

**ETF YEARBOOK 2006  
SKILLS DEVELOPMENT FOR  
POVERTY REDUCTION**



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SKILLS DEVELOPMENT FOR  
POVERTY REDUCTION**

*Peter Grootings and Søren Nielsen (editors)*

*With contributions from Ummuhan Bardak, Ali Bellouti, Jean-Marc Castejon, Eduarda Castel Branco, Milena Corradini, Arjen Deij, Henrik Faudel, Anastasia Fetsi, Jens Johansen, Vaclav Klenha, Meri Lorenčić, Xavier Matheu de Cortada, Gérard Mayen, Margareta Nikolovska and Arjen Vos.*

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## FOREWORD

Poverty anywhere in the world affects us all. Apart from immense personal suffering, it causes social unrest and instability, which in turn are major causes of displacement, fractured societies and even deeper poverty.

In the past 50 years, European countries have convincingly proved that education and training are tremendously powerful tools to help people escape poverty and break through traditional social barriers into a world of opportunities for gainful employment, bringing dignity and self-respect.

As such, Europe has much experience to offer its neighbouring regions in how education and training can be deployed to combat poverty. Its huge array of policies that over the years have contributed to the current European learning climate can be a source of inspiration and information that can greatly help policy makers in other countries to develop their own ways of tackling the challenges of poverty with the help of education and training.

It is one of the tasks of the European Training Foundation to help the European Commission and its partner countries devise ways of improving education and training for the benefit of society. The direct relationship between skills development and poverty alleviation – though relatively unmapped – is therefore a logical focal point of ETF expertise.

Realising this, the ETF made this topic one of the key themes of its triennial Advisory Forum conference, the 2006 edition of which took place in Turin in June this year. Much of the work presented in this publication is rooted in or developed further from the proceedings of this successful conference.

The ETF *Yearbook* has the dual aim of helping ETF staff to reflect on their experience and to share it with colleagues in the European Union, in the ETF's partner countries and in the wider international education and training community. I hope this year's edition will raise as much debate as it answers questions on this important theme. I also hope that much of this debate will find its way back into the ETF so that we can improve our work in this field and by improving our own work help others to improve the lives of millions of our fellow world citizens.

Finally, I would like to use this opportunity to thank all writers and editors for their dedication and commitment to the production of this *Yearbook*.

*Muriel Dunbar*  
*Director*  
*European Training Foundation*



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# 1. SKILLS DEVELOPMENT FOR POVERTY REDUCTION IN TRANSITION COUNTRIES: THE DEBATE

*Peter Grootings and Søren Nielsen*

1

Skills development is increasingly receiving the recognition it deserves among international donors as a tool to reduce poverty. For a long time poverty reduction strategies have focused on basic literacy and primary education but the past decades have clearly demonstrated that having a primary education is no guarantee of work.

The return of vocational education and training to development aid agendas has coincided with the recognition that poverty has increased dramatically in many transition countries and that it tends to remain high despite some recent positive economic developments. So far, however, it is unclear how this revived recognition should translate into new education strategies and policies in the ETF partner countries.

In this introductory chapter we will discuss the current revival of skills development for poverty reduction, including the evolution in meaning of these terms. Our main purpose

is to clarify the implications of this debate for the ETF partner countries. They used to have almost universal secondary education with a traditionally strong emphasis on vocational education but their vocational education and training systems now need systemic reforms. By looking at transition countries as countries that have become dramatically impoverished, we may be able to provide good arguments for prioritising and giving direction to international assistance to the reforms of vocational education. We will argue that impoverishment has individual, social and institutional dimensions.

Impoverished transition countries can benefit from the experience of skills development for poverty reduction in other parts of the world. So far the contribution of skills development to poverty reduction has largely been in poor developing countries. Education reform policies also need to be seen from a future perspective. We will therefore also provide a brief review of

ongoing education reforms in – developed – EU and OECD countries, in particular the attempts to develop national competence-based education and training policies. These are wide-ranging reforms through which developed countries are trying to face the challenge of high levels of occupational uncertainty in fast changing economic environments. Globalisation will also have an impact on transition countries.

These diverse sources of experience need to be clarified and put in their proper context in the discussions with national stakeholders in order to ensure ownership, contextual fit and sustainability of reform policies. We also need to develop a better understanding of the role that international agencies such as the ETF could play in making skills development a powerful instrument for poverty reduction in the partner countries.

## INCREASED RECOGNITION OF THE IMPORTANCE OF SKILLS DEVELOPMENT FOR POVERTY REDUCTION

The international community has signed up to achieving Millennium Development Goals (MDGs) by 2015 with a view to contributing to reducing poverty in the world (United Nations, 2000). Poverty Reduction Strategy Papers (PRSPs), jointly prepared by the international financial organisations and national authorities, have become the overall framework for assistance and cooperation in countries with high levels of poverty (World Bank, 2006). The PRSPs set policy priorities for the short, mid and long-term. One of the MDGs is to achieve universal primary education and some PRSPs also include attention to improving the access to and quality of education.

The inclusion of education among the MDGs is remarkable given that development funding for education and training was dramatically decreased during the 1990s in the context of structural adjustment policies and liberalisation. However, there is increasing concern that the PRSPs do not provide appropriate frameworks for attending to the importance of education and training for poverty

reduction. One of the critical issues is the PRSPs' almost exclusive focus on basic literacy and primary education. Another point of concern is their complete lack of attention to employment issues (Caillods and Hallak, 2004; ILO, 2005).

Recent debates, among both donors and development researchers, have shown increasing support for broadening the concept of primary (or basic) education to include basic vocational education as well. Basic literacy, it is argued, is not sufficient to guarantee poor people a sustainable source of income through employment. Basic education therefore needs to include basic skills and competences, and not necessarily just at low levels of qualification. Ensuring that the learning needs of all young people and adults are met through equitable access to appropriate learning and life skills programmes is also one of the six Dakar goals for achieving Education for All (EFA) (UNESCO, 2006).

UNESCO has several initiatives that support the integration of a vocational skills training component in EFA national action plans. It also pays considerable attention to skills development and migration, which in many parts of the world is the traditional escape from poverty. Together with the United Nations Food and Agriculture Organisation (FAO) it has launched a major scheme on skills for rural development aimed at fighting poverty in rural areas dominated by agriculture. The ILO strategy for Decent Work recognises that a well functioning system of education and training enhances both economic and social integration by offering opportunities to many groups who would otherwise be excluded from the labour market. The World Bank, one of the lead institutions in developing PRSPs, has refocused its initial exclusive attention on basic literacy and is increasingly keen to include skills development in national poverty reduction strategies.

In its *Communication on education and training in the context of poverty reduction in developing countries* (COM (2002) 116) (see annex) the European Commission stresses the vital importance of training in reducing poverty and in development and mentions that 'technical education and

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vocational training are necessary for the establishment of an education system that offers an alternative to students leaving the system who will ultimately provide a skilled workforce for the formal and informal sectors'. On 22 November 2005, EU Member States agreed on a document entitled the 'European consensus on development', which presents the new EU (Commission plus Member States) Development Policy. Poverty eradication, including the pursuit of the MDGs, is recognised as the primary objective of development policy; and development is acknowledged to be a goal in itself and not a tool to serve other EU interests.

Within the European Union, the 'European consensus' is very clear about the importance of education and training for development policy (European Commission 2002, 2005a, 2006a). UN organisations such as ILO, UNESCO, UNDP and FAO have made the same point and the international financial institutions, though somewhat more reluctantly, are adopting a similar stance (Working Group for International Cooperation in Skills Development, 1996; Fluitman 2005; King and Palmer, 2005; Mayoux, 2006). This is a remarkable change after a long period during which structural adjustment, liberalisation, privatisation and marketisation have been writ large in donor agendas, as a result of which assistance to education has almost disappeared and been reduced to basic literacy and numeracy skills for children.

In his editorial for the February 2006 edition of *e-Courier*, the online newsletter of ACP-EU development cooperation, Sipke Brouwer, director in the Directorate-General for Development, confirmed the implications of this for EU policy in Africa:

*For too long donors have concentrated only on how to teach African children reading and writing skills. We need to be more ambitious, as we need to provide African youth with the skills, knowledge and 'can-do' values to re-create their cities and re-build their societal belonging.*

He added:

*Today's young people are the human capital of tomorrow: workers, talents, entrepreneurs and leaders. They must all be given a chance to improve their potential and become active players in the economic and social growth of the continent. Therefore the EU is going to put a greater emphasis on vocational education and training in connection with job markets. This will help turn the current 'brain drain' into a 'brain gain' for the whole continent.*

Rethinking the role of education and training for poverty reduction has a parallel in policy and research debates about the importance of competences for economic development and social cohesion in developed countries and in particular in EU Member States. The Lisbon summit once more explicitly referred to the important role of education and training for Europe.

Increasingly, in EU discussions, the concept of competences has replaced more traditional notions such as knowledge and skills. Behind this shift is a combination of developments: the changing nature of work, the new requirements this poses for applied knowledge and broader skills, and new insights from learning theories about how people learn and can make use of what they have learned. It is widely understood that improving the contribution of skills – or rather competence – development to economic prosperity and social cohesion will imply considerable reforms in the existing systems of vocational education and training. The very notion of skills development, especially in the narrow sense of training as traditionally used by economists, has now come under strain.

These debates pose tremendous challenges for the reform of vocational education and training systems, in particular in the ETF partner countries now struck by high poverty levels. While having a long tradition of public initial and vocational education and training, these countries have seen their systems become obsolete and infrastructures and capacities deteriorate further during the transition period.

The poverty reduction context provides a policy framework re-establishing the relevance of vocational education and training for both individual learners and the emerging employment system.

## INCREASED RECOGNITION OF THE IMPORTANCE OF VOCATIONAL EDUCATION IN TRANSITION COUNTRIES

The macro-economic context of many countries in South Eastern Europe, the former Soviet Union and the Mediterranean area, particularly the severe limits on state budgets and administrative capacity, suggests that the potential for poverty reduction through economic growth lies partly in developing and utilising existing human resources more efficiently and in setting appropriate conditions for developing skills and competences in support of local public and private employment initiatives. This requires well-balanced and dynamic vocational training systems that can flexibly cover emerging learning and qualification needs at different levels and from very divergent groups of the population, both young and adult.

Many ETF partner countries are torn between a high-tech, high-skills development policy and a low-tech, low-skills reality. They have focused very much on expanding higher education in response to pressures from families who had seen their educational aspirations frustrated for a long time by restrictions in their access to higher education. However, the donor community, often based on a rather superficial understanding of the education levels in transition countries combined with a narrow cost-based assessment of vocational education systems, has also supported these policies. The labour market, in contrast, does not indicate a need for more university graduates but, rather, displays increasing shortages of people with middle level qualifications.

It has now become clear that the expansion of higher education has had many perverse effects on the quality of

both higher and secondary vocational education. Unemployment among higher education graduates has increased so those with lower levels of education have been gradually squeezed out. Moreover, higher education has largely remained academic in nature while the labour market has not developed any real demand for these kinds of qualifications. On the contrary, many countries have an increasing scarcity of middle-level skilled workers and technicians, precisely those that a modern vocational education and training system is expected to provide. This growing gap in the qualification structure has frequently been aggravated by migration. Focusing on poverty and social cohesion might contribute to more realistic and effective national vocational training and higher education reform policies. More research is needed, however, to substantiate a positive correlation between training and poverty reduction in transition economies.

## POVERTY REDUCTION IN IMPOVERISHED TRANSITION COUNTRIES: CONCEPTUAL ISSUES

Though not all ETF partner countries have high poverty levels and PRSPs for national policy and international donor assistance, many in fact do. Moreover, without exception, all partner countries have gone through a period of dramatic impoverishment. All are – or perhaps should be – as concerned about social cohesion as EU Member States are. Policymakers – with the support of the international community – need to develop capacities for preparing and implementing comprehensive strategies for integrated skills development as a key instrument for poverty reduction and social cohesion.

Policymakers and their advisors in ETF partner countries are often concerned about whether these discussions are at all relevant. Neither skills development nor poverty reduction are familiar terms, nor is the relationship between them self-evident. It is therefore important to put these terms in context.

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For policymakers in transition countries, the policy framework they are used to is for the systemic reforms of vocational education and training systems. In this context, 'skills development' seems a rather narrow approach. 'Poverty' is a controversial concept and is automatically associated with poor developing countries in Africa, South Asia and Latin America. While there may be no comparable experience of persistent poverty in transition countries, we will argue that most – if not all – have experienced dramatic impoverishment. Poverty and attention to poverty reduction, moreover, also occur in developed EU countries (European Commission, 2000; Tavistock Institute, Engender and ECWS, 2005).

Obviously, we are not arguing that reforms of vocational education and training should be viewed only within the context of poverty reduction. As King and Palmer (2005) note, the dominance of the poverty discourse amongst donors made it necessary to rationalise and legitimise other development goals – such as infrastructure development, education, enterprise and skills development – in terms of their close connections to poverty reduction. While the present situation does mean a fortunate return of vocational education and training to donor development policies, it also risks a narrowing down of issues and options.

As far as the ETF partner countries are concerned, however, the poverty reduction dimensions have so far hardly played any role in discussions on VET reform. A brief discussion of poverty in the context of transition countries may therefore be useful. We will first summarise the main development trends within the donor community concerning the importance attached to skills development in poverty reduction policies. After that, we will elaborate on the concept of impoverishment and some of the major implications for vocational education and training systems in the ETF partner countries. We will return in the next paragraph to the concept of skills development against the background of current discussions on education and training in EU countries.

### **Poverty and poverty reduction policies**

There is consensus that an understanding of poverty needs to be multidimensional (World Bank, 1990; 2000). This understanding goes well beyond the traditional use of income measures as proxies for poverty and sees poverty as also related to low achievements in education and health (Reddy and Pogge, 2005; World Bank, 2000). This broader concept of poverty therefore also includes vulnerability, exposure to risk, voicelessness and powerlessness (World Bank, 2000; UNDP, 2006). This is important to keep in mind so that the issue of skills development is not reduced to just improving technical work skills.

Education and training for poverty reduction have always been part of development policies but the focus has changed over time. Following King and Palmer (2005) and McGrath (2002) we can summarise the various post WWII periods of poverty policies as follows:

- In the 1950s and 1960s, economic growth and modernisation were seen by many as the primary means of reducing poverty and improving quality of life. The main objective was industrialisation and preparing an industrial workforce. The focus was on establishing dedicated technical and vocational training institutions that could produce a qualified workforce for the standardised mass production factories of the time. The need was in particular for large numbers of low qualified workers.
- In the 1970s, attention shifted to the direct provision of health, nutritional, and educational services, which was seen as a matter for public policy. The *World Development Report – 1980*, using the evidence available at the time, argued that improvements in the health, education, and nutrition of the poor were important not only in their own right but also to promote growth in incomes, including the incomes of the poor.
- During the 1980s, there was another shift in emphasis. Countries, especially in Latin America and sub-Saharan Africa, struggled to adjust after the global recession. The constraints on public

spending tightened. Structural adjustment policies, privatisation and private sector development had been pushed by the World Bank and the IMF as a means to tackle economic problems in the developing world. This was the period of market fundamentalism and the Washington consensus (Stiglitz, 2002a). More attention to the social dimensions of development ('people-centred' approaches) quickly began to be seen in response to this. These initially took the form of bottom up, often NGO led, project initiatives as there was a growing suspicion of state institutions and a perceived need to develop civic society.

- The 1990s saw structural adjustment with a 'human face', a return of the role of the state and more focus on developing an 'enabling environment' (supporting preconditions for poverty reduction), with the late 1990s and early 2000s seeing the development of PRSPs to provide for comprehensive policy frameworks, following an earlier move from project-based assistance towards so-called sector wide approaches. The 'discovery' of poverty and the definition of anti-poverty policies were very much driven by donors rather than national governments.

As mentioned earlier, issues related to the concept of poverty also need to be considered (King and Palmer, 2005).

These include *vulnerability* (insecurity and exposure to risk and to occasional periods of poverty), *inequality* (deprivation relative to other people), the poverty of *categories of people* (women, children, older people, disabled people), and *collective poverty* (of regions, nations, groups). However, poverty is not the same as *vulnerability*, nor is it the same as *inequality*. While poverty and vulnerability overlap, the distinction is crucial for appreciating the difference between being 'pro-poor' and being 'anti-poverty'. In practice, however, indices for poverty tend to be based on a narrow set of measurable dimensions, particularly such as income per day<sup>1</sup>.

Furthermore, there is a subjective dimension to poverty. It also matters whether people who are statistically

classified as being poor actually think of themselves as such. Subjective poverty, moreover, is a relative concept and will depend on context, environment and history. For national policymakers, there is a comparable issue over whether the statistical ranking of the country at the bottom of international poverty scales makes them think of their country as a poor one. Subjective meanings, as we know, are crucial to developing awareness and understanding of policy options.

Finally, at the conceptual level, we need to differentiate the various meanings of 'poverty reduction'. There are at least three kinds of poverty reduction. Skills development policies will be different depending on the kind of poverty reduction that is the aim (King and Palmer, 2005):

- *Poverty alleviation* – alleviating the symptoms of poverty and/or reducing the severity of poverty without transforming people from 'poor' to 'non-poor';
- *Lifting people out of poverty* – 'poverty reduction' in the true sense; reducing the numbers of poor people and/or transforming poor people into non-poor people;
- *Poverty prevention* – enabling people to avoid falling into poverty by reducing their vulnerability.

While obviously effective policies are often aimed at lifting people out of poverty and preventing people from falling into the poverty trap, in practice all too often policies do not even manage to alleviate single poverty symptoms.

### Impoverished transition countries

Most transition countries do not have a long history of poverty and although incomes were low in many countries, these were offset by the provisions of the state welfare systems. Many countries in the former Soviet Union, however, used to be dependent on budget transfers from Moscow which disappeared almost overnight after independence. Several new independent states have not yet been able to develop sustainable national economies.

<sup>1</sup> See also the statistical annex.

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They also needed to develop their own policymaking and administrative capacities. Within individual countries, moreover, there have always been considerable regional transfers to balance economic and social differences.

After the post-WWII growth period, gradual impoverishment started in all the ETF partner countries during the late 1960s and long before the final collapse of the Communist or centralised state-led systems. This is not the place to elaborate on the details of this process but countries have been unable to shift from economic growth based on centrally-planned and industrialised mass-production to more diversified, intensive, high quality products and flexible forms of production. As a result, poverty – both absolute and relative to other countries – has increased since the 1970s.

As we now know, transition policies from the end of the 1980s, based as they were on the Washington consensus, have hardly contributed to improving the situation, at least not in the mid-term (Nelson et al, 1997). On the contrary, poverty indices for most countries show a worsening of living conditions for large numbers of people, including, strangely enough, the working population. The European Bank for Reconstruction and Development (2005) estimates that every second person in what it calls the Early Transition Countries (ETCs) lives in poverty<sup>2</sup>. Even when economic growth occurred towards the end of the 1990s the poor did not profit from this.

### Individual and social impoverishment

Policymakers in transition countries tend to associate poverty issues in particular with the fate of those groups for which there used to be special welfare institutions and provisions, such as orphans and handicapped people. Dedicated institutions used to provide basic shelter, meals and sometimes also special training and income-earning opportunities. These have

all closed down with the collapse of the state welfare system. In addition, new groups needing shelter and social integration such as ex-prisoners and – in some countries – ex-soldiers returning from war, have appeared on the scene. Other groups that receive payments from the state have become impoverished as well, in particular old people living on state pensions and the unemployed for whom there are often no benefit payments. State employees and workers who are formally employed but receive no salaries are among the large numbers of working poor. But in many countries even those who are employed and receive salaries find it increasingly difficult to finance a normal way of life including securing a better future for their children.

Thus even if transition countries do not have a history of poverty comparable to developing countries, most transition countries have experienced a gradual, and recently even a dramatic, 'impoverishment'. This has resulted in high poverty among large numbers of the population combined with increased inequality between social groups. The case for impoverishment is further illustrated by the fact that currently 11 ETF partner countries have signed, or are at an advanced stage of negotiating, PRSPs with the IMF and the World Bank (World Bank, 2006)<sup>3</sup>.

### Institutional impoverishment

However, the concept of 'impoverishment' which we propose to use for transition countries does not only refer to the living conditions of individuals and their families. These countries have also undergone *institutional* impoverishment, which is a second characteristic that distinguishes them from developing countries. Institutional impoverishment is also closely related to the failure to change from extensive to intensive production and growth and has at least three distinct – but closely interrelated – features.

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<sup>2</sup> For the EBRD, the ETCs are: Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan.

<sup>3</sup> As of 31 December 2005: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Georgia, Kyrgyzstan, Moldova, Montenegro, Serbia, Tajikistan and Uzbekistan have signed initial PRSPs only. In some countries the papers are referred to as Socio-economic Development Strategies.

The **first** is that transition countries, as opposed to developing countries, have established elaborated and well functioning institutions that are typical of modern societies, particularly their education and training, health and welfare systems. However, the state budget crisis that has accompanied the economic stagnation since the late 1960s has resulted in under-investment in these institutions, which have gradually become outdated and severely under-resourced. As a result, the education and training sector has gradually lost its ability to remain an important source of innovation for the economy at large.

Nevertheless, basic literacy and numeracy levels have been constantly high since the early 1960s and have remained so until very recently for all age cohorts. Countries as a result have faced a growing pressure to expand their secondary and higher education systems. While higher education remained selective with only teacher and medical training open to increased numbers, basic and secondary vocational education grew fast but soon became technologically outdated. Secondary technical education quickly became an alternative track into higher education and lower level vocational education gradually developed into a dead-end for those without access to any other educational paths after basic education. Pedagogical approaches remained firmly set within the traditional behaviouristic knowledge and skills transfer approach. Practical training capacity deteriorated as a result of under-investment but enterprises continued to want to hoard labour as part of their strategy to cope with scarce resources. Mismatches between vocational education and training and work requirements were handled within enterprises and on the job. This lasted until the beginning of transition.

Transition policies have been unable to turn the tide, at least for most subsectors of the education system. In fact, it is the vocational training system that has suffered the most everywhere precisely because, for economic and ideological reasons, it was the dominant sector of the education system.

