UKRAINE

COUNTRY STRATEGY PAPER 2017-20

2018 UPDATES
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A. COUNTRY CONTEXT

In 2014 the population of Ukraine was 45.4 million (World Bank, 2014). Population growth continues to be negative although the decline has been slowing slightly in recent years. In 2000 population growth was -7.6 %, while in 2014 it was -3.9 %. The economy contracted by almost 10% in 2015 due to unprecedented shocks from the conflict in the East and lower global commodity prices, as well as considerable fiscal and external adjustment. A gradual economic recovery by 1% in 2016 and 2% in 2017 is projected, contingent on reform progress and no further escalation of the conflict. Reforms on multiple fronts are crucial for sustainable recovery and economic growth. The current political uncertainty poses a serious risk to continued reforms and economic recovery. The general government deficit, including Naftogaz, was reduced to 2% of GDP in 2015. However, the fiscal outlook remains challenging. Inflation remained high at 43.3% year on year in December 2015 due to currency depreciation and utility tariff hikes, but abated from a peak of 61% in April. Poverty is estimated to have increased in 2015 and is projected to remain elevated until at least 2018 in the light of the gradual recovery of economic activity, real wages, and jobs.

Ukraine 2020, a Sustainable Development Strategy adopted in January 2015, sets important targets and reform priorities, such as decentralisation and public administration reform, deregulation and the development of entrepreneurship. The key target to be met by 2020 is that Ukraine will join the top 30 countries in the world based on World Bank Doing Business parameters. Economic reform policy focuses on ensuring macro-economic stability, energy efficiency and improved governance. With the most recent government restructuring in April 2016, human capital and VET in particular moved up the agenda.

A concept on “Reformation of Local Self-Government and Territorial Organisation of Powers” was approved in April 2014 and sets the framework for ambitious reforms. Laws on state regional policy, fiscal decentralisation (Amendments to Budget and Tax Code) and on cooperation and amalgamation of local communities were adopted in 2014 and 2015. This created an enabling environment for the implementation of decentralisation reforms.

In the area of regional development, the government has displayed commitment and readiness to introduce new approaches. The State Strategy for Regional Development was adopted in August 2014. With guidance and support from the EU funded Regional Development programme, the Ministry of Regional Development, Construction, Housing and Communal Services moved towards EU Regional Policy principles and established a transparent funding mechanism for regional development: the State Fund for Regional Development. The establishment of Regional Development Agencies is part of the reform process.

EU and country relations framework

In December 2014, the EU-Ukraine Association Agreement was signed. The Agreement encourages, among others, closer cooperation in the field of VET, in particular: developing VET systems, that promote relevant further professional training, and establishing a national framework to improve the transparency and recognition of qualifications and skills drawing on EU experience. Cooperation will

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1 Available at State Statistics Committee of Ukraine, retrieved from http://ukrstat.org/operativ/operativ2007/ds/nas_rik/nas_rik_r/nas_r/nas_r.html, 20 August 2015.
2 Ukraine Economic Update, World Bank, April 2016
3 Ukraine Economic Update, World Bank, April 2016
also address more and better jobs with decent work conditions, promoting social fairness and justice while reforming labour markets, promoting labour market conditions that combine flexibility with security, reducing the informal economy by transforming undeclared work, etc.

In March 2015, the EU-Ukraine Association Agenda to prepare and facilitate the implementation of the Association Agreement, was endorsed. The Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU and Ukraine entered into force on 1 January 2016, as part of the Association Agreement. The EU is Ukraine’s largest trading partner, accounting for more than a third of its trade. It is also its main source of Foreign Direct Investment (FDI). Given Ukraine’s industrial potential, the DCFTA provides an opportunity to make the country more competitive and diversify its exports. To ensure a competitive economy, human capital development is one of the core issues.

**B. VET AND SKILLS: OVERVIEW, PROGRESS AND MID-TERM PRIORITIES**

The education and training attainment level of the working population in Ukraine is relatively high. In 2014, 10.7% of Ukrainians aged over 15 had primary education or lower; 46.8 % had secondary education; and 41.5 % had completed or were engaged in tertiary education. In spite of a well-educated workforce, Ukraine has the lowest labour productivity in the entire Europe and Central Asia (ECA) region (IMF, 2015). The phenomenon of over-education tends to take place when an insufficient number of jobs match a certain level of education. The mismatch in supply and demand forces some degree holders to take up any available work for which they are overqualified. A consequence is the crowding out of youth at the bottom of the educational pyramid. Less-educated younger people find themselves at the back of the queue even for those jobs for which they are best qualified. So-called NEETs are young people not in education, employment or training and in 2014 the rate stood at 20.0%.

The recent ILO school-to-work transition survey (SWTS), a household survey of young people aged 15-29, demonstrates that the main problem for Ukrainian youth in school to work transition is imperfect coordination between the education system and the labour market. From this point of view, other challenges, such as the lack of jobs, insufficient infrastructure support for employment and territorial mobility, inadequate workplace adaptation, the lack of wage attractiveness and other employment characteristics, face into the background. The lack of effective coordination between the labour market and the education system results in a high youth unemployment rate; an emerging group of non-employed young people who do not search for work; segmentation between youth who directly transit from school to a stable job and those who face great difficulties throughout the transition; and the presence of a significant share of young people who are dissatisfied with their job and hope to find other employment.

In addition, skill gaps significantly constrain firms’ performance in Ukraine. In a 2014 survey of four key sectors – agribusiness horticulture, agribusiness food processors, information technology and renewable energy – indicates that four out of 10 companies reported a significant gap between the type of skills their employees have and those they need to achieve business objectives. Skills gaps

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4 Labour market transitions of young women and men in Ukraine, No. 11 Publication Series, Youth Employment Programme, Employment Policy, Ella Libanova, Aleksandr Cymbal, Larysa Lisogor, Iryna Marchenko and Oleg Iarosh, May 2014, International Labour Office and The Master Card Foundation

are preventing companies from finding the right candidates for the job in the hiring process, especially in the higher-skilled occupations and in occupational categories that require workers to possess job-specific technical skills.

