

KOSOVO (UNDER UNSCR 1244/99)

The ETF in Kosovo (under UNSCR 1244/99)¹ 2010-2012

Summary

The overall objectives of the ETF 2010 Work Programme in Kosovo (under UNSCR 1244 – henceforth Kosovo) are to: i) support the European Commission in the development and deployment of external assistance; and ii) support the continuing enhancement of partner country capacities in human capital development. The focus will be on specific initiatives emerging from current developments in education and training, as well as employment and active labour market policy.

“Kosovo is a profoundly European matter. The EU is ready to use all instruments to help Kosovo realise its European perspective. Organising the donors conference is an important contribution of the Commission to mobilising funding for Kosovo's socio-economic development. Bringing growth and prosperity to the poorest part of Europe will help secure stability in the Western Balkans”².

European Integration is a Government of Kosovo priority, and receives broad-based political support in the country as a driving force for progressive reform. A European Partnership for Kosovo was adopted in 2006 and a Stabilisation and Association process Tracking Mechanism (STM) has been established. The government has adopted a *Plan for European Integration of Kosovo 2008-2010*, and a *European Partnership Action Plan* (EPAP). An Agency for Coordination of Development and European Integration has been established and each Ministry has its own Office for EU Integration. The European Commission Liaison Office (ECLO) is responsible for policy dialogue with the authorities on all issues related to the EU integration process and for the management of the support the EU is giving to Kosovo through the Instrument for Pre Accession (IPA).

On 29 June 2009, Kosovo became the newest member of the five World Bank Group institutions. According to Shigeo Katsu, World Bank Vice President for Europe and Central Asia, “The World Bank, along with the IMF and other partners in the international community, remains committed to assisting the Government and people of Kosovo in overcoming the significant challenges they face.”

The EC, World Bank Group, international organisations and EU Member States are working with the authorities and stakeholders in Kosovo to further strengthen their partnership strategies. In addition to financing and analytical and advisory services offered to Kosovo, these development partners will also offer support to encourage private sector investments in Kosovo. Jointly, the development partners are working towards a range of efforts that are critical to supporting Kosovo's development. These include:

- generating new sources of economic growth, and ensuring associated environmental and social improvements;
- ensuring fiscal sustainability, macroeconomic stability, and bettering the investment climate in the face of an adverse global economic environment;
- reducing poverty and unemployment by improving employment opportunities, particularly for youth; improving health and education outcomes;
- increasing the efficiency and equity of social service delivery; and

¹ United Nations Security Council Resolution 1244 of 10 June 1999.

² Enlargement Commissioner Olli Rehn. In the Donor's Conference Brussels, Belgium 11 July 2008

- reducing the sense of vulnerability among many members of the population, particularly ethnic minorities³.

The ETF, in its support to the European Commission, will be working very closely with the Kosovo government to facilitate policy dialogue for the design and implementation of human capital development strategic policy interventions.

Besides country specific cooperation, key Kosovo stakeholders will participate in ETF regional activities, involving all the partner countries of the Western Balkans and Turkey. These are organised in three ETF regional strategic interventions aiming at social inclusion through education and training, supporting policy dialogue on entrepreneurial learning, and mutual learning in key policy areas (for 2010 these will continue to be quality and quality assurance in education and training, post-secondary VET and adult education). These regional activities will be complementary to the activities at country level and will support the implementation of the multi annual indicative planning document (MIPD 2009-11) for Kosovo and thus the priorities of the Plan on European Integration 2008-10.

The above framework for 2010 follows the strategic objectives of the ETF strategy in Kosovo for 2010-12: (1) to assist in the IPA programming cycle as requested by the Commission and by engaging Kosovo authorities and other partners in the process; (2) to support policy developments in education, training and employment by facilitating dialogue among stakeholders and by assisting to build their capacities; and (3) to facilitate policy dialogue, sharing good practice and peer learning in partnership with other Western Balkans and Turkey in the areas of education and training, social inclusion, and entrepreneurial learning.

1. Socio-economic background

Kosovo remains one of the poorest countries in the region with an estimated GDP per capita of €1,855 in 2008. In 2005-08, GDP grew at an average annual growth rate of more than 4%, which rose to 5.4 % in 2008. According to the Kosovo Government Employment Strategy 2010-12 Action Plan and results monitoring document (adopted by the Kosovo Government on 23 December 2009) growth was mainly driven by strong domestic demand (consumption and investment), fuelled by domestic credit growth,⁴ a significant increase in public investment and sustained levels of worker remittances and donor activity. Export growth has also picked up recently,⁵ albeit from a low base. Macroeconomic projections for 2009-12 suggest an average GDP growth rate of 4.6%, even after taking into account the potential impacts in 2009 and 2010 of the present global economic crisis.

Labour force participation in Kosovo is normal only for men (at 68%) and remains very low for women - at some 30% (SOK, 2007b). The low labour force participation of women is evident all over the country but is much lower in remote areas of Kosovo. This extremely low level of participation of women in the labour market is a consequence of the gender division of labour in families, with - among other barriers - gender stereotypes confining women to the private sphere. With regard to age, 71% of boys and 54% of girls aged 15-19 are in school. For the 20-24 age group some 16% of men and 14% of women attend school or university (SOK, 2007b). A large proportion of young people who do not continue education remain, however, outside the labour force, because they simply stop looking for work out of despair, having lost all faith in finding employment. Inactivity among minorities is widespread as a consequence of a low level of education. The unemployment rate is particularly high among young people, women and minorities, at over 60% for all these groups, with some variance depending on the data source and category.

Kosovo has the youngest population in the region and a population that is growing faster than any other in Europe. Young men and women aged less than 25 years make up 49% of the population, of which 19.1% are aged between 15 and 24.⁶ This youthful age distribution will inevitably lead to a further expansion of the labour force. It is estimated that in the next five years roughly 200,000 young people

³ Kosovo World Bank Office Press Release, 29 June 2009
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/KOSOVOEXTN/0,,contentMDK:22230081~menuPK:297775~pagePK:2865066~piPK:2865079~theSitePK:297770,00.html>

⁴ Domestic credit increased from €892 million as of December 2007 to €1,183 million in December 2008 amounting to a yearly increase of 32.6%

⁵ The nominal value of exports of goods and services grew at about 20% in 2008.

