



COUNTRY ANALYSIS 2005
GEORGIA

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ETF COUNTRY ANALYSIS 2005

Summary

Georgia's transition to a market economy was accompanied by high internal and border instability that worsened the country's economic perspective for sustainable growth. Georgia's economic make-up is characterised by a predominance of micro individual enterprises with low productivity, a high share of self-employment, and individual subsistence agriculture. Georgia has still to build and invest in a strategy for competitive economic activities.

Annually, about one-third of graduates of complete secondary education (38% in 2003/04) enter directly into the labour market or simply fall out of the education and training statistics. These figures indicate a relatively high proportion of young people unprepared for employment and in a precarious situation after secondary general school, partly due to a lack of acceptable, flexible and attractive alternative (to higher education) educational paths. The ongoing reform of the higher education system puts particular pressure on the reform and modernisation of other educational pathways after compulsory and complete general education to absorb the growing number of youngsters not admitted in accredited higher education establishments.

The new authorities rightly raised the priority level of VET reform in the education development agenda. Clear signals of this renewed importance can be seen in measures adopted in 2005, namely the creation of a stakeholders' working group with a consultative function and the approval of a Concept of VET Reform with far-reaching innovations and recognition of the European education dimension.

However, implementation of the Concept will require serious work on policy and on various institutional and technical issues, including clarification of horizontal and vertical linkages in the proposed system, mechanisms for proper functioning of the proposed lifelong learning perspective, a revised qualifications framework, development of teachers and learning methods, competence-based learning and assessment, and differentiation of vocational curricula. Technical and financial assistance from international partners is important, as is the coordination of such assistance within a coherent sector strategy.

Adult learning has only recently emerged, and many aspects require further development (namely policy and regulations, learning methods, financing and linkages with a qualifications framework) before its essential input into solving the skills mismatches of the labour force can be fully deployed.



1. Current situation and trends in human resources and labour market development in Georgia

Transition in Georgia was accompanied by a particularly unstable internal and external political situation, with spreading poverty and a strong brain drain resulting from waves of emigration. The new government that took office after the Rose Revolution¹ built its priorities around the fight against corruption, state territorial integrity, poverty reduction and recovery of Georgia's international credibility. The new authorities have been praised for the progress made in tax collection (a severe problem in Georgia) in 2004, and in the settlement of large arrears in salaries and social subsidies.

Georgia's GDP growth in 1998–2003 was the slowest in the Southern Caucasus, with an average annual growth rate of 4.9%². GDP growth accelerated in 2002 and 2003, however. Despite this positive trend, Georgian GDP output in 2003 reached only around 57% of its 1991 level (in fixed prices), showing that economic growth is still in the recovery phase³. In 2004 real GDP growth was 8.4%⁴. The central driver of economic growth was the construction of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, which contributed to the development of the construction and services sectors and created new jobs.

During the transition period demographics in Georgia were marked by high net migration, decreasing natural growth and clear aging signs. While the population of Georgia amounted to 5.4 million in 1989, the census of 2002 registered less than 4.4 million⁵ in the territory controlled by the government of Georgia. The combination of net migration and declining natural growth led to a drop of over 1 million persons by 2003, or one-fifth of the 1989 population. The age structure of the Georgian population reflects the effects of the trends above, with a very high share of the population aged over 65 years (13.3% in 2004) and a noticeably falling share of the age group of up to 14 years (18.6% of the population in 2004)⁶. The share of working-age population slightly grew since 2003 and represented 68% of the population in 2004. The female population clearly outweighs the male, at 53%.

In the period 1992–1996 net external migration exceeded 120,000 persons annually, meaning that Georgia was losing some 2.2%–2.6% of its 1989 population every year⁷. In the late 1990s emigration began to slow down, with the figure falling to 30,000 in 2003. Migrants were primarily skilled urban persons of Russian or Georgian nationality. Young graduates also tended to migrate to enrol in further studies or to search for jobs abroad. This massive emigration served to relax some of the pressure on the labour market, but also eroded the skilled labour force.

Since the late 1990s Georgia has gathered labour force data, based on yearly labour force surveys, that are more reliable than those found in other ENP countries. Analysis shows that the activity rate of the population floats within the range of 66.2% (2001) to 64.8% (2004). Economic activity is higher in rural areas (57% of total) and among the male population.