The recently completed 2016 SBA assessment, indicates that the dimensions involving targeted support for human capital development (Dimension 1 and 8a) have not experienced major variations and remain at low levels (below 3) mostly due to the lack of implementation of SME support measures (e.g. business service provision, entrepreneurial learning training etc.)\(^6\) The effectiveness of policy-making in entrepreneurial learning and entrepreneurship has also been hindered by frequent institutional changes involving the allocation of responsibilities for SME policy design and implementation to different bodies, weak co-ordination across government ministries and agencies, the weak role of the Ministry of Education and Science, and limited public-private dialogue involving in particular the SME community. The situation has further deteriorated due to the ongoing economic crisis.\(^7\)

The law "On Higher Education", which was adopted in July 2014, establishes the autonomy of universities and academic freedom of teachers and students, introduces a system of quality assurance in higher education, and promotes academic mobility and integration into the European educational space. Higher Education has gained considerable importance in the education system of Ukraine with the vast majority of young people aspiring to obtain a higher education degree. Participation in higher education is now among the highest in Europe, raising concerns about the sustainability, the quality of the system and the employability of graduates. The law envisages that post-secondary VET colleges will move from higher education to the VET system and will fall under regional governance from 2018 onwards. 2017 will be the last year that the colleges are financed from the state budget.

In Ukraine, legislation is the driver of strategic reforms. A draft Law “On Education” was finalised by the Ministry of Education and Science and sent to the Parliament in June 2016 for a first reading by the Parliament in September. The framework document provides for a New Ukrainian School, which will contribute to a competence-based approach in education and to improved values and attitudes of graduates, through more focus on key competences. Four main components of the concept entail:

- development and introduction of new modern education standards in secondary education that have a competence-based approach and provide for the competences people need in the 21st century;
- revision of the national curriculum according to new education standards;
- introduction of a teacher certification procedure and new certified programmes for enhancing professional qualifications. This kind of voluntary certification is needed to motivate teachers to develop professionally, as well as to provide for better compensation.
- Systemic de-bureaucratisation of the management of the education system and introduction of a transparent and effective governance system.

Overall, the New Ukrainian School concept introduces education reforms aiming at changing the education and training system from knowledge acquisition and accumulation to a system that can equip young people with the necessary skills and competences that will help them to be more

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\(^7\) ibid
successful in life. The use of Information and Communication Technology, throughout all the educational system and processes, including VET and VET management should become a tool to ensure the success of the New Ukraine School.

The process of drafting the law “On VET” initiated in May 2015 by the Ministry of Education and Science is on-going. In June 2016, the new minister established a working group to have the law adopted in December 2016. The main principles of VET system reform include:

- decentralisation of VET;
- establishment of regional stakeholder boards for VET;
- optimisation of the school network and introduction of region-led funding for VET;
- development of modern professional education standards.

The new upcoming Education Law and draft VET law will have to be embedded in the current process of decentralisation, which is expected to lead to the transfer of many responsibilities from national to regional, local and VET provider levels. The draft Education Law introduces new principles of management of VET institutions; public-private partnerships and new principles for financing the VET system in Ukraine. The draft VET law focuses on stakeholder powers by establishing regional boards (at oblast level), as coordination bodies for implementing state and regional VET policies.

The Ministry of Social Policy in coordination with the State Employment Service (SES) is engaged in drafting a new Labour law. Key objectives include introducing measures to stimulate employment to integrate various of job-seeker and unemployed groups in the labour market, to strengthen insurance principles related to the payment of unemployment compensation and to reorganise the SES and establish the National Employment Agency as an active intermediary in the labour market.

The Ministry of Social Policy has responsibilities for continuing vocational training. Under the responsibility of the State Employment Service (SES) there are 11 functioning vocational training centres (SES VTC) in the Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Luhansk, Lviv, Odessa, Poltava, Rivne, Sumy, Kharkiv and Kherson regions. According to the SES, between January and July 2014 the categories of workers most in demand were workers with skills in tool operation (20%), workers qualified in the maintenance, operation and oversight of equipment and machinery (15%), professionals (14%) and trade and service workers (13%). The problem is that the State Employment Service only has access to between 30% and 35% of labour market vacancies, and these jobs are the least attractive in terms of remuneration. This means that the overall picture of the domestic labour market demand for personnel is not monitored. The situation could be improved through efficient cooperation between the state and employers.

Country mid-term priorities:
VET is a complex policy area, and falls at the intersection of education, training, social, economic and labour market policies. The 2016 Torino Process reveals that:

- The focus on education and training reform is on decentralisation. This has a huge impact on how VET reform will evolve. In addition, the adoption of higher education law brings part of secondary VET to the initial VET system and leads to high uncertainty regarding the financing and management of VET institutions. Further by-laws and decrees are necessary to facilitate this process and to mitigate the risks.

- It is difficult to document progress in the implementation of VET reform. The major reason is the lack of a VET strategy, action plans and performance indicators, as well as associated
budgets linked to objectives and priorities. Systematic mechanisms for consultation among key players and institutions in HCD and VET are scarce. The institutions and supporting agencies have difficulties in and lack capacity and resources for the implementation of the policies.

- The development of the national qualifications framework is proving to be a lengthy and complicated process. One recent achievement is the adoption of a new Action Plan for Implementing the NQF 2016-20. Since the 2014 Torino Process cycle, the pressure of having a reference to the NQF in the Association Agreement with the EU may have speeded up implementation. The Association Agenda foresees a functioning NQF by 2020 and highlights the development of entrepreneurial human capital as a key factor in the economic and social integration of the EU and Ukraine. There is also a reference to comparability with the EQF. The country is part of Bologna Process and it is establishing a Quality Assurance Agency for Higher Education, which has still to self-certify itself against the international QFEHEA. A new list of specialisations foresees fewer higher education qualifications. Ukraine also aims to implement a competence based approach to education and will continue pilot actions to adapt the learning outcomes of the European Entrepreneurship Competence Framework to the local context.

**Analyses of stakeholders:** There is an emerging consensus among all main stakeholders on the need for decentralisation. Regional policy reforms create a momentum for a new quality of multilevel governance in Ukraine, which is both effective and close to citizens and regional labour markets. However, the practical realisation and implementation of the reform agenda remains a major challenge. The present economic situation and debts give the Minister of Finance power to block reforms that require additional budgets or staffing. This is a risk for the adoption of the education laws.