The predominant vocational orientation of the education system accounts for the **second** feature of institutional impoverishment. It has created at least three complementary policy responses in the early years of transition.

- The first was a reorientation towards higher education which, given limited public resources, was obviously at a cost to vocational education and training. This reorientation chimed well with the – long frustrated – aspirations of citizens and the academics that held new leadership positions. Basic vocational education had become associated with the ‘lower’ strata of society and upper secondary technical education was increasingly considered to be an alternative route to higher education. Post-transition policies reinforced a trend that had started long before. They also reinforced the trend of neglecting to invest in high quality vocational and technical education for middle level qualifications.
- An important side effect of this development after transition was that children from poor and impoverished families were excluded from the secondary general and higher education streams, mainly because they could not afford the costs. Vocational schools tended to become the only option for children of poor families, often for welfare rather than educational reasons. Keeping vocational schools open was thought of as maintaining at least some kind of welfare system for the poor especially in those countries where the schools were the responsibility of ministries of labour and social affairs.
- The third response was an attempt by educational policymakers almost everywhere – often responding to donor advice – to abandon the vocational education system, which was not only very expensive to maintain and modernise given limited state budgets but also ideologically discredited. Its curriculum and didactic approach were also completely outdated. Facilities, moreover, were worn out and often in need of total renewal, for which, of course, no state funding was available.



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These policy responses have contributed to the **third** feature of institutional impoverishment: the disappearance of the capacity of vocational education to provide innovative qualifications. Schools and teachers had to focus exclusively on operational day-to-day provision of education and training at the cost of development and innovation. It was also the result of the closing down of central support systems, for ideological and financial reasons, especially those for curriculum development and in-service teacher training in vocational education (Grootings, ETF, 2004; Grootings and Nielsen, ETF, 2005). Many NIS countries did not even have such central support institutions as curricula and training materials were all supplied from Moscow (or Leningrad in the case of vocational education and training). Because of the extremely low salaries, many teachers and trainers were forced to look for additional income opportunities outside the education system. Many of the most capable left the system all together; sometimes even the country.

### **Impoverished social capital**

There is another dimension of impoverishment that has not received sufficient attention so far but which is of crucial importance from an educational point of view. This refers to the loss of capacity, particularly among adult and older people and in the early stages of transition, to 'survive' in a society that is based on very different principles. This is what the concept of 'life skills' or 'social capital' refers to. Modes of behaviour and thinking, routines, social capital networks, survival strategies in the general sense of the word, no longer work as they used to. Poor people in particular suffer from this loss of capacity as they cannot buy their way out. Learned behaviour has become unhelpful; it is obvious that education institutions have a role to play here as well.

At an institutional level impoverished social capital also results from the breakdown of established employment networks, such as the links between local vocational schools and industrial or agricultural enterprises. Traditional, family or clan

based networks then become important in securing access to employment, which creates an environment in which new institutions, such as open labour markets, have problems developing and functioning. A further consequence of these developments is that formal education qualifications do not in practice have the effect that economic theory assumes in providing access to employment. Poverty soon risks becoming a structural phenomenon from which poor families find it increasingly difficult to escape.

This illustrates that even with an increased role for skills development in poverty reduction, aspects of skills utilisation and allocation also have to be taken into account. The improvement of skills development alone is insufficient to help poor people escape poverty.

### **The need to revive vocational education and training**

The overall result of what we call 'impoverishment' is that the vocational education system in many transition countries is no longer capable of re-attaining its former glory, nor of facing, without considerable external assistance, the challenges of systemic reform.

As a consequence of the manifold developments described above there is a serious lack of resources, financial and human, to revive the vocational education and training system in many partner countries. Instead, a particular pattern of international aid and cooperation is in place. The donor community now greatly influences whether vocational education is taken up as a policy priority at all, what focus these policies take and how they are developed and implemented. The combination of individual memories, institutional legacies and donor policies have so far clearly not favoured addressing the issues around the reform of vocational education and training.

Instead, a situation has developed in which vocational schools in many partner countries have become education institutions for the poor without having the real potential to contribute to any kind of

poverty reduction at all (Grootings and Faudel, ETF, 2006). Increasingly they have been reduced to welfare functions at the cost of their original role of providing a vocational qualification. A reform policy aimed at linking vocational education to poverty reduction should address these developments. It must in particular secure relevant contents and approaches for the learning needs of impoverished people including developing their capacity to escape from poverty for ever.

### SKILLS DEVELOPMENT: OLD STYLE TECHNICAL AND VOCATIONAL TRAINING OR A METAPHOR FOR LIFELONG LEARNING?

#### Donors' understanding of skills development

Like 'poverty reduction', 'skills development' is a neologism as King and Palmer (2006) rightly point out. Previously, the language was about vocational and technical education and training as provided in the formal – public – education system. Skills development is a broader concept as it is not related to formal education and training alone. It takes into account that people also develop skills outside the formal education system, in non-formal settings as well as informally such as through work experience.

However, the concept of 'skills' itself has been much debated within professional education communities. It has been criticised for its narrow and behaviouristic connotations, its exclusion of knowledge and attitudinal dimensions, and its unfitness as an education and training concept for the challenges of knowledge-based economies. In current educational parlance it has been replaced by the concept of 'competence'. This has, in practice, meant no more than a change in labels as traditional learning and didactic approaches often remained unchallenged

and focus has stayed with lower levels of qualifications. This is changing rapidly, however, with the current discussions on competence-based learning within a constructivist learning and teaching approach (Simons et al, 2000; Biemans et al, 2004; Hager, 2004; Oates, 2004; Ellerman, 2005; Grootings and Nielsen, ETF, 2005).

Moreover, the term 'skills development' is coined and used by donor agencies who themselves increasingly have lost in-house expertise on technical and vocational education and training (King and Palmer, 2005; Working Group for International Cooperation in Skills Development, 2004). It is a term which reflects the failure of the large donor investments in national technical and vocational education and training systems (TVET) of the 1960s and 1970s<sup>4</sup>. But it still continues a largely behaviourist understanding of skills as opposed to knowledge, implying – if sometimes perhaps only implicitly – that basic manual skills are all that the poor would really need. It will be a challenge to reconnect the skills development debate in the donor community to today's policy discussions on education and training for the future in the countries that the donor agencies themselves come from.

Attempts to broaden the notion of skills into 'life skills' or 'livelihood skills' all seem somewhat artificial, while illustrating the difficulty for the donor community of sticking to the skills concept (UNESCO, 2006; UNICEF, 2006). It is against this background that King and Palmer (2005, p. 11) suggest the following description:

*Skills development is not equated with formal technical, vocational and agricultural education and training alone, but is used more generally to refer also to the productive capacities acquired through all levels of education and training, occurring in formal, non-formal and on-the-job settings, which enable individuals in all areas of*

<sup>4</sup> The World Bank, the UN organisations and many bilateral donor agencies still use the technical vocational education and training (TVET) concept whereas the EU speaks of vocational education and training (VET). The TVET concept relates to two different levels of formal vocational (lower or basic) and technical (middle or higher) education and training, whereas the VET concept has always been more inclusive, both of levels (it also covers higher vocational and non-academic education) and – more recently – also of non-formal and informal forms of education and training.

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*the economy to become fully and productively engaged in livelihoods and to have the opportunity to adapt these capacities to meet the changing demands and opportunities of the economy and labour market.*

They also suggest that skills development does not refer to the curricular or programme source of education or training itself but to the productive capacities that are acquired through these courses and programmes. It is here that the donor development discourse comes closest to ongoing vocational education debates and reform policies in developed countries, which have increasingly converged on learning outcomes instead of standardised educational inputs.

### **Lifelong learning and learner-centred vocational education and training**

These debates focused during the mid 1980s and 1990s on making formal, often school-based, vocational education more practice oriented on the one hand, and making work-based or on-the-job training broader through a stronger emphasis on so-called key or core competences. This policy needs to be seen against the background of the period's increasing youth unemployment, which was related to shortcomings in both types of education and training. Education, in vocational schools as in others, was either seen to be too academic or theoretical in nature or at least not sufficiently practice oriented. Schools were accused of not producing graduates that could be used by businesses because they did not teach students what was required at work. Work-based learning, on the other hand, was seen to be too job related and not sufficiently future oriented.

The new policies all tried to give employers a bigger role in vocational education and to make vocational education and training refocus on learning outcomes (initially worded as skills and more recently as competences) rather than on inputs such as subject based curricular programmes and teacher and trainer roles. The new policies also often gave priority to qualifications

rather than to processes of teaching and learning, in particular in countries where there was no strong tradition of cooperation between the state and private sector in vocational education and training. This development often led to an increasing centralisation and bureaucratisation of qualification systems, an over reliance on assessment and certification, and to the drawing of resources away from direct education and training processes<sup>5</sup>. One of the underlying reasons for this was the adherence to traditional concepts of learning (Hager, 2004).

However, since the end of the 1990s it has become increasingly clear that a strictly outcome-based education system will not guarantee the quality and relevance of education and learning. It is now understood that learning does not occur automatically, either at school or in the workplace. Effective learning environments need design and professional facilitation. Many countries are currently seeking to re-establish the balance between a learning outcome-based policy and policies that focus on assuring quality of inputs and processes. Those countries that turned to qualifications and national qualification frameworks during the 1980s are refocusing on learning processes. Those countries that did not introduce strict outcome-based policies are now including elements that have become part of national qualification frameworks, such as pathways, transparency and recognition.

This recent change also includes recognition of the key role of teachers and trainers in quality education and training (Grootings and Nielsen, ETF, 2005). Teachers and trainers are no longer regarded as experts who pass on their knowledge and skills but as professional facilitators of learning processes. This generally means a move away from a narrow – behaviourist – 'skills' approach towards a much broader 'competence' concept, rooted in constructivist learning theories. The development of new didactical practice is also receiving attention, particularly in the search for approaches to help people develop new kinds of competences, such as the ability

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<sup>5</sup> See for example an illustrative analysis of the developments in the UK, Raggatt and Williams, 1999.

to learn, to cope with uncertainty and to be entrepreneurial. It is well understood that teachers and trainers still need high levels of specific domain expertise in addition to other learning facilitation competences.

The notion of ‘skills development’ as used in the international donor community is therefore in many ways at odds with current discussion and policy about modern vocational education and training. It is part of the development aid vocabulary and rooted in educational approaches of the past but creates confusion in communications with the education community at home, which is engaged in more fundamental educational reform discussions. On the other hand, the development aid community is largely unaware of current discussions and policy developments in vocational education and training in developed countries. This is not a good starting point for reforming vocational education and training to make it contribute to poverty reduction. We will come back to these issues in the concluding chapter of this *Yearbook*.

The current debate on skills development for poverty reduction is largely informed by experience from poor developing countries (in sub-Saharan Africa, Latin America and South and South East Asia). That experience is also coloured by the dominant economist approaches of the time to defining skills development issues. A second – but so far largely untapped – source of experience are the EU’s own internal policies and instruments for social cohesion. There is a long history of developing vocational education and training in order to balance economic and social development. However, experience from both these worlds is not easily transferred to the context of transition countries.

Nevertheless, important lessons can perhaps be learned when combined with a third source of experience, namely that of the vocational education and training reforms in the ETF partner countries over the last 15 years. We shall now turn to a brief review of what has happened so far in the field of such reforms to see what lessons can be drawn for poverty

reduction. Selected experiences will be presented in more detail in other chapters of the *Yearbook* and in the final chapter we shall put these experiences in a more strategic perspective. Here we will only provide a brief summary and focus on some of the key issues.

## VOCATIONAL EDUCATION AND TRAINING REFORM TRENDS IN PARTNER COUNTRIES AND LEARNING IMPLICATIONS FOR POVERTY REDUCTION

A basic point of departure for most EU and ETF designed VET reforms in partner countries in recent years is the understanding that VET systems should provide students with a broad-based education, not only covering vocational skills and knowledge, but also offering them good opportunities for social integration as well as personal development. This is often illustrated in the objectives laid down in new legislation on VET. Besides references to satisfying the needs of the labour market for vocational and general skills and the competences necessary to contribute to the development of trade and industry, labour market conditions, workplace organisation and technology, the objectives today also include wider aims, such as:

- to motivate young people to learn and to ensure that all young people who would like to undergo vocational training get a chance to do so through opportunities to select a suitable option from a wide range of training schemes;
- to provide young people with education and training opportunities which form the basis for their future professional career and contribute to their personal development and to their understanding of society and its development;
- to give people seeking further education and training a basis for doing so.

Thus, in addition to responding to emerging labour market needs, which in practice are very difficult to determine, we have always stressed that the reform of VET should also make it more responsive to the learning

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needs of people, be they young or adult. In times of unpredictable change and high uncertainty this can no longer be achieved by a top down approach from the national level. Nor will traditional standardised programmes of the one-size-fits-all type be helpful. Therefore an important ambition is to decentralise VET systems with a view to providing more freedom for schools to innovate and to respond dynamically to local community needs, from learners and enterprises. Renewal and educational innovation represent the cornerstones of any education system. If a substantial part of curriculum development is decentralised, the schools become responsible for local educational development work and consequently, educational innovations.

The underlying educational approach also implies shifting towards new types of education and training. These would introduce key competencies in problem solving, modern forms of organisation of learning processes, which would be different from standardised annual programmes, and self-assessment of students' work. General skills, group work and autonomous work for which the student is responsible are designed to prepare young people for the individual requirements of further training, particularly the ability to identify further learning needs and opportunities.

This approach corresponds to another priority: to improve the responsiveness of the system to the new qualification needs of the labour market. The modern and highly dynamic labour market requires skilled workers at the right level of competence and with the right sort of training, at the right time. Thus, the main overall objective of VET reforms is to strike a new balance between outcomes and processes: employability by providing the higher general personal and vocational competences required by the employment system and by establishing more flexible pathways and approaches to learning for the individual student.

But how can these general and 'overarching' tendencies spill over into the strategies for 'skills development for poverty reduction'? That question still

needs to be answered. The purpose of the ETF yearbook is exactly to explore these questions on the basis of the experiences gained in the course of VET reforms in a number of partner countries. In the following chapters a number of policy options and guidelines for action will be presented and discussed. In the final chapter we shall make an attempt to draw some lessons from these diverse experiences.

Chapter 2, on developments in South Eastern Europe, argues that the central idea is not to start with the weak and impoverished groups of the population but rather to challenge VET, education and employment systems for not being sufficiently broad, capacious and inclusive to cater for the needs of all learners in their programmes. Strong mechanisms of social exclusion accompany radical transition. A special and urgent challenge for the region is the vicious circle of intergenerational disadvantage. It is therefore important that public systems adapt their offers to those in need and not the other way round.

One of the main barriers to opening up training and employment for poor people is policy negligence or perhaps a lack of awareness. Solving the poverty problem is not an attractive field for policymakers. A 'learning in partnership' approach where, in a learning region (Kragujevac), a deliberate effort was made to mobilise all stakeholders and also energise the potential of the demand side has shown itself to be a very promising strategy. Another lesson learned in this project was the importance of the human and social dimensions of training programmes. The impact of such initiatives apparently derives just as much from the development of self-esteem – the reactivation of the personal 'self-starter' – as from the development of technical competence. The importance of raising the expectations of vulnerable groups is quite clear.

A fundamental lesson from this and other training activities in the region is that participants from impoverished backgrounds are real people with their own emotions, dispositions and hopes, and that educational planning would profit from

analysing participants' backgrounds and building curricula and learning organisations in response to and in accordance with their needs. For teachers, at least in adult training programmes for vulnerable groups, it seems obvious to start thinking about 'What do I want these people to take with them into their future lives?' instead of just focusing on delivering the messages as laid down by externally prescribed curricula. Furthermore, although donor activities in this field are many and varied, there is an acute need for mainstreaming initiatives to move beyond the local to the systemic in education and employment service systems.

Migrants provide a special case study of developing life strategies to cope with poverty. In chapter 3 the focus is on migration and its importance for skills acquisition and poverty alleviation in the Mediterranean region. The documented results are mixed but certain lessons can be drawn from the research findings. Labour emigration from the region could be seen as a strategy for survival and making a livelihood for the majority of Arab migrants, and the remittances sent to migrant households in the countries of origin help to reduce acute poverty. It is difficult to reach a conclusion on skill accumulation or transfer and poverty reduction, but even though the outflow is relatively skilled, the author argues against a simple 'brain-drain' effect; one could instead argue that migration of the strong constitutes a substantial incentive for others to become skilled. Migration tends to be from urban centres in the country of origin to urban centres in the new country and among the well educated, leaving rural areas even further behind.

It is further argued that increased interaction, demographic as well as commercial, is more likely to enhance development and reduce poverty than any attempt to restrict population movement. Emigrants' support to home country economic and skills development seems to be conditional. However, where a framework exists for including the immigrant community while simultaneously maintaining their attachment to their home country, there is greater potential for

combating poverty. Given this, it would probably also be possible to nurture a culture of support among immigrant communities for the modernisation of education and training systems, including VET, in their home countries.

Migration is also an important poverty reduction strategy in the New Independent States. We are not able to give a full analysis here but there are some striking differences with Mediterranean countries. In particular, as is clear in some of the Central Asian countries, the first wave of post-transition migration (of both former European descendants and national skilled workers) has often created a serious gap in middle-level qualifications. Current VET systems have difficulties in filling this gap, which increasingly creates shortages of skilled and professional labour for recovering or expanding businesses. Later waves of emigration have included higher educated people taking up often lowly skilled jobs abroad. Similar developments can also be seen in some of the new EU Member States. These issues certainly need further analysis.

Chapters 4 and 5 draw attention to the fact that vocational schools have become the last resort for children of the poor without being able – yet – to help them develop the professional competences to find employment and escape poverty. In many respects, and certainly in Tajikistan and Kyrgyzstan, lower vocational schools have gradually become welfare institutions instead of schools that provide their students with relevant qualifications. Some of the developments that have led to this situation have already been spelled out in this introductory chapter.

One key issue is the lack of attention given so far to modernising and reforming the VET system, often following the policy advice of the major multilateral donors, although some bilateral donors have invested quite substantially in the system in the past. Such assistance has not developed beyond the scope of pilot schools, however, and at national level policymaking capacities have been inadequate for making good use of these few pilots for national reform. First attempts

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at national policymaking for VET reform are only starting now but do not take into account poverty reduction aspects.

In addition, as is demonstrated in chapter 5, to a few donor funded pilot projects in vocational schools there have also been donor-led local development projects, especially in rural poor regions. These projects have often been initiated and implemented by NGOs and have been insulated from formal and state institutions and administrative structures, including those of the VET systems. Where the projects have attempted to develop sustainable institutions these have often been agricultural extension services. Vocational schools, though present in practically all local communities, have rarely been engaged in these projects and vocational skills development has not often been a major objective. Most local development projects have instead focused on social mobilisation, micro enterprise development and micro credits, such as was in vogue during much of the 1990s<sup>6</sup>.

On the other hand, several local development projects have applied very innovative didactical approaches, many of which have also become part of the didactical innovation in vocational education and training in developed countries. In particular, they have been much better at analysing and addressing adult learners' needs whereas vocational schools, even when contracted by employment services to retrain unemployed adults, have tended to continue a one-type-suits-all approach based on the existing curricula for young students<sup>7</sup>.

Given the scarcity of resources in the countries and the particular need to increasingly cater for very diverse poor people's learning needs, the authors of these chapters argue strongly for connecting the reform of vocational

education and training with NGO work on local development/poverty reduction. Whereas in chapter 5 this conclusion is reached on the basis of a review of local development projects, the authors of chapter 4 draw the same conclusion based on the review of VET reform needs and opportunities. What is important to stress in both cases, however, is the absence of any central level intelligence (in the sense of knowledge, understanding and creative thought about what is going on locally/regionally) and hence the need for a new decentralised approach to innovation/development, training delivery (including needs assessment) and governance. At this stage, national policymakers should perhaps restrict themselves to providing the enabling environment for decentralised development and innovation while keeping an eye on quality assurance and progressive learning pathways such as through investing in developing broad national qualification frameworks.

The idea is to reach sustainable outcomes through a combined bottom up and top down reform process, not so much through short term solutions to all the problems at once, but horizontally – locally and regionally – vocational schools should actively link up with other organisations in any kind of skills development, allocation or utilisation. It is argued that schools should take the initiative – and be enabled to do so by central authorities – to develop new local institutional networks that would serve local development. Obviously, addressing poor people's learning needs is part of this 'opening-up' strategy but not the exclusive objective. If schools open up to local communities, the poor would also profit.

Of course, it remains to be seen whether this will indeed be the case. Experiences from elsewhere indicate a drift towards serving easier and more promising target groups.

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<sup>6</sup> The EU Tacis Track 3 projects for poverty reduction in Kyrgyzstan and Tajikistan are exceptional in the sense that they foresaw the inclusion of vocational schools. Also some bilateral agriculture and farming projects in these countries, notably those implemented by GTZ and Helvetas, have sought to make vocational schools part of approaches to wider skills development.

<sup>7</sup> The biggest innovation is the introduction of the ILO Modules for Employable Skills approach which has led to confusing a modular arrangement of the curriculum with a very basic and simple tasks and skills-based ILO MES approach.

Nevertheless, such a decentralised development process needs to be carefully monitored in a perspective of drawing policy lessons from local experiences. Therefore, the very capacity to do this needs to be developed as well. Overall, there is a need to review traditional development and reform concepts. There may be a parallel with the shift from learning outcomes to learning processes in discussions about education reform. Shifting focus to a well organised and properly monitored policy learning process may well result in more durable and sustainable policy outcomes, not least because of the direct engagement of all relevant stakeholders in the process.

Decentralisation is important but decentralisation alone is not enough. Some of the risks and pitfalls of decentralisation are analysed in chapter 6 on the basis of recent developments in Russia and Ukraine. Economic growth and considerable annual GDP growth do not ensure stable improvements in life conditions in backward regions or for all. Growth must be better spread and policies for social coherence will have to be implemented. Certainly, education matters. The chapter proposes three concrete policy measures to help overcome poverty and social exclusion. All of these have a high relevance for the ETF's future work in partner countries.

