). This suggests a growing confidence in the assistance provided by the employment service⁷.

Table 3: Comparative female employment rates for Kosovo, EU and candidate countries (2003)

Female employment rates		EU25 average		55%	
		EU15 average		56%	
		Lisbon 2010 target		60%	
		Kosovo		8%	
<i>EU better performers</i>		<i>EU weaker performers</i>		<i>EU candidates</i>	
Sweden	72%	Hungary	51%	Romania	52%
Denmark/Estonia	71%	Poland/Spain	46%	Bulgaria	49%
Finland/NL	66%	Greece	44%	Croatia	47%
UK	65%	Italy	43%	fyr Macedonia	28%
Austria	62%	Malta	34%	Turkey	26%

However, of those women actively in the labour market only 8% are employed compared to 72% of men, which when considered alongside the data for women who are unemployed at 72%, underscores a significant gender-based inequality in the labour market. The employment rates for women in Kosovo are strikingly lagging behind the poorer performing EU Member States and well out of reach of even the weakest performing candidate country, Turkey with a female employment rate of 26%. Women's employment will therefore need to be monitored by the labour authorities and social partners, while EU support will be necessary to assist the country in its efforts to evolve towards acquiring the EU equal employment acquis.

Two policy lines in particular will need to be addressed to promote women in Kosovo's labour market.

Firstly, measures will be required to increase female participation rates. Part of the problem of women's non-engagement in the labour market is associated with culture and custom associated with women's assumption of child rearing responsibilities. Turning this scenario around will not be easy. As regards creating opportunities which would allow women the option to join the labour market without undermining

6 Statistical Office of Kosovo (2005). Labour Market Statistics 2003. Prishtina, January 2005.

7 Ministry of Labour and Social Welfare (2005). Labour and Employment in Kosovo. Annual Report 2005. Prishtina.

family responsibilities, there are indications that at least in terms of child care provision, a pre-school support framework is evolving.

Some 43 kindergartens, mostly urban-based, were operational in 2004 while 24 community-based, pre-school children's centres have been opened in rural areas with UNICEF support. With a two-fold increase in children participating in pre-school provision between 1999 and 2004 to just over 24,000, there is a very clear demand for pre-school provision but this is clearly an urban phenomenon. Only 22% of five year olds in rural areas attend pre-school provision which a Food and Agriculture Organisation (FAO) study claims is not an issue of supply but of demand citing 'disinterest by [rural] parents' as the key problem⁸.

What is not clear is the effect that such provision is having on women's employment. As pre-school provision is set to be a factor in ensuring more women's access to the labour market, a tracking and intelligence system on pre-school provision, female labour market participation as well as female employment will be necessary.

A second factor is ensuring that those women who are active on the labour market and without jobs can be employed. Data on training of women is not convincing. Training delivery to the female unemployed fell from 50% in 2002 to 30% in 2005, notwithstanding that increasing numbers of women had been seeking support for employment from the public services during the same period. In general, as with the wider population, women's employment is particularly skewed towards those with tertiary level education underlining that the poorer education attainment of women is strongly correlated with unemployment and non-participation. A Ministry of Labour and Social Welfare vocational training strategy for the period 2005-2008 clearly identifies women as a priority for support and will therefore need to be monitored to determine how effective it is ensuring that resources are made available to support women's training.

One problem is that generally, within both the education and employment administrations, promotion of equal opportunities is not taken seriously and considered more the resolve of NGOs and international operators. The Commission may need to consider (if not in 2007/08, certainly later in the IPA cycle) recommending that the government establish a systematic tracking of women's education and employment, including the creation of policy performance targets and measures to ensure their achievement. In particular, while legal provisions are in place to ensure equality of men and women in the labour market, as yet there is no inspection, compliance or support system to assist employers or the labour inspectorate of the Ministry of Labour and Social Welfare to understand and follow through on their legal obligations. Developing a compliance system and capacities, with performance targets for women (and other priority groups) should therefore be a mid-term priority.

A Luxemburg-supported initiative to build capacities in the adult vocational training area may go some way to putting in place targets and policy performance assessment systems. This initiative, scheduled to begin in 2006, is particularly designed to develop a performance management system around the eight publicly supported vocational training centres and will dovetail with the 2005-2008 vocational training strategy where women are a key target group.

In addition to any training effort, wider employment counselling services will be important. In this regard, good job market intelligence and matching vacancies to candidates by the local employment services have been developing with a 2% employment placement registered in 2005. This figure is equally split between men and women placed.

However in its efforts to promote participation and employment rates, the role and contribution of Kosovo's public employment service is severely undermined in terms of capacity in numbers of staff to support the unemployed in their job search. Two indicators underline the challenges for the public service.

Firstly, on average one employment officer has a caseload of 1,640 registered unemployed. The most serious scenario is in the Mitrovica region with a staff officer-to-client ratio of 2168:1. By way of comparison, the lowest staff/client ratios are still a staggering 1064:1 in Gjiilan region and 1302:1 in Prishtina region⁹.

⁸ Food and Agriculture Organisation (undated). A strategy for education for rural people Kosovo 2004-2009. FAO . Rome.

⁹ Ibid. p.22.

Secondly, in its efforts to promote employability publicly supported training services, operating through eight vocational training centres, and in partnership with a small number of non-governmental training institutions, can only manage to provide training to 0.8% of the registered unemployed¹⁰.

In sum, the capacity of the public employment service to cope with a growing demand from the unemployed seeking support for labour market integration by way of employment counselling, job mediation and vocational training is strikingly poor. Efforts to ensure women's employment promotion will require rigorous targeting of scarce resources, the development of equal opportunities' monitoring and compliance systems as well as general awareness and capacity development measures addressing the various parts of the administration involved. Social partner organisations, which will increasingly have a role in ensuring that equal opportunity policy in terms of access to HRD and employment is effectively implemented, will need support in this process.