The employed population (age group 15–64 years) decreased in the period 2002–2003, and the employment rate was 56.6% in 2004, but the average annual growth rate of the employed population over 1998–2003 stood at 1%. The oldest age group (over 65 years) has the largest share of the

¹ December 2003; the presidential elections in January 2004 confirmed the political outcome of the Rose Revolution.

² E. Loukoianova and A. Unigovskaya, IMF Working Paper 04/151, "Analysis of recent growth in transition economies", pp. 5, 7. Armenia and Azerbaijan recorded 7.7% and 9.7% average annual growth rates respectively in the same period.

³ A particularly steep fall occurred in industrial output following the critical energy crisis in the aftermath of the disruption of the former Soviet markets; in 1995 industrial output had slumped to approximately 18% of the level registered in 1991.

⁴ EDPRP Progress Report, Tbilisi, January 2005, p. 4.

⁵ See www.statistics.ge/index_eng.htm, Statistics/Population/Resident population of Georgia. Three regions split from Georgian control after 1990. The estimated population in the total territory for 2004 is 4,543,000.

⁶ In the period 1999–2004 the population in the age group of 1–14 years fell an average of 3.3% per annum, and in 2004 this decline reached its most severe level (9%). See www.statistics.ge/index_eng.htm, Statistics/Population/Population by sex and age groups.

⁷ See www.statistics.ge/index_eng.htm, Publications/Online publications/Social trends in Georgia, 2004, p. 9. In 1993 and 1994 net external migration reached 140,000 people.

employed population (floating from 16% to 17% in the period 1998–2003), which exceeds the share of the age group that is usually most active (40–44 years)⁸. Higher employment rates among the oldest age group demonstrate that an inadequate social security system and widespread poverty are inducing much of the pension-age population to seek additional income. In the current economic climate of Georgia much of the reported employment captured through internationally accepted statistical criteria does not exhibit the characteristics of decent work in more developed labour markets. Many jobs are precarious and unproductive, pushing people into multiple jobs and widely accepted informal labour activities.

Labour force survey data (1997–2003)⁹ clearly captured the key characteristic of Georgian employment: the growing predominance of self-employment, with a share of approximately 70% in agriculture. The number of self-employed has grown visibly in absolute and relative terms and reached a high figure of 66% of the total employed population in 2003, while it stood at 57% in 2000. The 4.3% average growth of the self-employed population (1999–2003) offsets the absolute decline of the hired employed population (-3.7%) in the same period. Deeper analysis of the nature and quality of self-employment is needed to understand its links to informality and low productivity that contribute to income vulnerability.

Analysis of employment and unemployment rates fails to provide an accurate picture unless these statistics are broken down by regions and by an urban–rural criterion. The significant weight of agricultural employment affects the overall picture. Statistical rates per se don't disclose the quantitative aspects involved, namely the fact that many jobs/self-employment in subsistence agriculture are precarious and unproductive, and unless investment is made in new production and marketing methods and skills, significant progress in the agricultural economy will be very slow – and with this, significant progress in poverty reduction will be further delayed.

The allocation of the labour force by branch of economic activity is not correlated to the respective economic performance of those economic areas (value added). Agriculture contributes less than 0.5% to total value added (2003) with 55% of the total employed population working in this sector. This is a clear sign of the low productivity of the sector, which is unable to grow beyond a subsistence nature with informality and non-cooperation between small farmers. The share of agriculture in employment grew at a 3% average rate in the period 1998–2003, but the sector contribution to total value added decreased. Manufacturing registered a large reduction in its share of employment in the same period, but its 5% share of the employed population produces over 16% of total value added (2003). The branch with the highest contribution to total value added is transport, storage and communications (with 34%), but this area had only 4% of the total employed population in 2003. Analysis of official economic data can be misleading, however, if the weight of the informal share of the economy is not taken into consideration.

Georgia has the biggest shadow economy among the CIS countries, according to recent studies: the shadow economy in Georgia constituted approximately 68% of GDP in the period 2002–2003, against 67.3% in 1999–2000. According to this study Georgia surpassed Azerbaijan in the group of Central and Eastern Europe and the CIS, and Armenia presents a much lower rate (49% of GDP)¹⁰.