First, decentralisation of education and training governance and administration is put forward as a solution, but with clear warnings. Handles need to be activated at the central level to ensure that a redistributive mechanism can balance uneven developments among different regions. The case for decentralisation is based on its potential for providing better, more flexible and often cheaper solutions to local and regional needs.

Second, vocational schools and other training centres should acquire more autonomy and, in principle, look 'sideways' towards the local community and not upwards to the central authorities. This was also argued in previous chapters. A strategy of transforming schools into community centres of competence

provision and technology expertise is a long-term vision. This will require strategic school development within changed governance structures. It will also require significant organisational change in school organisation. Today, vocational schools are organised as Taylorist traditional mass production plants. They still tend to qualify for the kind of simple and standardised jobs that were prevailing in such settings. There will be a long way to go to achieve the necessary change.

The third answer to combating poverty and social exclusion – and maybe the most substantial – can be found in starting to design inclusive VET programmes laid out as mainstream programmes that are open to all, also the weakest, in order to avoid stigmatisation of those who have up until now had to take specialised programmes. A similar conclusion was reached by the authors of chapter 2. Curricula and the organisation of learning arrangements and methods would profit from the introduction of learning for key competences. It is argued that the building blocks of the new learning paradigm would be a potentially strong socially inclusive instrument in both Russia and Ukraine.

Whereas the chapters summarised so far have more or less focused on how VET reform policies could perhaps be reorganised to better take into account the skills development and learning needs of the poor, the next couple of chapters deal with the question of how international assistance could help national policymakers and other stakeholders to develop and implement such policies.

Many lessons for poverty alleviation can be learned from the rich pool of experience of the European Social Fund (ESF). However, as is argued in chapter 7, the ESF is not a poverty combating instrument as such, but rather a tool to socially balance the forces of uneven economic development that characterises a free market system. The general assumption is that economic growth cannot stand alone but needs to be balanced by locally based learning in partnership models, and here the ESF offers a fertile field of EU country experience. Training in itself is not enough



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and the perspective within the ESF is therefore to see initial and continuing vocational education and training as a supply-side system factor responding to a (stimulated) demand of the employment system.

The ESF model works with mechanisms that are based on systematic regional efforts with shared responsibility of the social partners. The authors argue that this is extremely complicated to plan, implement and monitor. The experience of the New Member States and the candidate countries of Bulgaria and Romania shows that it takes years to create sufficient regional institutional capacity. Centrally managed innovation funds and enabling initiatives from below are among the successful examples of ESF-type designs. This is demonstrated by the ISKUR-led employment project in Turkey. However, the crunch here is to avoid encapsulation and ensure embeddedness, contextual fit and sustainability by creating sufficient institutional capacity.

The authors have not elaborated on the wealth of experiences that exist with the practical functioning of large centralised development funds and that will need to be taken into account when pursuing the idea of a national innovation fund. These experiences are not altogether positive and include risks for bureaucratisation, inflexibility, fund-driven innovation, lack of integration of innovation pilots into daily practice, encapsulation and non-sustainability of project outcomes. These are also experiences of the international donor community with its traditional project-funding approach.

In chapters 8 and 9 two instruments for enhanced policy learning are presented and critically discussed with a view to applicability in developing skills for poverty reduction. The sector-wide approach (SWAP) is a deliberate attempt to move away from project-based funding. It looks to ensure a sharp focus on partner countries' own responsibility and therefore stimulates ownership and contextual fit. It is an important vehicle for translating policy options into concrete designs implemented

within the ordinary governance and budget system of a country.

The sector-wide approach, however, as the authors of chapter 8 demonstrate also has its own drawbacks though real experience in the field of VET reform in the ETF partner countries is still too recent to draw firm conclusions from. In terms of the debate on skills development for poverty reduction a critical issue is of course the delineation of the sector to which the approach would apply. Poverty, typically, is a phenomenon that crosses narrow sectoral boundaries. Thus, it remains to be seen whether the sector-wide approach can achieve its objectives or whether it will merely develop into a transaction cost reducing aid instrument that retains most of the less positive characteristics of international assistance. A sector-wide assistance approach also presumes the existence of a clear national policy, which in practice needs to be acceptable for the donor community. The development of such a policy, particularly when this needs to involve future-oriented and systemic reform remains, as experience has shown, the fundamental weakness of stakeholders in most partner countries. The big question therefore remains: how do policymakers develop good reform policies that also pay due attention to poverty reduction?

Peer reviews and policy learning for policymakers can be mobilised and shaped for policy awareness raising in all dimensions of skills for poverty alleviation policies, as concluded in the international workshop on skills development for poverty reduction at the ETF Advisory Forum in June 2006<sup>8</sup>. Over the last five years, the ETF has gathered substantial experience in organising peer reviews and peer learning activities. Chapter 9 thoroughly reviews this experience and provides for one of the very few attempts made so far at translating the concept of policy learning into ways of creating learning environments for policymakers.

In practice, the main barrier here will be to stimulate an interest among policymakers in poverty and social exclusion – the benign neglect and/or lack of awareness,

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<sup>8</sup> See [www.etf.europa.eu](http://www.etf.europa.eu)

as mentioned in chapter 2 on South Eastern Europe, could easily become a major obstacle, especially when the international donor community itself cannot agree on giving a key role to vocational education and training reform as such.

In the final chapter, we try to pull some of the strings together. In particular we seek to answer the question as to whether the ETF's reflections on its past work in related areas give some clues for deciding on what and how we can connect the work on systemic reform of VET systems in impoverished partner countries to the wider objective of reducing poverty. The chapter builds on the main conclusions that can be drawn from preceding chapters, namely that:

- Skills are important but more is needed both in terms of complementary resources (including financial ones) and a wider enabling environment. A broad understanding of skills or competences will be needed.
- National vocational education and training reforms need to be more than merely poverty reduction tools but at the same time they should also be inclusive of the poor.
- Although they are a valuable source of innovative experiences, local projects have severe limitations and limited sustainability.
- They need to be integrated locally with key public and private institutions, and nationally with general policies in the education and training sector.
- Decentralisation needs to be complemented by didactical reform, school-based innovation and openness to local learning needs.
- Even when part of sector-wide approaches, vocational education and training reforms will have only limited

impact if they are not related to policies aimed at establishing wider supportive institutional and policy environments, related in particular to lifelong learning opportunities.

- In general, substantial change can only be achieved when governments, with donor support, invest across the board to produce a supportive environment for both public and private education and training sectors and invest in improving the quality – of inputs, processes and outcomes – of vocational education and training.

More specifically, we argue that overall skills development for poverty reduction policies needs to integrate skills development, skills allocation and skills utilisation. The development, allocation and utilisation of well-trained and educated people requires supportive infrastructures, both public and private. Among the most critical are those related to education and training, labour markets, work and employment.

Also in poor or impoverished countries, therefore, skills development policies need to be related to a wider policy context addressing questions such as what kind of jobs are – or will be – available and in which ways do people have access to or develop capacities to create which kinds of job. The overall context of globalisation puts these questions in a common framework for which country specific solutions will need to be developed. Although in the end this can only be done by stakeholders from inside the countries, there are important issues in which the experience and expertise of agencies such as the European Training Foundation can be of great help, in particular during the process of policy learning.

## 2. EDUCATION AND TRAINING FOR DISADVANTAGED PEOPLE IN SOUTH EASTERN EUROPE<sup>9</sup>

*Anastasia Fetsi and Meri Lorenčič*

2

### INTRODUCTION

The transition towards functioning democratic societies and market economies in the countries and territories of South Eastern Europe has been particularly difficult, for a number of reasons. The most important of these are (i) the gradual destruction of their economic infrastructure during the 1970s and 1980s as a result of disinvestment, economic mismanagement and subsequent loss of international markets; and (ii) the war and ethnic conflicts of the 1990s, which had a destructive impact on both the economic infrastructure and the social fabric, such that social cohesion has been severely challenged as ethnic divides have widened. From the mid 1990s until the present, much of the effort of the countries and territories in the region has focused on state building (Bosnia and Herzegovina, the former Yugoslav Republic of

Macedonia, Montenegro, Kosovo) and ensuring macroeconomic stability as a precondition for economic restructuring. Although progress was made at the beginning of the 2000s in terms of GDP growth, only Albania among all the countries and territories of the region has reached the level of economic output it had in the 1980s, while the economic restructuring process is still destroying unproductive jobs through the closure or downsizing of firms without parallel job creation of the same magnitude. Consequently, as is the case in other transition economies, the lack of jobs has been, and remains, a great challenge for all countries and territories in the region, and joblessness is a major threat for economic development and social cohesion.

Social infrastructures have also suffered from low levels of public funding in sectors such as education, health and social

<sup>9</sup> The countries and territories of South Eastern Europe are Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia.

services. There was serious underinvestment in school buildings, hospitals and social centres during the 1990s, while the war in Bosnia and Herzegovina and Kosovo destroyed part of the existing infrastructure. The social safety nets of the countries and territories of the region are relatively weak. Despite donor assistance, further under-funding by public authorities during the 2000s has not helped the capacity and quality of the social infrastructure, which is necessary in order to address the needs of the population, in particular for those who need it most.

Together with the downgrading of their economic and social infrastructures, the countries and territories of the region have experienced an erosion of their human capital. For the past two decades large numbers of population groups have been inactive as a result of forced population movements (refugees and internally displaced people (IDPs)), in hidden unemployment in unproductive or virtual jobs in dying enterprises, or involved in low-skilled, low-added-value income-generation activities. This implies that some of the population have missed the opportunity to upgrade their skills or, even worse, have lost their skills as access to the formal labour market has been denied to them. This is certainly a disadvantage for the employability of the individuals concerned, but it is also an extra barrier to future economic development and social cohesion in the countries and territories of the region.

The challenge for the countries and territories of South Eastern Europe today is to move forward in their economic restructuring and development process, but also to ensure that people who have particularly suffered from the events of recent decades do not lose their chances, but are able to become part of this process. This is an aim in itself for the countries and territories of the region, but it is also a challenge for their future accession to the EU, as the goals of economic development and social cohesion are considered on an equal footing to EU policies put in place to

fulfil the objectives of the EU Lisbon Strategy<sup>10</sup>.

This chapter argues that education and training have a central role to play in promoting the goals of both economic development and social cohesion by increasing the employability, entrepreneurship and adaptability of people who are left behind, and ultimately helping them to cope with the uncertainties of the restructuring process. Certainly, education and training alone cannot resolve all the problems of joblessness and poverty. A business-conducive macroeconomic environment for job creation, proper social safety nets, and well-functioning labour markets are preconditions for integrating the people who have suffered most and are currently disadvantaged. However, increasing their employability through education and training can help individuals to improve their chances in the changing socio-economic context of the countries and territories of the region. At the same time the participation of disadvantaged people in education and training activities has a direct impact on their inclusiveness in society.

This chapter also argues that ad hoc and piecemeal training measures aimed at enhancing technical skills are of little help in the current context of the countries and territories of South Eastern Europe. The cumulative impact of the erosion of human capital in the region over recent decades and the pressures of the socio-economic transformation process require concerted action in respect of education and training. This includes (i) the enhancement of the scope and quality of the education and training provision to develop the life skills and attitudes as well as the technical skills of disadvantaged people (be it adults or young people); and (ii) the creation of appropriate policy-delivery mechanisms to address the skill gaps of disadvantaged people, based on the mobilisation of local actors and the creation of local partnerships. In order for this to happen, political awareness and strong political will are essential.

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<sup>10</sup> For a description of the EU Lisbon Strategy and the progress of its implementation, see the European Commission Lisbon Strategy thematic website: [http://ec.europa.eu/growthandjobs/index\\_en.htm](http://ec.europa.eu/growthandjobs/index_en.htm)

## 2. EDUCATION AND TRAINING FOR DISADVANTAGED PEOPLE IN SOUTH EASTERN EUROPE

In this chapter we try to identify who the disadvantaged groups are in South Eastern Europe and what skill gaps they have. Then we explore and assess the efforts made by the countries and territories to increase the employability of disadvantaged people through training and other measures. We go on to analyse whether children from disadvantaged backgrounds are being sufficiently prepared for adulthood and the labour market, and finally we identify some areas for future work. We conclude by discussing the implications of our findings for the future work of the ETF.

### WHO ARE THE DISADVANTAGED PEOPLE IN SOUTH EASTERN EUROPE?

The cost of the transformation from state allocation to market principles – in the form of job uncertainty, real income losses, the deterioration of public and social services, and an overall decline in the standard of living – has been borne by the vast majority of the population. A considerable number of people were unable to cope with the changes, and today they are clearly disadvantaged compared to the mainstream. This is demonstrated by the relatively high percentage of the population who are impoverished in the region. Poverty, at least in its extreme form and extent, is a new phenomenon for a region that had previously managed to achieve satisfactory levels of economic and social development (with the probable exception of Albania). Evidence from the standard of living measurement surveys (LSMS) in the different countries and territories of the region demonstrates that between 10% and 30% of the population was below the poverty line in the early 2000s (see Box 1).

As is the case elsewhere, low-educated/low-skilled people and their families seem to be those who are most exposed to poverty and who have greater difficulty in coping with other adversities such as the low economic activity in the area where

they live (e.g. rural areas, the periphery of urban areas, former large industrial centres that are in deep economic restructuring). Between 60% and 80% of the poor people in South Eastern Europe have completed primary education at best (Matkovic, 2005). Roma people, internally displaced people (IDPs) and refugees (in Bosnia and Herzegovina, Montenegro and Serbia), people with outdated medium-level skills, women and older people are also overrepresented among the poor.

Low-educated/low-skilled people and those with outdated medium-level skills were among the first to lose their jobs (except in cases where individuals left voluntarily; this has not taken place on a large scale in the countries and territories of the region) and are those who have most difficulty in finding a new job, as demonstrated by the fact that they are overrepresented in the unemployment registers in the region and have a more than an average likelihood of being long-term unemployed.

However, being unemployed in South Eastern Europe does not mean that one does not take part in an income-generating activity. In fact, as demonstrated by the relatively high activity rates in the region compared with the EU average (except in the case of the former Yugoslav Republic of Macedonia), the lack of jobs has led to real inactivity – being pushed out of both the formal and informal labour markets – for only a certain part of the population, mainly women and older people. The social safety nets in the countries of the region are extremely weak<sup>11</sup>, which means that unless a family member has emigrated and sends remittances home, some income-generation activity is necessary for survival.

(Subsistence) agriculture has been a normal buffer for jobless people in the region, and today accounts for between 19% of total employment (in the former Yugoslav Republic of Macedonia) and 58% of total employment (in Albania). Furthermore, participation in informal

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<sup>11</sup> In 2004 the percentage of unemployed people covered by unemployment benefit ranged from 3% in Bosnia and Herzegovina to 7% in Albania and Montenegro, 10% in Serbia, 16% in the former Yugoslav Republic of Macedonia and 19% in Croatia. Unemployment benefit itself is quite low and is occasionally (as is the case in Serbia) paid with a couple of months' delay. The level of social assistance is also extremely low.

**Box 1: Poverty in South Eastern Europe<sup>12</sup>**

**Albania:** 25.4% of the population, or 780,000 people, live below the absolute poverty line and 4.7% below the nutritional poverty line (extreme poverty), according to the LSMS 2002. Poverty is more prevalent among those living in rural areas, particularly in the most remote districts in the north and northeast of the country; those whose main source of income is agriculture or a pension, or where the head of the household is unemployed; those living in large households; and the least educated, with households headed by people who are illiterate or have only basic education being 20–30 times more likely to be poor than households headed by university graduates.

**Bosnia and Herzegovina:** 19.5% of the population were living below the absolute poverty line in 2001.

**The former Yugoslav Republic of Macedonia:** 29.6% of the population were living below the national poverty line in 2004. Poverty is increasing as a result of greater inequalities in income distribution. Most of the poor live in rural areas.

**Montenegro:** 9.4% of the population were living below the absolute poverty line in 2002.

**Kosovo:** 37% of the population were living below the absolute poverty line and 15.2% below the extreme (nutritional) poverty line in 2002.

**Serbia:** 10.6% of the population, or 800,000 people, were below the national poverty line in 2002, and 2.4% of the population was extremely poor. Poverty is most pronounced in the former large industrial and mining centres (Kragujevac, Niš, Vranje, Bor, Majdanpek) and in the very south of Serbia; among the Roma and Albanian population, who are less educated; and among refugees from Croatia and Bosnia and Herzegovina and IDPs from Kosovo, who have very limited job opportunities in the weak and fragile labour markets of the places where they now live.

activities has increased substantially as a strategy for making ends meet. The contribution of the informal economy to total employment is high. In Albania the informal economy is estimated to account for over half of all output in the non-agricultural private sector and for over 25% of GDP. In Bosnia and Herzegovina, 39.5% (35.4% in the Federation and 44.4% in Republica Srpska) of all those employed

make their living in the informal economy, while in Serbia the figure is estimated to be around 28%. Activities in the informal economy include the creation of very small/family businesses and (normally unregistered) small enterprises, undeclared or under-declared work in registered enterprises of short duration or cyclical nature, activities at home, door-to-door selling, and activities in the local market or

<sup>12</sup> The poverty line is the level of income below which one cannot afford to purchase all the resources one requires in order to live. In the international literature a number of different poverty lines are used and calculated. The absolute poverty line is a threshold independent of time and place corresponding to the level of income required to live; the absolute poverty line is set at the level of US\$ 2 per day. The national poverty line is a country-specific threshold defined on the basis of country's cost of living or income and national currency; it is set at 50% of the median household income. The nutritional poverty line is the threshold below which one cannot afford to purchase the necessary food for survival, and it expresses extreme poverty. In the box we refer to different poverty lines for different countries and territories, as found in the literature. This does not allow cross-country comparisons, though it does give a general impression of the extent of the problem in each country or territory.

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in other places. With some exceptions, these are uncertain (precarious) jobs, low paid and low skilled; they deprive the individual of social rights such as future access to age or invalidity pension, health insurance, and they certainly do not fulfil health and safety at work requirements.

It seems that (poor) people who have suffered most from recent economic developments, and of whom the vast majority are low-educated/low-qualified individuals or people with outdated middle-level skills, have also entered a vicious circle of further deskilling that worsens their employability even more. The lack (or loss) of technical or occupation-specific skills is not the only problem. The lack (or loss) of soft skills, positive attitudes to work and job-search skills are equally (if not more) important, and are the most difficult to redevelop through short-term measures. People who are unemployed or involved in informal or subsistence agriculture activities tend to adopt a negative attitude to 'normal' work, lose hope that they will ever have a 'normal' job (although it is mainly jobs in the public sector that are considered 'normal') and in general develop a lifestyle in which operating at the margins of the economy/labour market/society is acceptable. According to the opinions of employers – gathered through surveys of EU-funded CARDS programmes in several countries in the region, as well as through an in-depth survey of employers gathered by the EU-funded CARDS project 'Support for Human Resources Development Measures for Unemployed and Redundant Employees in Sumadija, Serbia (2002–2004)' – poor working habits, low motivation for work, low levels of responsibility and initiative, lack of problem-solving capacities and poor communication skills are the main obstacles to recruiting those who have been outside the labour market or functioning at its margins. From the point of view of unemployed individuals, low self-respect, low self-esteem and lack of motivation to change their current position are important barriers to improving their situation. It is the accumulation of the above characteristics or skill gaps that put

individuals in a disadvantaged position compared to the rest of the population.

Seeing the issue from an intergenerational point of view, disadvantage is transferred from parents to children, according to all existing literature. The joblessness of parents and low family incomes from informal activities or subsistence agriculture may often lead children to leave school prematurely in order to participate in earning activities themselves or to help parents in the fields. Leaving school early makes them unprepared for subsequently ensuring a better position in the labour market and in society overall, and deprives them of the prospect of a better life.

### IS THE CURRENT ASSISTANCE GIVEN TO DISADVANTAGED PEOPLE SUFFICIENT TO IMPROVE THEIR SKILLS AND POSITION IN THE LABOUR MARKET?

Training in South Eastern Europe was traditionally valued, and was well structured through relatively sound training provision in enterprises, Workers' Universities, special education programmes for adults in (vocational) schools, and funding from active labour market measures (ALMMs) managed by the public employment services (PES). However, this training infrastructure has become obsolete and is ill prepared to address the large-scale problems of the people who now need to enhance their employability. The physical infrastructure of public training provision in Workers' Universities and vocational schools is impoverished as a result of long-term under-funding, while the content of the training programmes delivered is narrowly focused on the development of technical skills. Moreover, and probably more importantly, there is no adult education and training system in place to provide incentives and opportunities to individuals to enhance their skills. In this context, assistance for disadvantaged people to increase their skills and employability is today critically weak.

In the majority of EU Member States there are explicit policies to promote the activation of disadvantaged population groups and enhance their employability. These are delivered through (i) special PES services for 'difficult to place' people through individual employment plans, job-search training, counselling and guidance services; and (ii) targeted active labour market programmes addressing skill gaps, through either training courses or on-the-job training opportunities. In South Eastern Europe the focus on disadvantaged groups has not yet been established, for at least three reasons. The first is that countries and territories give higher priority to their economic agenda. Secondly, there is no recognition that human capital is an input to socio-economic development of the countries and territories, and consequently policies to develop it are left behind. Thirdly, there is not sufficient awareness that wasting human resources can become a major impediment for the socio-economic development of the countries and territories.

As a consequence, the PES have not yet redefined their core role in the new labour market context, and are working inefficiently and ineffectively. Much of their workforce is dedicated to administration and keeping unemployment registers rather than being in the front line and dealing with the people in need. Counsellors have neither the time nor, often, the expertise to provide real assistance and activate those who are unemployed. Given the limited resources that the PES have at their disposal, it will be necessary to focus their activities much more on those who are in most need.