Improving the employment prospects of Kosovar minorities

The ethnic composition of Kosovo is roughly as follows: Albanian (90%), Kosovo Serbs (5%) and remaining minorities (Roma, Askalia, Egyptian (RAE), Bosniak and Turk) making up the remaining 5%. In keeping with the international standards set for Kosovo as it prepares for a decision on final status, the administration is subject to considerable international scrutiny as to how it develops and delivers on democratic and inclusive policies and structures to ensure full integration of its minority communities into mainstream political and economic life.

The emphasis on 'minority' by the international community has tended to be on the Serb minority with the result that the extra efforts by the employment administration to support minorities have for the most part been directed towards the Serb community.

For its part, the Ministry of Labour and Social Welfare has established satellite employment offices in three Serb communities reporting to local employment offices within the regular network. Compared to the previous year, in 2005 an 18% increase in the numbers of unemployed registrations by the Serb community suggests that the ministry's endeavours to engage with this minority group are paying off despite efforts by political agitators (within Kosovo as well as in Serbia) to discourage the Serb community from co-operating with Kosovo's institutions¹¹. The 2005 public employment service data also highlight a 10.4% increase for the wider minority groups compared to 2004, although without a breakdown by ethnic group it is difficult to discern which communities are particularly represented in this data.

As a percentage of the overall unemployed, the Serb community comprises just under 4%, with other minorities making up 9% of Kosovo's jobless. The Albanian community's share of the overall unemployment lies at just over 91%. Again, the most recent public employment service data suggests that the authorities' efforts to ensure support services to minority groups are having effect. In terms of job placement services, 3.4% of unemployed Serbs registering with the public employment service in 2005 found employment (357 placements) compared to 2.1% of other minority groups (313 placements) and 1.8% of Kosovar Albanians (5,193 placements). And public service efforts to promote vocational training services for the unemployed from minority groups, a particular feature in the Ministry of Labour's adult vocational training strategy, also appear to be having success with 3.5% of minority communities benefiting from public service vocational training compared to 1.2% of the unemployed Albanian majority community. The extension and development of public training services to North Mitrovica (a predominantly Serb enclave)¹² helps explain this positive trend in training provision to minority groups.

What does not come through in the data and the various strategy papers of the Ministry of Labour and Social Welfare is a particular effort to support returnees. Most emphasis by the international community stresses, quite rightly, safety and security as the primary factor to ensure significant returns. By comparison, little international policy attention is given to the poor socio-economic conditions, particularly unemployment, as a clear disincentive to return. Put simply, given Kosovo's dire economic circumstances and chronic levels

10 Ministry of Labour and Social Welfare (2005). A Vocational Training Strategy for Kosova: enhancing employability (2005-2008). Prishtina, December 2005.

11 UN (2006). SRSG's Briefing of the 5470th Security Council. 20 June 2006.

12 The vocational training centre in N. Mitrovica was originally piloted with Danish support and institutional responsibility subsequently transferred to the Ministry of Labour.

of unemployment, how realistic is a voluntary and sustainable returns programme in the short-to medium term?

In conclusion, while there are clear indications of success by the public services in terms of employment counselling, job meditation and vocational training support to Kosovo's minority groups, the overall impact in terms of employment is minimal given Kosovo's specific socio-economic circumstances. Nonetheless, the data suggests policy progress in terms of service provision to Kosovo's minorities. This should be acknowledged by the standards assessment team, further encouraged by the international partners and built upon by the Government. In the short-to-medium term, employment opportunities for Kosovo's minorities, as today, are likely to be a function of minority communities creating their own employment opportunities. It is at this local level where there is more likely to be visible and more sustainable impact in employment development and where international support, continuing to be directed at central level, is long overdue.

Kosovo – the nation of long-term unemployed

While Kosovo is saddled with the worst unemployment problem in Europe, the most salient feature of the unemployment situation is that almost all of Kosovo's jobless - an estimated 91%¹³ - are long-term unemployed and hence affects all populations. A particular feature of the long-term unemployed population is that some 59% have not gone beyond primary schooling and represent a significant burden in terms of efforts to promote employability. Many of these unemployed fell victim to the school closures in the early 1990s and with few options for continuing in a quality education framework from the early nineties onwards represent a generation which has missed out on education.

The bedrock of the long-term unemployed over 40 years of age comprise workers expelled from posts in the 1990s under the oppressive Belgrade policies, and estimated at around 140,000. The lion's share of dismissed workers have remained unemployed, many have sought refuge in the informal economy while a significant number, particularly women and older workers, have become inactive.

The consequences in terms of labour market integration are now being witnessed. Nearly seven years after the international administration took over Kosovo, and with a healthy donor engagement now tapering out, there has been very little focus on the lost education generation apart from a number of small-scale and well-meaning projects whose impact has been too small to create any qualitative or quantitative difference to Kosovo's human capital development.

An adult learning strategy drawn up in 2004 clearly identified the long-term unemployed as 'education poor' and recommended targeted assistance from the international community to address. This recommendation has not been followed up.

In terms of policy responses to long-term unemployment, public works' schemes and short-term wage subsidised employment supported by UNDP, UNMIK and the national purse are going some way to break the cycle. Further support for public works schemes could be considered in the early part of IPA investment in the country. However, the Commission should be wary of criticism by some international organisations (e.g. World Bank) and other neo-liberal commentators that the public works schemes and wage subsidies should be avoided given that they do not secure sustainable employment outcomes. That is not the objective. Success cannot be measured in terms of employment created but more in terms of increased employability and increased confidence of those locked out of the labour market for very long periods of time to return to work. Works schemes and wage subsidies are essentially mechanisms to build bridges between sustained periods of long-term joblessness and employment. In this instance, they have the added value of engaging directly with local communities, by-standers in the market transition process, as efforts on reform concentrate at central level.

Perhaps, where the works schemes and job subsidy programme could be enhanced is by ensuring a link between those leaving a programme and an immediate integration into a more specific skills development initiative. This could extend the length of time a person remains of the jobless register and provide extra incentive for the individual to seek out alternative employment opportunities. A more integrated

13 This figure is taken from the 2005 public employment service statistics. The most recent Labour Force Survey data for 2003 pitches long-term unemployment at 86%.

management mechanism involving employment counselling, works/subsidy schemes and vocational training should therefore be considered. However, adult education and learning services at this point are not sufficiently developed to allow for such an interface.