The Georgian economic fabric shows a large share of individual enterprises (typically small, with one owner) representing 54% of total registered entities of private law in 2003, while this figure was 49% in 2000. Compared with other types of business entities, however, individual enterprises show deteriorating performance indicators, namely a minor share of total turnover (5% in 2003, down from 11% in 2000) and of total employed (8%–9%) across occupational areas¹¹. According to the same source, trade (wholesale and retail), repair of vehicles, personal and household goods, and hotels and restaurants are the activities where individual enterprises have the highest contribution to both total turnover (10%–30%) and total employed (21%–72%). Even these shares declined rapidly in the period

⁸ See www.statistics.ge/index_eng.htm, Publications/Online publications/Labour market in Georgia 1998–2003, p. 33.

⁹ See www.statistics.ge/index_eng.htm, Labour/Table: Economically active population.

¹⁰ Friedrich Schneider, *Shadow economies of 145 countries all over the world: Estimation results over the period 1999 to 2003*, March 2005, pp. 18–19. In this study, the shadow economy is defined as market-based legal production of goods and services that are deliberately concealed from public authorities in order to avoid payment of taxes and social security, compliance with legal labour market standards, and certain administrative procedures. The study does not deal with trade in illicit goods or economic crime.

¹¹ See www.statistics.ge/index_eng.htm, Business in Georgia 2004/Individual enterprises (enterprise survey).

2000–2003, however. While individual enterprises had a 50% share of the employed population in the branch of hotels and restaurants in 2000, this figure was halved in 2003.

The unemployment rate floated in the range of 11.1% to 12.6% in the period 2001–2004¹². The highest levels of unemployment affect the age groups 20–24 (24%–30%) and 25–29 years (20%–24%), while in 2004 the age group 30–34 years saw a strong rise in unemployment from approximately 13% to 19%. In 2004 the new authorities implemented a large programme of staff renewal in major public structures (ministries, their agencies and other institutions) that led to the rapid lay-offs of thousands of civil servants. This was one of the causes of rising unemployment in 2004.

Despite progress registered in payments of large arrears in social subsidies and pensions under the new authorities (2004), poverty incidence remains high. The growth of rural poverty took an irreversible pace recently, which may clearly be observed in the dynamics of extreme poverty. The share of the population living under the official poverty level (subsistence level) had increased significantly in 2002–2003 (to 54.5%), particularly in rural areas. This indicator improved in 2004, at 51.3% (rural poverty: 53.4%). In 2004 extreme poverty worsened in rural areas and led to an increase of the average indicator (17.4%). Regional distribution of poverty is differentiated: its lowest levels are in Tbilisi and Imereti (44.5% and 39.6%), while Kvemo Kartli has 78% of its population under the poverty line and one-third in extreme poverty.

According to analysis by the Institute of Public Marketing, skills irrelevance represents a visible problem among the labour force despite the significant numbers of employed persons and jobseekers with higher education and complete secondary general and vocational education. The Institute reports that more than 40% of the employed population work in occupations unrelated to their educational profile. The occupation versus education discrepancy is more frequent in public administration, but also in business sectors such as construction, trade and agriculture.

Data shows that higher education qualifications do not necessarily lead to adequate employment. For instance, 43.4% of physicists, chemists and those in related fields are employed in areas unrelated to their background, and another 48.2% are simply unemployed. The relevant figures for architects, engineers and other professionals in the same field are 41.8% and 47.5% respectively. For medical doctors the figures are 14.5% and 38.3% respectively, while teachers (secondary general and vocational education) face a similar situation (24.4% and 43.3%). For professionals in the fields of economics and humanities, these indicators are similarly discouraging (40.3% and 50.8%)¹³.

Unemployment rates per level of education show a comparatively better situation among the group with “vocational and specialised education”, with rates (approximately 13.5%) lower than those for the group with “tertiary education”, whose unemployment rates largely exceed the country average and show a growing tendency in 2001–2004 (15.8%–18.5%). The activity rates of both groups are roughly similar, around 78%, and largely exceed the country average.