⁶ Statistical Office of Kosovo (SOK), Labour Force Survey (2007)

will reach working age, and approximately 110,000 of them will enter the labour market,⁷ while approximately 60,000 people will reach retirement age over the same period. Given the young age structure, more and more young people will enter the labour market every year, putting enormous pressure on the economy to generate productive employment opportunities

The current high poverty and unemployment rates continue to make migration an attractive option for many people, especially the young. Surveys show that about 50% of Kosovo's young people – and the share is similar among all ethnic groups – would emigrate if they could. The main reasons for seeking to migrate are greater economic opportunities and the chances for a better life in general⁸.

Despite the above, people in Kosovo have a strong entrepreneurial spirit (encouraged by the previous political and economic status of the Albanian population in the ex-Yugoslav Kosovo province), and SMEs make a large contribution to GDP in Kosovo, accounting for approximately 40% of GDP, 60% of employment, and 99% of businesses. While there are about 90,000 registered businesses, the tax administration reports that only 35,000 of these are active, and that only 5,000 make a profit and pay taxes. Each year, since 2003, the SME Agency has carried out a survey looking at barriers to SMEs. The main conclusions are that the banks charge too high rates of interest on their credit, the lack of electricity is an obstacle, as is the lack of qualified people. There is an enormous informal economy in Kosovo, which presents unfair competition to the formal sector. The informal economy does not contribute tax payments to the government budget, nor does it provide contributions to employee social protection and pension schemes, storing up huge social problems for the future.

The informal ("grey") sector of economy is a serious problem in Kosovo and one that needs to be addressed for successful future economic and social development. Transforming informal activities into formal ones is a key objective for implementing effective reforms and maximising the impact of EU support. It is also a prerequisite for the *acquis communautaire*.

Minorities remain marginal to the services of employment administration. Kosovo Serb communities do not cooperate with Kosovo public authorities on policy and service delivery and parallel education arrangements continue to be a challenge⁹.

Fiscal fragility and the lack of ability to borrow externally have also been factors contributing to complexities in social protection, alongside the effects of war, disability, gender issues, rural/urban divides, regional disparities, ethnicity, and demographic factors. There is still no poverty reduction framework in place in Kosovo although the Kosovo draft White Paper and Employment Strategy refer to social exclusion.

Kosovo's population trends have a big impact on education and employment policies and related expenditure throughout the system. So far the Kosovo economy has been supported by remittances from the Diaspora. These fill a major gap in Kosovo's balance of payments, but also provide an informal social safety net for poor households, making up for the absence of a welfare state. Remittances and pensions from abroad form a significant source of income for Kosovars' in general, and Kosovo Albanians in particular. However, the generosity of the diaspora is weakening and the first signs of this are already evident¹⁰. According to the migration survey 2009 (SOK, 2009), 25% of the total households in Kosovo have at least one household member living outside the country. The details of the migration survey and household data are described in SOK, 2009. Of a total 2,024 households, 28% (572 households) has one migrant or more living outside Kosovo. But the impact of last year's crisis is affecting remittances which form a significant proportion of GDP. Declining remittances are being felt in the country with the negative shock for consumption and overall demand and, in particular, for the construction sector and service sector (anecdotal information suggests that this summer fewer people will come back to the country for a holiday). Lower remittances may also hamper the continuation of the small businesses and the development of new ones.

The socio-economic and demographic background described above indicates several important issues related to human capital in Kosovo. Adults and young people are confronted with the changing reality of the labour market, migrants from rural to urban areas are confronted with social exclusion, and those left behind are faced with poverty. Given the global trends where labour market conditions and working

⁷ Calculated using the participation rate of young people aged 15-24 years old.

⁸ UNDP Kosovo, Human Development Report 2006 (Prishtina, 2006).

⁹ European Commission, Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Kosovo under UNSCR 1244, June 2006

¹⁰ European Stability Initiative (ESI), *Cutting the Lifeline: Migration, Families and the Future of Kosovo*, Berlin–Brussels–Istanbul: ESI, 18 September 2006).

contexts are becoming increasingly divided between knowledge-intensive jobs on the one hand and more repetitive work on the other, Kosovo citizens are faced with the need to constantly adapt their knowledge and skills. Therefore human capital development policy responses and the underlying macro-economic framework need to address the whole in a consistent fashion.

2. Key policy issues and strategies in the human capital development sector

Almost a decade after the war and two years after the declaration of independence, the Kosovo authorities, find themselves at yet another turning point: this time making human capital development a priority sector and developing it so that it is ready to help increase social cohesion and the employability of the population.

As Kosovo's economy may be best understood in terms of its presence in the region, understanding labour supply and demand also requires an appreciation of general economic growth patterns, changes in trade and investment, regional markets, the role of the informal economy, and the new nation's first steps on the road to EU membership. As a new country emerging from transition, its legal and regulatory frameworks are in flux, and its economy has managed only very modest growth in the past ten years after a decade of stagnation and political subjugation. As a result, there have been steadily accumulating shortages of formal employment opportunities and a concomitant expansion of the role of the informal economy and of remittances from a sizable Kosovo diaspora, mostly living in Western Europe¹¹.

The transition from an agrarian economy to a modern European economy and the difficulty for Kosovo to create sufficient jobs to employ everyone is a considerable challenge. There are two main sources of labour market statistics in Kosovo: the Labour Force Survey (LFS) conducted annually by the Statistical Office of Kosovo (SOK) since 2001 and the registration data of the Public Employment Services (PES). There are a number of limitations to the data available. According to the Kosovo Statistical Office, the key indicators such as the labour force participation rate and the employment rate are low by international standards, while the unemployment rate is very high. Based on the recently published LFS of 2007, the labour force participation rate defined as the share of employed and unemployed people in the total working age population (15-64 years) was 46.8%—the lowest rate in the region. Low labour force participation is mainly due to a disproportionately large youth population, worker discouragement and low participation among women. While the activity rate for men was 65.2% in 2007, the comparable rate for women was only 28.3%. Compared to 2005, the labour force participation rate in 2007 decreased by 2.4 % largely as a result of falling activity rates for men and women.¹²

As noted above, the unemployment rate in Kosovo is extremely high. Data from the 2007 LFS indicate that about 43.6% of the labour force is unemployed: some 2.2% higher than in 2005. The unemployment rate in Kosovo is nearly twice as high as the average unemployment rate in the Western Balkans. Unemployment is particularly high among young people, women and individuals with limited education. Young Kosovars are twice as likely as adults to be unemployed and have a very long transition from school to work.¹³ Despite relatively low participation rates among women, the female unemployment rate is 11.6 % higher than that for the labour force as a whole. Those with low levels of education are more likely to be unemployed. Nearly 55% of the unemployed possess less than secondary school education.