To conclude, without a viable economy long-term unemployment will be a persistent problem for Kosovo's community and a challenge to its administration. Interim support measures such as public employment schemes will go some way to breaking a cycle of joblessness but will not bring solutions to the overall employment crisis. More developed adult education and training services with broad based provision to address the range of learning needs of the long-term unemployed will be necessary.

Improving quality and productivity at work

Given the stark statistics and assessment provided earlier, any consideration of the overall work environment in Kosovo in terms of quality and productivity, on the face of it, may appear rich and premature. Nonetheless there are a number of critical factors which significantly undermine quality of working life for those fortunate enough to be in jobs while concerns about productivity, particularly in how Kosovo's competitiveness agenda unfolds and the role of its human resources in that process, will need to be addressed.

A first factor is that Kosovo is home to a significant and vibrant informal economy. With estimates putting informal employment at some 20% of total employment¹⁴ job security, employment protection, health and safety as well as options for professional development for those operating in the informal economy are likely to be minimal. A further constraint undermining the quality and opportunities for informal workers is that they lie outside employment insurance and pension schemes which may engender further propensity towards hardship and social exclusion. The BSPK (Confederation of Trade Unions), has been particularly prominent, if a lone voice, in pushing for measures to protect workers engaged in the informal economy.

A labour inspectorate exists (Ministry of Labour and Social Welfare) but is under-resourced and insufficiently developed as a professional service to effectively deliver on its remit. In particular, policy dialogue and effective cooperation needs to be established with employers' organisations on informal working arrangements. Further, the inspectorate's mission could be improved by way of a joint mission with the Ministry of Trade and Industry in facilitating unregistered businesses to join the mainstream economy (to include training for informal business owners/managers on issues of corporate responsibility, health and safety etc.) while access to other public service data (e.g. tax registration) could help identify undeclared work.

What is missing is comprehensive and reliable data. Employment services, Ministry of Trade and Industry, SME Observatory, the Kosovo Office of Statistics, municipalities and other organisations with knowledge and diverse data sources should be encouraged to take a more integrated approach to develop intelligence on the informal economy. This could eventually evolve towards a co-ordinated strategy.

A second factor affecting quality at work is that some 68% of salaried workers are in part-time or temporary employment. This is equally shared between men and women. In many ways, the notion of a flexible labour market which is increasingly the hallmark of more developed market economies and a central feature of the EU's employment strategy, has already been institutionalized in Kosovo. While this factor may be expected to pay off in the medium to long-term as enterprises become more competitive, in the near term, Kosovo's labour market, set against low wages (average monthly wage is approximately €190) and a negligible social protection system, is characterised more by precariousness than flexibility. Nonetheless, policy makers will need to be aware that 'irregularity' of Kosovo's workforce is likely to be a constant feature of labour market developments from this point on and that the individual, public education and training authorities, and employers alike, will need to consider options to promote career development, including alternative avenues for re-skilling, with the aim of ensuring continued employability.

In terms of overall efforts to boost productivity, a privatisation drive of socially owned enterprises (SOEs) and a restructuring programme of publicly-owned enterprises (POEs) is well underway and impacting on approximately 130,000 workers (62,000 employees in SOEs). Impact in terms of overall productivity is not

¹⁴ Maçastena. V. (2004). Investment in human resource development in Kosovo: an overview. Employment and Skills Observatory of Kosovo. Paper presented to a CEDEFOP/ETF regional meeting on vocational training. Thessaloniki, 11 March 2004.

clear but spin-off businesses i.e. new holdings established from viable SOEs or units thereof will be important to Kosovo's economic growth. A particular difficulty, in terms of promoting productivity, is that enterprises remain subject to recurrent energy failures. While the number of electricity outages have dropped to an average of four hours per day (2005 figures), a business survey highlights how electricity blackouts are the main barrier to productivity and contribute to average losses of around 5% of sales¹⁵.

Thirdly, there are serious concerns as to the quality of education in Kosovo. Good education will be a pre-requisite to work place performance and productivity in Kosovo. But employers need to be confident in the quality of the education and skills that the worker brings to the job. In this regard, a 2006 World Bank labour market assessment suggests that employers are disregarding formal qualifications in the hiring process with the underlying assumption that the formal education system is not meeting up to the needs of the market¹⁶.

While good efforts have been made since 1999 by the Kosovar authorities in establishing a national education system from scratch, education delivery remains significantly undermined by deficient infrastructure (buildings, materials, administrative and management technologies); teaching methods and outcomes are poorly developed while there are serious concerns about the quality of higher education. Insufficient space in terms of classrooms requires a shift system for education delivery, established immediately after the war as a temporary measure but which is now an institutionalised feature of Kosovo's education system.

Despite capital, financial and capacity constraints, the education authorities (in cooperation with fellow ministries and social partners) are now considering policy options for development of quality in the education system, including draft legislation for a national qualifications' framework which borrows on ongoing developments within the European Union. These initiatives, with ETF and CARDS support, which will require further EU investment, will ensure Kosovo's alignment with the quality objectives for EU education as defined by the Copenhagen Process.

Overall estimates of school throughput suggest that up to two-thirds of young people leave school without a qualification while the lack of a pre-university adult education service remains a constraint to supporting employability in the country. For its part, the Ministry of Labour and Social Services offers targeted vocational training services to the unemployed to assist with labour market integration. But resources are short and services are severely constrained. The result is that only 0.8% of the registered unemployed benefit from public service training.

In terms of enterprise-based, management training and work-based learning, POEs and SOEs that have demonstrated viability in the market have benefited from some management training with the objective of improving performance. However, without research it is difficult to determine how much investment is being made by private companies into staff development. With many businesses finding it difficult to operate in the market it is safe to assume that enterprise investment in staff development is not significant. Further constraints to private training development include an underdeveloped private training market, inappropriate learning methodologies and absence of accreditation and quality assurances systems.