Georgia showed a stark growth in non-public higher education establishments during the transition period. In 1990 Georgia had 19 higher education establishments (public), and approximately 104,000 students; in 2003 these figures grew to 176 establishments (150 private) and approximately 153,000 students (29,000 in private establishments), despite the aforementioned decrease in the population¹⁴. The share of the population above 15 years of age with higher education increased from 15.1% to 22.4% between 1989 and 2002.

Up to 59% of graduates of complete general education continued their studies in higher education establishments (public and private) in 2000–2004, while only 6%–9% opted for professional education (public and private). However, data show that on average about one-third of graduates of secondary education (38% in 2003–2004) enter directly into the labour market or simply fall out of the education and training statistics. These figures indicate a relatively high proportion of youth unprepared for employment, and in a precarious situation after secondary general school. Also of concern is the

¹² Department of Statistics. Data based on labour force surveys, not on officially registered unemployed.

¹³ See www.statistics.ge/Main/census/Eng_ed/Chapter%204%20Eng.htm#IV.%20Education, Census 2002 data/Education of the population, pp. 100–101.

¹⁴ See www.statistics.ge/index_eng.htm, Publications/Online publications/Social trends in Georgia, 2004, Chapter 5, p. 56.

number of pupils leaving the education system upon completion of compulsory schooling (12% to 9% in the period 2000–2004), without professional training¹⁵.

Education choices in public higher education were distributed mainly among three specialisation sectors in 2003/2004: teaching, with 46% of enrolments; industry and construction, with 28%; and agriculture, with 10%. In 2000/2001 these figures were respectively 49%, 22% and 12%, showing that teaching careers are losing attractiveness (although over 57% of female students enrolled in this area in 2003/2004). Graduations grew from 13,900 in 2000/2001 to 18,300 in 2003/2004, whereby 56% of the latter are in the education area.

Public health studies are the preferred area for students in secondary VET (25% of graduates of public schools; over 80% of graduates of private schools). Industry and construction graduates represent 5% of the approximately 5,500 graduates in 2003/2004, and graduates in the field of agriculture less than 4% (only public schools).

Private sector firms' expenditure in staff training is extremely low and falling, amounting to US\$1 on average per worker in 2002. The family budget bears a significant part of the education and training burden. Informal payments for education have become common practice, increasing inequality of opportunity.

Over a decade, the education system has failed to build new linkages with the economy, and adult learning has therefore acquired wide potential for development. Non-public, commercial and non-commercial organisations have grown in various areas of training, and these offer rare possibilities for professional mobility, retraining and up-skilling for the older and younger labour force. However, training organisations limit their services to areas that have demand among donors and international projects, as well as among new enterprises in the services sector. The depleted agriculture sector and small industry have limited access to training and information services that are affordable and practicable in working conditions. Farmers report serious difficulties in hiring agronomists willing to work in rural areas, and larger producers are ready to offer relatively large salaries to attract the limited number of technicians available.

Summary

Economic recovery has been hampered by the unstable political history of the Georgian transition, exacerbated by serious corruption and a lack of effective strategic choices for economic development. Levels of poverty have grown in the last four years, particularly extreme poverty in rural areas.

Massive emigration and decreasing natural growth have affected Georgian demographics with a loss of 1 million people, or one-fifth of the 1989 population, by 2003. This has contributed to a change in the structure of employment (a rise in employment in agriculture) and particularly the quality of the labour force (brain drain).

Georgians tend to work towards higher education diplomas. This tradition seems to be strengthening despite the abrupt economic crisis during the transition and higher unemployment rates among holders of higher education qualifications. Annually about one-third of graduates of secondary education (38% in 2003/2004) enter directly into the labour market or simply fall out of the education and training system altogether. These figures indicate a relatively high proportion of youth unprepared for employment, and in a precarious situation after secondary general school, partly due to lack of acceptable alternative (to higher education) educational paths.

Adult learning has only recently emerged and many aspects require further development before its essential input into solving the skills mismatches of the labour force can be fully deployed.

¹⁵ Author's estimation based on official statistics, published at www.statistics.ge/index_eng.htm, Publications/Online publications/Education, Science and Culture in Georgia, pp. 38–39.