Critical actors are the regional authorities, who are supposed to develop regional VET policies based on regional socio-economic analyses. All 24 regions and City of Kyiv have used the 2016 Torino Process to develop regional analyses on the supply and demand of VET. Building on this experience, capacity development is needed to develop regional analyses into regional policies and their implementation. A second group of actors are the school directors, who are expected to be given more managerial responsibilities for running the vocational schools. Preparing school plans, building and managing relations with companies and other local stakeholders, and reporting are new challenges for which capacity development is needed.

**C. EU AND OTHER DONORS SUPPORT IN VET AND SKILLS**

There are no major donors in VET or skills issues in Ukraine. In June 2015, the two-year EU Twinning project “Modernisation of legislative standards and principles of Education and Training in line with EU-Policy in Lifelong Learning”, was completed. This is the only EU intervention that addressed the VET system in the country in a systematic manner. The ETF has actively been supporting the implementation of the project, as well as promoting the inclusion of VET and skills agenda in EU interventions.

Currently, "Support to Ukraine’s Regional Development Policy" (€ 5.3 million, 2012-17) project supports strengthening the capacity of the Ukrainian authorities and other stakeholders to develop and implement effective regional development policies. Part of the strategies relate to economic development in general and to SME development in particular. They are coupled with grants for local authorities (in Khmelnitsky and Rivne, labour market issues and VET) and NGOs.
In the framework of the delicate situation in Ukraine it was not possible to complete the EU multi-
annual programming exercise in 2015. In order to face the urgent needs related to the transition
process in the country, the EU opted to implement a “2015 Special Measure for Private Sector
Development in favour of Ukraine”, worth €70 million, that consisted of two actions: EU Support to
Ukraine to Re-launch the Economy (EU SURE); and Technical Cooperation Facility. EU SURE: EU
Support to Ukraine to Re-launch the Economy, with budget of €55 million, provides technical
assistance/policy advice at national level to complete the ongoing deregulation of SMEs, the national
and regional economic development strategies, and a web info portal for SMEs. It also includes a
contribution to the participation of Ukraine in EU programmes related to private sector development
(Horizon 2020). At regional level it provides business advice and entrepreneurial skills for SMEs,
through a network of Business Support Centres.

In December 2015, the EU approved the “Special measure for decentralisation reform in favour
of Ukraine”, worth €97 million. The action entitled “U-LEAD with Europe: Ukraine Local
Empowerment, Accountability and Development Programme” aims to support multilevel governance
which is transparent, accountable and responsive to the needs of the population. The action intends
to enhance the institutional capacity of key actors at central, regional and local levels and to improve
the delivery of local administrative services and foster economic development.

Donors currently focus on supporting higher and general education. The most significant contribution
to higher education in Ukraine comes from the EU’s TEMPUS/ERASMUS+ programme. The objective
is strengthen institutional capacity, and modernise and internationalise higher education based on
cooperation between higher education institutions and other relevant stakeholders. Ukrainian
universities are currently involved in about 61 projects (out of 91 selected under the IV phase of the
Tempus programme). The British Council’s ongoing project “Quality and Excellence in Higher
Education in Ukraine” aims to contribute to the development of an effective and efficient tertiary
education system in the country through policy dialogue, knowledge sharing and awareness raising.
USAID intervenes in the sector with its Alliance USETI and Step-by-step Inclusive education. Overall
USAID’s contribution to education for the period 2013 to 2015 was US$3 million. After the closure of
the Equal Access to Quality Education in 2010, the World Bank maintained policy dialogue with the
government on an optimization and efficiency agenda in line with the Program of Economic Reforms.

In September 2014, The Swedish Association of Local Authorities and Regions (SALAR) and its
subsidiary, SKL International, started the inception phase of the Decentralization Support Project. The
project is a long-term commitment of the Swedish Government with an implementation phase running
from March 2015 to December 2017. The overall focus is on fiscal decentralisation. Advisory,
analytical and coordination support will be provided to create a shared and more robust evidence for
informed policymaking, also focusing on education. The project will address the needs and priorities
of Ukrainian stakeholders in the field of education decentralisation and finance.

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8 Detailed database is provided at http://www.erasmusplus.org.ua/tempus-iv/novyny-i-baza-proektiv.html, last access September 2015.
D. ETF MID-TERM INTERVENTION STRATEGY IN THE COUNTRY

The priority of the ETF’s mid-term intervention strategy 2017-20 is to support the national stakeholders to turn the strategic policy objectives of the VET reform process into realistic action, to support its implementation and to prepare the ground for EU intervention in the sector.

The absence of mid to long-term strategies, institutional weaknesses and entrenched political tensions have made it difficult for successive Ukrainian governments to implement structural and lasting VET reforms. The legislative process has become the driver to lead the creation of a renewed VET vision in the country. Once the education law is approved, it will need to be transformed into a joint vision and action planning for improving VET to ensure socio-economic and regional development of the country, which is a huge challenge. Throughout 2015-16 the ETF has supported the drafting of a new legal framework for education and VET. The new framework law for education is expected to be adopted by the end of 2016 and the new VET law in 2017. Although both the legislative process and the consultation are ongoing, the ETF’s experience of working closely with Ukrainian VET stakeholders shows that there is a huge need to support key stakeholders to create more permanent conditions for major VET reforms in a decentralised context with eventual support from the EU.

With the most recent government restructuring in April 2016, human capital development (HCD) and vocational education and training (VET) in particular moved up on the policy agenda in Ukraine. The Medium-Term Priority Action Plan of the Government 2018 – 2020 identifies human resources and VET development as one of five priorities. Modernization of VET, promoting quality and relevance of a competitive labour force capable in responding to the challenges of the regional labour market and ensuring equal access to VET are key priorities. The core aspects of VET modernisation include: new education and training standards to meet labour market demand; modernisation and equipment of the workshops in VET Training Centres, including increasing access to VET schools.

The EU is currently preparing a three year Programme to support Ukraine under European Neighbourhood Instrument 2018-2020. One of the priority sectors is Private Sector Development and Improvement of the Business Climate. Under this priority it is considered to provide support to the VET sector, to address improvement of skills and capacities needed for global re-orientation and modernisation of services and industry aiming at export of high-end products and qualified labour.