To conclude, although early, Kosovo is a considerably long way away from fulfilling the quality and productivity guidelines of the European Employment Strategy. Particular efforts will be required to formalise the grey economy where many workers operate and where quality and productivity at work is more likely to be undermined. More engagement and support to Kosovo's social partners, which are closer to the grey economy and its workers, would go some way to addressing the issue. Development of an adult learning service and a strategic and sustained investment in them will be a necessary pillar in promoting Kosovo's workplace performance, the quality of its labour and overall productivity.

Social and territorial cohesion

World Bank estimates on poverty levels in Kosovo classifies 37% of the population as poor (living on less than €1.42 per day) with 15% below the extreme poverty line of €0.93 per day). Data suggests that there is a direct link between duration of unemployment and poverty, with those out of work more than two years

15 World Bank (2006). International Development Association. Interim Strategy Note for Kosovo for the period FY06-FY07. March 30, 2006.

16 World Bank (2003). op cit. p.41.

particularly, engaged on precarious contracts or without full time employment are at greater risk of poverty¹⁷.

Poverty is widespread across Kosovo and unemployment is a key contributor. Some regions are clearly worse off. Public service data for 2005 highlight significant variations in unemployment, ranging from 9% in Pejë to 22% in Prizren with increases in joblessness across all regions since the previous year. See Table 3.

Table 3: Unemployment by region 2004-2005.

Region	2005	%	2004	%
Ferizaj	2904	9.8%	3423	11.3%
Gjakovë	2748	9.3%	2822	9.3%
Gjilan	3110	10.5%	4054	13.3%
Mitrovicë	5795	19.5%	4452	14.6%
Pejë	2541	8.6%	2308	7.6%
Prishtinë	6061	20.4%	6822	22.4%
Prizren	6502	21.9%	6514	21.4%
Total	29661	100.0	30395	100.0

In these circumstances, what policy options are available to increase living standards and overall well-being of Kosovo's citizens?

Firstly, given the scale of the poverty problem and the numbers affected, a more developed social protection system is required. Whether this can be realized given limits on public resources is not clear. Certainly, any development of social protection systems would require extra revenues which would immediately up taxation on businesses and workers.

Presently, Kosovo has the lowest business and payroll taxes of all transition countries - a result of the international community setting market-friendly policies before transfer of responsibilities to the Provisional Institutions of Self-Government. In the medium term, this should help stimulate employers into creating further jobs. Any shift in existing market-oriented labour policies which stress flexibility, wage constraint and low taxation have been particularly discouraged by the World Bank and other international partners which have had particular influence over policy setting in Kosovo. Whether Kosovo's own institutions will adjust policies in favour of social protection, as the international community's governance mandate dilutes or dissolves, remains to be seen.

In the meantime, the only remaining options to address poverty and exclusion are those with a medium-term framework: continuing to develop the conditions necessary for economic growth, including sustained efforts to promote private sector developments and investment which will presumably generate sufficient levels of employment with increased wage levels to counteract poverty. In the short-term, high levels of poverty and economic and social exclusion therefore are set to be an enduring dilemma for Kosovo's people, its administration and international partners associated with its market transition.

17 World Bank (2006). op cit.. pp.78-79.

Analysis of relevant policies and identification of challenges in relation to the main priorities of the employment guidelines

Attracting and retaining more people in employment

Notwithstanding the general economic and political constraints to employment creation in Kosovo, the authorities should take note of the importance attached to job matching, employment counselling and vocational training with the EU's employment guidelines as key leverages to assist the unemployed or under-employed into the world of work. A key challenge will be to ensure that the public employment services can meet the growing demand. With an average ratio of 1640 unemployed to 1 public service employment officer the challenge is immense.

A second effort should be made with the national authorities to elaborate an employment strategy. This should borrow only on those features of an EU national action plan for employment plan (NAP) which are particularly appropriate for Kosovo's present circumstances and its institutional readiness. The active employment measures referred to above should be an integral feature of the NAP with consideration given to promoting more involvement of local communities in addressing and resolving the employment challenges at local level. The experience acquired through the local partnerships supporting the 22 employment generation projects (CARDS 2003) should be built upon but with particular emphasis on building knowledge and capacities conducive to the local partnerships understanding the principles, objectives and operational modalities for local employment initiatives supported through the ESF.

Thirdly, the various parts of the education system should be encouraged to develop and support entrepreneurship learning as a springboard to promoting self-employment and micro-enterprises. In this regard, special consideration could be given to education and training measures for those operating businesses on the informal economy with a view to encouraging a gradual formalisation of the informal sector.

While labour market policies should be kept flexible and wage constraints maintained in the bid to encourage employers to create new job opportunities, a more considered debate on the balance between labour market flexibility, wage policies and worker protection, particularly in terms of unemployment benefits and social security, is required.

Finally, a strategic investment across the education system to meet a longer term objective of ensuring an able and adaptable workforce will be required, with short-medium term targeted investments in vocational skills to meet immediate and clearly-articulated skills gaps within the labour market. Broad-brush approaches to vocational training, without clearly specified skills gaps, should be avoided particularly when employment opportunity on exit from a programme is so slim.

Adaptability of enterprises

First steps in the industrial restructuring process – the commercialisation programme – suggest that there has been moderate success with 2,200 jobs approximately to be retained/created within Kosovo's socially owned enterprises within the next 10 years.

One policy option for Kosovo in dealing with workers affected by the restructuring effort should be to ensure that workers with knowledge and skills are retained in viable business units while putting in place a sign-posting service for retraining for those workers unlikely to be retained. This will require a close dialogue and planning process between all stakeholders as recommended by an international team in 2003 reviewing Kosovo's employability potential¹⁸. The recommendation has not been taken up. But it should still be pursued.

The challenge for the range of stakeholders concerned with Kosovo's employment scenario is that dialogue and planning should happen locally in the vicinity of enterprises earmarked for privatisation and

¹⁸ Employability in Kosovo: assessment and options for development. Employment and Skills Observatory of Kosova. Prishtina, April 2003

restructuring, in full co-operation with the Kosovo Trust Agency and investors and be framed within a strategic local economic and employment regeneration framework.

The objective of this dialogue process should be to a) determine wider local economic development opportunities, b) optimise maximum employee retention in-company through re-skilling and c) allow public services (e.g. job counselling and support services, training centres, adult education provision, business advisory services) to be ready to accommodate lay-offs following plant closures.