2. Contribution of HRD to socioeconomic development, with particular attention to employment and social inclusion

Georgia adopted the Economic Development and Poverty Reduction Programme (EDPRP) in June 2003, and the government subscribed to its implementation. The political change at the end of 2004 raised the need to reconsider the three-year action plan envisaged in the EDPRP, to adapt it to the key principles set by the new authorities. The EDPRP Progress Report (January 2005) identifies these priorities, which relate basically to transparency, quality of public service, reduction of bureaucracy, human rights, and eradication of poverty.

According to the government's Strategic Vision and Urgent Financing Priorities in 2004–2006, presented by Georgia to the Donors' Conference of June 2004, human resources development occupies a key place among the guiding principles of the national recovery.

Education is one of the cornerstones of the overall reform programme, with improved access, quality and relevance of education being key objectives. The Ministry of Education and Science (MoES) has been restructured with the aim of more effectively tackling the reform process. In November 2004 and January 2005, new Laws on Education (General and Higher) were passed.

The reform agenda presented in June 2004 highlighted the following principles for the education area: curriculum reform to include education based on life skills, provision of appropriate and free-of-charge learning materials, decentralisation, and optimisation of physical and financial resources.

Public expenditure on education as a percentage of GDP in Georgia is one of the lowest among the CIS countries, with an average of 2.2% in the period 2000–2002¹⁶. The share of VET in state education expenditure was extremely low in 2003 (3.5%¹⁷) and was channelled exclusively into payroll expenditure. Spending for school and methodological development was therefore dropped for years.

The new authorities promptly subscribed to Bologna principles with the purpose of integration into the European Higher Education Space, having adopted measures for the elimination of corruption (especially by changing student admission regulations), completed the first phase of accreditation of higher education establishments, and prepared relevant steps for the enforcement of quality assurance mechanisms. The new Law on Higher Education makes public universities more autonomous and accountable and sets out clear roles for students in administrative and financial oversight and in representative bodies. Admission to higher education was reformed through the introduction of a standardised entrance exam administered by the National Assessment and Examinations Centre. Financing of education has been reformed, reducing the role of the educational establishments; now students with higher performance on the admission exams receive a voucher they can redeem as tuition at any state or accredited private institution of their choosing. This means that instead of students competing for universities, the universities will be competing for students. Only 110 establishments passed the first cycle of the accreditation process, which will be completed in 2006 (programme accreditation); 237 failed¹⁸.

The Bologna principles offer particularly useful potential for cooperation with higher education in the regional and European spaces, particularly exchanges in areas of specialisation not developed in a smaller economy such as Georgia's. Efficiency calls for a focus on higher education in a number of strategically important areas where quality can be ascertained. This option presents risks related to the need to reduce the likelihood of non-return of students from partner universities.

The number of possible enrolments into higher education, consequently, decreased significantly in the school year 2005/2006. Out of over 30,000 secondary school graduates, approximately 17,000 were admitted to higher education. The issue of new alternative education pathways and an attractive VET

¹⁶ Only Armenia showed a lower figure in 2002 (1.9%), while Azerbaijan had a 3.2% GDP expenditure on education. In other CIS countries (ENP countries) this indicator varies – Ukraine: 5.6%; Moldova: 5.8%; Belarus: 6.8%

¹⁷ GEL 1.3 million, or approximately US\$564,000. Source: GTZ, "Report on the situation of VET in Georgia", unpublished, p. 13 (Russian version).

¹⁸ These large numbers include subsidiaries and sections in the various regions.

system offering relevant qualifications at various levels has acquired a new importance and urgency in the present situation.

In 2005 the MoES prepared the initial steps to relaunch a new phase of reform of the VET system. A Concept paper to underpin the reform process was approved in August 2005, upon consultation with various stakeholders. In early 2005 the MoES addressed a request to the EC Delegation for a policy advisor to assist with VET reform, and the project was launched in August 2005.