At the same time there are a number of problems linked to the scope and design of the ALMMs already in place. The budget for ALMMs fluctuates and is small because it is generally set as a leftover from passive measures and administrative costs of the PES. The funding ranges from 4% of the already small total budget of the employment services in the former Yugoslav Republic of Macedonia to 18% in Albania. ALMMs are generally targeted towards job-creation measures through

different forms of wage subsidies to employers (grants or loans). As well as the deadweight that these measures are known to create — employers receive a subsidy for a job that they would have created in any case — they are also to the disadvantage of the most needy people, as employers normally choose those who are more employable. An aggravating factor is that the amounts of the budget remaining for training are quite limited and they are often allocated to training or apprenticeships, targeting school leavers from secondary education and university graduates (Montenegro, Serbia, Bosnia and Herzegovina). This means that limited funds for ALMMs are directed towards high unit-cost measures that do not really help those most in need. It is true that some targeting is taking place, for example for disabled people in (Bosnia and Herzegovina, Montenegro and Serbia), older workers, ex-soldiers and refugees in Bosnia and Herzegovina, and Roma and trafficked women in Albania. However, the availability of funds and design of measures cannot adequately address their needs.

Looking specifically at the training programmes offered through the ALMMs, these are generally long-term courses for ICT and languages, which again do not address the real needs of low-qualified individuals, as described above. Training centres under the PES in Albania and Montenegro give assistance to those who are less qualified, but the quality of the courses is quite poor. There is generally a lack of well-prepared training providers in the countries and territories of the region.

All in all, public funds and public provision to help disadvantaged groups to raise their skills and employability are rudimentary. Lack of targeting within ALMMs, the lack of experience and time of counsellors in the PES, and the lack of appropriate training infrastructure are the main impediments to achieving this objective.

Donor projects for disadvantaged groups have been implemented over recent years in order to fill the gaps in public provision. These are projects for Roma people, demobilised soldiers, refugees, returnees,



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women, training for entrepreneurship and the development of other technical skills, but also projects that target communities of disadvantaged people in, for example, rural areas, in order to empower them to take their future in their own hands. However, public action aimed at mainstreaming these approaches is still limited. Some entrepreneurship training is also provided through SME development projects, and disadvantaged people are occasionally (though not very often, it seems) the beneficiaries. Nevertheless, as demonstrated by the 2005 DG Enterprise report (European Commission, 2005b) on the progress review of the implementation of the European Charter for Small Enterprises, entrepreneurship training (and management training for small entrepreneurs) is underdeveloped and mainly focuses on starting an economic activity rather than on its expansion, which is essential if people trapped in 'informality' are to overcome and escape it.

What is left for people from disadvantaged groups is to pursue their training through their own efforts and certainly during work. In an ETF survey in Tirana (ETF, 2006a), on the informal economy, 40.7% of the respondents had been through a period of informal apprenticeship (of 14 months on average) that was considered to be one of their most valuable learning experiences. In addition to this, the phenomenon of developing skills through on-the-job learning while working abroad has been a strategy through which people are able to overcome the lack of a training infrastructure.

### DOES THE EDUCATION SYSTEM HELP TO OVERCOME DISADVANTAGE?

Though no hard evidence can be provided in a systematic way, participation rates in both primary and secondary education declined in South Eastern Europe during the 1990s. This was as a result of several factors, both endogenous and exogenous to the education system. Endogenous factors related to the deterioration of the school infrastructure and the impact that this had on access to education, as well as a rapid deterioration of the quality of

teaching and learning processes. Many schools were destroyed by the war in Bosnia and Herzegovina and Kosovo, or fell into disuse in Albania. The absence of investment in the school infrastructure (buildings, and teaching and learning materials) and the lack of heating as a result of financial problems caused a deterioration of the environment in which children had to learn in Serbia and Montenegro. Rural areas suffered particularly with school closures and a deterioration in the conditions offered to children. Exogenous factors related to the poverty of the families and the need for children to become involved in income-generation activities; the fear of parents for the security of their children; and the negative attitude towards schooling, either for cultural reasons or simply because of a lack of belief that school could guarantee a better chance in life.

In the 2000s there has been an improvement in the situation, with the participation rates in both primary and secondary education increasing. Nevertheless, pockets of low participation do persist among children of poor and Roma families, and are concentrated in rural areas or the periphery of urban centres. It is worthwhile noting that the participation rates of girls in primary education in rural areas was only 29% in Albania in 2003. Leaving school prematurely starts as early as in the final years of primary education, but much of the dropping out takes place in the transition from primary to secondary education, as well as in the first years of secondary education, in particular from vocational training programmes. It is the low quality of primary education – which fails to attract and retain children from disadvantaged backgrounds and to endow them with the initial skills necessary to deal with life – that can be seen as the main root of early dropout. Factors include the lack of attention given to ensuring access to schools for children from rural areas, the lack of training for teachers in dealing with children from disadvantaged backgrounds, and the inadequacy of teaching and learning methodologies to deal with the special needs of those children.

However, intrinsic problems in the provision of secondary education are also significant, though they differ across the countries and territories. For example in Albania one of the main problems has been the radical destruction of the vocational education system. Most vocational schools were closed down or transformed into general education schools during the 1990s because of a lack of demand by parents and children for a type of education that was irrelevant to the new socio-economic situation. The result is that now the option for children with low achievement in primary education (normally children from disadvantaged socio-economic backgrounds) is either to enter general education or to drop out of school. This implies that a significant number of young people enter an already bleak labour market with no qualifications or skills; they try to make a living by working in the streets or in low-skilled, low-added-value activities; and they often become involved in criminal activities, or simply emigrate. In the other countries of the region vocational education and training has kept its relatively important place in secondary education and has provided an alternative even to the limited number of places in general education (e.g. in Serbia the demand for four-year secondary vocational training programmes is higher than the number of places offered in schools, while this is not the case for general education). However, a significant percentage of children are still enrolled in vocational training programmes that are of low status and limited usefulness in terms of providing relevant skills for today's labour market, for example in three-year programmes for mechanical or electrical engineering. Very often these programmes are designed for local industries that are closing down. These young people are low achievers and are very often from disadvantaged socio-economic backgrounds. It is not surprising that these programmes have high dropout rates.

The need to raise the quality of the education systems in the countries and

territories of South Eastern Europe has been recognised by parents, ministries, employers, international organisations and donors. Increasing participation in education and training as well as education reforms are part of the government agenda in all countries and territories, and are explicitly stated in various types of programme-related and strategic documents. Raising the quality, and even more so, the relevance of education and training is linked to the provision of skills and knowledge that help young people to prepare for adulthood, including dealing with the uncertainties of the labour market and with new skill requirements of the economy through more learner-centred teaching methodologies. Efforts in this direction, generally supported by donors, have been underway since the 1990s in Albania and the former Yugoslav Republic of Macedonia and the 2000s in Bosnia and Herzegovina, Serbia and Montenegro. However, large-scale real improvements at school level are not yet apparent, as achievements and lessons learned from donor projects tend to have only a small impact, if any, at system level. Schools in depopulated or depopulating rural areas and in disadvantaged parts of cities are generally left behind in the reform process.

Another problem is that education and vocational training reforms do not yet have as an objective a particular focus on the needs of children from disadvantaged backgrounds. The objectives of education and VET reforms are usually linked to the improvement of the system, with excellence being the ultimate aim. Talented students are supported by education systems (or ALMMs, as mentioned above). The efficiency of the education system is clearly a more important consideration than are issues of equity. An overall improvement in the education and vocational training system will no doubt bring benefits for children from disadvantaged economic backgrounds, but special attention must also be given to them in order to counteract their social disadvantage.

### WHAT FURTHER STEPS CAN BE TAKEN TO PROVIDE ASSISTANCE FOR UPGRADING THE SKILLS OF THOSE FROM DISADVANTAGED GROUPS?

Activating and enhancing the skills and employability of the weakest population groups have been among the main pillars of the European Employment Strategy for the past ten years at least, and they form an integral part of the European Social Agenda. Activation has a slightly different objective in the context of South Eastern Europe, as it concerns not only the movement of people from inactivity to activity (as in the EU Member States) but also from the informal to the formal labour market and mainstream society. However, the means and instruments intended to achieve the goal are fairly similar. One element relates to achieving the correct mix of passive and active measures or, in other words, the combination of a proper social safety net and measures that assist the people who are in a disadvantaged position in the labour market to increase their skills and employability.

#### **Enhance the scope of training and improve its design**

Training aimed at the development of a comprehensive set of skills (including job-search skills, soft or life skills and positive attitudes to work, as well as technical and job-related skills), if well designed, appears to be extremely important for those with low skill levels. This was demonstrated by the outcomes of the EU-funded CARDS project in Sumadija, Serbia (see Box 2). The experience of this project demonstrates that (i) a modular training programme structure provides the opportunity to respond to the needs of both employers and those who are unemployed; and (ii) practical-oriented training in which modern adult learning and teaching methods are applied increases the

attractiveness of training programmes (it is worth noting that the dropout rate among the approximately 2,000 unemployed people trained through the project was only 9%). Incorporating opportunities for trainees to experience success through the accomplishment of specific assignments and supporting the taking of responsibility by requiring trainees to select elective modules are among the elements through which soft skills can be developed. Finally, the inclusion of work-experience modules provides a real opportunity for those who are unemployed to gain employment, as well as being a selection opportunity for employers. In fact, before the end of the project, 156 trainees had gained employment, while a year later over 500 trainees were employed. This is an important outcome in view of the tight labour market in the region of Sumadija during the years of the project implementation. But apart from finding a job, the mere fact that people receive training and learn to do something which gives a purpose to their life is a major benefit. In fact, in a survey in which unemployed people were asked why they undertook the training, 71.7% responded 'to get new knowledge and skills', while many expressed their satisfaction because participation in the training course gave them the opportunity to meet other people and build up new acquaintances. This demonstrates the importance of training as an opportunity for social inclusion, often disregarded by researchers and policymakers, but nevertheless significant for unemployed individuals themselves. During an ETF-European Agency for Reconstruction (EAR) monitoring mission<sup>13</sup> for the project to Kragujevac, the monitoring team visited a group of low-skilled people who were receiving training in pastry-making. The trainees thanked the funding authorities and the implementers for the opportunity to take part in this training. The social aspect of the training provision and the perception that somebody cares is almost as important as the specific skills training.

<sup>13</sup> ETF-EAR monitoring report for the EU-funded project 'Support for Human Resource Development Measures for Unemployed and Redundant Employees in Sumadija, Serbia', internal document.

**Box 2: Short description of the EU-funded CARDS project Support for Human Resource Development Measures for Unemployed and Redundant Employees in Sumadija, Serbia**

The project was implemented during the period 2002–04 and its main objectives were to (i) to enhance the employability and adaptability of unemployed and redundant employees in the Sumadija region to the needs of a changing economy; and (ii) to contribute to the development of a national HRD system based on the principles of lifelong learning. Thus the key project activities were directed towards:

- enhancing the capacity of local actors to form a focused partnership for employment and local development and to design and implement demand-driven training programmes and other HRD measures;
- building up the institutional capacity in the pilot region to develop and maintain a responsive local training and employment promotion system for unemployed people;
- delivering HRD measures for unemployed and redundant workers;
- assisting national actors in developing a national framework of action for enhancing the skills and employability of those who are unemployed and the adaptability of (redundant) employees.

The project established a formal partnership that brought together a number of actors from the region of Sumadija (including municipal and regional authorities, employers, the local employment offices, vocational schools and other training institutions, and NGOs) and national actors (the Ministry of Education and the Ministry of Labour). Within the first year of the project, 29 institutions were active in the partnership and worked together to:

- define priority target groups among unemployed and redundant individuals for training;
- exchange ideas and combine efforts in job-creation activities;
- facilitate cooperation with local employers;
- monitor the delivery of training programmes funded through an HRD Fund;
- develop proposals for the sustainability of the HRD Fund as an integral and important part of future regional socio-economic development;
- prepare an Employment Development Plan for the Sumadija District;
- prepare a proposal for the Ministry of Labour to establish a local Employment Council.

The project trained local training providers in the design and delivery of training programmes targeted at the needs of unemployed people and of local employers. Training programmes were implemented through an HRD Fund and 2,000 unemployed people were trained through it.

Finally, the project used the experience gained through its activities to make recommendations on policy development at national level in the fields of ALMMs, an Assessment and Certification System and the institutionalisation of the local partnership in the form of an Employment Council.

### **Improve the institutional setting: Make local partnerships part of a policy-delivery mechanism**

A crucial factor in combating unemployment is the function of the PES. Its role in assisting unemployed people is central, as they are the institutions that would potentially identify (in cooperation with centres of social assistance) the most needy and provide them with assistance. Counselling and guidance by PES counsellors for their 'disadvantaged clients' is of primary importance, as are well-designed and adequately funded training measures and employment opportunities (e.g. through public works/local employment programmes) within the framework of ALMMs.

Nevertheless, the PES has limited capacity and it is practically impossible (if not undesirable) for it to bear the full burden of activation and skill enhancement of those who are disadvantaged, in particular in the most difficult cases where there is need for long-term assistance to individuals in order to rebuild their confidence in themselves and towards society or to overcome deep-rooted negative attitudes. Mobilisation of local actors in the design and delivery of services through local partnerships or the development of local networks of service providers has delivered good results in relation to this challenge in EU Member States (often funded through the European Social Fund (ESF)) and in the candidate countries. The experience of the EU-funded CARDS project in Sumadija (see Box 2), through which a local partnership was developed, was very positive. Despite the fact that addressing the issue of joblessness was traditionally seen in the region as the responsibility of the Ministry of Labour or the National Employment Service, many key local actors responded positively to the invitation of the national institutions for cooperation and the establishment of a formal partnership.

Other South Eastern European countries and territories have also experienced this type of action. Several EU-funded CARDS projects and projects funded by other donors have built upon this concept of creating local networks bringing together

actors such as local authorities, local Employment Offices, regional development agencies, training providers (including vocational schools) and NGOs in order to provide assistance to people in disadvantaged areas (not necessarily to the most needy, although some targeting has also taken place, for example to long-term unemployed or disadvantaged young people, Roma individuals, or those made redundant through enterprise restructuring). The impact of these projects on the actual improvement of skills or on the labour market outcomes of the beneficiaries is not well known, as there are generally no monitoring mechanisms of those outcomes through the projects or by public authorities (and if there are, results are not broadly disseminated). Moreover, the main objective of many of these projects has been the capacity building of local actors rather than the actual impact on the lives of beneficiaries. However, anecdotal evidence demonstrates that there is a real potential for the further development of this approach.

The main difference in the use of this approach between the EU Member States and the South Eastern European countries and territories is that in the latter it is not yet used as part of a policy-delivery mechanism but rather as an experiment, and probably as a mechanism to fill the vacuum of state policy on addressing the skill gaps (and other problems) of disadvantaged groups. The longer-term success of local partnership approaches in activating disadvantaged population groups relies on its institutionalisation as a policy-delivery mechanism. Local actions need to be enabled and backed by appropriate legislative and institutional settings. These are important policy directions in the preparation of the South Eastern European countries to receive EU pre-accession funds through ESF-type funding mechanisms.

### **Integrate targeted measures for children from weak socio-economic backgrounds in education reforms**

With regard to the role of the education system in counteracting social disadvantage and ensuring provision of life and labour market skills for young people from weak socio-economic backgrounds,

the countries and territories of South Eastern Europe still have to find the correct balance between efficiency and equity within their education systems. This is not an easy task, and it is one with which many EU Member States are still struggling. A high percentage of young people still leave the education system without qualifications in the EU, and the results of the PISA survey show that even well-performing education systems are not successful in reducing performance differentials between children from low and high socio-economic backgrounds. These facts demonstrate that much work needs to be done.

The recent achievements in South Eastern Europe in terms of increasing participation levels in education and training at both primary and secondary level are a positive development. But there are still delicate issues to deal with, in particular

- access to education and training at both primary and secondary level in rural areas where schools are underfunctioning or have been closed down;
- the capacity of current teaching and learning methods to deal with broader skill gaps and attitudes of children from disadvantaged socio-economic backgrounds, e.g. Roma children;
- the very low quality of some outdated vocational training programmes at secondary level, which are usually followed by children from disadvantaged socio-economic backgrounds;
- the capacity of the public central or local authorities, and even schools themselves, to counteract the resistance of families to send their children (particularly, though not exclusively, girls) to school for cultural, attitudinal or economic reasons.

The above challenges can be addressed through mainstream education reforms, though only partially. In parallel, more targeted approaches need to be put in place and a more prominent role needs to be given to the school as the agent of change for counteracting social disadvantage. Examples of good practice exist in the EU Member States and can also be found in donor projects in South

Eastern Europe, based on concerted action addressing curricula, teaching and learning methods, counselling and guidance, extracurricular activities and increased parental awareness about the benefits of schooling. Again, in South Eastern Europe these actions are still experimental and do not yet form a mechanism for addressing the problem of low skill levels among children from disadvantaged backgrounds.

## CONCLUSIONS

The impact of the economic and social shock of the transition process is still being felt for the whole population of South Eastern Europe, but it is particularly burdensome for certain population groups. These are trapped in a vicious circle of poverty, joblessness, informality and increasing deskilling that leads them to operate at the margins of the economic transformation process. As demonstrated by the experience of other (transition) countries, the cumulative impact on the younger generation of this kind of lifestyle, which is caused by mechanisms of social exclusion, is a real challenge. Apart from the individual cost for those individuals directly concerned, this is a cost for society as a whole, as it endangers social cohesion and further economic development. Governments in South Eastern Europe need to give more attention to those who are being gradually left behind in the economic and social transformation process. This becomes one of the challenges for their own development process, but also for their convergence with the EU in the context of their future accession.

Education and training are not panaceas for the integration of disadvantaged people into mainstream society, but are the main instruments for increasing their employability, empowering them to deal with adversities and motivating them to change their own difficult circumstances. They are also instruments for breaking the vicious circle of intergenerational disadvantage. The skill gaps of disadvantaged people are many, and concern not only their technical and specific skills but also their attitudes to

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work and life, and their life skills or transferable (general, soft) skills. Filling these gaps requires long-term effort and well-designed training programmes combined with counselling and guidance. In that sense ad hoc training measures through ALMMs in the way they are currently designed are of little help. South Eastern European governments need to raise the importance of education and training issues (human resource development issues) in their policy agendas overall and establish adult learning systems that address the needs of disadvantaged people and that provide incentives and opportunities (i.e. quality training provision). Moreover, education reforms must become more sensitive to equity issues by enabling children and young people from disadvantaged families to overcome cumulative disadvantages. Current debates at EU level generated within the context of EU education policies for achieving the goal of social inclusion can be of substantial importance to South Eastern European countries and territories.

An appropriate institutional setting must also be put in place. The improvement of the functioning of the PES in providing quality assistance to those in most need is central, though it is not the only issue. The PES can provide advice, matching and ad hoc supported employment activities, but cannot create jobs in a market economy. The mobilisation of local actors through local partnerships and local networks of training providers who explore, address and care for the problems of disadvantaged people as an institutionalised policy-delivery mechanism (also involving assistance from the central level to increase the capacity of local actors to act effectively) is just as important.

Donor activities in the region have been dynamic in terms of coverage of the various issues mentioned above through projects and capacity-building initiatives, but both their large-scale extension and their mainstreaming by national authorities have been poor. A lack of funds is often used as an argument for this, but the lack of awareness and political will also plays an important role.

The ETF can continue its advocacy role and raise awareness among policymakers in South Eastern Europe on:

- the costs of leaving large population groups at the margins of the socio-economic transformation process;
- the importance of human resource development for social inclusion and economic development;
- the necessity of using resources at local level in an institutionalised policy-delivery mechanism.

This can be done through further dissemination of EU policy frameworks in the fields of education, training, employment and social inclusion, and through facilitation of a debate in the countries and territories concerned on positioning themselves within those frameworks. The latter implies well-documented analysis of the reality of the situation, assessment of the efficiency and effectiveness of the policies and institutional settings that are in place, and working in partnerships to identify future steps for achieving the objective of social inclusion. These actions are particularly important in the context of accession to the EU.

The ETF can also facilitate policy learning through:

1. the involvement of South Eastern European countries and territories in the debates at EU level on issues of equity and efficiency in education and training and improving access and participation to education and training for disadvantaged population groups; these debates cover both policy and implementation issues;
2. valorisation of knowledge developed in South Eastern Europe through donor projects in the fields of education and training and building up local partnerships to address the needs of disadvantaged groups, the integration of this knowledge into the design of national measures and actions, and the establishment of institutional frameworks for policy development and delivery.





### **3. UNDERSTANDING THE DYNAMICS BETWEEN MIGRATION, SKILLS AND POVERTY REDUCTION IN THE MEDITERRANEAN REGION<sup>14</sup>**

# 3

*Ummuhan Bardak*

International migration is increasing all over the world, in particular the temporary migration of skilled labour as a consequence of globalisation. This trend is strengthened by the fact that the world is facing an oversupply of labour in the developing countries and a shortage of labour due to an ageing population in parts of the industrialised world. In view of the presence of large north-south income gaps, the migratory flows are also interpreted as a strong sign of rising global inequality in terms of wages, labour market opportunities, and lifestyles.

Migration plays a significant role in poor (as well as better-off) people's livelihood strategies throughout the developing world. Whether it can operate as a balancing mechanism between societies and reduce inequality in the way intended by migrants is the starting point of this chapter. The answer is not simple and depends on the distribution of costs and benefits of migration both within and between sending and receiving countries. By reviewing research findings concerning migration from the Mediterranean region, this chapter attempts to shed some light on the complex relationship between migration, skills and poverty.

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<sup>14</sup> The Mediterranean countries included in this analysis are Algeria, Egypt, Jordan, Morocco, Lebanon, Syria, Tunisia, and West Bank and Gaza.

## INTRODUCTION

Migration is not a new phenomenon in the Mediterranean region. The region has been a source of labour emigration particularly to neighbouring labour markets during the period of demographic expansion of the last five decades. According to different data sources<sup>15</sup>, 2.7 million Egyptians (around 10% of the country's labour force) live outside their country as migrants. Of these, 70% are in the Gulf countries, while most of the remaining 30% are in the USA, Canada, Italy and Australia. The number of Moroccan nationals abroad is around three million, 85% of whom live in Europe (France, The Netherlands, Belgium and Spain). Some 850,000 Tunisians and 1.2 million Algerians live abroad, the vast majority of whom reside in Europe (mainly France). Around 900,000 Lebanese nationals have left the country since 1975, 10% of whom live in Europe. The number of Jordanian migrant workers is around 400,000, concentrated in other countries in the region. Significant numbers of Syrians emigrated to Europe, Africa and America in the first half of century, but recently around 500,000 Syrians have found employment in Lebanon and Jordan as unskilled and low-skilled seasonal workers.