There is a positive relation between the employment rate and educational achievement as the 2007 LFS indicates that 74.7% of people with tertiary education are employed as against 32.7% of those with only upper secondary education. The substantial difference in employment rates between these groups may partially be attributed to the lack of an acceptable qualifications system that induces employers to use university education as a proxy for occupational qualifications.

¹¹ USAID Report "A Modern Workforce Development System is Key to Kosovo's Growth"

¹² The labour force participation rate for men decreased from 68.3% in 2005 to 65.2% in 2007.

¹³ The World Bank reports that it takes about 10 years for young males to transition from school to work in Kosovo, while in the former Yugoslav Republic of Macedonia it takes four to five years and in developed countries it takes even less time (World Bank: Youth in Jeopardy: Being Young, Unemployed and Poor in Kosovo, 2008).

Thus education and training is among the key instruments to develop the kind of society Kosovo wants to be in the future. Recently published reports on Kosovo, bring evidence that Kosovo employers are not happy with the present state of education, putting emphasis on critical shortages of secondary and university graduates with trade and technical skills, and poor exposure to actual practice at all levels.

The interplay between the economy failing to generate sufficient jobs to employ graduates (between 25,000 and 40,000 new entrants to the labour force each year must compete for between 3,000 and 4,000 new jobs by most estimates), and the education system's reported failures to prepare its graduates for work is the most important dynamic in this supply/demand picture. The growing backlog of newly unemployed people is compounded yet again by the very large numbers of young adults who were students in the 1990's who were excluded from and did not complete their education¹⁴.

Education and training, in particular vocational training, employment and active labour market policies, as well as cross-cutting policy issues related to equity and social inclusion, competitiveness and innovation policies, all provide the framework for the human capital development reforms in Kosovo.

2.1 Key policy issues and strategies in education and training

Education is one of the four pillars designated as Kosovo government priorities (along with energy, economy and Europe). It also sets out priorities on economic development through a reduction of unemployment and the need to improve human capital development and service delivery (especially in education) and place much more emphasis on the world of work¹⁵.

Education remained a priority for the Kosovo government in 2009. Financing of education has almost doubled compared to 2007, capital investments have more than tripled, and teacher salaries have been increased by between 20 and 40%. As a result of improved government support it has been possible to provide students in compulsory education with free textbooks for the first time for a very long time; 74 schools have been built (65) or refurbished (9) (approximately 10% of the total number of school buildings) in only two years; systematic efforts were made to reduce dropout rates; the process of teacher licensing has begun. Matura and other national external examinations were organised, giving a clearer picture of sector performance, etc. This prioritization of education has also meant that the last 12 months have brought about significant changes and created a very dynamic situation in the education sector in Kosovo, which are also reflected in the planning and implementation of EU funded projects.

The Kosovo government recognises that it is a small economy and it is unlikely to grow rapidly without investing in its people. The education sector in Kosovo continues to remain a top government and parliamentary priority and is receiving and planned to receive more government and donor funding over the coming years. Building an inclusive education system and human capital, which is internationally competitive is necessary for Kosovo's development and accession to the EU in the long-term. In order to fulfil this mission there has to be a significant improvement of sector implementation and performance in all aspects and at all levels.

Several reviews and an evaluation of the Kosovo education system points to two interlinked major problems: the low quality of the learning process and its relevance to the socio-economic needs and the poor education institution infrastructure. These documents and the government strategy points to the importance of a comprehensive development programme for improving quality and upgrading educational facilities and for supporting all school staff and management to change paradigms of teaching, learning and decision making.

The Government has identified the following key challenges to be address by the on going reform:

- reducing the number of shifts in schools through the construction of primary and secondary schools;
- improving teaching quality, revising curricula and teaching materials, building capacity and accrediting teachers;
- providing universal secondary education in the long-term;

¹⁴ Erik Payne Butler, Denise Lamaute, Chris Murray, and Lynn Salinger" A Modern Workforce Development System is Key to Kosovo Growth", USAID Kosovo, May 2009

¹⁵ Government of Kosovo, "Medium Term Expenditure Framework (MTEF (2009-2011), 12 June 2008, Prishtina

- establishing vocational training institutions at tertiary level adapted to labour market needs;
- improving the quality of higher education through quality control, application of European standards and revised organisation;
- establishing research institutions at universities that can also provide services to the private sector and for other needs.

In its endeavour the Kosovo Government is fully supported by its development partners whose support focuses on the government's clear strategic vision of the education sector as a whole (and articulated into an education sector master plan), and consistent with MTEF. Following the recommendations of the SWAP report,¹⁶ the different sectoral strategies should be combined into a single one and include areas that receive little or no attention in the current strategies (e.g. VET, science and technology, and non-formal education). Having a unified strategic plan would provide the platform for a SWAP, with donors aligning around it. However, the most important problem is the limited capacity to move from strategies to actions. Significant investments are committed to increase the capacity to plan, implement, monitor and evaluate at the Ministry of Education, Science and Technology (MEST).

The VET system in Kosovo does not adequately meet the needs of the market economy. The quality and provision of professional skills is low. The challenge for Kosovo is to create a flexible and skilled labour force which can compete in a global economy. To improve this situation the government, supported by the ETF, started in 2005 to develop a National Qualifications Framework (NQF), based on a sector approach that should integrate qualifications provided for both young people and adults by different institutions within and outside formal education. The actual work on the design and development of the Kosovo NQF has been funded and implemented in the framework of the EU funded projects. The NQF is proposed as a mechanism which could improve the quality of the education and training system, which could also drive the education and training system towards EU standards. Thus, the Qualifications Law defines the National Qualifications Framework (NQF) as "the national mechanism for classifying qualifications awarded within the National Qualification System according to a set of criteria defining levels and types of outcomes of learning" and that "the National Qualifications Framework for Kosovo should be compatible with the European Qualifications Framework (EQF)" (Handbook, 2008, p.10).