The Concept introduces a number of innovative aspects aimed at building an education and training system that is compatible with the lifelong learning perspective, and at introducing coherence with the Bologna process. The Concept recognises the role of non-formal learning and aims to boost the attractiveness of vocational education choices for youngsters. It proposes shorter vocational pathways at initial and tertiary levels, offering professional qualifications for quicker entry into the labour market. The current institutional structure of formal VET, built on the traditional two non-tertiary non-communicating channels (initial and “medium specialised”), is replaced by a scheme recognising an initial level (with two branches) and a tertiary one. The Concept addresses issues of quality assurance and school management and raises the decentralisation perspective and the importance of investing in VET within regional development programming.

The Concept leaves open a number of technical and institutional issues that require solutions for proper implementation. These issues are linked with the conceptual view on the role of various VET levels for society and the economic perspectives of the country; the clarification of the horizontal and vertical linkages within the education system, access criteria and appropriate integration with the education system; the development of new vocational curricula, based on competences and outcomes; the clarification of mechanisms that are key to ascertaining an operational lifelong learning framework (recognition and validation, information and guidance, qualifications framework); and teacher development and new learning methods in view of the planned reforms.

In 2004–2005, public VET establishments received the status of legal entities; they now act with managerial independence, under control of the government. As legal entities VET schools received property and real estate, are accountable for appropriate management, and are encouraged to increase their financial sustainability. Although the share of paying students in VET schools has increased, the development of market-oriented training and related services has been largely insufficient. A multi-channel financing model is under analysis.

Governance of the VET system remained strongly centralised up to 2005, despite attempts at regional decentralisation. The VET Concept adopted in 2005 represents a new step towards recognition of the importance of autonomy and accountability among VET establishments, the need for an effective management system based on the division of functions between the state, regional levels and social partners, the establishment of supervision boards in schools, and the creation of a regional management model that takes into consideration the local socioeconomic situation. In May 2005, under the initiative of the MoES, a social partnership commission with a consultative and advisory mandate was created. The Commission includes relevant sector ministries, as well as employers’ and adult learning players/training associations. As independent legal entities, VET schools face difficulties in putting sound management principles into practice. This is associated with a lack of required skills among directors and teachers and a lack of financial management experience. Broader involvement in decision making on the part of students and teachers is another needed element that is still at the early development stage.

In the adult learning area, active training providers face difficulties in achieving sustainable operations. Their interaction with VET institutions is only sporadic and the available training offering focuses mostly on generic competencies (management and accounting, languages, ICT, social skills), while training for technical skills in agriculture and industry is in short supply.

Despite the recent policy developments recognising the role of lifelong/adult learning in the education reform process, significant potential for further steps remains, including development of the regulatory framework, enabling conditions for the development of adult learning, mechanisms for recognition and validation of prior learning and outcomes of non-formal learning, lifelong information and guidance, quality assurance, linkages with the education system at various levels, learning methods, and financing.

Summary

The new government addressed the serious problems in the education sector with determination by rapidly attacking the corruption mechanisms rooted, above all, in higher education. New Laws on General Education and on Higher Education were passed at the end of 2004 and in early 2005. The first phase of the accreditation process for higher education establishments was completed, leading to the accreditation of 110 establishments.

The latest reforms in higher education have led to a visible reduction in the number of available places for enrolments in 2005/2006. This fact has emphasised the urgent need for reform of the VET system to improve its attractiveness, increase its capacity and enlarge its vocational offering throughout the country.

In 2005 VET acquired a new level of importance in the government development agenda and a Concept to underpin a reform strategy was adopted. The Concept introduces a lifelong learning perspective and an orientation towards the European education dimension, but its implementation will require serious work on a number of key policy, institutional and technical aspects. Technical and financial assistance from international partners is essential, as is effective management.

3. Current state of EU HRD-related programmes – achievements and lessons learned in partner countries

The 2004–2006 National Indicative Programme (NIP) set three basic focal objectives: promotion of the rule of law and good governance, poverty reduction, and the enhancement of stability and security. Activities contributing to reform of the education sector were not considered in the NIP.

The updated action plan for Georgia (2004 – Part II) allocated EUR 12 million for projects in the areas of legal and administrative reform, support to child welfare reform and development of a Centre for European Studies at Tbilisi University.

In August 2005 a Policy Advice project to support VET reform was launched, with a duration of approximately 10 months. This project will assist in the elaboration of the reform strategy and the new VET Law.