For the purposes of this chapter, it is important to emphasise that these migration flows from different countries of the region, different periods of migration and to different destinations were far from homogeneous in terms of origin (rural or urban), skill levels and nature (temporary or permanent). To give an example, Moroccan migration towards Europe was part and parcel of the livelihoods of members of poorer communities from large, mostly rural areas for a long time, while Egyptian migration also involved the temporary movement of skilled individuals from urban centres (such as teachers during the 1970s) to the Gulf, Iraq and Libya. The heterogeneity of flows has significant implications for our discussion concerning poverty reduction. For a better understanding of the discussion, labour

migration in the region is divided into three periods, each corresponding to different destinations and skill levels.

### ■ *Migration towards OECD countries in 1960s and 1970s*

This took place mainly through bilateral labour agreements and consequent family unification schemes between European countries (France, Belgium, the Netherlands and Germany) and North African countries (Morocco, Tunisia and Algeria). Historical and geographical links, the colonial past and labour needs of heavy industry in Europe attracted large numbers of unskilled and low skilled migrants from the region. Additionally, large numbers of Palestinian refugees as a result of the Arab-Israeli conflict created a continuous labour movement for the neighbouring countries of the region.

### ■ *Migration towards oil-producing Gulf countries in 1970s and 1980*

After the oil boom, intra-regional migration provided an important outlet for workers in the labour-exporting countries, such as Egypt, Yemen, Jordan, Palestine and Lebanon. Jordanians and Palestinians were generally skilled workers and professionals. Yemenis were mostly unskilled or semi-skilled, and Egyptian migrants spanned the entire spectrum of skills and occupations from manual labourers to advisors and managers (Fergany, 2001).

### ■ *Recent flows across borders of the region during 1990s and 2000s*

The most immediate consequence of the Gulf crisis was the dislocation of large numbers of Arab expatriate workers, reducing their size and composition in the Gulf labour market. During the 1990s about 2 million Arab migrants and their dependents had to leave their residence in Kuwait and other Gulf countries because of their political sympathy shown towards Iraq<sup>16</sup>. A bias against the recruitment of specific Arab nationalities was created as a result of this tension in the Gulf

<sup>15</sup> The numbers vary in different sources; but they are mainly taken from the following resources: EIB, 2006; Bardak, ETF, 2005; Arab League, 2004.

<sup>16</sup> Palestinians, Egyptians, Jordanians and Yemenis in particular were heavily affected by the crisis and expelled from Saudi Arabia, Kuwait, and other Gulf emirates (Fergany, 2001).

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countries and this still continues in favour of their own nationals and Asian workers though intra-regional worker movements did not stop totally due to geographical, cultural and linguistic affinity.

Intra-regional movements have been an important feature of the political economies of many Arab countries due to successive waves of refugees (e.g. as a result of the Arab-Israeli conflict, the Lebanese civil war, the Gulf crisis and the recent Iraq war), increasing oil-production, and cultural affinity and exchange. Today, unskilled labour movements are common for seasonal work particularly between Syria, Jordan, Lebanon, the West Bank and Gaza Strip, and Egypt. Some countries of the region, such as Jordan, have become countries of immigration and emigration at the same time. The Maghreb region experiences a similar trend, being a transit area for black Africans from south to north, while sending significant legal and illegal flows to Spain and Italy.

#### THE COMPLEX RELATIONSHIP BETWEEN MIGRATION AND POVERTY

Migration as a factor in development and poverty reduction for the region is one of the new areas of attention with little concrete evidence of its overall impact so far. The impact of poverty and vulnerability on migration and the implications of migration for those involved are highly context-specific. Poverty itself is a multifaceted concept, including economic, social and political elements. In her paper *Review of poverty concepts and indicators*, the UNDP's Renata Lok Dessallien wrote: "It is generally conceived as absolute or relative and is associated with lack of income, or failure to attain capabilities. It can be chronic or temporary, is sometimes closely associated with inequality, and is often correlated with vulnerability and

social exclusion." Traditional literature on the economics of migration analyses poverty in terms of income, unemployment and wage determinants of migration. The assumption is that the expected wage at the destination is the force driving migrants<sup>17</sup>. It may be a response to unemployment and limited opportunities in the country of origin and part of a survival strategy to escape poverty. Migration may be a response to intra-community inequality as well. Since people are concerned with their relative wellbeing, households that are poorer than average in their communities migrate elsewhere to improve their welfare ranking (Sabates-Wheeler et al., 2005).

Migration decisions are generally not made by isolated individuals but typically within families. Households, subjected to risk, capital market imperfections or relative deprivation, enter into implicit contractual arrangements with migrants in which they fund the costs of migration, education, or both, and migrants subsequently provide remittances or savings in return (Waddington et al., 2003). Migration of one household member is a means of protecting income or consumption stability. For many poor households and individuals across the world, remittances constitute a major source of income, insurance and capital accumulation<sup>18</sup>. They can help to reduce acute poverty, particularly in rural areas of emigration, and contribute to reducing inequalities between countries. They may indirectly facilitate better access to education and health services by migrant households and create new jobs through funding small enterprises compared to non-migrant households. Nonetheless, their role in reducing inequality between social groups or rural-urban areas within one country is not clear. It depends to a large extent on which households are poor enough to trigger migration incentives, yet affluent enough to send migrants.

<sup>17</sup> A quick literature review on the motivations behind migration decision would show us that economic reasons are only part of the story. As will be seen later, political, social and cultural reasons can be as important as economic ones for migration decisions. However, this chapter limits itself to economically motivated migration.

<sup>18</sup> Quantitative research from India, China, Mexico and some other African and Latin American countries demonstrated the importance of remittances in reducing vulnerability and income inequality between households (Waddington, 2003, p. 14).

Migration can also enhance individual status: individual poor migrants may do well and the outcome of migration may be accumulative, enabling the person to get out of poverty (Waddington, 2003). Migration can be a method of accumulating physical and/or human capital particularly if access to financial and social resources is limited in sending areas. Such asset accumulation has important implications for poverty reduction. If migrants can accumulate more assets than non-migrants, then this mediates the effects of migration on poverty. Other mediators are returns to skills, income generating opportunities, social networks and institutional support. The immediate gains from mobility of less skilled workers are more significant for poverty reduction than those from more skilled workers<sup>19</sup>. If migration spreads enough, the increasing network size and associated decline in migration costs enable more of the poorer members to migrate. Thus migration has a significant potential to harness its benefits to improve the livelihood of the poor (Wets, 2004).

Migration is a riskier strategy for poorer households who are more likely to suffer in the absence of productive household members. Poverty and vulnerability may provide incentives to migrate, either as a strategy for livelihood diversification or out of destitution; but they also reduce the ability to migrate because the transfer costs involved (in terms of financial, human, physical and social capital) are too high (Waddington et al., 2003). Migration is possible only if income or wealth increase above a certain threshold and until a higher level where it is no longer considered necessary. Who becomes a migrant is crucial here: the poor who stand to gain most from it or the middle classes who are more likely to have the resources required for migration? Evidence indicates that migration may not be a viable option to the most destitute of the severely or chronically poor. They are unable to migrate not only because of the prohibitive costs, but also

because they have limited access to networks, disadvantages in terms of skills, knowledge and physical mobility. Studies confirm that better-off migrants are “pulled” towards fairly firm prospects of a job or education, whereas the poor are “pushed” by rural poverty and labour-replacing methods (Waddington et al., 2003, p. 9).

Many researchers suggest that when the poor do migrate it is often forced (for lack of an alternative or as a last resort). Migration may reinforce the existing poverty of both migrant and sending households: Severely destitute people may be unable to make informed choices about destination where they lack knowledge and social capital, and destination choices will be restricted by financial deficiency<sup>20</sup>. Poorer migrants may have to borrow at high interest rates to fund the costs of moving or living expenses and they may often end up trapped in strongly segmented labour markets where the rewards gained from migration are negligible: in precarious jobs in the informal sector, suffering insecurity, malpractice, exploitation, ill-health, humiliation, family break-ups, etc.). Such situations are unlikely to provide any opportunity to break the cycle of deprivation for them and subsequent generations. To some researchers migration for manual work is itself a source of vulnerability, while segmented migration of women (as care and domestic workers) also creates vulnerability for them and any children left behind (Waddington, 2003, p. 16).

A fundamental reason for the mixed evidence on poverty-migration linkages is the fact that it is extremely difficult to separate cause and effect empirically. Moreover, an income approach to poverty provides only a partial analysis of the possible outcome of migration. Income tends to interact with other migration determinants, such as human capital and social networks. In fact, individual human capital has long been seen as a key determinant of migration probability.

<sup>19</sup> See the case studies on Guatemala, the Philippines, and Mexico presented in Ozden and Schiff, 2005.

<sup>20</sup> It is known that the costs of migration increase with the distance between source and destination countries, and decline with social networks in the destination country that provide support and information. This has a huge impact on the composition of migrants. Inequality tends to increase as a result of migration particularly when migrant networks are small and migration costs are high.

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Economic migrants in particular are self-selected because they tend to have higher ability through better education and skills – including entrepreneurial skills – and labour market experience, are more ambitious and self-motivated, are willing to take risks, and have a comparative advantage in searching for jobs in destination markets. If the better-off are indeed overrepresented in migration streams, the broader implications become more complex since human capital is considered to be of central importance to development and ultimately to poverty reduction.

Therefore, any loss of the skilled through migration may be detrimental to the achievement of development goals and any discussion on the movement of the skilled is inextricably bound together with the debate on 'brain drain' (Skeldon, 2005). According to a World Bank study, an extensive flight of skilled middle-class workers who could help lift their countries out of poverty is damaging many small to medium-size poor countries, such as Jamaica, Ghana, Mozambique, Kenya and Uganda. In contrast, the largest developing countries, such as India, China and Brazil, have relatively smaller losses of talent and even benefit from their circulation (Ozden and Schiff, 2005).

Following the discussion above, this chapter aims to understand the dynamics of migration for poverty reduction in the Mediterranean region by focusing on the impact of two major issues: remittances and migration-related skill transfers. Remittances are the most tangible financial benefit gained from migration and their direct effect on poverty reduction is widely accepted despite the concerns related to recipients. Their potential to provide greater access to education and training by migrant households and to create jobs for them through funding business start-ups is also recognised. The next section reviews the studies on remittance flows to the region and its impact on poverty reduction. Particular attention is given to the investment areas of remittances in the region.

The role of migration-related skill transfers in poverty and development, on the other hand, is more ambiguous. Migration can positively affect skill formation (and social capital), but it can also cause serious losses. The third section attempts to explain the complex interaction between migration and the skills formation and accumulation process in countries of origin and evaluates the regional emigration trends of the skilled.

This kind of analysis should also include the transfers of skills accumulated after migration to make a thorough assessment although it is very difficult to quantify the long-term impact. An integrated approach is used to evaluate the effects of migration within the lifetime perspective as every stage of migration may create a different result. The fourth section therefore looks at the effect of returning migrants and the fifth section focuses on the diaspora from the region.

#### MIGRATION, REMITTANCES AND POVERTY REDUCTION

Remittances are the most frequently cited benefit of migration in poverty reduction literature. According to World Bank estimations, current annual remittance flows to developing countries are actually higher than the total of official development aid, which stood at US\$ 150 billion in 2005 (Ozden and Schiff, 2005). Average official worker remittances are reported to have increased by 3.86% per year in 119 countries, while their average GDP growth only amounted to 1.61% (Adams, 2003). In 2003, the world's three largest recipients of official worker remittances were India (\$7.9 billion), Mexico (\$5.8 billion) and Egypt (around \$3 billion). A 2006 European Investment Bank study focused on the Mediterranean region and concluded that remittances are of considerable economic importance, although more for some countries than others. Remittances through formal channels to individual countries vary from 2% to over 20% of GDP in the region.

During the last two decades, Egypt consistently ranked among the top receivers of remittances. In 2003 and 2004 these made up 6.3% of GDP and were among the largest sources of foreign currency, along with Suez Canal receipts and tourism revenues (Nassar, 2005). Remittances peaked at US\$ 6.1 billion during the early 1990s, but decreased to around US\$ 3 billion in 2003. Current remittance flows to Lebanon represent between 9 and 15% of GDP (around €2 billion), while they amount to over 20% of GDP in Jordan (€2 billion) (EIB, 2006). A total of 9.6% of GDP (US\$ 3.2 million) in Morocco, 4.6% in Tunisia (US\$ 930,000) and 2.3% in Algeria (US\$ 815,000) come from remittances (Khachani in Arab League, 2003). They represent 8.7% of current revenues in the balance of payments in Tunisia and 21.5% in Morocco. Despite some fluctuations, remittance transfers have multiplied more than 17 times in Morocco, and almost 23 times in Tunisia in the course of 26 years (1975-2001). By specialising in remittance transfers, the Credit Populaire du Maroc became one of the largest banks in Morocco. Remittance transfers are an important source of hard currency for Syria too, amounting to US\$ 500 million a year (Fargues, 2005a). These flows constitute only official transfer channels figures and exclude transfers in cash and in kind.

Despite their direct effect on alleviating immediate liquidity constraints in the economies and households of the region, the long-term impact of remittances is determined by the ways and areas of their use. It appears that remittances are primarily aimed at consumption in the region and that only a very small proportion of remitted funds are used for income-earning or job-creating investments. The remittance income is mostly used for daily household expenses, followed by health and education needs of children, and property buying and construction in the region. Usage of remittances depends on the migrants' maturity in the migration cycle. In the first years after migration money is sent home to support parents and pay school fees.

Later remittances are used for marriage or the construction of a house, and finally they may be used for investments in productive activities (EIB, 2006). Glytsos finds that investment increases with remittances in six of the seven Mediterranean countries (Ozden and Schiff, 2005, p. 8). People invest primarily in low-risk sectors that guarantee immediate returns, such as traditional areas of trade, real estate and services. Investment in the manufacturing sector is less frequent<sup>21</sup>.

Moroccans send back huge proportions of their income: a survey in France in 1972 found that 89% of Moroccans regularly sent money back, the highest proportion of any migrant group surveyed (Collyer, 2004). The money is predominantly used to sustain households, to build a house or to improve an existing one. The traditional regions of emigration in Morocco are famous for the palatial second homes of migrants. According to one study, 45% use remittances for daily expenses, 31% for payment of school fees, 16% for building a house and 5% for investments, although investment in real estate, agriculture and in other sectors such as tourism, industry and retailing is increasing (EIB, 2006). The study of Soudi and Teto (Arab League, 2004) concludes that remittances contributed to poverty reduction in Morocco, bringing the national poverty rate down from around 23.2% to 19%. In the absence of such remittances, the incidence of poverty would have risen from 12% to 16.6% in urban circles and from 27.2% to 31% in rural. On the whole about 600,000 families have benefited from remittances and about 200,000 families – nearly 1.170 million people – would have become poor in their absence. However, the social classes that profit mostly from those remittances are increasingly the middle classes, and especially the more financially comfortable. Still, without remittances, poverty could strike these social categories too.

A study analysing the impact of Jordanian expatriates and foreign workers in Jordan demonstrated that remittances from Jordanians abroad had a positive effect on

<sup>21</sup> Nevertheless, investing in real estate for example may have multiplier effects on the construction sector through proliferation of related professions (construction material, carpentry, blacksmith, etc).

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economic growth, while guest labour remittances out of the country had a negative effect. The overall effect, however, was positive (Athamneh in Arab League, 2003). Because most Jordanian emigrants moved to improve living conditions and secure various needs of their families, this had a positive effect on poverty and contributed to a reduction in the unemployment rate. The evidence shows a strong role of remittances in the real estate boom. Nevertheless, the remittances of Jordanians abroad were mainly directed at private consumption expenditure – not so much at investment. Also, the total effect was small mainly because the remittances per worker were very small.

A study in rural Egypt in 1991 showed that remittances had a small but positive effect on poverty. The number of households living in poverty declined by 9.8% and remittances accounted for 14.7% of the income of poor households (Nassar, 2005). Households that received remittances enjoyed a relatively higher than average standard of living. Their poverty incidence was far lower as they spent more on food, medical and education expenses. Another recent survey covering Egyptian migrants in Italy confirmed that migration represents an important livelihood strategy to cope with poverty. It cites high unemployment and subsequent difficulties in sustaining the family as the main reason of migration from Egypt (Sabates-Wheeler et al., 2005). Past poverty is a significant determinant of current poverty in Egypt. This points at a high level of persistent poverty and difficulty to move out of poverty, so the moderating effect of migration on the dynamics of poverty in Egypt is substantial for poor households. Migration has changed the nature of the dynamics of poverty in this specific destination group, and past poor migrants are less likely to be currently poor, pulling themselves from below the poverty line to a non-poor status. The remitted funds are mainly used for daily household expenses (75%), followed by buying or building a house and funding children's education (EIB, 2006).

Remittances are criticised as well because a significant amount is spent on the purchase of consumer goods and foreign products rather than the stimulation of local development in the region<sup>22</sup>. The critical issue here is the volatility and thus unpredictability of transfers. These encourage consumption rather than investment and may increase dependency among the recipients. Any later decline in low-skilled migration may then lead to lower remittances and create strains on domestic economies, potentially increasing acute poverty and reducing investment and consumption in the region.

The evidence above widely confirmed that remittances have contributed to a great extent to poverty reduction and that they have provided some inputs to new business and activities in the region. Investment of remittances should be understood in modest terms: durable goods, such as housing, land, cattle, gold, jewellery and shops, may be considered investment in physical capital, while increased spending on education, health and nutrition, particularly for children, is human capital investment for the long-term growth prospects of the countries. The investment in education and health of migrant households is particularly important in terms of breaking the intergenerational transmission of poverty. The potential of remittances to raise schooling levels by increasing the ability of households to pay for schooling needs special attention. As such, migration can be an accumulative strategy, not simply one of survival, and future generations can benefit through remittances invested in education and training. Overall, diverse experiences with emigration from different countries and rural-urban regions and with different destinations are likely to be responsible for conflicting results. It would seem, however, that emigration has a positive impact on inequality when it includes the largest possible number of poor and unemployed.

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<sup>22</sup> See for example Fergany, 2001; and Mehdi in Arab League, 2003.

## MIGRATION OF SKILLS AND POVERTY REDUCTION

Human capital formation has long been considered as a major determinant of social and economic development and the ultimate reduction (even eradication) of poverty. Highly educated workers generate more benefits for themselves and for society at large. They have, for example, a positive effect on the productivity of colleagues, on the provision of key public services, on tax revenues, and on constructive social and political debates. These benefits are lost to society when they migrate. Had they not become migrants, they would have been part of the middle class of their countries, demanding better public services and more transparent and democratic institutions. The loss of particular categories of skilled people through migration creates even more concerns than others. The emigration of health workers, scientists and students<sup>23</sup> may hamper the achievement of development goals as has been observed in internal rural-to-urban migration patterns. As skilled labour is instrumental in attracting foreign direct investment and in the promotion of research and development, the mobility of skills may contribute to a concentration of economic activity in specific locations at the expense of other regions.

Today this brain drain debate has moved on from the traditional 'zero-sum' game and has come to include interpretations that are not necessarily negative. According to the new debate, the return to human capital is likely to be low in a developing economy with limited growth potential. The migration of skilled individuals may be beneficial in this context, because it can offer incentives for others to acquire more education and foster human capital formation and growth in origin countries (Beine et al., 2003). This is a positive spin-off called brain gain. There may be even an optimal level of skilled emigration (Lowell and Findlay, 2002). According to Adams (2003), in the majority of countries international migration

is less than 10% of the population with tertiary education. He found a positive effect of skilled migration on human capital formation in countries characterised by high population growth and a low proportion of highly educated people, such as Indonesia, China, Pakistan and Ghana. Countries that have both low average educational attainment and low emigration rates of highly educated people are affected positively by migration<sup>24</sup>.

However, there are many losers as well. Brain drain appears to have negative growth effects in countries where the migration rate of highly educated people is higher than 20%, particularly in small countries such as the Dominican Republic, Ecuador, El Salvador, Guatemala, and Jamaica in the US immigration pattern (Beine et al., 2003). The study also argues that countries in the Caribbean, Central America and sub-Saharan Africa would certainly benefit from a total ban on emigration. The poorest developing countries tend to be affected more negatively, and the most affected continent is Africa. Factors such as the size of a country, its demographical structure, the nature of migrant skills, the socio-political situation and local labour market needs, the duration of migration, and selective migration policies of host countries influence the development outcome of skilled migration.

Other issues worth noting here are increasing international student mobility and exchange programmes of high-skilled professionals (researchers, scientists). 'Brain exchange' and 'brain circulation' have become a key element of the flow of goods and information in a globalised world. Mobile employees help to spread knowledge and transfer technology. They increase the international competence of companies and facilitate the acquisition or enhancement of professional skills. In developing countries, such exchange is considered a way to catch up with worldwide developments, but the challenge is how to keep these people at home once they have good contacts abroad.

<sup>23</sup> Skills for the health sector, for example, are seen as essential for the improvement of the basic welfare of any population, and the loss of medical personnel from a developing country is seen as prejudicial to the achievement of primary development goals.

<sup>24</sup> However, this has been challenged by Schiff, who concludes that the size and impact of brain gain are exaggerated (Ozden and Schiff 2005, pp. 201-225).



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International mobility of students in particular provides a potential flow of qualified workers. They may disappear in the course of their studies or through subsequent recruitment. A significant share tend to stay on after graduation in the US, Canada, the UK, Australia, Germany, France, Spain, and Switzerland<sup>25</sup>. Recent increases in international student flows are increasingly self-financed, dominated by people from middle-income countries or from richer families who can afford to pay fees set at market prices, rather than at subsidised levels (Colclough, undated). This trend may also undermine the viability of university structures in developing countries: domestic higher education programmes are deprived of their best students and with them the incentives and financial resources to build up good quality local institutional structures disappear.