In this context, the ETF intervention strategy has been drawn up on the assumption of continuity in

- the priority given to the country in terms of EU external assistance,
- the level of political, economic and social stability,
- the high level of commitment in the country among key stakeholders from the national and regional authorities and among civil society to take forward the reform process in line with the national vision and strategy for human capital reform in particular in the selected areas of intervention,
- engagement and ownership of the Torino Process and its principles of evidence, participation, and holistic policy making.

Mobilization of ETF resources is needed in order to ensure successful bridging period, between ongoing needs in the VET sector and the upcoming EU support to the sector, that is not foreseen to be operational before end of 2018. For this purpose, in cooperation with the Ministry of Education and Science and the Ministry for Regional Development, ETF will support the development of different
projects that could be implemented within the framework of existing and running EU measures. This refers to: "Support to Ukraine’s Regional Development Policy", “2016 Special measure for decentralisation reform in favour of Ukraine” (U-LEAD), "2015 Special Measure for Private Sector Development in favour of Ukraine" (EU SURE). In cooperation with these projects and their beneficiaries, ETF will provide expert input in the design of their capacity building activities addressed to those in charge of VET in the regions. Particular attention will be paid to capacity building measures for regional administrations in order to contribute to more effective multilevel governance structures that will be dealing with education, training and skills issues in the country.

Additionally, ETF will provide support to MoES, in developing a project for an E-platform for New Ukraine School; that will give online access to new educational standards and teaching materials throughout the country, including VET schools and providers in the Eastern regions. ETF will also facilitate, jointly with EU Delegation, search for adequate funding to pilot some of the activities, and this could also include twinning action, or other donor support.

Particular assumptions, or conditions for the achievement of impact from ETF interventions where relevant are included under the specific objectives below.

**Specific objective 1:** To support the EU in developing a comprehensive external assistance intervention for vocational education and training development in Ukraine in the 2018-20 EU programming cycle

**Rationale:** The EU-Ukraine Association Agreement includes commitment on both sides to developing a modern VET system, which can respond to the needs of a changing economy, based on modern qualifications and integrated within the overall national qualifications framework. As the EU-Ukraine policy dialogue is evolving, the EU may provide support to education and training sector development in the next multi-year programming phase. In line with the schedule of the EC programming cycle, it is expected that 2017 will be dedicated to the identification phase, with the objective of having education and training on the agenda in the multi-annual programming framework 2018-20. A prerequisite is that the legislative process for education and VET is finished and the government has clear and common strategic policy objectives defined.

**Expected results by 2020:**

1.1 EU intervention for VET in Ukraine under the 2018-20 programming cycle is highly relevant to the Ukrainian context and based on a comprehensive assessment of VET system reform needs and stakeholder consultations;

1.2 The design of the EU intervention for VET in Ukraine allows for effective and efficient implementation;

**Specific objective 2:** To support VET decentralisation in Ukraine.

**Rationale:** The development of a shared and clear vision for VET in a decentralised context is an important pillar of the current reforms in Ukraine. The ETF is expected to support Ukraine’s efforts to renew its legal framework in VET and to define the overall VET strategy and vision. This will include VET institutional restructuring and reforms, financing mechanisms and funding for VET, engagement of social partners and companies in VET governance, role of the regional actors in VET and exploring the potential of smart territories and smart specialisation in skills agenda.

Major issues in overall VET decentralisation are targeted quality improvements in the system, mainstreaming of initiatives and lessons learned, increased efficiency of VET, strengthening the shared responsibilities and dialogue, strengthening school autonomy, and introducing incentives for
improved institutional behaviour, including financing of VET. Through the Torino Process, the ETF has contributed to evidence collection and analysis and capacities of regional stakeholders to analyse VET in the regional socio-economic context in the 25 regions of Ukraine. Based on extensive stakeholder engagement in five regions, the ETF has supported the development of a green paper encompassing the basic principles and direction for VET decentralisation. Synergies will be ensured with the planned EU decentralisation project that also incorporates aspects of education decentralisation and will have a significant impact on how VET decentralisation will evolve.

Following the green paper, the key focus of ETF support in 2017-20 will be to address the institutional capacities of regional, but also national stakeholders for implementing VET reforms based on a new division of competences. The ETF will address the following: i. Multilevel governance and partnership approaches in VET including the choice of decentralisation model and what roles and functions VET stakeholders should have; ii. Decentralisation, vocational school autonomy, model for VET provider: management, funding implications in the Ukrainian context, how vocational schools for social inclusion can be transformed into vocational schools for economic growth in the country; iii. Fostering a feasible regional human capital development model where VET and skills are central in the discussion agenda of the regional and local partners.

The project’s success depends on the political forces around the decentralisation process and on financial conditions. The present debt situation risks that the regions could be burdened with the problems that are not solved at national level. It is important for legislation to create sufficient conditions and incentives for all those involved to carry out their new responsibilities.

The ETF will cooperate with the Task Force on Ukraine of the Committee of the Regions.

Expected results by 2020:

2.1 Key stakeholders have adopted VET legislation and policies to support VET decentralisation and are engaged in policy dialogue to improve implementation.

2.2 Enhanced capacities of regional VET authorities and other relevant regional stakeholders to analyse skills developments and develop regional VET policies;

2.3 A model developed for centres of excellence that will explore innovative ways of integrating secondary, post-secondary VET and continuing VET programmes and school management principles, and will build on existing practices in EU Member States and Ukraine.

Specific objective 3: To support the Ministry of Education and Science, relevant bodies and institutions to implement the Action Plan for the National Qualifications Framework, and improve the internal efficiency of the system.

Rationale: The implementation of the Action plan, which foresees a number of measures is only possible if there is strong determination and leadership of the Ministry of Education and Science, in which relevant stakeholders are motivated to cooperate. The Action plan incorporates measures for introduction of learning outcomes based on key competences, measures for quality assurance in VET, modernisation of skills needs anticipation system, etc.