Tacis supports higher education development through the Tempus programme. Since 1995 Tempus has financed 24 Joint European Projects and 26 Individual Mobility Grants, at a total value of EUR 4.7 million. In 2005, Tempus priorities for curriculum development include European studies, European law, intellectual property law, legislation for human rights' protection, and social sciences; agricultural and rural sustainable development and social work will be targeted in particular. In the field of university management, issues such as the development of accreditation processes and quality assurance systems and the strengthening of students' rights, associations and services will be addressed. Institution building activities include training courses to strengthen the role of independent media and the civil and penal justice system, as well as training and retraining of teachers from secondary and technical education.

4. Significant investments from other international/bilateral donors in the field of HRD

Few international cooperation partners are active in the area of VET. Among them only GTZ has assisted VET development with a regional programme and a teacher training (modernisation of teaching methods) project. The latter focuses on participative active methods and is carried out through the usual cascade approach. Difficulties in the implementation of the new learning methods exist within a system that has only recently opened up to innovation.

Other international NGOs develop studies and debate in the area of adult education (IIZ-DVV, Germany) and lobby for the elaboration of a high-level framework for lifelong learning.

The Swedish agency Sida has assisted the Employment Agency with capacity building and policy advice activities. However, the latest strategic reorientation of the Employment Agency has weakened the involvement of Sida in the employment and labour area.

World Bank education sector reform has focused on general education. A first Adaptable Programme Loan is in the completion phase and a second, larger loan is planned. This new project will broaden its scope to other education subsectors (including VET), as considered relevant for the country's needs and government strategy. The World Bank is open to the development of joint activities with the involvement of other partners, namely the ETF.

In 2005, USAID plans to allocate a large fund to support development in the education sector.

5. Main challenges for HRD and labour market-related reform and modernisation processes in underpinning European Neighbourhood and Partnership Instrument objectives

With the new political options and social priorities set out in 2004–2005, Georgia benefits from a friendly positioning of many important international partners. Recovery from deep economic decline, particularly in rural areas, will need serious efforts in terms of strategy and consistent implementation.

Georgia needs to build on its potential (political and economic) with determined policy and measures to ensure the sound and equitable development of its human resources. It must recover from the effects of the technical and scientific brain drain that has eroded the quality of its labour force, and from the effects of the shifts in education choices during the transition that have led to excessive growth in holders of higher education diplomas deprived of effective market value and employability while the labour force with middle-level qualifications (recognised skills) is lacking in numbers.

The competitiveness of the Georgian economy will depend on the continual availability of:

- personnel with modern technical skills and core competencies, with sound qualifications across various levels, for agrobusiness, industry and services;
- personnel with business and management competencies;
- effective innovation and research linkages between businesses and education and training institutions; and
- effective collaboration between the economic sectors and social partners on the one hand, and the relevant players of the training market and education policy makers on the other.

Active policy is needed to reverse the established trend towards higher education irrespective of the quality and market value of the awarded diplomas. This objective has acquired high priority in the higher education reform process and in the completion of the first phase of the accreditation process. With the resulting reduction in the number of available places for enrolments in 2005–2006, the country faces a situation in which almost half of the 30,000 graduates of complete secondary education will not be admitted to higher education, while the vocational education system remains last on the list of chosen alternatives.

Reform of VET has just started. VET suffers from a long-term position as the “poor parent” of the education and training system; an irrelevant offering of vocational profiles, outdated curricula associated with low quality of learning, and a lack of methodological developments in line with international practice are the result of inconsistent and superficial reform attempts in the 1990s that focused more on the legal framework than on the need to revise the concepts and objectives of VET for a new economy. Meeting the new skills needs of the predominant small employers while remaining responsive to the skills needs of the new economic activities represents a challenge that VET reform needs to handle strategically, in a way that is integrated with alternative training forms and based on sound information and analysis.