It is recommended that future IPA support for labour market reform ensure the necessary collaboration and institutional linkages between the privatisation process and efforts to support employment retention, employment promotion and wider measures to enhance employability. This will mean taking a more integrated approach to overall programming, introducing inter-dependencies between diverse IPA sub-programmes and policy reform instruments, and ensuring that the plans are followed through. In so doing, the Kosovo administration will be encouraged to adopt preventive measures to unnecessary employment loss and promote alternative employment development options in keeping with the ethos and spirit of the European employment strategy.

Increase investment in human capital

A review of investment in vocational education, vocational training/employment support, adult education and training for small enterprises for a three-year period (2002-2004) highlights an overall spend of €37m but declining over the period from approximately €15.5m in 2002 to just over €12 in 2004¹⁹. Of the total investment, almost 18% was supported by the national purse (€6.6m), the remainder by international donors (approx. €30.5m).

The declining investment underlines 'donor drift' as bi-lateral funders moved on to new priority zones, Afghanistan, in particular. In contrast, national support across the three-year period, although small, demonstrated a shallow increase annually from 0.04% of GDP (2002) and 0.06% (2003) to 0.14% (2004) representing a four-fold increase in domestic funding.

Total EU funds for employment and HRD development for the three-year period in Kosovo were approximately €17.3m or 47% of total investment.

See Table 4 below for summary of overall investment.

With respect to what was supported, data indicate that the greater part of the funds went to institution and capacity building, with a pronounced investment in buildings and equipment in 2002 presumably targeting rebuilding and refurbishment and the replacement of damaged and stolen equipment.

In terms of destination of funds, some 39% targeted SME training and advisory services with 52% benefiting VET developments and 9% addressing support for employment services. A particular concern in the data, however, is that third-level, non-university education represents a critical gap in the investment map (see Table 5) and in overall service provision Kosovo will need to address adult learning given the chronic levels of unemployed who will require re-training and broader adult learning services in the bid to enhance employability. The question is can Kosovo's public budget provide sufficient backing to meet the growing demand. And is the political will available to foot the bill?

With the government presently working up a national development plan there is an opportunity that investment in education, and in adult learning in particular, can be given specific priority in the bidding process. This will ensure that national allocations can be committed, and over an extended period, which is what will be required. However, it is unlikely that the national investment will be sufficient to create a big enough impact even in the medium-term. Consequently, international support, particularly for HRD institutions and national and sub-national administrations for a sustained period will be necessary.

¹⁹ Maçestena (2004). op cit.

Table 4: Overview of financial investment in vocational education, vocational training (including employment service support), non-university adult education and SME skills in Kosovo (2002-2004)²⁰

	2002 €URO				2003 €URO				2004 €URO				Subtotal	TOTAL
	Institution Building	Capacity Building	Infrastructure	Other**	Institution Building	Capacity Building	Infrastructure	Other**	Institution Building	Capacity Building	Infrastructure	Other**		
Vocational Education														
National						100,000				500,000	2,205,432		2,805,432	
EU		500,000	1,000,000	1,275,950				1,033,552		500,000	250,000		4,559,502	
Bilateral		1,100,000				1,240,000				880,000			3,220,000	€ 10,584,934
Continuing Training														
National	93,419	186,839	653,936		120,993	362,981	725,963		92,000	460,000	368,000		3,064,131	
EU		500,000	1,000,000		400,000	2,370,000	230,000			500,000	750,000		5,750,000	
Bilateral		686,778	256,000			758,611	193,591			748,332	226,428		2,869,740	€ 11,683,871
Adult Education														
National														
Bilateral		99,000	180,000			180,000							459,000	€ 459,000
Enterprise Training														
National							421,476			94,000	180,000		695,476	
EU				1,358,500		533,000		800,000	1,500,000	887,500	161,500	1,790,394	7,030,894	
Bilateral*	3,046,567	975,287	2,596,090										6,617,943	€ 14,344,313
TOTAL	3,139,986	4,047,904	5,686,026	2,634,450	520,993	5,544,592	1,571,030	1,833,552	1,592,000	4,569,832	4,141,360	1,790,394	37,072,118	
Total	€15,508,365				€9,470,167				€12,093,586					

* Cumulative data from 1999 to end 2002. Data divided by 3.

** Where it was not possible to allocate funding to one of the main categories (institution building, capacity building, infrastructure) data was classified as 'other'. It also includes items such as salaries for local and national experts.

²⁰ Data adapted from Maçastena (2004).

Figure2: Type of HRD investment in Kosovo (2002-2004)