A task force, mainly composed of Ministry of Education staff and including representatives of labour and business, has worked on the design of the NQF. This national team worked with the support of international experts and developed detailed proposals of what an NQF would look like (Handbook, 2008). The model that they developed became the blueprint for the NQF that was created through a Law in 2008. The design of the Kosovo NQF, including its levels of qualifications and descriptors, the systems for quality assurance and notions of learning outcomes was largely influenced by the EQF and other EU policies and instruments (ECVET, EQAF, etc.).

Even though the NQF is still at an early stage of its implementation it can be argued that it is an important part of the government VET strategy. An important asset for the NQF is the political support from the Department of Education and from the present Minister. An additional support comes from the EU through the implementation of IPA programme. This new support will aim at implementing the NQF and supporting the set-up of the NQA. It covers, among others, the development of occupational standards and their translation into qualifications; the support to the National Qualifications Authority to establish effective functioning of quality assurance system.

At present, the government department which is responsible for the NQF has not yet the necessary leadership to make the NQF a viable solution. This could be attributed to the problems related to the institutional arrangements and the delay of the set-up of National Qualifications Authority (NQA). The appointment of the director of NQA was concluded in December 2009. Leadership and management of the development of the NQF are a main concern. While the NQA is not in place the development process will stagnate.

Certainly the take-up of the new NQF will take time. The capacity of social partners to play a role in the governance of the NQF is weak. Moreover, buy-in from the main stakeholders, particularly the education world, is still to be achieved. This implies that those actors and stakeholders have yet to understand and to be convinced that the proposed NQF model will work and will address their basic concerns regarding

¹⁶ International Swedish Institute for Public Administration and Ministry of Education, Science and Technology (2008). *Assessment of the sector strategies*.

the infrastructure, curriculum and quality of learning. Although the Law on NQF has been approved, its implications should be related to other laws and regulations that affect NQF stakeholder institutions. Harmonisation is a pre-requisite. Moreover, the institutional arrangements will need to be reviewed taking into account the new role of the NQA.

The interplay of higher education framework and VET system remains weak. Notwithstanding that Kosovo is not a member of the Bologna Process, this process is one that Kosovo embraced from a very early stage, with the first efforts starting at the University of Prishtina in 2001. Kosovo aims to be an integral part of the EHEA. This is seen as a means to develop the Kosovo higher education system in line with EU policies and practices. Elements of the Bologna Process can be found in a number of administrative instructions and mostly as part of the policy of the MEST: The Strategy for Development of Higher Education in Kosovo (MEST, 2004).

The government has set up an agency for the Accreditation of Higher Education institution and programmes (KAA). The agency is already operating and has set rules and procedures for the accreditation. The main criteria for accreditation covers: infrastructure, quality assurance, staff and management, research capacities, etc. The KAA, with the support of international experts, went through a first round of accreditation that was followed by large contestation by private higher education providers. In fact, this first round highlighted the gaps and major quality problem of private higher education which quickly developed after the war and which is playing an important role in increasing the enrolment capacities in higher education.

The existing legislation about general and vocational education, adult education and higher education and the Law on Qualifications sets out the responsibilities for accreditation of institutions and validation of qualifications. However, the qualifications at level 5 was seen as lying both within the responsibility of the NQA and of the KAA (Handbook for the development of level 5, 2008). In July 2009, the government issued administrative instructions setting out the criteria and procedures for accreditation of higher vocational schools and higher technical schools in Kosovo (2009). The government decided that "professional programmes at the level of higher post-secondary education at level 5 of the EQF/NQF (European Qualification Framework and National Qualifications Framework) and higher, may be offered by public or private providers of professional education and training, accredited by the KAA and licensed by the MEST as higher vocational schools or higher technical schools". Level 5 qualifications are regulated with administrative instruction issued by MEST in 2009. Also KOSVET 3 produced a report on the potential delivery of training for qualifications for level 5. According to administrative instruction number 12/2009, the Council for Quality Assurance(KAA) is in charge of accreditation of institutions that offer level five qualifications. These institutions can be public or private of non-university level. High vocational schools can offer qualifications for levels 4, 5 and 6. High technical schools will specialise in level 4. At the end of the programme the institutions issue certificates for level 5 based on the EQF. The duration of these programmes is up to two years but not less than one year and a half and they should have 120 credits according to the ECTS. Until the NQA becomes functional, KAA will be in charge of accrediting these levels. The objective of high vocational and high technical schools is to offer various specialised profiles with new types of curriculum, new categories of students and new types of qualifications in Kosovo. By this administrative instruction, the government clearly reduced the scope of the NQA to VET qualification levels (1-4). One of the actual challenges is how these qualifications are going to be accepted by employers.

The World Bank is funding the Institutional Development for Education Project (IDEP) that is currently supporting the revision of the legal framework in education, financial decentralisation, development of in-service teacher training system, improvement of assessment standards and the continued development of Education Management Information System (EMIS). It is foreseen as a capacity building for a fully-fledged SWAP. In July 2009, the Kosovo Government and the World Bank (as manager of this multi donor budget) finalised the appraisal of the US\$93 million budgetary support programme (SEDPP). It provides the framework for a programme of three annual budget support disbursements supporting the government program in capacity building for appropriate public policy development. The financing is provided by the two trust funds, one consisting of IBRD surplus and the other of donor contributions (EC and 12 EU Member States). Budget support is being provided because the Kosovars have made significant progress in setting up a public expenditure and budgeting process. Offering budget support allows the Kosovar authorities to prioritise expenditures rather than continuing a donor-dominated process. At the same time, it is clear that while the Kosovar authorities have made significant progress in budgeting and expenditure management, there is still substantial room for improvement in coordinated policymaking and prioritization. The development policy programme will be focused on developing and enhancing the capacity for policymaking.