Ukraine was one of the first countries in the region that adopted the NQF and is actively engaged in its implementation. The ETF is considered a key reference organisation to link Ukrainian qualifications reform with that of the EU. In 2016, the ETF successfully supported the development of an action plan for NQF implementation, including sorting out the necessary activities to populate the NQF register with qualifications, development of occupational standards and professional qualifications, and the clarification of institutional roles, including an assessment of existing institutional capacities.
and needs through consultation meetings and a national stakeholder event. The action plan for NQF has been adopted by the Cabinet of the Ministers in December 2016. In 2017 and beyond this will need to be followed up by three types of activities: 1. Monitoring measures to keep track of the progress made and to identify areas where progress meets obstacles in order to tackle them as quickly as possible; 2. Support for developing a system for skills needs identification and anticipation; 3. Support for the development of occupational standards and qualifications. At the request of the Minister of Education, this work started in 2016 and will need to continue in 2017 and beyond. It is important to integrate key competences and learning outcomes policy development into qualifications development. 4. Development of an NQF communication strategy and NQF website to reach a wider group of stakeholders, NQF users and final beneficiaries.

**The main assumption** for the project to be successful is that the Ukrainian government can provide sufficient financing for the implementation of the action plan.

**Expected results by 2020:**

3.1. Ministry of Education and Science leadership role strengthens the National Qualification Framework implementation and internal efficiency in VET;

3.2. Monitoring mechanisms with agreed indicators in place and enhanced capacity for preparation of progress reports on implementation of the Action Plan for NQF 2016-20;

3.3. Biannual monitoring reports on the progress with the Action plan for the NQF 2016/20, have informed the EU – Ukraine Association Agenda.

**Specific objective 4** on entrepreneurial learning, the ETF will contribute to qualifications system developments through scaling up from general secondary education to VET in an **integrated approach to the development of entrepreneurship competence learning outcomes**, and to prepare the ground for the future full-scale implementation of competence-based curricula in the medium-term.

Expected results will include:

- New VET curricula designed in line with a competence-based approach, with entrepreneurship competence learning outcomes fully integrated and supported by the new teacher guidance materials.

- Express in-service training will upgrade the competence of teachers involved in the pilot implementation of the new curricula on the entrepreneurship key competence development (the scope of training will have to be defined in the view of medium-term impact assessment of the implementation of competence based approach in a sample of vocational schools).

- The above will contribute to the increased relevance and quality of VET provision and the quality of qualifications, and will have a demonstration effect in the process of transition of the Ukrainian education system to a competence-based approach.

- Ukraine’s performance against SBA indicator 1.9 (Entrepreneurship Promotion in VET) will improve.

In addition to activities related to the specific objectives of the ETF mid-tem intervention strategy 2017-20 in Ukraine, the ETF will support **EU external assistance-related bilateral policy dialogue:**

- Expertise input to the monitoring of Clusters 4 and 6 of the Association Agreement in particular through background notes, comments and attendance at relevant cluster meetings.
Annual country fiche to DG Employment

ENP Action Plan Progress assessment for the education and skills components upon request

The ETF will also support the EU bilateral policy dialogue (Clusters 4 and 6) by preparing background reports and delivering direct expert contributions to bilateral policy dialogue meetings (e.g. sub-committee meetings) upon request.

In the context of corporate initiatives, the ETF will continue involving Ukraine in the Torino Process: the system-wide policy analysis and monitoring progress exercise implemented by the ETF on a periodic basis. The 2017-20 period will cover the closure of the 2016 round and the implementation of the 5th round in 2019. The specific modalities for national implementation in 2019 will be agreed according to the 2016 results and the specific development of monitoring processes in the country. In between the two rounds, the ETF will continue its policy dialogue with all countries on policy analysis and system wide progress monitoring through VET monitoring forums at regional and international levels.

In the period 2017-20, the ETF will continue to support the Commission (DG GROW) with analysis and reporting on the country's progress on the human capital pillars of the Small Business Act for Europe (SBA). The ETF’s SBA work forms an integral part of wider EU support to the country set against an Association Agreement between the EU and Ukraine, and includes provisions for a Deep and Comprehensive Free Trade Area (DCFTA), putting entrepreneurship development, and especially the entrepreneurial human capital agenda, at the heart of EU-Ukraine economic and social cooperation.

The SBA assessments are run bi-annually and focus on entrepreneurial learning, women's entrepreneurship and SME skills. The next assessment will take place in 2018. The entrepreneurial learning dimension will be assessed in line with the new European Entrepreneurship Competence Reference Framework [1]. Follow-up, customised support to the partner country on human capital areas will depend on the specific requests from the government, the European Commission and according to available resources.

Ukraine will also participate in other regional transversal actions. Under EaP Platform 2 the Make-it-Match network will feed into the Youth Employment Panel from 2017 and aims at strengthening a coordinated approach to skills anticipation and matching. Furthermore, the regional project ‘Skills Connexion’ aiming to strengthen work-based learning (WBL) actions in the Eastern Partnership and Kazakhstan will finish in 2017 by providing WBL policy recommendations and developing capacities. Follow-up actions will include a regional WBL Platform and targeted country actions to support WBL implementation in selected countries.

E. 2017 ACTION PLAN

Specific Objective 1: Support to the EU
A comprehensive assessment is conducted in first half of 2017 as a pre-identification exercise for future EU intervention upon request from the EU Delegation. It will include an expenditure analysis of a feasible model of VET supply and will assess the appropriateness of different aid modalities to the context, in particular the option of budget support. The methodology of the assessment will be proposed by the ETF taking into consideration the sector analysis requirements for budget support eligibility. The assessment will take into account the findings of all 25 regional and the national Torino Process assessments, as well as PRIME results and findings of the ETF green paper on VET decentralisation, that will be completed by the end of 2016.
The ETF will also support the Ministry of Education and Science and regional administrations to prepare capacity development programmes on VET decentralised management. ETF will also support the Ministry to prepare a proposal for EU support on establishing an online database of educational standards and teaching materials, which can be used countrywide.