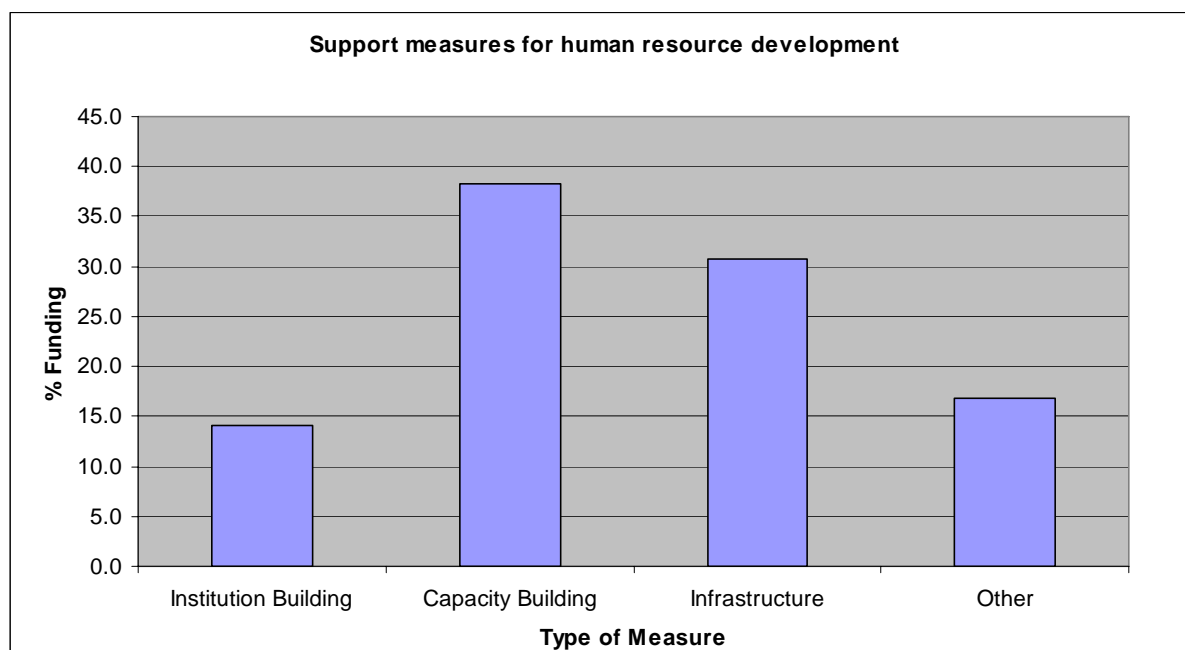


Table 5: Breakdown of spend (figures rounded) by HRD supported area (Kosovo, 2002-2004)

Destination of HRD Investment in Kosovo	Total	%
Vocational education	€10.6	29%
Vocational training	€8.7	23%
Adult education – non university	€0.6	0.001%
Employment support	€3.0	9%
SME training and advisory services	€14.3	39%
	€37,072,118	100%

Analysis of EU and other donor support instruments in the field of employment and human resources development

Since 1999, the EU has invested €17.3m in HRD developments in Kosovo²¹. Two vocational education and training reform programmes in particular supported curriculum reform and teacher training on selected vocational areas, careers guidance and inputs into vocational education strategy and legislation. The ETF in particular has been passing EU policy messages to a range of partners on the ground by way of study visits, focus groups and targeted capacity building measures and has ensured good synergy with the wider CARDS supported VET programmes managed by the EAR.

Both VET programmes can be considered successful in terms of mobilising local stakeholders, building capacities particularly at school/training centre level where they have been most involved and raising awareness of the inter-dependencies between the learning system, the economy and Kosovo's overall

²¹ This excludes TEMPUS support. It also excludes training effort which may have been delivered through sector specific programmes e.g. energy sector.

development. However, in terms of overall labour market impact it is difficult to assess whether the VET investment is paying off. This will take time and assuming that tracer mechanisms have been put in place by the programmes, follow up surveys may shed light on the overall market performance of graduates from the VET-supported schools and training centres.

Two additional CARDS programmes will begin in 2006 addressing HRD developments (funded by 2005 and 2006 budgets). Both programmes consolidate on EU policy learning promoted by ETF through its regional projects, in particular national qualification frameworks, with due reference to the EU's Copenhagen Process and entrepreneurship learning in the framework of the European Charter for Small Enterprises. Unlike their predecessors, both these programmes aim to develop and consolidate EU policy knowledge and engage Kosovo stakeholders into wider EU policy and institutional developments, including cooperation with follow stakeholders in the Western Balkan region.

A 2003 CARDS employment support programme has had mixed results. On the one hand, efforts to establish a national employment strategy as a building block to a national employment plan borrowing on policy and practice within the EU were not successful due to a breakdown in communications between the technical assistance team and the Ministry of Labour and Social Welfare. A draft strategy is available but the Ministry does not recognise it as theirs. On the other hand, the development of local employment boards and the promotion of local economic and employment projects provide a first basis on which further employment promotion measures can be built and where lessons can be learnt for future ESF proto-type activities.

Thirdly, three SME support programmes have supported training and advisory services for budding entrepreneurs, management training and a voucher counselling scheme to kick-start an SME training market. The Ministry of Trade and Industry, in its capacity as National Coordinator for the European Charter for Small Enterprises additionally has made good progress by establishing and facilitating a cross-stakeholder partnership whose task is to bring forward more strategic developments in entrepreneurship learning at all levels of the education system.

Good synergies have been made between EU funded programmes and smaller support instruments (German, Swiss funded). However, it will be important that running CARDS programmes (2005, 2006) and future IPA support interface closely with the UNDP/UNMIK/PISG-supported employment generation programme where capacities and structures (national and local levels) can be potentially built upon particularly in terms of local employment boards and where policy learning from the CARDS 2003 could be utilised.

To close this section, five issues are identified with the aim to improving external support to Kosovo's employment and HRD reforms:

- social partners essentially remain a side-show in the efforts of international partners to build institutions and capacities in Kosovo employment and HRD. They should be central to the process. International partners need to be aware of the opportunity in terms of policy relevance and sustainability as well as the prospect that more capable social partner organisations can bring to the reform process;
- broad-brush investments in vocational education where the economy is not sufficiently developed to absorb the graduates may not be the most efficient use of funds (national and international) at this stage in Kosovo's reform process; targeting resources at earlier parts of the education system, in particular to promote access and develop quality in delivery, is more likely to have more sustainable impact;
- short and targeted training of the unemployed to address clearly articulated skills gaps in the market can be effective but a regular and systematic assessment of enterprise skills needs is important to ensure relevance and appropriateness;
- reform programmes which are directly related to immediate policy concerns within the EU (e.g. national qualifications framework, entrepreneurship learning) are appreciated by the Kosovo stakeholders and create a sense of common mission with EU partners. In this regard, phasing in institutional structures and capacities, no matter how primary, and which can eventually contribute to the complex organisational arrangements for planning, administration and delivery of ESF-supported operations.

Analysis of governance and challenges for administrative capacity related to human resources development, employment policy and inclusion

This section considers the institutional framework for employment and human resource development. It identifies a number of issues which will need to be addressed as Kosovo develops its structures to promote employment and HRD and takes on more responsibility for its overall governance as the international administration downsizes.

The Ministry of Education, Science and Technology holds responsibility for education and science policy with compulsory education (Grades 1-9, ages 6-15) covering just under 1,000 schools, approximately 20,000 teachers and delivery to approximately 390,000 students.