Recent studies confirm that the balance between skilled and unskilled migrants has been changing rapidly due to changes in the global labour market structure and more favourable recruitment and immigration policies for the skilled (OECD, 2005a). Low-skilled migration becomes less important in relative terms (45% in 1990 and 36% in 2000) and the global share of workers with tertiary education increased by 1.8%. This compares to a 2.5% decrease in the share of low-skilled workers (Ozden and Schiff, 2005, p. 168). Recent (legal) migration flows are increasingly better educated than the rest of the population in the country of origin: 67% of all immigrants to the USA and 88% of those to other OECD countries have a secondary (high school) education or higher, and the migration rate for those with primary school education or less is under 10% (Adams, 2003).

There are relatively few studies on the skill composition of Arab migrants and this therefore needs further empirical research and a careful assessment. Countries of the Mediterranean region have large populations and young age structures,

lower education and skill levels compared to the world average, high unemployment, and segmented labour markets with large informal sectors (Bardak, ETF, 2005). Looking back to the migration history of the majority of the countries, Adams (2003) confirmed that the proportion of skilled emigrants in the total emigration stock has been traditionally low, particularly where it concerned emigration to Europe. By and large, migration flows have been dominated by unemployed people from rural areas. Labour emigration from the region helped decrease the pressure of unemployment in stagnating economies and individual migrants had relatively better living conditions and increased earning capacity. One significant study is an analysis of male international migration from Egypt in 1991, which indicated that education had no significant effect on migration as most migrants worked in unskilled employment. In contrast, it appeared to be landlessness combined with agricultural employment that pushed people abroad (Waddington et al., 2003). According to Docquier and Marfouk, Islamic and Arab countries do not seem to have been strongly affected by brain drain so far (Ozden and Schiff, 2005, p. 172).

Today, following global trends, skilled labour flows are observed from Egypt towards the USA, Canada and the UK; from Lebanon to the USA and Canada; from Iran to Germany; and from the Maghreb region to France. University graduates represent 58% of first generation migrants originating from the Mediterranean region in Canada and the USA, against 10% in Austria, France, Germany, and Spain (Fargues, 2005a). A new form of emigration concerns graduates of some high performance engineering schools in Morocco, where 50 to 70% of the best graduates travel abroad. The emigration of scientists from Algeria has been considerably accelerated during the last decade with no return perspective. The French National Centre for Scientific Research includes 700 Moroccan,

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<sup>25</sup> The USA is a well-documented case of this. Estimates indicate that two thirds of foreign scientists and engineers working in the US have obtained their PhD there. Foreign students and workers with the appropriate human capital for holding high-skill jobs provide significant positive effects on innovative activity in the USA: 10% increase in the number of foreign graduate students raises patent applications by 4.7%, university patent grants by 5.3% and non-university patent grants by 6.7% (Ozden and Schiff, 2005, p. 13).

500 Algerian, and 450 Tunisian researchers (Mghari in Arab League, 2003). Since 1970 significant numbers of Syria's educated elite have emigrated and only 20% of the Syrians who obtained a PhD at a foreign university returned home afterwards (EIB, 2006, p. 129). According to Nassar (2005), brain drain from Egypt is also evident, with 77% of recent migrants having tertiary education. The percentage of scientists and technicians among emigrants increased from 20.4% in 1985 to 40.2% in 2002. The percentage of clerical workers decreased to less than one fifth. Many of these migrants were employed before they left the country, thus not coming from the unemployed pool. The probability of migrating to OECD countries among those who obtained tertiary education is five times higher than among those with primary education or less.

Qualified labour from the Maghreb is rather more concentrated in France, where 58% of all foreign students come from Morocco, Algeria and Tunisia and only half of those who complete their PhD or post-doctorate studies return to their country of origin (Skeldon, 2005). A survey of Moroccan engineering students in French institutes in 1999 revealed that 88.7% were not thinking of returning to Morocco. The reasons cited include the archaic character of mentalities (64.3%), lack of transparency of social and economic rules (32.5%), lack of viable and attractive work and research opportunities (13.3%), low salaries (11.6%) and other issues related to the quality of life and work, such as freedom, security, work ethics, quality of public services, etc. (Mghari in Arab League, 2003). As seen from the responses, the material factor is not the main determinant for the majority, and skilled migration from the region cannot be explained only with economic arguments. The main determinants are a general environment that does not sufficiently appreciate skills and competences, a lack of freedom and transparency in the administration of careers, difficult work conditions, and a scarcity of interesting and valuable job opportunities.

From the studies above, education appears to have become a major factor determining migration opportunities in today's

globalised world, including the Mediterranean region. Although past migration stocks from the region do not pose any significant skill loss problem, recent trends may bring higher risks. In particular the fact that increasing permanent migration of the skilled from the region has not only economic but also political reasons may illustrate the failure of current efforts by the state, universities and private sector to keep human capital in their countries. The possibility of political crisis and instability in the countries can always create even more potential for an extensive flight of skills – as seen in the case of Iran after 1979, but recent political developments in the developed world are not conducive to extensive flows from the region.

Furthermore, the existence of a large and young pool of labour with relatively low levels of education is likely to prevent any drastic brain drain impact. Although education – in particular higher education – is highly valued and heavily invested in by Mediterranean societies at large, the average low level and quality of education systems is a barrier for the majority of people to compete with skills for the international market. Despite the recent trend of increasing skilled migration, the availability of millions of cheaper, more motivated, better educated and skilled people in other developing and sometimes developed countries is likely to maintain the low share of Arab migrants among the high-skilled.

## RETURN MIGRATION AND POVERTY REDUCTION

Return migration, where people with new skills, savings and networks acquired abroad support the economic and social development of their home countries, is an attractive idea. Returnees not only bring skills but they can also bring capital, entrepreneurial and political ideas. Although they are unlikely to be the key factor in the development of their homeland, they can play significant roles. However, little is known of the incidence of, and motivations for such remigration. The promotion of brain gain programmes for

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encouraging especially skilled nationals abroad to return, even temporarily, to their home countries has been achieved in various recently industrialised countries such as Singapore, Korea, Taiwan, Israel and Ireland. However, they seem to be preceded by sustained economic growth, being a response to, rather than a driver of, economic development<sup>26</sup>. Many other return programmes implemented by origin or host countries to facilitate the return and reintegration of migrants have not produced impressive results. Essentially there must be something to return to, a stable environment which makes returning an attractive and viable option for life of migrants. Other factors include the opportunities and integration level of emigrants in host countries and their relative success or failure rates.

The trends concerning return migration in the Mediterranean region seem to be affected by the destination and intended duration of migration. While migration to the OECD countries seems to be more permanent, migration to Gulf countries is mostly temporary and includes higher degrees of mobility. This may be primarily related to the different costs and opportunities available in these destination countries, but it also reflects a lack of attractiveness of the origin countries. Studies on Tunisian and Moroccan migrants reveal the following constraints preventing their return to the countries: a lack of attractive jobs, weakening or loss of their contacts, inefficient public services such as education and health, excessive administrative procedures, scarcity of investment opportunities and difficulty of access to credits (Soudi and Teto in Arab League, 2003). As a result, particularly in Europe, the majority of migrants from the region settled down in the host countries, constituting large second and third generation communities<sup>27</sup>.

There are few studies analysing the impact of returnees in the region. According to Wahba's study on Egyptian returnees (Arab League, 2003), almost half of them invested in housing, and only 10% of them used their savings to invest in economic projects. The purchase of land or cattle for farming or building, buying gold and jewellery and investing in Islamic banks are other types of investments. Skills acquired abroad were judged to be beneficial by all types of returnees, and longer work-spells abroad raised the likelihood that skills would be useful on return, mainly through entrepreneurial activities. Educated migrants tend to benefit more than the uneducated from their experiences abroad, but access to credit, savings and accumulated knowledge and skills significantly increase the likelihood of returnees engaging in entrepreneurial activities. Savings seem to matter more in this respect than knowledge and skills. As regards the impact of returning migrants on the structure of enterprises, returnees mostly engage in the service sector and they are more likely to create decent jobs for their employees although they may employ them informally. They are small-scale enterprises with generally less than five workers.

The situation is more clear in Lebanon where the wealthy Lebanese returnees have contributed significantly to the development of sectors such as textile and building material industries, banks, and contracting and public work enterprises. In the early and mid-1990s many Lebanese entrepreneurs, professionals and skilled workers returned to Lebanon, either attracted by emerging opportunities of the reconstruction programme or pushed out by declining opportunities in West Africa, Canada, France and Arab Gulf countries. A new community of dual citizens emerged, living in Lebanon, some returning, some commuting, others coming

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<sup>26</sup> In the South Korean example, despite the incentives offered to qualified returnees, less than 10% of Korean PhD graduates returned home during the 1970s. Since the mid-1980s this situation has changed and most PhD graduates (about two thirds) now tend to return, which shows that economic growth preceded rather than resulted from this reverse flow (Coppel et al., 2001).

<sup>27</sup> Tight migration policy and travel restrictions implemented by European countries may have contributed to the permanent settlement of migrants who have to make a choice between the country of residence and country of origin. By choosing to stay in the country of residence, psychologically they still keep a return option to their home country, maximising their opportunities with a rational reasoning, while they would have lost all the rights gained in country of residence if they had returned permanently.

and going depending on the economic and market opportunities in Lebanon and the host countries. Up to 40,000 Lebanese-Canadians, 30,000 Lebanese-French, and 20,000 Lebanese-Americans reside in Lebanon (Khouri in Arab League, 2003). However, this group seems to have shrunk in the past five years as investment projects have run into difficulties. Many of them left again in the post-war decade, citing the lack of attractive options in the country as the reason of their departure.

Collyer (2004) found evidence in both Morocco and Egypt that return gains differ significantly according to the geography of departure and geography of return. There is a certain selectivity in the process of return migration with particularly wealthy returnees favouring urban areas rather than their previous homes in often much smaller settlements in rural areas. This conforms to general trends as rural population decline is an integral part of economic development which few countries in the world escape. It is possible that return migration is exacerbating existing patterns of internal migration by funnelling resources into towns and accelerating the decline of rural areas. This is certainly the pattern in Egypt where research has highlighted concerns over the growing inequality between rural and urban areas. There are examples of towns in Morocco that appear over-inflated by remigration.

Some studies note how migrants return with more orthodox and standardised religious habits, while others report some social differences following from migration, such as subtle changes in the status of women and their increasing visibility in public places (Waddington, 2003). Circulation in particular can promote the transmission of different values and norms that contribute to social development. The skills gained by people in building interpersonal relationships and social ties are especially transferable and can be used to bring about positive social change

in the home countries. According to Nassar (2005), migrants may have contributed to the introduction of new technology, such as increasing mechanisation in agriculture, but most returnees in Egypt are not innovators who aim to alter a lifestyle or change economic and social status, but rather conservative migrants who want to retain or recover a certain lifestyle.

The limited findings above suggest that return migration is a potential gain that has not been fully utilised so far in the region. Work experience abroad, for even comparatively short spells, facilitates the accumulation of financial capital on a scale not otherwise possible and the accumulation of new useful skills. Both can increase enterprise investment at home. However, reaping the benefits of remigration is not something that happens automatically. Countries need to offer attractive environments for their expatriates to return to and effective reintegration programmes need to be designed for potential returnees, including better reception and advice for investment opportunities and access to business support and credits for entrepreneurship.

## THE CONTRIBUTION OF DIASPORA TO POVERTY REDUCTION

Migrants remain concerned about their country of origin because of cultural, family or other ties, even when they settle abroad and build their professional and personal lives there. They can contribute more to the development of their countries today than they could in the past because distant cooperative work has been made possible through digital communication and shorter and cheaper lines of transport. The diaspora is a source of business development, foreign direct investment, technology transfer, philanthropy, tourism, and funding for development projects<sup>28</sup>. Less clear is the impact of such

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<sup>28</sup> Notable commercial examples are East End Foods which has become the UK's biggest importer/exporter of Indian food, and Wing Yip's supermarket chain which draws upon import/export links with China and its surrounding regions. In this way developing world producers have access to developed world markets, initially serving the ethnic community but often spreading to form a sizeable niche within mainstream markets (Waddington, 2003, p. 29).

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transnational business on livelihoods and job creation in poor countries. However, the ability of individuals and communities in diaspora to reduce poverty and contribute to the development of their home countries is conditioned by their integration in the host country. Only limited contributions to development can be expected from communities in which many members have no secure legal status, are not incorporated in the formal labour market, or do not get a quality education. All these conditions make it likely that their resources will be meagre, and largely absorbed by their own daily survival needs.

The diaspora is also a source of more intangible flows of knowledge, new attitudes, cultural influence, and political contributions, even activism. While it is obviously easier to specify the impact of economic interventions by the diaspora, social and political activities may have an even more profound, if indirect, effect on the prospects of the poor. The ideas, behaviour, identities and social capital that flow from receiving country to sending country communities have been called 'social remittances' (Newland, 2004). Though difficult to assess, such remittances can affect attitudes toward democratisation and human rights, women's equality, education and employment for girls and women, or violence. However, migrants are only able to strengthen cultural flows and cooperation between the home and the host societies if there is a dynamic interaction between diaspora communities and their host societies.

Focusing on the Arab diaspora communities in Europe, many of them are not yet well-organised or recognised in host countries. They often reproduce the divisions of class, ethnicity, religion, political affiliation, language and region that are found in their countries of origin. Such differences within diaspora groups influence the nature and scale of their capacity and willingness to act as agents of poverty reduction. With the shift from worker migration to that of family unification and the rise of generations born in the host

countries, emotional and cultural attachments start to erode. On the other hand, the social interaction between host societies and the majority of Arab migrants is not always successful and sharing wealth but not identity with the host societies creates serious integration problems, preventing the emergence of new combinations of social norms and values in these communities.

Non-integration plays a strong role in reinforcing existing orthodox practices and religious fundamentalism, which seriously undermines the potential benefits of the diaspora for local development.

Diaspora relationships with the public authorities of the origin country are not always easy either. The position of Arab governments on links with emigrants has been reactive rather than proactive. They have created institutions to deal with migrants, from banking or legislative instruments to facilitate financial transfers and investment, to cultural and religious instruments intended to safeguard or revive the Arab or Muslim identity. However, these institutions have not been effective in addressing their needs and political issues have sometimes weakened and even inflamed the bond between the diaspora and their countries of origin (Fargues in Arab League, 2003). Heavily influenced by political developments, migrants sometimes avoid active participation and contribution to the development of countries.

The case of Egyptian migrants illustrates well the uneasy relationship with public authorities in Egypt. They tend to avoid participating in initiatives promoted by the government for the diaspora due to the bureaucracy and rigidity involved (EIB, 2006). Government interventions are perceived as an intrusion into the migrants' livelihood strategy. On an individual basis they support Islamic organisations through *zaqqat* and *sadaqqa*<sup>29</sup> for the improvement of schools and mosques in their villages of origin, but the interest among Egyptians for the collective mobilisation of resources for the social development of communities through, for example, education,

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<sup>29</sup> *Zaqqat* is 2-5% of income that should be donated annually to the poor or an Islamic cause (a kind of religious tax), while *sadaqqa* is any additional amount given voluntarily for charity purposes.

healthcare, sanitation or irrigation is very limited. Collective programmes for the social development of the villages of origin by Egyptian diaspora associations are not known.

The role of the diaspora in promoting development is partly exemplified by the Lebanese who easily integrate in their new environment and quickly move up to the middle and upper socio-economic classes of host societies. Through donations, investments, scholarships, religious endowments, building of schools, roads and local infrastructure, emigrants have contributed to the upgrading of assets and capacities of resident Lebanese (Fargues, 2005b). In spite of their weak relationship with the public authorities in Lebanon, successful integration of the Lebanese migrants in host societies enabled them to contribute more. Although they are small in numbers, Syrian migrants and their relatively high incomes abroad, reflect a successful, educated migrant community, which would provide opportunities for investment if the investment climate were favourable. Initiatives by Syrian expatriates to establish two private universities in Homs and Tartous, the construction of an animal feed factory in Hassake and a scheme to support disabled Syrians to get medical support are some limited examples of community and investment projects (EIB, 2006).

The strong attachment of Moroccans and Tunisians to their home countries is illustrated by continuous investment in real estate and a high participation of the second and third generation descendants in local and national solidarity projects. Moroccan residents in Spain and France, for example, set up development associations to support building small dams and irrigation systems and to construct roads. They also engaged in raising and channelling resources for other social investments (EIB, 2006). Several traditional emigration villages in Morocco have benefited from these development projects for road construction, electrification, water piping, schools and health centres, paid for almost exclusively by migrants (Collyer, 2004). In addition to financing development projects, some

Maghrebi migrants became successful entrepreneurs who manage a network of enterprises both in the Maghreb and in France. Others establish French companies' affiliations abroad, keeping their legal and regular status in their countries of settlement (Soudi and Teto in Arab League, 2003).

The evidence above confirms the presence of continuous interest from the Arab diaspora in their home countries' well-being and development. But nowhere has this interest had a large-scale developmental impact. Although good examples are found by different surveys, their scope is still very limited and their impact is negligible. Many reasons behind this outcome have been mentioned earlier: the weak professional profile of the migrants, the low amount of individual income and remittances, their poor integration in host societies, the lack of organisation and recognition among diaspora communities, the priority of daily survival concerns, the weak institutional mechanisms offered to migrants by their home countries, a lack of time, financial and social capital for the development of business links or for contributions to developmental projects in the home country, etc.

Following the first generation of unskilled and low-skilled migrants, however, there are very modest signals indicating improvements in Arab residents' profiles in Europe. Though a minority, they may be found in universities, at the heads of enterprises for import-export, transport, tourism, information, cleaning services, while others manage different branches of manufacturing such as clothing, foodstuffs, carpentry, and construction material. The impact of these better profiled and integrated emigrants remains to be seen in the longer-term. What is needed to strengthen the potential of emigrants as agents of development for both home and host countries is a framework that allows their social, economic, financial and political inclusion in the host countries, without impeding the emotional, cultural, economic and social attachment to their home countries. Helping to realise their potential in reducing poverty requires careful programming, backed by a

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thorough, country-specific understanding of migrants and the dynamics of their interaction with their countries of origin and host societies.

#### POLICY IMPLICATIONS FOR ETF: ENHANCED SKILL FORMATION FOR ALL?

Due to the complexity of the interactions and the multiplicity of variables involved, it is overwhelmingly difficult to say anything conclusive about the relationship between migration, skills and poverty reduction. Poor people adopt migration as one of several activities that constitute an individual's or household's livelihood strategy, but access to (decent) migration opportunities by poor people appears key for any direct positive impact on poverty. Limited empirical studies from the Mediterranean region reveal different levels of impact of migration on poverty reduction depending on the duration of movement, the skill levels of emigrants, the magnitude of remittances and the stage of development of the country of origin. Looking at the social groups who benefit from migration, labour emigration from the region could be seen as a survival and livelihood strategy for the majority of Arab migrants. In particular remittances sent to migration households in the countries of origin help to reduce acute poverty in the region because so far the majority of migrants have been of rural origin and low-skilled. Migrants' households use remittances mainly for primary consumption needs, through which the incidence of poverty is reduced. They are also more able to pay for the costs of children's education and health. However, this potential of remittances to increase education levels and to establish new enterprises does not seem fully exploited yet.

The relationship between migration-related skills development and poverty reduction is less clear. The idea of developing country loss and developed country gain seems an oversimplification of a complex situation. In fact, the majority of international labour flows with high-skilled migrants stem from high and middle-income countries since

many of them actively train people in skills for the international market. Increasing development leads to the increased migration of the skilled, which seems to be the normal route of the modernisation process. Moreover, international migration of the high-skilled takes place primarily to and from large urban areas. Few of these migrants are prepared to go into rural areas where the incidence of poverty remains greatest throughout most of the developing world. Therefore, internal movement of the relatively well-educated from villages to cities is as relevant as the international movement of the skilled between larger urban centres for poverty discussions.

The skill formation process, arguably, stands at the centre of the discussion on migration and poverty. Although the long-term outcome of today's increasing skilled migration is not known yet, considering the persistence of globalising forces, the most effective way to manage increasing flows of the high-skilled seems to be not restriction or control but improvement of education and training at all levels in the countries of origin. This is likely to lead to increased movement of the skilled, but with increased circulation of brains that brings some skilled nationals back and allows other nationals with skills in. Increased interaction, demographic as well as commercial, is more likely to enhance development and reduce poverty than any attempt to restrict or slow population movement.

Furthermore, the enabling effect of gains in human capital (improved skills and interaction) is likely to be stronger than that of gains in income (remittances) in the longer term. In fact, without this interaction and involvement, most of the developing countries had not caught up with the world trends in economic and social development and been exposed to the forces of globalisation. If gains from migration tend to be far greater for more educated and experienced migrants through easier interaction and learning at the destination country, equipping them with key skills of employability through quality education and training appears to be the key facilitator in both sending and receiving countries.

Considering the high and young population and the huge demand for education in the Mediterranean region, an enhanced skill formation process for all, particularly at the level of vocational education and training, seems to have greatest potential to foster development and reduce poverty.

This has some policy implications for the European Union and for the European Training Foundation. First, the improvement of education and training systems in the region should be one of the priority areas of investment for future EU

intervention. Secondly, the ETF can provide better policy advice to the modernisation of systems through analysing the content and quality of education and training in the region and comparing the results with the learning needs of people both in view of local and world labour markets. Finally, the involvement of these countries in the EU Copenhagen and Bologna processes may provide a cooperation framework for improving quality, transparency and recognition of qualifications for their secondary and higher education systems.