2.2 Key policy issues and strategies in employment and active labour market policies

Employment policy reforms in Kosovo have only recently been initiated. Significant progress has been made in terms of an improved policy framework and advanced employment, labour and vocational education and training legislation. The Kosovo government has finalised the Employment Strategy and Policy 2010-12 and the Implementation Monitoring Action Plan for 2010. The responsibility for employment policy rests with the Ministry for Labour and Social Welfare (MLSW), although strategically important policy documents have to be approved and adopted by the government. The drafting of the employment strategy has gone through a considerate consultative process led by the inter-ministerial working groups and in cooperation and social partner involvement. More coordinated efforts are needed for the implementation and monitoring of the action plans considered so far as the weakest element of employment policy in Kosovo.

In recent years both the Kosovo government and donors have also produced a number of analyses related to employment and unemployment issues in Kosovo. All of them emphasise the fact that Kosovo is facing huge labour market challenges: compared to EU standards, both labour market participation and employment rates are very low and the unemployment rate is very high. All the government documents agree that unemployment among young people should be seen as a primary challenge for employment policies in Kosovo and as an issue that requires immediate action.

The 'jobs deficit' presents a particular challenge on the road to full employment. Decreasing unemployment levels and reducing poverty requires a carefully planned combination of reforms in various areas in order to support job creation. School-to-work transition and youth access to the labour market is extremely difficult. Although youth employment remains high on the government's agenda, the policymaking process remains characterised by lack of coherence and coordination between ministries and between central and local government. Hence, the most disadvantaged areas of Kosovo have difficulties in translating the objectives of the youth employment policy into programmes that address the multiple disadvantages faced by young people. Women exhibit low participation and employment rates, often because of attitudes and culture (at least among certain ethnic groups), but also because of labour market inflexibility and the skills acquired. Kosovo is home to an informal economy and precarious employment. Estimates put informal employment at some 50% of the total. Job security, employment protection, health and safety as well as options for professional development for those working in the informal economy are likely to be minimal.

A second factor affecting quality at work is that 60–70% of salaried workers are in part-time or temporary employment. Workers' protection and access for the unemployed to social protection and employability measures are limited. Currently, access to employment services in Kosovo is open to all registered jobseekers, although registration is mandatory only for social assistance beneficiaries. The current legislation does not cover unemployment benefits, and the social safety net is based only on a basic pension system and social assistance scheme. Institutional arrangements for the development, implementation and monitoring of employment policies are poor or non-existent. Kosovo has highly centralised institutional settings in terms of both policy development and policy implementation. Given that employment policies cover a number of different policy areas (such as economic development, social policy, and education and training policies), a first requirement for their successful development and implementation is to achieve strong inter-ministerial cooperation in planning, implementing, monitoring and evaluating. However, the development of social dialogue and partnership on education and training issues is particularly low. Trade unions are not very interested in, or prepared for, negotiations on human resource development (HRD) issues.

The Kosovo authorities are becoming more and more aware of the need to promote balanced regional socio-economic development. Partnerships that mobilise local actors and that respond to local needs have been supported by a number of EU and other donor-funded projects. However, these activities have not yet become part of a policy development and policy delivery mechanism; in other words, there is space for Kosovo to promote more inclusive and participatory policymaking and policy delivery mechanisms.

In summary, labour market reform is an important challenge for Kosovo. Institutional capacity needs to be strengthened with regard to the development, management, monitoring and evaluation of employment policy, which should progressively be modelled on the European Employment Strategy.

2.3 Social inclusion

The recent history of Kosovo is strongly reflected in the education and training and employment sector and in inclusion policies and practices implemented in the system. The Kosovo authorities, in partnership with the international community, have made significant efforts with positive results and impact in integrating communities in the system of education. In spite of financial and material difficulties, a lot has been done in the field of legislation, infrastructure, curricula and textbook development, and teacher training. Notwithstanding these successes there still seems to be a need for more policies, strategic plans and a more proactive and systematic approach to the integration of all communities¹⁷ not only in the education system, but also in the Kosovo society. There are still serious obstacles, such as people living in secure enclaves, big discrepancies in access to education, health and employment, parallel systems of services for different ethnic groups, and an unresolved problem of refugees and internally displaced people.

The ethnic groups in Kosovo are not only diverse, but also mixed. They are often geographically concentrated, either in the proximity of the kin-state border or in ghettoised settlements. Poverty and vulnerability assessments indicate that ethnicity is one of the significant factors in shaping poverty. Ethnic diversity poses a number of closely interrelated challenges as regards education and training. One of the most important concerns the educational deficit in socio-economically vulnerable ethnic groups, particularly among young people. In 2009 a couple of survey and analyses of the dropouts from compulsory and upper secondary education in Kosovo¹⁸ were conducted and it is obvious from the results that family income and financial problems are the main problems for dropouts, along with security in school. As regards ethnicities, the surveys conclude that the dropout phenomenon is much more present in the Roma, Ashkali and Egyptian (RAE) community in Kosovo. This is not the case for the Serbian community in Kosovo. All dropouts in the Serbian community result from movements from Kosovo to Serbia.

Currently, the communities seem to be moving gradually apart – their own separate ways, opting mainly for communication with members of their own community. The situation in this regard is more worrisome with the Kosovo Serb (including school) community who look primarily within their community or towards the support coming from the Serbian Government in the shape of salaries¹⁹ and operational costs, some textbooks, curricula, teacher licensing and career promotion, etc. In relation to Kosovo school authorities, there is a selective approach, remaining relatively open to Kosovo salaries and other benefits, but refusing any cooperation in the field of school administration, textbooks and curricula, and teacher training.

Regarding the level of integration of the Kosovo ethnic minority communities in the Kosovo system of education there seems to be better integration of the Bosniak, Turkish, and RAE communities. This is not the case with the Serbian community though, and there are difficulties with the integration of Gorani community. However, obvious achievements to integrate Bosnians, Turks and others in the education system as it is now does not guarantee also their integration into Kosovo society, and life in general, due to low quality of classes of Albanian as a second language and the lack of any instruction in Albanian during their pre-university education.

Another challenge concerns the improvement of employment opportunities for socio economically vulnerable ethnic groups. These disadvantages often have to do with the remoteness, rural nature or economic deprivation of the areas in which the ethnic groups live, but also with their history, traditions, types and levels of skills, patterns of living and working, prospects for employment or self-employment, and other factors. As a result, in the long term, these communities will be bound to look for employment or other interaction primarily within their small community or elsewhere in the region – which does not help the prospects for integration efforts.