The reform processes started in VET will not yield the expected overarching effects (improved employability and better job–skills matching) without the appropriate complementary employment

policies, investment in new economic options and more dynamic job creation in the non-agriculture sectors. With a predominance of self-employment and small individual firms, the Georgian economic fabric has evolved towards low productivity, informality and a subsistence-based character. Under these circumstances employment and enterprise promotion policies need to address issues of upgrading of informal enterprise and self-employment through multi-level instruments including financing, regulatory simplification, access to relevant training, incentives for cooperation among rural enterprises, and access to technology. The rural economy will remain trapped in subsistence activities as long as industrial processing and marketing fail to bring in incentives for higher productivity. Unfortunately, the employment promotion agenda is currently a lower-priority item in government policy, and the employment bodies and public agencies rarely deliver labour market-related services. Measures linked with targeted social assistance have gained higher immediate priority while active labour market policy has moved into the background, as evidenced by lower resource allocation and understaffing of employment offices in 2004–2005.

6. Levers in HRD and related labour market policies through which sustainable system reform can be triggered

Employment and enterprise development: The technical assistance provided to the Employment Agency by donors needs to be enhanced and should continue to embrace the policy and technical capacity areas, with a perspective on the current job creation and employment improvement challenges. The government's priorities need to include a revised employment agenda that will contribute to the poverty reduction strategy with new tools and policy. This needed reorientation requires donor support via medium-term technical assistance.

Measures to build the capacity of the Employment Agency and its regional offices are needed to improve the effectiveness of active labour market policies and introduce new and creative forms of cooperation with education and training institutions.

Measures to support partnerships with education and training institutions aimed at providing labour market information and input into vocational and career guidance are likely to be attractive and effective for both sides, and will contribute to the much-needed institutional and intersectoral dialogue.

VET reform: The debate on VET reform has only just started, prompted by the immediate need to enhance the educational pathways alternative to higher education. The consistency and credibility of further development of the reform strategy, implementation planning and acquisition of support and funding from various international and domestic sources will determine the success of the initiated dialogue. Previous failures in the 1990s have eroded the credibility of the system and cannot be afforded again in the context of the present momentum.

International assistance to the VET reform process will go beyond the work on legal instruments and investments in new training equipment and premises to embrace the much-needed debate on the conceptual basis of the new VET, which offers broader profiles and is better integrated with the education system and more responsive to economic players. Assistance to enhance the interaction of local practitioners with international developments in VET, and familiarisation with European dimensions (the Copenhagen process, the debate on the European Qualifications Framework), are essential elements for donor support.

Georgia needs to develop a new generation of education researchers and practitioners with solid and current knowledge of VET and lifelong learning policy, monitoring and practice. At present the MoES is experiencing a shortage of knowledgeable staff in VET-related areas. Institution and people exchanges, as well as participation in international projects, contribute to building national capacity.

Fields relevant for the VET modernisation process where technical assistance is necessary will be clarified with the development of the VET reform strategy. Likely areas for donors' technical assistance include:

- preparation of the priorities plan for VET reform and modernisation, within a sector approach;

- lifelong learning mechanisms to support attractive and flexible pathways across the education system to provide incentives to enrol in a more open VET system;
- renewed content and methods;
- revision of the qualifications system and adoption of a new conceptual basis in line with international developments leading to a national qualifications framework;
- elaboration of broad occupational and educational profiles based on sound methodology, and revision of the catalogue of occupations;
- improvement of curriculum development and assessment (including institutional setting);
- quality assurance policy and mechanisms;
- reliable and accessible information and guidance in support of education choices;
- personnel with modern technical skills and core competencies, with sound qualifications across various levels, for agrobusiness, industry and services; and
- observation, information and analysis in support of policy and programming.

Technical assistance and institution-to-institution contacts are needed to support further development at education policy and programming level (capacity building), and at school level (partnerships with local and school networks in partner countries, exchanges with local training and employment networks, capacity building for school management).

Development and expansion of the adult learning area – policy, offering, renewed curricula and learning methods, quality assurance and recognition – is key to ensuring that education reform embraces an effective and operational lifelong learning framework. To respond to the short- and medium-term challenges of an economy whose main resource is human capital, adult learning needs to have a strategic position in future development exchanges.

Measures to support the development of policy, curricula, effective combination of training methods (structured and non-structured, formal and informal) and quality assurance concepts are needed via technical assistance and exchanges on international practice. Financing, recognition and validation are important aspects for which technical assistance is necessary.

HOW TO CONTACT US

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