**Specific Objective 2: VET Governance**

In the Ukrainian decentralisation context, support for VET governance is a high priority for the country and in huge need of support. The governance activities in 2017 will build on the ETF and MoES green paper and high-level conference of 3-4 April advising on the VET decentralisation process in Ukraine in the light of both education and VET draft laws. In this respect, the identified key areas where Ukraine needs support are the following:

- Good multilevel governance in decentralised VET in Ukraine: implementing roles and functions within a (new) legal framework.
- Optimisation and rationalisation of VET networks and provision.
- Vocational school autonomy model(s) for VET providers
- Public-Private Partnership in VET: the role of national and regional governments and social partners

Within these areas, the ETF activities on VET governance will provide tailored policy dialogue and learning involving the national, sectoral, regional and local levels and strongly focusing on the further engagement of both public and private actors (meaning the social partners) and vocational schools for better capacities on governing decentralised VET in Ukraine. Exposure to European and international practice has taken place in April 2017 and may continue. Five regions have contributed to knowledge sharing to build the ETF & MoES green paper (City of Kiev, Lviv, Rivne, Vinnitza and Dnepropetrovsk) and its dissemination. The national level and two regions (Lviv and Kharkhiv) will be in focus in the 2017 follow-up action, where following activities will have priority according to Ukrainian stakeholder needs and ETF resources:

- High-level policy dialogue and political commitment to VET decentralisation for socio-economic and regional development, in April.
- Policy dialogue at national level on measures to establish public private partnerships in VET through financial and non-financial incentives.
- Policy dialogue at regional level on VET governance arrangements in a decentralised context, with focus on defining mandate, roles and responsibility of future regional VET councils to steer VET in the regions. This includes support on how to implement VET legislative and regulatory frameworks in decentralised contexts, with particular emphasis on roles and responsibilities over skill assessment in the regions.
- Policy dialogue and learning on optimising vocational school networks, including autonomy of vocational schools and the role of VET centres of excellence.
- Policy dialogue on VET financing with particular emphasis on enterprise involvement in VET work-based learning.

Furthermore, the ETF Smart Territories approach will accompany the Joint Research Centre (JRC) and the Committee of the Regions (CoR), through participatory governance on issues of innovation and human capital development, in the context of integrated territorial development, competitiveness
and social cohesion. Any potential future action in this area will integrate in existing ETF activities in Ukraine, rather than opening new ones, and be designed in close coordination with Ministry of Education and Science, JRC and CoR.

In addition, within objective number 2, the Torino Process will follow up in 2017 on the outcomes of the 2016 national implementation. In 2016 the Torino Process covered all regions in the country. The Torino Process will contribute to placing VET in a regional strategic context to ensure the use of information developed under the Torino Process and the progression of the development of a sound monitoring system and policy making approach in line with the decentralisation process.

**Specific Objective 3: Qualifications**

In the qualification system, the ETF undertakes a major investment of resources in Ukraine in 2017, whose need for EU support is urgent, but where there is no current EU project. ETF interventions encompass technical work in implementing the NQF Action Plan, advising authorities on communicating the NQF to the public, furthering the development of VNFIL, and continued advice on legislation. The priority interventions in 2017 are thus to:

- Support implementation of the NQF Action Plan for 2016-20, by developing monitoring measures to track NQF progress; function: capacity building to stakeholders and experts; output: multi-annual monitoring plan.
- Provide guidance in developing VET standards; function: capacity building to Ministry officials and experts; outputs: state standards for three VET profiles, handbook to guide development of education standards and curricula in VET, based on occupational standards.
- Support the new NQF communication strategy, including setting up a new NQF website; function: capacity building to Ministry; outputs: functioning website and adopted communication strategy.
- Guide and review piloting by Ministry and state agencies in VNFIL system development; capacity: capacity building of experts and officials; outputs: report on VNFIL system progress.
- Further support legislative development; function: policy advice to institutions and officials; outputs: briefings.

Governing multi-level VET effectively requires governance models that balance responsiveness to local diversity with the ability to ensure national objectives. This is a delicate equilibrium and very difficult to achieve given the complexity of the VET system. Critically, the Ministry of Education and Science, and in particular its VET Department, is not the only actor involved in governing VET in the country. However, while decentralisation, the introduction of new governance mechanisms, introduction of a National Qualifications Framework are understandable policy measures and a common response to complexity, they also further contribute to the complexity of the system. In this context, it is important to keep in mind that whatever decisions are taken, the Ministry of Education and Science will remain responsible for ensuring high quality, efficient, equitable and innovative initial VET at the national level. It is necessary for the Ministry to be aware of its responsibility and to have appropriate capacity to fulfil its responsibility, as more and more regional and local actors are becoming engaged in VET.

**Specific Objective 4: Entrepreneurial Learning**

In 2017 the Entrepreneurial Learning strategic project’s involvement would cover a review of curricula and teaching methods within the new VET programmes in line with the European Entrepreneurship Competence Framework (EntreComp), as well as the support of Ukrainian
counterparts in the development of special modules for express in-service teacher development during the first phase of pilot implementation.

Under the regional actions the SP employment will:

- Support the development of a skill needs identification and anticipation system.

- Ukraine will be included in an Eastern European regional initiative on ‘mapping of youth employment policies and activation measures to support efficient transition to work’. Under this initiative, a national report on the profile of youth and youth policies will be produced through national expertise, while an exchange of information and experiences on this topic with other EaP and EU countries will be ensured, mainly through the EaP youth employment panel which will be established in 2017 under the Platform 2 Work programme.

- Ukraine will continue to participate in the Make-it-Match network under the Platform 2 Work programme.
F. 2018 UPDATES (DRAFT 22 SEPTEMBER 2018)

Short update on key country developments in the field of VET and skills and on EU and donor cooperation

The Medium-Term Priority Action Plan of the Government of Ukraine until 2020 which was approved in April 2017, has an important focus on human capital development. The emphasis is placed on ensuring high quality and affordable secondary education, the development of VET, quality in higher education and providing new development opportunities for science and research. A new “Strategy for Small and Medium Enterprise Development in Ukraine until 2020” was prepared and adopted in 2017, featuring the entrepreneurship key competence and the link to education sector developments. All these steps specifically follow recommendations from the 2016 SBA assessment report for the country. Within all concepts and strategies developed, skills issues and the role of VET, it is becoming widely acknowledged as a key factor for competitiveness, social participation, encouragement of innovation, prosperity and high rates of employment.