## 4. SKILLS DEVELOPMENT AND POVERTY REDUCTION IN CENTRAL ASIA

*Henrik Faudel, Peter Grootings and Vaclav Klenha*

# 4

### INTRODUCTION

Radically changed economic structures and labour markets, the emergence of an informal sector, a reliance on subsistence economic activities and widespread poverty are all phenomena that have been observed in Central Asia during the transition period. Vocational education and training (VET) systems are faced with social and economic environments that differ dramatically from the ones in which they formerly operated. VET systems used to be an important part of the public education system. But they were designed for a completely different reality and have not been able to adapt to this changing environment. As a result, they have lost their qualification role, both for individual learners and for enterprises; they run the risk of becoming expensive and not very effective welfare institutions that cater for poor people without really helping them to gain the knowledge and skills they need to survive and prosper under the new

economic and social conditions. They are desperately in need of reform. However, there is a considerable 'policy helplessness' among key stakeholders at all levels in the system, illustrated by a dominant view that the system only needs proper financial resources and close links with mother companies in order to return to its former glory.

Post-basic skills development is now internationally recognised as an important prerequisite for poverty reduction (King and Palmer, 2005). In Central Asia, however, international donor assistance, within the framework of national Poverty Reduction Strategy Papers (PRSPs) agreed with national governments, has given little attention to reforming VET. On the contrary, the international financing institutions involved in the preparation of the PRSPs often reflect the view that the public VET system, and especially the basic vocational education element, is not sustainable and should be abandoned.

At the same time there are many local development initiatives that seek to assist poor and disadvantaged groups. There are also a few projects that have invested in curricular reform in pilot schools and sectors. These donor-led projects often contain innovative training objectives and approaches, but remain isolated in scope and time. They have no impact on the public VET system.

This chapter argues that public VET systems do matter in Central Asia, but that they do need to change. Above all, at the local and regional level, vocational schools need to open up to their environment. The extensive systems in these countries, with vocational schools in practically all towns and local communities, represent a unique resource that is highly relevant in the context of poverty reduction. There are infrastructures, traditions and dedicated teachers and trainers available to assist people to develop knowledge and skills. While it is true that in most countries, given the many years of neglect, infrastructures have become dramatically impoverished and urgently need to be modernised, experience shows that more needs to be done in order to address the need for systemic change. Given the scarcity of resources and the absence of strong support structures at the national level, any attempt at reform must include space for bottom-up changes. Increased school autonomy should allow, enable and encourage schools to open up to the local reality by entering into partnerships with key players. National policy makers and support institutions should create an enabling environment for everybody in the VET system to learn new roles and responsibilities. International donors could and should contribute to such a policy learning reform process.

Following a short description of the region and its people, we will briefly review the current state of VET systems and the various efforts in respect of reform. Based on this analysis we will present our view that the opening up of vocational schools at local level should be a key element of the VET reform process. In the final section we

will use the case of VET in Tajikistan to summarise our argument.

## THE REGION AND THE PEOPLE

For two millennia Central Asia has been a thoroughfare for Silk Road traders, migrating tribes and nomadic empires, a vast area of desert, steppe and mountain ranges, tying together Europe and Asia. Following the collapse of the Soviet Union in 1991, the region now consists of five independent countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan<sup>30</sup>. As economies they are low-income countries, with the exception of Kazakhstan, which is in the lower-middle category thanks to its oil and natural gas reserves. Politically, all countries have introduced parliamentary democracies but are in practice governed by – relatively stable – authoritarian presidential systems that show high levels of continuity with previous party and clan-based structures. Administrative decision-making is widely subject to corruption; private sector and civil society are still developing. The region has also become of geo-political interest for world powers (Russia, US, China and Europe) and regional ones alike (Turkey, Iran and East Asian countries).

Poverty has always been present in the region, particularly outside the main urban centres and in the mountain areas. As well as this traditional poverty, the countries now face an impoverishment of the population as a result of the transition process. The new poor are those who lost their jobs and incomes when the large state industrial and agricultural enterprises were closed or downsized and when the state system of social support disintegrated. There are large numbers of working poor – particularly in public sectors – who find it difficult to manage on low salaries and who are forced to take up additional activities, such as subsistence farming and petty trade. In rural areas, garden plots are often the only livelihood available, and even this is problematic in many areas where access to land or water

<sup>30</sup> ETF work in Turkmenistan has only recently resumed and this chapter therefore does not refer to this country.

#### 4. SKILLS DEVELOPMENT AND POVERTY REDUCTION IN CENTRAL ASIA

is difficult. Many former industrial and mining towns, often in remote areas, experience severe urban poverty as a result of the collapse of the former state enterprises. Even though generally the transition has been relatively peaceful, a country like Tajikistan had to cope with a civil war during the 1990s and the overspill from the war in Afghanistan, including the arrival of large numbers of refugees. Tensions between countries, or at least between those in power, have so far blocked regional cooperation and tensions within countries, between prospering and non-prospering regions, are increasing. Increasing concern for political stability, however, is gradually also leading to more attention for social issues, including education and training.

The economic decline has brought about a change in types of employment. Whereas the vast majority of the population during Soviet times were salaried workers, self-employment has become widespread as the only means of generating an income. In 2003, self-employment accounted for 60.5% of all employment in Kyrgyzstan, 43.1% in Tajikistan and 39.4% in Kazakhstan. In Uzbekistan, where the liberalisation of the economy has been slower, the share of self-employment remains relatively low at around a quarter of all employment (Kaser, 2005). Self-employment, however, is not of the professional type that we know from developed countries. Often it is in the form of precarious work in small and very small family businesses in the informal sector.

While developed economies and some other transition countries such as Russia and Ukraine are concerned with an ageing population, it is the growing working-age cohort in Central Asia that challenges policymakers. It is estimated that by 2010 there will be 10 million more people seeking jobs than on the eve of independence in 1990. Rural non-farm job creation is therefore a key development priority. Urban unemployment also exacerbates poverty, and would be higher were it not for massive emigration (Kaser, 2005).

But the region of Central Asia is far from being homogeneous. There are significant social, economic and political differences between the countries, increased recently by their independence and the renewal of national identity. But there are also large disparities within each of the countries. The latter, as mentioned earlier, are increasingly becoming a source of political and social tensions.

Kazakhstan is the largest, economically best off and politically most stable country. However, the present oil and gas boom runs the risk of limiting a diversification of the economy and sustainable job creation for the population at large. The government invests in education and social protection, partly for political reasons, but the targeting and longer-term effects of these investments remain problematic. Income and social disparities continue to increase, especially in remote rural areas and small-sized towns, with high unemployment, out-migration and growing poverty as a result.

Kyrgyzstan is a poor, mountainous country with a predominantly agricultural economy, some mining industry and developing small trade and services sectors, largely in the informal economy. The country was once considered the most liberal in Central Asia, but has become politically unstable following the overthrow of the first president in 2005. The majority of the population live below or barely above the poverty line, and almost three-quarters of those who are poor reside in rural and mountainous regions. Access to basic public services such as water, health and education has deteriorated since the early 1990s. There is a growing social and economic gap between the relatively better off northern regions close to the capital and the rest of the country, repeatedly leading to tensions and violent conflicts.

Tajikistan is the poorest country, one in which independence had devastating effects, culminating in a civil war between 1992 and 1997 that caused widespread destruction and the loss of many lives. The emigration of the majority of Russian-born

skilled workers and managers left the country leaving a gap in its qualification structure from which it has not yet recovered. Most of the country is covered by mountains, with only 5% of arable land: this mainly produces cotton, the key national commodity besides hydropower. Poverty remains high, although it is falling as a result of migrant remittances, and despite some economic growth during the past five years. There is extensive out-migration, with large numbers of well-educated male Tajiks leaving the country every year in search of seasonal jobs mainly in Russia to improve the situation of their families. An estimated one fifth of the country's GDP comes from remittances (UNDP, 2005a).

Uzbekistan has the largest population and ranks second after Kazakhstan in terms of national income level, owing to its export earnings from cotton, gold and oil. Economic and political life remains under tight central control. Both rural and urban poverty are increasing, except in the southern regions, where the national authorities have made significant investment, not least in an attempt to prevent unrest spilling over from its southern borders.

Impoverishment of the new states in Central Asia falls heavily not only upon individuals and families but also on all sectors of economic and social activity. The low-paid and weak public administration is inefficient and prone to corruption. Social protection and health care are underfinanced, suffer from obsolete infrastructures and are increasingly hard to access by the neediest groups of the population. Emerging small businesses face low purchasing power in the market and a lack of accessible credit; these factors, combined with bureaucracy, contribute to the growth of the informal sector. The education systems have also suffered from this impoverishment, the VET systems most of all.

## IMPOVERISHMENT OF VET SYSTEMS

Central Asia inherited extensive VET systems which supplied knowledge and skills for employment within the context of the Soviet employment system. The main components were initial training through the different parts of the formal vocational education system, and company-based continuing skills development of the labour force. This system was an integral part of the manpower planning system designed for a centrally planned economy. It went back to the early days of industrialisation and mass agricultural production in the 1950s. Its purpose was to supply industrial and agricultural companies with large numbers of semi-skilled workers and mid-level technicians. The logic of this system was symptomatic of the time, with the number of students to be admitted in the different specialisations determined on the basis of planning figures for the companies who would employ the graduates (Grootings and Faudel, ETF, 2006).

The economic crisis of the Soviet Union had already resulted in the underfunding of companies and VET systems during the 1980s, as a consequence of which neither companies nor schools managed to keep pace with new technologies and pedagogical modernisation. However, the impoverishment that followed the collapse of the Soviet Union, and the move towards privatisation and a market economy, had particularly disastrous effects on the VET systems in all the countries of Central Asia. Company-based training all but disappeared as companies either closed down altogether or could no longer afford generous skills development schemes. The vocational and technical schools lost their close ties with enterprises, including sponsorships, practical training facilities and guaranteed employment for their graduates. They nevertheless continued to prepare centrally determined numbers of students for traditional types of employment requiring narrow and occupation-specific skills. Numbers were now increasingly determined by available capacities in schools. Vocational schools that used to be fully integrated into an

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education and employment planning system that covered the whole of the Soviet Union were turned into supply-driven providers of standardised and outdated VET programmes for local labour markets where there was no longer any employment.

In spite of the many changes in the environment, efforts to change and adapt vocational schools to these realities have been limited. A lack of budget resources has frequently led to minimal attempts from the national authorities to at least keep the schools open<sup>31</sup>. The inherited occupations, programmes, teaching and learning approaches, infrastructures, and material and textbooks have remained largely unchanged. Furthermore, teachers and masters are not encouraged to contribute to changes, and they have seen their salaries plummet to 10-40% below average earnings (World Bank, 2005a).

In addition, seven decades of Soviet domination marked Central Asia in a profound way. It brought economic and social development to the region, including full primary education, extensive VET systems and higher education, mainly to cater for staffing the education and health sectors. But this was accomplished by means of a centrally planned system that reduced the role of local schools to that of implementing centrally defined tasks and orders. Of course, the collapse of the system left large parts of the infrastructure in ruins and gave the newly independent countries an uneasy heritage to cope with during their transition. Long years of dependency on being told what to do have impacted on people's mindsets by undermining self-esteem, initiative and civil responsibility. Positive attitudes towards taking initiative and entering into cooperation and partnerships need to be redeveloped. Restoration of these attitudes and competences can be seen as being at

the heart of the process to empower people in Central Asia better to help themselves to prevent, reduce or escape from poverty. If only because of their mere presence at local level, vocational schools should have a key role to play here.

However, most schools have so far not been able to establish new networks in the local environment that would help them to better understand the new labour market and skills development needs. They still largely operate as the lowest implementation level of a centralised hierarchical structure in which decisions are taken at the national level. The capacity to read and understand the emerging local labour market and the new forms of employment, including self-employment and the learning needs of individuals, remains limited. In all too many cases, the supply of vocational education continues to focus on the standardised delivery of narrow skills for specific occupations, irrespective of whether the graduates will have any opportunity to find employment in these areas of work.

Obviously, rapid changes in labour markets make it difficult to predict the occupation-specific skills required. Likewise it is difficult to forecast the overall demand for specific occupations. One might even challenge whether it is useful to talk about labour market requirements in a situation with so few employment opportunities other than self-employment in the informal sector. This situation invites the systems to take account of the unpredictability of future skill needs and to shift from an exclusive focus on occupation-specific skills to one that also addresses broad competences and generic skills. Such a change implies a shift in focus from producing labour for specific jobs in enterprises towards educating and training people so that they develop knowledge and skills on the basis of which

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<sup>31</sup> Only the Uzbek government has so far made use of an Asian Development Bank loan to reinvest in new vocational school buildings and technical infrastructure. However, these new colleges operate largely on the basis of existing centrally prepared and standardised VET programmes. No curricular change, pedagogical innovation or adaptation of qualifications has occurred. Moreover, the colleges are intended to qualify so-called young specialist levels only, leaving qualification levels for semi-skilled and unskilled workers largely untouched. The qualification structure is currently under discussion and there is growing awareness of the need to give attention to learning contents and approaches and to involve social partners in the development of qualifications. These are important lessons for Kyrgyzstan that, in late 2006, signed an ADB grant for modernising its basic vocational school infrastructure.

they are able to determine their own future, whether as an employee or as a self-employed person (Grootings and Faudel, ETF, 2006).

It is clearly important to ensure that sufficient funding is made available to support the reform of VET systems in these countries. A first step towards achieving this is to introduce skills development and VET reform as priorities within the PRSP processes. This would be in line with international trends to acknowledge the positive contribution that skills development can bring to poverty reduction. However, increasing budget funding for VET does not in itself solve the problems. Stakeholders and individuals also have to develop an understanding of new roles, and the systems must develop an enabling institutional environment in which they can do so. Such a reform process, in which institutional change, taking up new responsibilities and developing realistic expectations are closely linked, is a difficult learning process that cannot be designed from above. It requires local experimentation. It also needs support from outside the system, including through knowledge sharing and exchange with countries that are facing similar challenges.

In the following section we will briefly review ongoing VET reform initiatives in the region, including those supported by the international donor community. We will then focus on the opportunities that exist within the current systems to improve relevance in the short and medium term by working to change the institutional logic and individual and collective mentality within the system. In doing so we shall use the case of Tajikistan to illustrate our argument that schools need to open up to their local environment.

## INITIATIVES TO REFORM THE VET SYSTEMS IN CENTRAL ASIA

The impoverishment of the VET systems in Central Asia has left both the central authorities and individual schools and teachers without any real capacity for innovation and adaptation. There is still a general belief in restoration instead of an awareness of the need for innovation and fundamental change. This situation can be illustrated by the statement made by a school director from Gharm in rural, mountainous Tajikistan during one of several field visits by the authors. He said that the only problem was that the old links to an industrial enterprise in Russia had ceased to exist following independence, and that the way out of the school's bleak situation was to recreate those same links<sup>32</sup>. Needless to say, this particular school continued to train students for the same professions that were once required by the former partner enterprise. Since the school did not have any problems attracting sufficient numbers of students each year – where else should they go anyway? – the director did not see a major problem on his side. The issue of graduates not finding work was simply a result of the fact that the enterprise had disappeared, but that was not a problem that the school could or should address.

In theory, and as formulated in national education reform policies, the VET systems in Central Asia are moving in a new direction. Reform plans have signed up to such concepts as decentralisation, increased school autonomy, social partnership, modernised curricula, modernised quality assurance mechanisms, renewed relevance to labour markets and training for employment. This may give the impression that all that remains to be added is a focus on those who are poor and to offer target group specific skills development programmes for them. Unfortunately the reality is more complex. In most countries these new policies have not gone beyond the phase of policy

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<sup>32</sup> The authors have heard similar statements by different people at all levels in all countries. However, this is not to say that there is nobody who sees the need for reform. In reality, many schools, directors and teachers are struggling to respond to the new situations they are facing. There is a general feeling of helplessness created by the severe financial situation of everybody who is involved in education and training.

declarations. Most innovations aimed at the VET system have been implemented in donor-driven projects, in only a small number of selected schools, with mixed results at school level and hardly any impact on overall system reform.

At the regional and local levels, authorities have traditionally played the role of waiting for and following instructions from the ministries. Only recently have they been formally delegated some powers from the centre: examples include administration of vocational schools by regional authorities in Kazakhstan, part of vocational school financing by local authorities in Kyrgyzstan, and a new order to regional authorities in Uzbekistan to involve vocational colleges in regional development planning. However, based on the lack of experience and capacities real decentralisation has not yet happened and the systems are still fundamentally centralised, often within the administrative structures of the education or labour ministries. Furthermore, there is little experience of cooperation between administrative levels of different ministries at national level, and even less at regional and local level. Even if public administration functions become integrated and decentralised, there is still a considerable problem relating to involvement in strategic governance or development. School directors remain school-based administrators, and only a few have understood the need to go out and try to redefine the role that the school is playing within the local community. Moreover, only a very few have understood the need and existing opportunities for changing the contents and approaches of their VET programmes<sup>33</sup>.

Against this background it is clear that the situation in Central Asia is still a long way from providing an enabling environment that would allow VET schools to address the skill needs of local populations, whether poor or not. VET schools increasingly run the risk of becoming irrelevant for people wishing to find decent work and improve their standard of living.

## LITTLE ATTENTION TO VET REFORM WITHIN DONOR-SUPPORTED POVERTY REDUCTION STRATEGIES AND MEASURES

### Poverty Reduction Strategy Papers

Poverty reduction has become in most countries in one way or another the overarching objective of international assistance. Though it is now generally recognised that skills development is an important prerequisite for poverty reduction, little has so far been done in Central Asia to ensure that VET reform is supported by the donor community as part of poverty reduction policies. Furthermore, virtually nothing has been done to create a link between responding to the basic skills development needs of poor people and the reform of existing VET systems.

National policymakers are concerned that the knowledge and skills provided by the education system should match the needs of the economy. The existing gap between the two is often ascribed to the lack of appropriate methods and capacities for labour market analyses and employment forecasts. To a certain extent, therefore, it is still widely believed that information can be produced in order to ensure that better planning can be done, and this view is often supported by international advisers.

These dominant views are also reflected in the national poverty reduction strategies, which take the form of Poverty Reduction Strategy Papers (PRSPs)<sup>34</sup> prepared with the assistance of international financing institutions. In Uzbekistan, for instance, the Interim PRSP sets the goal for VET as being to improve the quality of the workforce and its competitiveness on the labour market by improving linkages between colleges and enterprises, by reviving in-company training, by stimulating the development of traditional apprenticeship in crafts, and by training those who are unemployed. These goals are defined without reference to the skills

<sup>33</sup> Again, this is not to say that such school directors (and teachers) do not exist. They do, and many of them have learned new roles exactly because they have been involved in pilot experimental and/or knowledge-sharing projects. However, their numbers are low and their impact is limited.

<sup>34</sup> With the exception of Kazakhstan, which does however have similar national development documents.

development or wider learning needs of the large numbers of people that have no access to the labour market at all. They also seek to preserve a monopoly position of state schools in the area of skills development.

As another example, the Kyrgyz PRSP groups the state policy priorities around three main objectives: sustainable economic growth creating new jobs, good governance, and a fair society ensuring protection and human development. Among the priority actions the strategy includes improvement of education and training to meet the real needs of the labour market, development of active employment measures, and improvement in the quality of human resource management. In reality, funding for employment measures is insufficient, and increasing the quality of education and training is very difficult with poorly paid teachers and trainers. More than a third of all graduates cannot find employment because their numbers exceed available jobs and because the qualifications provided do not meet the needs of employers. Unemployment among graduates from the vastly expanded university system is rapidly increasing while shortages of mid level qualifications are becoming an obstacle for many businesses.

The PRSP in Tajikistan has similar goals to the examples above, and comprises measures in nine sectors. The PRSP does not refer to a need to reform the VET system. Moreover, despite recent positive trends in economic growth and some decreases in poverty levels, the realisation of PRSP plans is held back by inadequate financing, lack of experienced staff to implement various measures, poor cooperation among the sectors, the non-involvement of regions and an ineffective monitoring system.

In all countries PRSPs presume coordinated action by key sectors or ministries, but there are serious barriers to effective collaboration among partner institutions. In many respects PRSPs are

again a donor driven exercise. PRSP awareness in the public service is low and most ministries do not consider poverty their problem. It is still often seen as an issue of social protection only, perceiving those who are poor as a narrow group of the most disadvantaged people with health problems, orphans or former convicts. It is the Ministry of Labour and Social Protection that is in charge of these issues, but even where the ministry is also responsible for VET (such as in Tajikistan and Kyrgyzstan), it has not been able to link skills development or VET reform in general with poverty reduction measures.

### **The EC Tacis Programme<sup>35</sup>**

The European Union's emphasis on skills development in developing countries remains high, and is in line with the argument that primary and basic education, literacy and numeracy are not sufficient. 'Beyond universal primary education, countries, together with the business sectors and donors, now have to build VET as a major enabler of employability and provide greater access to good quality secondary and higher education' (European Commission, 2006a). The statement is particularly pertinent for countries in Central Asia that have inherited almost full literacy and primary education.

Nevertheless, though the Tacis Programme has poverty reduction and the improvement of living standards as a focal priority, the interventions supported in Kyrgyzstan, Tajikistan and Uzbekistan do not link skills development initiatives in support of other poverty reduction measures to ongoing VET system reform debates in the countries. Projects focus on different aspects of poverty and often combine the provision of micro-credits for new ways of income generation with trade and SME support and greater civil society involvement. Immediate skills development needs may also be addressed within the projects, but limited attempts have been made to ensure their sustainability beyond the lifetime of the projects. In particular, no connection has been made between the

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<sup>35</sup> The Tacis Programme was set up to provide technical assistance to the Commonwealth of Independent States.



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skills development needs of poor people and the existing national VET systems. In some cases an alternative provision of skills development has been set up in isolation from existing infrastructures and institutions.

On the other hand, Central Asia has, over the years, seen a number of skills development efforts related to local development projects run by NGOs also in the context of the above mentioned Tacis projects (Castel Branco, ETF, 2006). As a rule, vocational schools have not been involved in such projects, although the innovative approaches and contents would be highly relevant for these schools<sup>36</sup>. The training components of many local development projects are directed towards enhancing the general competences and self-management capacities of vulnerable populations (individuals, households, groups and regions). It is the degradation of both the resources and the self-image of vocational schools in the transition crisis that partly explains this lack of dynamism to embrace new challenges and new audiences in spite of initial reform. NGOs, on the other hand, are wary of engaging in cooperation with state administrations, including vocational schools, since they often create additional obstacles. Often, the strategy to include NGOs was developed by donors with the objective of avoiding involvement of state administrative structures and of building up a civil society.