All key policy and executive responsibilities remain within the ministry but discussions are now ongoing as to possible devolution of executive functions to specialist agencies which would allow the ministry to target its resources better on policy making, monitoring and development. In this regard, a proposal for the establishment of a National Qualifications Authority (draft to be presented to the Assembly in November 2006) is likely to be approved although the degree of independence of the agency from the ministry as well as the institutional responsibility of the Ministry of Labour and Social Welfare, including financing implications from both ministries (and eventually of social partners), requires further public debate.

In 2002, financial governance and administration was decentralised to local level where Municipal Education Directorates are presently responsible for goods and services. While the rush to decentralise was considered important in the bid to ensure greater ownership and accountability for education delivery at community level, the switch (teacher salaries are still administered by the ministry) has not been accompanied by a sufficient level of capacity building and support, particularly in terms of procurement which has engendered questions as to transparency. Nonetheless, a first step in decentralisation has been taken and needs to be built upon. Further support for the Education Directorates will be required while preparing schools for their own financial management remains to be addressed²².

The creation of a Pedagogic Institute, with Italian support, looks increasingly likely, and would allow for better coherence across a number of curriculum and teacher development initiatives which have sprung up in Kosovo since 1999. In particular, the proposed Institute will accommodate the capacity for in-service teacher training supported by CIDA while more recent Canadian support will be re-directed to pre-service teacher training which will now be delivered at the recently established Faculty of Education at the University of Prishtina.

The agreement to establish a VET Council will ensure a more inclusive framework for all developments in skills development. While the mandate of the Council remains fixed to vocational education and training, in the interest of maximising existing institutions as well as promoting better coherence across the learning system, consideration could be given to widening the Council's mandate to lifelong learning. This would provide an institutional support system for Kosovo's longer-term efforts to create a credible and functioning lifelong learning system.

In terms of its policy-making responsibility, while good education statistics and intelligence systems have been developed with World Bank support, the Ministry is still weak in policy-making capacity. External actors have primarily been central to all key policy reforms since the Provisional Institutions of Self-Government were established and have not adequately ensured that in-house capacities within the ministry or support institutions have been sufficiently addressed. The result has been that there is now a strong culture of dependency established within local institutions on international operators to drive the policy reforms.

In this regard, it will be important that those with an interest in nation-building and supporting Kosovo in developing its education governance rethink their aid strategies, put capacity building before policy development (or at least systematically running parallel) and avoid the reflex to fill a policy vacuum with essentially policy documents drafted by international experts. Rather, the international aid environment should follow complete policy cycles so that local stakeholders will understand the technical process of policy making and the associated issues of transparency, ownership and accountability are built into the process.

22 Gefferth, E. & Zylfiu-Haziri, H. (2004). Study on Primary and Secondary Education in Kosovo. EAR, Prishtina.

In terms of legislation decision-making, the Kosovo Assembly, in particular its Committee for Education and Culture stands out for its good efforts to establish a cross-party consensus on all education developments which if continued after the next round of elections (foreseen in spring 2007) should consolidate the policy development framework. However, as with the international partners, there is a risk that the Committee may also be drawn to filling the policy vacuum. By way of example, and although commendable, an initiative of the Education Committee of the Kosovo Assembly to elaborate an education strategy on its own initiative, may send the wrong signals to an administration for which this responsibility lies. In this regard, it will be important that policy-making responsibilities (ministry) and policy decision-making responsibilities (elected representatives within the Assembly) are clearly demarcated.

With respect to its science and technology mandate, policy development remains essentially untouched. While a comprehensive higher education strategy gives particular attention to science and technology²³, responsibility for this policy sector is the reserve of one official within the ministry. This suggests that not sufficient priority is being given to the portfolio. If Kosovo is to bring forward more strategic human capital development in the medium term, the Ministry of Education, Science and Technology will need to give more concerted attention to this portfolio and ensure that strategic ministries (e.g. for energy, agriculture, trade and industry), the university and industry are central to any development dialogue.

In this regard, an education sub-group established to contribute to the Kosovo Development Plan (KDP) would do well to open the discussion and ensure that support for research and development potential is knitted into the country's development blue-print. If science and technology does not feature sufficiently, or is confined to issues of fundamental research, an opportunity to ensure that Kosovo's research and development capacity is given priority within the broader economic development perspective will be missed. International support to kick-start research and development policy dialogue is therefore necessary.

A starting point would be to concentrate on a select number of areas which reflect socio-economic development interests: telecommunications, agro-food technology and energy and where industry is directly engaged to define the policy orientations. International relations on all research and development aspects will be an additional area for consideration and may therefore be a feature for discussion as the countries of the Western Balkans are eventually engaged into the EU's 7th Framework Programme. Issues of research infrastructure and funding, including the contribution of private sector to any developments will additionally need to be addressed.

The University of Prishtina stands to be an important player in Kosovo's research developments. In this regard, the successful and open election of a university rector and senate in June 2006, including the establishment and recognition of a student's council, ends a difficult period where poor governance and accountability had increasingly isolated the university from key institutions, including the Ministry of Education, Science and Technology as well as wider international networks and support frameworks, including the Bologna Process.

Turning to the Ministry of Labour and Social Welfare, key policy responsibilities are labour, social protection, employment and adult vocational training. Although data development capacity within the employment service has evolved considerably with support from CARDS and bi-lateral technical assistance from Germany, labour market policy-making capacity particularly requires attention. While there have been efforts to build policy capacities by the 2003 CARDS employment regeneration programme, a breakdown in communication between the international technical assistance team and local stakeholders effectively undermined the capacity development objective with the result that an employment strategy elaborated through the programme is not recognised by the ministry.

Adult vocational training policy efforts have benefited from CARDS investment but policy making, monitoring and adjustment will require continued support to bring capacity further. In this regard, a Luxembourg-supported initiative to develop performance management systems within the Ministry of Labour and Social Welfare focusing particularly on vocational training should enhance administration and overall governance capacities. Central to the plan, which has a three-year perspective and kicks-off in autumn 2006, is the development of management capacities of eight regional training centres where systems of performance management systems will be introduced to help with priority setting and more efficient allocation and management of resources.