The Government of Ukraine has displayed commitment and readiness to introducing new approaches to the area of regional development, introducing decentralisation as a core of the reform process. In September 2016, the Cabinet of Ministers adopted the Action Plan for implementing the Concept of Reform of Local Government and Territorial Organization of Power in Ukraine (No 688-p)9. These reforms are having significant impact on the way forward in terms of how local and regional authorities will perform complex policy making and service delivery functions, notably affecting also the education and training sector.

In 2016 and 2017, the stakeholders undertook extensive work in formulation of two new laws – a framework Law on Education10 and Law on Vocational Education11. The Law on Education, which was approved in September 2017, introduces the concept of the ‘New Ukrainian School’12. The concept is based on a new 12 year education system, consisting of a basic nine year secondary education, followed by a three year specialisation, which includes the VET stream. This concept is not only a minor adaptation, it is major reform step aimed at changing the education and training system from knowledge acquisition and accumulation to a system that can equip young people with the necessary skills and competences to be successful in life. It aims to develop schools, teachers and students that continuously change and develop and are able to systematise and evaluate their experience, making learning and knowledge sharing as an on-going process.

The new Action Plan for Implementing the NQF 2016-20, has been adopted in December 2016. The list of professions with State significance has been approved. The Association Agenda foresees a functioning NQF by 2020 and highlights the development of entrepreneurial human capital as a key factor in the economic and social integration of the EU and Ukraine.

After a longer period of donors being almost absent from the VET and skills sector in Ukraine, in 2017, the situation started to change. Estonian Development Cooperation started implementing the programme in January 2017, jointly with the MoES, and focused on supporting VET reforms in Volyn oblast. The aim of the project is to support vocational colleges in the Volyn oblast and for the

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Ukrainian MoES to develop vocational education in the framework of “The Ukrainian Education Strategy until 2021”.

The EU provides support to other sectors in Ukraine, where the role of VET is important. EU SURE (2014 EC programme) and EU LEAD (2015 EU programme) are already being implemented, and complementarity with ETF activities are relevant for both of these actions. In case of EU SURE the objectives are:

- To strengthen the capacity of Ukrainian national, regional and local authorities and other stakeholders to develop and implement effective economic development policies, including SME policy;
- To contribute to re-launching the national economy by supporting the development of the SME sector and increasing capacity for entrepreneurial skills training at the regional level.

The specific objectives of EU LEAD are:

- To enhance the capacity of key actors at central, regional and local levels to implement regional policy and decentralise reform;
- To improve the delivery of local administrative services for the benefit of citizens.

The ETF is working actively with the EU Delegation and EC services to support the development of a comprehensive EU assistance for VET in Ukraine to be included in 2018-20 EU programming cycle. A feasibility study to conduct an appraisal and formulate options for future EU support for reforms in VET and skills development in Ukraine will be completed by the end of 2017.

Assessment of the progress towards achievement of ETF mid-term objectives and results with horizon 2020

Overall, VET reform is gradually being shaped by measures taken in the legislative process and process of decentralisation. At the beginning of 2016, the entire VET system for which responsibility is with Ministry of Education and Science, was confronted with serious challenges resulting from the lack of a relevant legislative and regulatory framework and the shortage of financial resources of the regions. In order to resolve the VET financing issues, the MoES took measures in 2016, and the Cabinet of Ministers allocated stabilisation subsidies within the 2017 budget.

In a very difficult period for the VET system in Ukraine, the 2016-17 Torino Process cycle played a very important role. In the context of Ukraine’s decentralisation, the Torino Process was implemented at two levels: national (“Torino Process 2016 Ukraine”) and regional through analysing the systems of VET in all 25 Ukrainian regions. Each region analysed the VET systems for the system status and development prospects, efficiency in addressing the economic and labour market demands, adjustment to the demographic, social and inclusion demands and efficiency in VET system organisation, including the governance and funding aspects. The objective is to continue to use the framework for VET monitoring purpose.

Specific objective 1: To support the EU in developing a comprehensive external assistance intervention for vocational education and training development in Ukraine in the 2018-20 EU programing cycle

In 2017, the ETF provided support to the EU Delegation and EC services in the identification and formulation phase of a new upcoming EU intervention in VET. The ETF prepared the terms of reference for the feasibility study and ensured support to the EU Delegation in the process of
implementing the study, including joint missions with the external team and commenting on draft reports.

**Specific objective 2: To support VET decentralisation in Ukraine**

Ukraine continues to face a challenging situation in relation to decentralisation overall, and in particular to VET decentralisation. While contributing to growth, economic prosperity, employment and regional development, the key objective of VET decentralisation should be to better adapt skills and qualifications to the needs of regional, local and sectoral economies.

In 2017, the ETF had a major impact at political and policy level discussions through the organisation of a high-level policy forum. The forum was attended by the Prime Minister of Ukraine, the EU Ambassador, the Vice Prime Minister responsible for Regional Development and Minister of Education and Science. ETF resources were invested to support VET decentralization by focussing on VET regional councils and how to define their role in upcoming VET legislation. The ETF is targeting five pilot regions: Kyiv, Lviv, Vinnitsa, Rivne and Dnipro.

**Specific objective 3: To support the Ministry of Education and Science, relevant bodies and institutions to implement the Action Plan for the National Qualifications Framework, and improve the internal efficiency of the system**

A breakthrough in 2016 supported by ETF was the development of a new NQF implementation Plan 2016-20, that was adopted in December 2016 by the Cabinet of Ministers. As a result, in 2017 the ETF supported the monitoring of this plan, as well as the development of a new approach to vocational qualifications and curricula. It is also assisting At the request of the Ministry of Education, the ETF has evaluated the existing competency-based vocational qualifications, and is supporting the development of a single approach and guidelines for occupational standards, educational standards and assessment standards for VET and linking these to the decentralisation of curriculum development for VET.

**Specific objective 4: To support entrepreneurial learning**

Developing entrepreneurship is acknowledged as one of the key objectives in the New Ukrainian School concept. In 2017, the ETF cooperated with the Working Group, established by the Ministry of Education, that is setting up a framework for competence-based curricula, particularly focusing on ISCED 2 and ISCED 3 levels. The ETF has supported the Ukrainian authorities through building awareness and piloting of the EU key competence policy, and in particular the potential of the European Entrepreneurship Key Competence Reference Framework (EntreComp) to bring forward curricula and teacher training developments under the policy framework of the New Ukrainian School reform. A new "Strategy for Small and Medium Enterprise Development in Ukraine until 2020" was prepared with inputs from ETF, featuring the entrepreneurship key competence and the link to education sector developments.