17 The Strategic Plan for the integration of RAE (Roma, Ashkali and Egyptian) communities in Kosovo society is one good example in this regard.

18 "Non – Formal Education in Kosovo Survey and Analysis of the dropouts from compulsory and upper secondary education in Kosovo", RIINVEST, January 2009

19 The Serbian government and education authorities grant Serb teachers in Kosovo a double salary and full coverage of their health and pension insurance – even to those working only part time (30 or 50 % of classes). A number of these teachers also receive Kosovo salaries, making them among the best-paid teachers in the region (with over €800 or €900 Euros for a full time position).

It is important to mention that the size of the minority communities (the Kosovo Serb community is one of the two largest ethnic communities in Kosovo) has made some of these interventions too costly for the limited Kosovo budget.

From our experience and work in Kosovo, we observe that the main challenges start with lack of communication, political obstacles and prejudices. Relations between Kosovo Albanians and Kosovo Serbs (also in education) are influenced by several layers of impeding factors. In the first place **political obstacles** stemming mainly from the active engagement of the Serbian government to keep the Kosovo Serb schools and school staff operating within the so called parallel system. The second challenge, related to the first one, is the **prejudice** that is building up between these two communities as a result of lack of virtually any communication and exchange in most of the municipalities in Kosovo²⁰. The existence of so-called “enclaves” has played a very negative role in this respect. Inhabitants of these communities have started getting used to living in the narrow worlds of an enclave and invisible walls have been erected in some cases even between neighbouring villages. The third challenge has to do with the **lack of a proactive approach** by any of the parties, in a kind of silent pact to leave the issue of Albanian / Serb relations in Kosovo in a status quo of no communication and no cooperation. With the exception of some minor initiatives, this holds true for both government/non-government and local/international institutions and organisations.

2.4 Summary of key policy issues and challenges in human capital development

The challenge for Kosovo is to raise the importance of human capital enhancement in the overall policy agenda for socio-economic development and ensure well-functioning and well-guided education system that caters to the needs of both young people and adults. A broad consensus on the direction of education and employment policies, the government commitment to their implementation and the availability of sufficient resources through the mobilisation and better use of public/donor and private funds are necessary.

With regard to education, training and employment Kosovo faces the following challenges:

- Formulating a strategic framework for lifelong learning as an overarching concept covering all contexts (formal, non-formal, informal) and levels (pre-school, primary, and secondary, tertiary, adult and continuing) of education and training with the financial implications for prioritised actions;
- Enhancing the institutional arrangements for the development, implementation and monitoring of employment policies, and enhancing the administrative capacity of institutions involved in programming and managing employment policies;
- Improving the quality of basic education to enhance access and ensure better learning outcomes for all children, and in particular for children from disadvantaged socio-economic backgrounds; broadening access to education of vulnerable ethnic groups, particularly among young people;
- Ensuring a better balance between general and vocational education at secondary level, introducing curricula to develop the competences required by the current socio-economic system and leaving educational options open; diversifying higher education with the introduction or enhancement of post-secondary vocational education and professionally oriented university programmes as well as ensuring better links between universities and enterprises;
- Enabling the development of adult learning to provide opportunities and incentives for adults to enhance their skills and hence their adaptability and employability;
- Making use of the access to information on key EU policy orientations in education, including the EU’s Copenhagen process and the wider Education and Training 2020 agenda, as a basis for national commitments, capacities and institutional readiness to take forward reform plans within this perspective;

²⁰ There are some exceptions though, such as municipalities of Kamenica, Rahovec, Strpce, Gracanica, etc.

- Responding to new occupational needs, promoting a more entrepreneurial culture; reinforcing entrepreneurship education and training; addressing key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition, and the validation of NQF/informal learning;
- Facilitating school-to-work transition and broadening youth access to the labour market, tackling the labour market relevancy of school curricula, facilitating the acquisition of work experience and supporting young people in setting up their own businesses;
- Creating more and better jobs by further supporting the development of the private sector, enhancing the capacity of economy to innovate and grow, and reducing the informal economy;
- Broadening access to employment policies (including both social protection and employability measures), thus reducing labour market precariousness and facilitating the transitions between different statuses and jobs;
- Attracting and retaining more women in employment, in particular low-skilled women, and tackling the gender bias in education, training and recruitment. Improving employment opportunities for vulnerable ethnic groups, whose disadvantages often have to do with remoteness, rural or economic deprivation of the areas in which they live, and with their history, traditions, types and levels of skills, patterns of living and working etc.;
- Strengthening social partners and involving them more in education and employment policy programming and implementation is imperative in Kosovo²¹.

3. EU and other donor policies and interventions

According to several sources, Kosovo has about 35 bilateral donors and 15 international organisations providing some level of workforce development-related support to the country. Generally, these donors work with the MEST, the MLSW, and the Ministry of Culture, Youth and Sport, providing employment training financial and technical assistance. Donor workforce development assistance is fairly substantial and has been for over a decade. Donors tend to support VET high schools and entrepreneurship programs, mainly in the agriculture, horticulture, and wood sectors and often directed to youth. Recently, several donors have pledged to support the building or development of state-of-the-art VET high schools, commonly known as Schools or Centres of Excellence as envisioned by the MEST.

The EU has been a very significant donor supporting Kosovo's education and employment systems. Assistance since 1999 totals over €45 million and covers primary and secondary education, vocational education and training, and higher education. In 2007 Kosovo started to benefit from the IPA. Through IPA 2007, the Kosovo government is addressing inter-culturalism and the Bologna Process (with an EU contribution of €1.4 million). The project aims to establish sustainable conditions for strengthening multicultural understanding among all communities in Kosovo based on mutual respect and human rights. Through IPA 2008, the EU is providing support to the Kosovo government in improving the quality and efficiency of the provision of education and training services in a lifelong learning and employability perspective. This programme focuses on education and employment and will support the improvement of the education and training system both in terms of internal and external efficiency. IPA 2009 will start implementation soon and IPA 2010 is under preparation. It will provide a substantial support to human capital development.

The World Bank is one of the longest-standing development partners supporting the education sector, and has been present in Kosovo since the end of the war in 1999. It has provided substantial support to the sector. Building on the success of the previous World Bank-funded projects and recognising the critical importance of education in the new status of Kosovo, in December 2007 the Bank granted the Kosovo government a new US\$10 million Institutional Development for Education Project to support the earmarked components of the two education strategies.