²³ Ministry of Education, Science & Technology (2004). Strategy for Development of Higher Education in Kosova (2005-2015). Prishtina.

At local level, the Ministry of Labour has responsibility for 32 local offices (seven of which also act at regional data centres, compiling monthly data for dispatch to central level). Capacity and resources at local level is poor. For example, the ratio of employment officers to clients in the local employment offices is 1640:1 with Mitrovica at the most extreme with a ration of 2196:1. With statistics like these, the question is when and how could the Kosovo public employment service expect to provide anything near the standards of service to assist the unemployed within the European Union?

A concerted effort will eventually be required at this level to ensure that the local employment administration can be more responsive to the needs of the constituents. It is at this level where the success of Kosovo's contribution to a European Employment Strategy and in particular in assuring that future European Structural Fund support can be put to good effect will be critical. More focused and sustained capacity building of the local employment service should therefore be a priority for IPA from 2007 onwards as impact of capacity building will have at least a 10 year timeline. And the capacity building should be inclusive of local stakeholders as key partners in local employment governance.

To this end, any proposed initiatives should build on the independent evaluation and recommendations of the LEEDAK pilot initiative in the Municipality of Kamenica which provided an ESF-prototype planning, management and delivery system for employment development at community level. This should also borrow on the results and recommendations of an evaluation of the CARDS Employment Regeneration Programme which sponsored 22 local employment development projects. In particular, the policy issues which could emanate from the 'Local Employment Generation Boards' will be important which were created through the programme and which could provide pilot examples for improved governance arrangements to develop local employment and skills²⁴.

Perhaps more developed in Kosovo in terms of general governance approaches than in its neighbouring countries, is the practice of cross-stakeholder partnership as a starting point for key policy discussions. A culture of common dialogue and planning for employment and education related matters, at least at central level, is now quite well established although tensions between the two key ministries (labour and education) are never far off. Nonetheless, the widening of the HRD interest groups to include the ministries of youth and trade and industry, which now are active contributors to debate, has helped to configure a more productive cross-ministerial cooperation.

While the social partner organisations (OEK and BSPK) are increasingly instrumental in prompting policy discussion with the administration, they have benefited little from the range of support instruments addressing employment and HRD to date. A CARDS 2006 programme will provide some support to the key employers' organisation (OEK) as part of a wider vocational training programme, however, a more concerted effort is required to build policy knowledge and lobbying capacity on HRD concerns across the employers and trade union organisations. IPA support would be important here.

In conclusion, there have been good efforts by the international partners to support institution building and good governance frameworks for employment and HRD in Kosovo. Considerable work remains to be done. However, less 'baby-sitting' by the international partners and clearer messages of responsibility and accountability by the different parts of the administration particularly on policymaking, monitoring and adjustment should be condition of any eventual EU support from 2007 onwards. Secondly, further facilitation and support on partnership promotion, which will be key to more democratic governance of the learning system, will be required as Kosovo's institutional arrangements evolve towards structures appropriate for the country's interface with the EU structural support framework. Particular attention now needs to be given to local governance arrangements for education delivery and employment promotion borrowing on the principles and practice of ESF sub-national delivery arrangements. Finally, performance of cross-stakeholder governance structures (e.g. VET Council) should be monitored, facilitated and benefit from strategic policy building and advisory development measures as important institutions to carry forward national plans for employment promotion and HRD.

Suggested priorities for action and EU support

In terms of next steps in supporting Kosovo in employment and HRD a number of areas could be considered.

²⁴ EAR (undated). Final report : Development of Local Employment Generation Boards. Prishtina.

Firstly, a strategic use of IPA funds over the 2007-2013 period could be allocated to support five broad policy and institutional areas.

- labour market policy adjustment and priority setting with due reference to the EU employment strategy and selected employment guidelines of particular relevance to Kosovo's national priorities and capacities;
- Elaboration of a national action plan for employment, including development of monitoring and performance management system;
- Phased development of ESF-oriented central management structures and policy-oriented support framework, impact assessment framework and transparent management systems;
- capacity building of local employment services administration and ESF proto-type actions on employment and economic development with particular reference to counteracting unemployment amongst, young people, women, minorities and the long-term unemployed;
- continuous capacity building and development of compliance systems at central level for European policies (employment, social and HRD), monitoring, reporting and coordination.

Secondly, the EU should encourage the national authorities to ensure that the development of the education and training system is a central pillar of the overall national development plan, which is presently being elaborated. Technical support may be required for inputs to the national development plan and should address all levels of the education system (lifelong learning perspective in line with EU policy), including a needs' identification of capital resources to ensure that the minimum standards are in place for Kosovo to deliver primary and secondary education. Particular emphasis should be given to third-level non-university education which is the glaring gap in Kosovo's learning system and which will become more necessary as the economy unfolds.

In terms of institution building for HRD, expertise and technical assistance will be required for measures which are specific to EU policy: quality assurance, qualifications framework, key competences, lifelong learning, research and innovation, mobility and participation in EU networks.

With the aim of addressing the multi-ethnicity priority of the European Partnership, a minority-specific education fund could be considered with high level, transparent and visible incentives for cross-community formal and non-formal education initiatives. The aim should be to discourage the Serb community 'parallel' education sub-system and promote recognition and confidence in the national education system. Additionally, in its dealings with the Kosovar authorities on employment and HRD development from 2007 onwards, the European Union would do well to underline to the Kosovar authorities, that minorities refer to all minority groups and that specific reporting arrangements on education and employment for each ethnic group should be built into future monitoring arrangements within the European Partnership framework or other monitoring mechanism.

Finally, and with the objective of putting an end to the education shift system and putting in place a learning framework in Kosovo comparable to other EU Member States on its accession, consideration should be given by the Commission to calling and facilitating a strategic donor meeting with EU Member States to draw down the necessary finance to meet immediate capital requirements to bring Kosovo's schools to acceptable standards for compulsory education delivery. Applying the principles and practice of EU structural support for education infrastructure in underdeveloped regions in Member States through IPA would be an advantage and would ensure counterpart investment on a year-on-year basis, as national funds allow.

HOW TO CONTACT US

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