**2018 Action Plan**

The Ukrainian Government remains committed to human capital development, focusing on education and training reform, prioritising the development of completely new legislation in the sector, investing resources in the development of professions which have been part of the list of professions with State significance, taking steps in merging VET schools and centres to improve the efficiency of VET provision, etc.

VET reform should be seen as an essential component of broader efforts to stimulate growth and competitiveness, to develop the economy. Skills issues are becoming profoundly important, but not
only job-specific skills, also creative, entrepreneurial and digital skills. These considerations will have a clear impact on reforms such as the design of a new learning outcomes, new Qualification frameworks, new competences within the New Ukraine School; new mechanisms for developing and planning VET enrolments at state and regional level, as well as for a strongly needed efficient regional VET provider network.

2018 will be a year when the country will need to look for a new path for the development of VET. This new VET system will need to be created in the context of accelerated change in the country, digitalisation of the economy and a new society that promises to bring more integration and better access to opportunities. So far, the discussion on a future holistic VET system has not started yet. In some regions this is addressed through regional and economic development strategies, but this tackles the challenges only partially. Overall, regarding VET policy, the challenge is to define and gradually set up a VET strategy, that will include new approaches towards key competences, quality assurance mechanisms and financial resource mobilisation, governance arrangements for transparency, result-orientation and accountability purposes.

ETF actions in 2018, will address the following:

**Specific objective 1:** To support the EU in developing a comprehensive external assistance intervention for vocational education and training development in Ukraine in the 2018–20 EU programming cycle

In 2018, the ETF will continue to work in cooperation with the EU Delegation and EC services for the identification and formulation of an EU intervention in VET.

Upon request from the European Commission or the EU Delegation, the ETF will provide support to the EU–Ukraine bilateral policy dialogue:

- Support to the monitoring of the Association Agreements through inputs to the relevant sub-committee meetings and cluster matrices;
- Delivery of annual country fiches to DG Employment.

**Specific objective 2:** To support VET decentralisation in Ukraine

VET decentralisation in Ukraine is faced with serious challenges. Many issues remain to be discussed among the key stakeholders in the country, and responsibilities and roles that different national institutions and bodies will have to play remain unclear and unresolved. There are also novelties that are introduced by the new Law on Education that has been voted in September 2017, one of which is establishment of National Agency for Qualifications (NAQ), and certainly this development will strongly impact the governance structures in education and training. The NAQ will become operational in September 2018. This mixed development situation is shaping SPGOV intervention in the country.

In 2017 policy advice has been provided on the role of regional bodies in VET. It is foreseen that in 2018, the ETF will continue and complete its support related to the role of regional bodies in VET and possible integration in upcoming legislation on VET. Where and if possible, synergy should be established with EU LEAD programme.
Specific objective 3: To support the Ministry of Education and Science, relevant bodies and institutions to implement the Action Plan for the National Qualifications Framework, and improve the internal efficiency of the system

ETF support to this pillar will continue, particularly in terms of developing monitoring capacities in the country, to keep track of the progress made and to identify obstacles in advance. The objective is also to continue to support the implementation of the NQF Action Plan, by monitoring progress, developing VET standards, developing an NQF communication strategy, developing the VNFIL system, advising on legislation, function, capacity-building, outputs, multi-annual monitoring plan, preparing new VET standards and curricula in three profiles, piloting an NQF website, designing a qualifications register, drafting a communication strategy, reporting on state of VNFIL system. However, as per newly adopted legislation, which includes a strong emphasis on key competences, also including the development of a National Agency for Qualifications, further fine-tuning of the action will take place in Q4 in 2017. Overall, as the Agency will play a key role in the implementation of the NQF, support will be provided in the development and clarification of the mandate, identification of key tasks and estimation of required resources, capacity building to agency staff members, etc.

Specific objective 4: To support entrepreneurial learning

ETF support in this pillar will continue. Focus will be placed on bringing forward competence based education developments and integrating the entrepreneurship key competence into the education curricula and teacher training set against the most recent SBA recommendations, and reinforcing the implementation of the new policies and legislation to support coordinated efforts of various parts of the government and their partners in the implementation of lifelong entrepreneurial learning. Momentum should be used to continue to work with the Working Group established by the Ministry of Education. These experts focus on bringing forward the New School Concept and aspects of the new Law on Education.

The drafting of VET Law will start soon, and the ETF will be expected to provide input under various topics and VET concepts, such as: VET standards, VET curriculum, informal and formal learning, validation of formal and informal learning, quality in VET, modern VET training provider organisation, the role of regional bodies in VET for regional development, employers roles in VET, etc.

The ETF will continue its support in the area of evidence based policy analysis and system wide progress monitoring. All countries will be invited in early 2018 to kick off preparations for the fifth round of the Torino Process, with the scope of agreeing on terms of implementation by the end of 2018. The preparation phase will involve countries primarily through online consultations and capacity building activities involving appointed national coordinators and key working group members. All countries will be invited to join the kick-off meeting which will take place in Q4 of 2018 in Turin. Countries aiming at implementing the Torino Process at sub-national level will be offered specific activities in 2018 in view of preparing regions and cities for the analysis. A new national data collection exercise to acquire more in-depth data, mapping gaps, sources and recurrence of data collection in the area of VET and Skills, will be launched in 2018.

Also as part of evidence-based policy analysis, in the second half of 2018, a next round of SBA assessments will kick off with national launch meetings followed by country-based assessments in 2019.

Ukraine will also participate in other regional transversal actions. The ETF will continue to support the Make-it-Match network to strengthen the coordinated approach to skills anticipation and matching. Furthermore, the follow-up action to the regional ‘Skills Connexion’ project aiming to strengthen
work-based learning (WBL) in the Eastern Partnership and Kazakhstan will focus on capacity building through a modular blended learning course on WBL and a regional WBL Platform.