²¹ Human resources development country analysis – Kosovo, Lida Kita, European Training Foundation, Draft working paper, manuscript completed on 22 May 2008

The World Bank, with the participation of the EC and 10 other EU Member States, will be supporting the government's efforts to generate sustainable employment over the long run while addressing the short term employment needs. This multi-donor operation, Sustainable Employment Development Policy Program (SEDP), totalling an amount equivalent to US\$93 million, will provide direct budget support for the next three years against an agreed set of policy milestones. These milestones are organized into five policy areas: (i) **Macroeconomic environment**, (ii) **Investment climate**, (iii) **Labor market policies, institutions, and regulations**, (iv) **Education, skills and training**, and (v) **Social protection policies**. In order to address this cross-sectoral nature of employment, an inter-ministerial committee on employment has been set up.

Kosovo also receives substantial support from other international development partners, mostly in the form of grants. Key development partners active and/or indicating possible interventions in the education and employment sectors include the Austria Development Agency (ADA), the Danish development agency, Danida, the European Union, the German organisation GTZ, Luxembourg Agency for Development Cooperation, the Organisation for Security and Co-operation in Europe (OSCE), the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Agency (SIDA), the United Nations Children's Fund (UNICEF) and other United Nations agencies, and the United States Agency for International Development (USAID). USAID is considering allocating a substantial amount for education in Kosovo. SIDA is considering its overall involvement and education has become a key sector for support. Other development partners including ADA, Danida, DIFID, Finnish Government, Norwegian Government, Italian Cooperation, GTZ, SDC, and UNICEF are providing support and have indicated that the education sector could occupy a prominent role in their future programmes.

This list of donors in the education and employment sector is not exhaustive and does not include all development partners in Kosovo. In addition many NGOs are involved in education and employment sector development activities either as donors or as implementing agencies.

4. ETF intervention strategy 2010-12

For 2010-12, the ETF, has committed itself to continue its support to the Kosovo authorities in enhancing their capacities in monitoring their education and training, employment, and labour market policies. The ETF mid-term perspective for Kosovo is shaped by three focus themes followed by actions under each theme:

- a) Vocational education and training system development
- b) Labour market and employability
- c) Adaptability of enterprises and education-economy partnerships

The ETF will work closely with the Kosovo government to facilitate the discussions and support Kosovo stakeholders' decisions on the design of human capital development strategies and interventions focussing on policy implementation. This will include assisting the EU Delegation in Prishtina in the dialogue with the Kosovo authorities on education, training and employment, supporting the Kosovo Government and the European Commission in IPA programming and monitoring of education and training, employment, and labour market policies.

In the period 2010-12 the main focus will be on education, training and employment, the areas in which Kosovo faces the challenges of continuing the reform of these sectors in the lifelong learning perspective, so that they respond better to the needs of individuals, their employment, social inclusion and economic development of the country.

Within this framework, the ETF has launched the review of vocational education and training (VET) policies and systems in Kosovo; This so-called *Torino process* will be carried out every two years and will review and analyse the internal efficiency of the Kosovo VET system and of the contribution of VET policies and systems to broader policy objectives of sustainable economic and social development. In the case of Kosovo, this analytical work will be complemented by an in-depth analysis on cooperation between education and business aiming at mapping the policies, mechanisms and processes developed which support (or constrain) cooperation between education (higher professionally oriented education and VET) and the economic world.

The ETF Kosovo country team, through a partnership approach, will set out to collect and analyse evidence of key policy objectives, trends, constraints and challenges as well as to highlight and disseminate good practices. In the long term, the Torino analytical and reporting process should become a guided self-assessment exercise for monitoring VET policies in Kosovo. The analysis will be an important reference for the ETF when it is requested by the European Commission to provide input to EU external assistance programmes. In the long term, the Torino analytical and reporting process should become a guided self-assessment exercise for monitoring VET policies in Kosovo. The Torino process analysis will contribute to the Kosovo Education Sector Strategic Plan 2010-2015 by positioning VET as one of the important sub sector of the system.

The ETF supported the EU Liaison Office in Kosovo and the Kosovo Government to design the needs for EC supported programmes (IPA 2008 and 2009) in education, training and employment. These programmes fund sector-wide approach in education, development of VET quality assurance, accreditation and development of the National Qualifications Authority and the National Qualification Framework, development of vocational and in-company training schemes and development of entrepreneurship skills. Implementation started in October 2009 and will last until 2011. The aim of these interventions is to *support the Kosovo Government in improving the quality and efficient of the provision of education and training services, in a lifelong learning and employability perspective and in accordance with EU standards.*

Bridging education and training and employment, the ETF will continue to facilitate policy discussions and interventions on the “job agenda” and enhancement of human capital. This policy dialogue will be based on facilitated discussions for consensus building among the different stakeholders for the institutional reform and on the rolling out of the ETF “Capacity Development Plan for the Ministry of Labour and Social Welfare and Public Employment Institutions, 2009-12”.

ETF regional project as a platform for enhanced regional cooperation

Kosovo will continue to participate in three multi-country projects: social inclusion through education and training, mutual learning programme and entrepreneurship learning.

Entrepreneurial learning: the ETF will undertake a further assessment of the country's performance on the human capital dimensions of the European Small Business Act (entrepreneurial learning and small enterprise skills). The 2009 assessment will be made available in Spring 2010 in a report which will include a wider assessment of the country's enterprise policy and jointly published by the European Commission, the ETF, EBRD and OECD. The 2009 assessment will include an assessment of the country's promotion of entrepreneurship in higher education as well as efforts to promote training for women entrepreneurs.

Mutual learning: this ETF multi-country project aims to promote policy learning and develop decision-making in the area of a) quality assurance in vocational education and training (VET), b) post-secondary VET and tertiary professional education, and c) adult learning. A ‘community of practice’ for each of the three areas comprising policy makers and experts has been mobilised to bring forward policy developments.

Social Inclusion: the ETF multi-country project aims to promote the support for social inclusion through the development of long-term inclusive and intercultural education and training policies. The project focuses on capacity building of national stakeholders in the Western Balkan countries to establish and develop inclusive education systems and, more particularly, on the role and competences of teachers in multiethnic societies. Following the country report, the ETF will conduct a cross country report aiming to critically analyse and synthesise the policies and practices in teacher preparation for inclusive education in contexts of social and cultural diversity in Western Balkans. The findings will be further discussed in Kosovo and this will feed to the design of the EC funded programme in pre-service teacher preparation in Kosovo. In 2010 the ETF will also facilitate the discussions at regional level on the focusing on the theme “Schools for inclusive education” focusing on school networking and mobility in the Western Balkans and Turkey.

Strategic objectives and expected achievements 2010-12

- d) To support the European Commission for the design, implementation, monitoring and evaluation of IPA programmes in education and training and employment

- e) To facilitate the efforts of the government of Kosovo to develop a strategic framework for lifelong learning with focus on secondary, tertiary, adult and continuing education and training;
- f) To facilitate the policy dialogue for agreeing on a strategic framework on governance issues (structure, staff and resources – and social partnership).
- g) To facilitate policy dialogue, sharing good practice and peer learning in partnership with the Western Balkans and Turkey institutions in the areas of education and training, social inclusion, and entrepreneurial learning.

The following expected achievements are envisaged in Kosovo for 2010-11

- MEST and its institutional partners, supported in the implementation of the sector wide approach in education and training
- Enhanced capacity of MEST/VET Department in strategic management of VET system and implementation of curricula with focus on quality assurance and assessment
- Complimentary support on different aspects of Kosovo NQF (as support to EC funded KOSVET V project
- Torino Process and Business and Education Review endorsed by Kosovo stakeholders and used by national actors for informed policymaking
- Facilitated discussions with the key stakeholders on the implementation the Action Plan 2010 of the Kosovo Employment Strategy 2010-12
- Participation/expertise input as Steering Board Member to all the EC funded programmes in education, training and employment
- Requests from European Commission services' for ETF analysis in education and training and employment as input to IPA programming and 2010 Progress Report
- Other contributions to capacity development as requested by Kosovo partners.

In 2010 activities include:

- Drafting the Kosovo Torino Process Report on the VET policies and systems.
- Preparing the Education and Business national report;
- Organising 3 workshops for the discussions and later endorsement of the findings of the Torino Process and Education and Business Report
- Providing expertise input and assistance to Kosovo stakeholders to further build their capacity in quality policy development, policy in action and policy progress review/monitoring
- Facilitating discussions with the key stakeholders on the implementation the Action Plan 2010 of the Kosovo Employment Strategy 2010-2012
- Participating as Steering Board Member to all the EC funded programmes in education, training and employment
- Capacity building of key education, training and employment stakeholders including dissemination of information, networking and exchange of experience and good practice between the EU Member States and Kosovo, with other countries in the IPA region, and amongst different geographical regions

- Upon request providing support to the European Commission in the design and deployment of IPA 2010-11 programme, provide sector background analysis to feed into IPA programming and EC Progress Report on Kosovo

Exchanging information and experience among the international, bilateral and international organisations and donors active in Kosovo by jointly participating in conferences or workshops,

5. IPA-2010-11 Country Project Kosovo

Specific objectives	Expected results	Themes & functions being addressed	Activities being undertaken	Project outputs	Timetable for the activity
<p>Specific objective 1:</p> <p>to support the European Commission for the design, implementation, monitoring and evaluation of IPA programmes in E&T and employment</p> <p>to facilitate the efforts of the government of Kosovo to develop a strategic framework for lifelong learning with focus on secondary, tertiary, adult and continuing education and training;</p> <p>to facilitate the policy dialogue for agreeing on a strategic framework on governance issues (structure, staff and resources – and social partnership).</p>	<p>MEST and its institutional partners, supported in the implementation of the sector wide approach in education and training</p> <p>Enhanced capacity of MEST/VET Department in strategic management of VET system and implementation of curricula with focus on quality assurance and assessment.</p> <p>Complimentary support on different aspects of Kosovo NQF (as support to EC funded KOSVET V project</p> <p>Torino Process and Business and Education Review endorsed by Kosovo stakeholders and used by national actors for informed policymaking</p> <p>Facilitated discussions with the key stakeholders on the implementation the Action Plan 2010 of the Kosovo Employment Strategy 2010-2012</p> <p>Requests from European Commission services' for ETF analysis in E&T and employment as input to IPA programming and 2010 Progress Report</p> <p>Other contributions to capacity development as requested by Kosovo partners.</p>	<p>Theme A, Functions 1, 2, 3 and 4</p> <p>Theme A, Function 2</p> <p>Themes A and C, Function 1,2 and 3</p> <p>Themes A, B and C</p> <p>Functions 1, 2, 3 and 4</p> <p>Theme B, Function 2</p> <p>Themes A and B, Function 1,2 and 3</p> <p>Themes A, B and C, Function 2</p>	<p>Literature review/research/studies/policy notes to support the review and analysis of the VET system in Kosovo(Torino Process Review)</p> <p>Focus groups, interviews and meetings with Kosovo stakeholders and EC and other donors' representatives on internal and external efficiency of VET sector in Kosovo</p> <p>Torino Process Review contributes to capacity enhancement of national actors for informed policymaking</p> <p>Torino Process Review findings/evidence is discussed with national stakeholders and endorsed by them</p> <p>Torino Process Review findings/evidence is used to influence national IPA programming and Kosovo institutions informed policy making in E&T</p> <p>Participate as Steering Board Member to all the EC funded programmes in education, training and employment</p> <p>Responding to requests by the Commission and the EU Delegation for other contributions to IPA programming</p> <p>Responding to requests by national authorities for other contributions in support of capacity development.</p>	<p>Country review</p> <p>Inputs to Kosovo Torino and Business and Education Report</p> <p>Torino Process Kosovo Report</p> <p>Business and Education Kosovo Report</p> <p>Three workshops planned for the Torino and Business and Education (March, June and Autumn)</p> <p>IPA Programme 2010-2011 programme fiche</p> <p>Four times a year</p> <p>As requested</p> <p>As requested</p>	<p>March-April</p> <p>March-June</p> <p>June</p> <p>March, June and Autumn</p> <p>As requested</p> <p>As requested</p> <p>As requested</p> <p>As requested</p>