Moreover, rigidities in vocational school management and dependency on central authorities have condemned many schools to remain distant from development projects and new training trends in their environment. NGOs typically bring in their own trainers, and once the project has ended the trainers are pulled out again<sup>37</sup>. However, both the new training approaches and the kind of competences that these local development projects initiate are often very innovative and very

similar to new developments in VET in developed countries. In a way, such NGO projects would therefore offer alternative knowledge-sharing and innovation experiences that are not available elsewhere, among other reasons because central support institutions – if they exist at all – are very weak on exactly these issues.

The challenge then is to motivate the use of public and non-public education and training capacities within more flexible learning arrangements that work in partnership with one another and with other relevant organisations and that can be responsive to needs of different target groups, including those who are poor and disadvantaged. This requires that vocational schools display openness to, and appreciation of, more flexible and responsive education and training approaches, methods and players, as well as a willingness to interact with other training providers and learn from their experience. At the same time the central authorities must be helped to appreciate the necessity for an enabling rather than a prohibitive environment in which the institutions can operate at the local level. Both factors will certainly increase the willingness and readiness of local donor sponsored NGO projects to collaborate with public schools and administrations since they are very much concerned about sustainability of their own investments.

In the next, and final, section we will use the case of Tajikistan to further support our argument for opening up vocational schools, both as a condition for addressing the skills development needs of poor people and as a learning strategy for key stakeholders for the reform of the VET system as a whole. While Tajikistan in many respects may seem an extreme example given its recent tragic history, it also presents a clear picture of the risks and opportunities for VET systems in other countries of the region.

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<sup>36</sup> Tacis projects in support of poverty reduction in Tajikistan and Uzbekistan are clear examples of this. An ETF review of a project in the Khatlon region in Tajikistan showed that though there would have been much to learn from the innovative approaches to skill need identification and skills training developed within the project, vocational schools had not been involved.

<sup>37</sup> See chapter 5 for a complementary analysis.

## THE CHANGING ROLE OF VOCATIONAL SCHOOLS: THE EXAMPLE FROM TAJIKISTAN<sup>38</sup>

In Tajikistan, VET no longer produces qualifications that are relevant for a skilled and competent workforce. Nor for that matter is it seen by young people and their families as an attractive educational option because it no longer prepares individuals for a positive occupational future. VET has developed into an instrument of social protection for children from poor families. This situation is the result of a longer process that has also occurred in other countries of the former Soviet Union, but that in Tajikistan has been aggravated and complicated by the more recent events of independence, transition and civil conflict.

The main attraction of the basic vocational schools at the beginning of the 21st century in Tajikistan has become the provision of free meals and shelter for children from poor households whose families cannot afford to send them to other types of school. The social protection function of the vocational school system has become even more important because of the collapse of other social welfare institutions in a context where poverty among the population has dramatically increased. Authorities are therefore not much inclined to let this social protection mechanism also slip away, even though the role currently played by vocational schools has all the characteristics of temporary emergency aid<sup>39</sup>.

However, despite its increasing focus on social welfare functions, the VET system in its current shape falls short of being an effective instrument for sustained poverty alleviation. This is because of the way it is organised and the programmes it offers. It does not deliver the kinds of knowledge, skills and competences that would enable its students to find or create decent work<sup>40</sup>.

The VET system has been unable to respond properly to new and emerging needs for knowledge and skills. Indeed, companies that have jobs to offer have become increasingly dissatisfied with the skills, knowledge and competences possessed by vocational school graduates, and are unwilling to employ and retrain them. In any case, given the high levels of unemployment among graduates from other types of education, employers have sufficient choice. This has become critical in a situation where most, if not all, of the jobs formerly provided by large state-owned industrial and agricultural enterprises, for which vocational schools still prepare, have disappeared. Young graduates and adults with a traditional vocational qualification such as those provided by basic vocational schools find it difficult to find or keep employment. If they find employment, they are among the lowest paid (Godfrey, 2002).

VET will only be able to contribute effectively to the reduction of poverty when it takes its primary role of qualifying individuals for decent work more seriously.

The overall picture that emerges is not very positive. Effective vocational institutions should be able to identify and flexibly respond to skills development needs and to provide the learning environments in which present and future workforces can acquire the competences they need for their employability and further studies. Tajik vocational institutions are currently not able to do this. This is largely the result of a longer-term development, described above, in which VET, at least at the lower levels of the qualification structure, has become increasingly isolated from the wider education system. For many years this did not create too many visible problems, as long as graduates managed to find jobs and as long as the employment system provided alternative mechanisms for individual development.

<sup>38</sup> The arguments put forward in this section are based on Grootings and Faudel, ETF, 2006, which contains a detailed analysis of the situation regarding VET reform in Tajikistan.

<sup>39</sup> Its importance – especially in financial terms – appears to be exaggerated. The cost per meal per student amounted to TJS 0.16 in 2005, which was just enough for a plate of soup. Total expenditure on meals is TJS 1,193,540, which is 17% of the budget (VET Department, Ministry of Labour and Social Protection, 2005).

<sup>40</sup> For the concept of decent work, see ILO, 1999.

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The situation has dramatically deteriorated with transition. VET is now also isolated from, and no longer in touch with, developments in the employment system. However, a well-developed private sector that could provide sufficiently clear signals about the nature of the skill needs of employers does not exist; nor are national ministries or agencies any longer able to determine in full the future needs for knowledge and skills. Clear signals for the future direction of VET will therefore remain the exception rather than the rule.

In an uncertain economic and high-risk social environment, vocational institutions can no longer afford to stick to the kinds of knowledge and skills they have offered up to now, in particular when these have already been obsolete for a considerable length of time. If neither enterprises nor potential students are able to define their qualification needs, vocational schools must communicate with students and enterprises in their own community in order to help them to identify their qualification needs and develop programmes to serve these needs. Such a proactive approach calls for high levels of flexibility and professionalism. Schools, teachers and trainers should have the autonomy to assume these responsibilities.

However, it would be unrealistic to expect individual schools, given their history and heritage, to be able to develop the necessary capacities for undertaking all this on their own. The schools' main responsibility is and remains the organisation of learning processes that enable learners to develop the knowledge and skills they should possess upon leaving school. Teachers, trainers and managers of school organisations should be responsible and accountable for this. Other education and training professionals in the system need to support them with the development of flexible and high-quality responses to training needs, so that schools can concentrate on their principal task. On the other hand, such support institutions that could help schools to develop new roles do not exist, and are unlikely to be developed in the short term. Alternative methods of innovation and development need to be urgently identified.

Furthermore, skills for poverty reduction cannot be limited to strictly technical and professional abilities for work in simple manual operations. These, however, are the kind of skills that have traditionally been included in the vocational parts of VET curricula. Generic or key competences are increasingly also of great importance. Self-confidence, the capacity to plan and organise oneself, the ability to discuss and express an opinion, negotiation skills, civic awareness and solidarity are as important in helping people to stay out of poverty as the technical skills that are directly needed at work for a trade and occupation to earn a living. These are exactly the kind of competences on which training components of NGO-led local development projects are focused. But such projects often neglect professional or technical competences; they are also always of short duration, and as they are dependent on donor funding, they lack sustainability.

Under the current conditions, skills development for poverty reduction cannot be the task of vocational schools from the formal education system alone, nor is the work done by local development projects alone sufficient. Networks and partnerships of different players involved, for example, in training, in supporting local and regional development, in supporting poor individuals, and in setting up rural extension services can pool the strengths and potential of each partner. Furthermore, the experience of these local networks provides an invaluable source of new knowledge that is indispensable for overall VET reform policies and strategies. As well as enabling horizontal cooperation at local level, a truly enabling environment also needs to facilitate bottom-up policy learning processes for national stakeholders and decision makers.

Moreover, a final element of an enabling environment implies that there is an overall national VET policy – agreed among principal stakeholders, including the social partners – that makes it possible for schools to take up and develop their new roles. Such an overall policy should provide clear frameworks, guarantee transparent governance and efficient administration, provide equal access, set priorities and

criteria for funding, define responsibilities for achieving objectives, develop overall quality schemes and maintain quality assurance mechanisms, secure high-quality facilities and professional teaching staff, enable continuous innovation, and facilitate international cooperation and exchange. Such key aspects of any national VET system can be developed when policymakers create a situation in which they can reflect on the lessons that can be learned from local level pilot experimentation.

### CONCLUSION: OPENING UP SCHOOLS AS A STRATEGY FOR VET REFORM

Policymakers in Central Asia are facing a major challenge in the reform of the VET system. They must transform its current social protection role into one that allows it to make a real contribution to poverty alleviation, by delivering VET courses and qualifications that either fulfil a labour market demand or enable people to create employment, and that will attract able students who are interested in acquiring professional qualifications. The VET system will only be able to do this if it manages to replace its (negative) social protection stigma with a (positive) recognised capacity to provide such relevant qualifications. However, at the same time it cannot ignore the fact that it will also be catering for students from poor families. This is an issue that concerns the overall education system, but that affects vocational schools in particular. The key issue is therefore that basic VET, which provides lower levels of qualifications, cannot be limited exclusively to taking care of those who are poor. Vocational schools must provide basic levels of qualification that have a value on the labour market (in order to find work) and in the wider education system (to continue education), including, though not exclusively, to students from poor families.

The challenge, therefore, is to develop an overall VET system that is open and flexible enough to do both: contribute to poverty alleviation, and qualify individuals for employment and further education. In

Central Asia, these two objectives go hand in hand. However, this is not possible by looking at the vocational schools in isolation. In order to stop their vicious downward spiral it will be necessary to have a more global approach to the reform of vocational schools and to redefine their place within the overall VET system. Basic vocational schools will have to re-establish a positive relationship with other parts of the education system, and at the same time improve their relevance for the employment system in the fields of initial and further training, and retraining.

Given the increasing heterogeneity of skill needs in companies and among prospective students, a centralised and standardised VET system will never be able to produce the necessary flexibility and responsiveness. In the absence of clear signals, schools must be able to communicate actively with their partners. This is particularly the case where traditional employment structures have collapsed and new ones, in both the formal and informal sectors, are emerging only slowly. Under such conditions schools cannot rely on providing standard programmes, especially when these were originally designed for highly specialised jobs in mass production or agriculture.

A proactive and innovative approach by vocational schools requires competences from its managers, teachers and trainers that still need to be developed. This also requires a change in the current administrative and funding arrangements. However, decentralisation in this sense goes beyond giving more authority to lower levels in the public administration system, and requires increased autonomy for schools. Increasing the autonomy of schools in deciding on the contents of vocational programmes and the methods by which they are delivered may run the risk of diverging quality levels. It is for this reason that the quality assurance provided by a national qualification framework is so important.

School-based innovations at local level will provide a rich experience on which national stakeholders can base their reform policies, but they will also allow schools to

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profit from the innovative activities of other agencies and organisations working at local level. Indeed, the key challenge for Central Asian countries will be how to enable and motivate VET organisations to develop more flexible learning arrangements that respond to learning needs of people at local level, including those who are poor. Only by responding to local learning and skills development needs will vocational schools be able to escape the vicious cycle in which they have become education institutions for poor people without being able to properly qualify them.

In 2006, following the conclusions of this analysis, the ETF, in close cooperation with VET stakeholders in all four countries of the region, started a three-year project in

which a bottom-up push for reform is piloted through supporting vocational schools in opening up to their local environment. The project is an action policy-learning project in which experiences at school level from the establishment of partnerships for skills development will be fed into overall policymaking concerning school autonomy. The aim is to show how the establishment of partnerships with innovative projects and relevant local players will allow schools to become more responsive to the needs of employers and individuals, how partnerships can make vocational schools a serious partner within different types of poverty reduction measures, and finally, how this will require systemic reform to grant schools the required autonomy to enter into partnerships in the first place<sup>41</sup>.

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<sup>41</sup> More information on this project can be found at [www.etf.europa.eu](http://www.etf.europa.eu)



## 5. TRAINING STRATEGIES FOR LOCAL DEVELOPMENT

*Eduarda Castel Branco*

# 5

This chapter discusses the interaction between education and training and local development in the CIS<sup>42</sup> countries of Central Asia, the Southern Caucasus and Moldova<sup>43</sup>.

Recent ETF research shows that a local approach to reforming the rigid education system into an open skills development system offers key advantages. A local approach allows for change from the bottom up by involving active stakeholders such as local leaders, training practitioners, schools of the formal education system, employment services, enterprises, interest groups, young people, adults and NGOs in one shared strategic goal.

Prevailing education standards and regulations tend to limit the capacity of the formal education system to absorb useful innovations introduced more readily in

parallel non-formal training. This chapter argues that cross-fertilisation between both systems (formal and non-formal) is best possible under local agreements between public and non-public providers. Finally, it argues that for grassroots change to have an impact on broader systemic change, successful local partnerships need to feed back positive experiences into sector policy development.

### LOCAL DEVELOPMENT AND POVERTY REDUCTION

Discussing the interaction between training and local development requires some clarification of the concept of local development, particularly in an environment that is characterised by increased levels of poverty resulting from the transition process.

<sup>42</sup> Commonwealth of Independent States – the countries that emerged after the collapse of the Soviet Union.

<sup>43</sup> The chapter draws on experiences from an ETF field study on training and local development. The study included Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova and Uzbekistan. In addition we refer to ETF vocational education and training and labour market studies in the three southern Caucasus countries. These studies will be published in early 2007. See Chapter 4 for a review of developments in the countries of Central Asia.

Local development is widely acknowledged as an effective way of translating broad national programmes into efficient and relevant development operations on the ground. It is also generally seen as an effective way of promoting participation in governance and in local strategies of communities and civil society at large.

However, local development based on strategic and sustainable partnership is only slowly developing in CIS countries. The weakness and limitations of existing local development mechanisms are often linked to cultural, institutional and economic factors. Having said this, the existing legal frameworks tend to allow space for local initiatives. They often support the delegation of various functions to local authorities and generally recognise the role of local self-governance bodies.

At the same time it is clearly understood there are no universally valid formulas to successful, sustainable local development. Its added value lies in its spatial focus at the local level, the small scale of which provides a way of bringing different approaches and stakeholders together in order to improve governance, public service delivery and the dynamism of economic activity.

Local responsibility – as is often foreseen in legislation – is a trigger for local development but it needs further enhancement through capacity building and training of local actors, and also through wider supportive policies from national authorities. Unless local residents, leaders, entrepreneurs, politicians, service providers, educators feel responsible for improving the quality of their own lives and the lives of their neighbours they are unlikely to make the effort to overcome the challenges that constrain local development.

### **Trends in OECD and CIS countries**

In OECD countries, local development is used as a complement to national programmes that aim to improve employment and economic activity. OECD experience has underlined the potential

and limitations of local initiatives. They can help foster development if they produce formal and informal agreements between different types of public and private stakeholders at local or national level<sup>44</sup>.

In a series of recommendations addressed to new Member States and candidate countries, the European Commission argues that “local employment development improves the parts that EU and national policy fail to reach”<sup>45</sup>. For example, there are new sorts of jobs that can be created locally and can simultaneously reduce unemployment and meet local service needs. Those outside the mainstream labour market can easily fill many new locally created jobs. Such jobs can help promote gender equality because the local nature of the jobs can make them more family friendly. Local approaches to skills development and training can also draw different sorts of people into learning, as a first step towards employment.

The EU *Employment Guidelines* (2003) specifically encourage Member States to support local employment development: “The potential for job creation at local level, including in the social economy, should be supported and partnerships between all the relevant actors should be encouraged”<sup>46</sup>.

In the CIS countries, during the initial post-Soviet decade, the employment and economic development objective was only a secondary or indirect aim of local development initiatives. These aimed to develop local potential through community mobilisation and development, accompanied by civic education and measures to bridge severe gaps in quality of life. The latter included co-funding of community-based social infrastructures, productive projects, environmental actions, as well as health and family projects. Training components obviously accompanied most community development projects.

This initial focus on community formation and relief was clearly justified in the face of the initial shock of transition. Central Asia

<sup>44</sup> OECD, 2005b

<sup>45</sup> European Commission, 2004a, p. 2

<sup>46</sup> [http://ec.europa.eu/employment\\_social/employment\\_strategy/guidelines\\_en.htm](http://ec.europa.eu/employment_social/employment_strategy/guidelines_en.htm)



has seen a lot of donor-supported NGOs active in local initiatives with the above features. Currently in the CIS there is growing interest among donors and public programmes to address the employment creation challenge and with it the need for responsive and quality training systems for employment. An example is the programme of socio-economic development in the regions (2004-08) of Azerbaijan<sup>47</sup>, aimed at regional job creation. It is part of a public strategy to diversify the economy and fight poverty in underdeveloped parts of the country.

In OECD countries successful local development tends to build on local partnerships and their proper governance. The quality of local partnerships depends to a large extent on the allocation of responsibilities between the levels of government involved, the level of interaction between stakeholders, and sound management of local projects. Thus, there is good experience on local governance in OECD countries to be shared with CIS countries.

Consequently, the EU recommends building local employment development on effective partnerships. Local development partnerships need to be based on genuine bottom-up initiatives. They require broad-based membership of public, private and civic partners with a common purpose and the will to engage in honest dialogue. They must have the ability to combine the effects of different programmes in order to produce synergy and integration at the local level.

In our group of CIS countries, local partnership has not yet been fully embraced as a cohesive mechanism. One important reason for this is the very recent history of centralised government and as a result the novelty of local self-governance. Local authorities tend to see themselves still as the lowest level of an administrative hierarchy. But also limited local budgets and differences in culture and approach between new civic organisations and public bodies play a role.

### THE EFFECTS OF TRANSITION ON CIS WELFARE

#### Economic and employment structures

New independent states and new centres of political power appeared on the ruins of the centralised Soviet Union. The transition from Soviet society and economy was a painful process in this part of the world. The sudden disruption of former internal markets linking the Soviet republics resulted in the collapse of the value chain of the majority of large enterprises. By 1993-94 most countries saw their GDP halved as compared to the early 1990s (see p. 82). Many countries faced particularly adverse conditions, such as wars (Armenia, Azerbaijan), separatism in key economic regions (Georgia), border instability (Central Asia, Moldova) and severe energy shortages (Armenia, Georgia).

More than a decade of transition has affected all social and economic structures in CIS countries. In the years 2003-04 all less developed CIS countries adopted poverty reduction strategies in coordination with key donors and international financial institutions. Governments had lost the capacity to maintain the key infrastructure and deliver social services and goods. Budget expenditure in health and education slumped and communities and households became more vulnerable and faced a radically worsening quality of life.

Where much of the state-run welfare systems and infrastructure began to crumble, NGOs started informally to take over parts of the functions previously reserved for the state. They often did so with funding from donors. The socio-economic crisis, particularly hard in rural areas, triggered the emergence of civic organisations and local relief initiatives. A civil society has developed in the majority of CIS countries, although with mixed results. Neo-liberal civic organisations<sup>48</sup> emerged, reflecting the socio-political changes of the transition, and were encouraged by donor assistance and funding.

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<sup>47</sup> [http://www.economy.gov.az/PDF\\_files/prog\\_en.pdf](http://www.economy.gov.az/PDF_files/prog_en.pdf)

<sup>48</sup> Neo-liberal civil society is mainly represented by NGOs

Social divides changed shape and incidence. New urban-rural interaction appeared, with rapidly growing numbers of people working for survival in the agro-economy, accompanied by a degradation of rural productivity and social infrastructures. Regional inequality intensified with dislocation of resources and tardy attraction of new investments. While jobs in collapsing enterprises decreased, various combinations of activities and jobs, mostly precarious and informal, replaced employment for life, which every citizen used to have in the socialist economy. The rapid expansion of an informal economy sheltered households from deeper poverty but reduced the perspectives for better productivity in parts of the economy.

Practically everywhere, the economic fabric currently combines elements of an informal subsistence economy, private enterprises in rapid growth sectors, and a number of surviving enterprises operating at a fraction of their original capacity. In the oil countries (Kazakhstan and Azerbaijan) the public sector kept a stake in economic activity.

The share of industry in GDP fell everywhere. Agricultural employment reached high shares of total employment (40-60%)<sup>49</sup>. But this is generally precarious employment. The contribution of this sector to GDP is low with labour productivity sharply down. It is not surprising that in some countries the incidence of poverty is higher in rural areas, despite lower unemployment rates than in urban areas. Poverty in these countries is largely a result of precarious employment, low labour income and high dependency rates<sup>50</sup>, not necessarily of unemployment. Poverty analysis reveals that significant numbers of the poor are actually employed<sup>51</sup>.

With the exception of Moldova and Armenia, the countries have considerable natural resources, while all have populations with high rates of higher and secondary education. Yet, the mainstream economy, suffering from a lack of reform,

excessive bureaucracy and poor investment incentives, cannot create enough jobs even as overall economic recovery speeds up.

### **Transition in CIS education and training systems**

Education and training systems in the region were traditionally not developed for flexibility. They were highly institutionalised and established with the aim of supporting a static demand from state owned enterprises. They proved to be unable to tackle the skills needs of the new and complex economic structure of a transition economy. Therefore, during the 1990s all countries initiated education and training reforms.

Such reforms had different levels of priority in the countries' policy agendas. Armenia, for example, gave vocational education and training reform a high priority and has been consistently supported by the EU since 2003. Georgia on the other hand, had changing education priorities, and although several reform measures were set in motion in the late 1990s, vocational training was never a real policy priority until 2004. Vocational education and training therefore did not enjoy significant international assistance and funding.

Education reforms led to a degree of decentralisation everywhere, but such decentralisation and increased school autonomy rarely affected the vocational training system. It benefited general education mostly. Although varying between countries, in general terms it can be said that governance of public non-tertiary vocational training remains centralised. Vocational school managers generally feel no freedom, let alone encouragement, to initiate and decide on significant school developments.

Non-public training provision also emerged, either as private education or supported by donors through NGOs and community development projects. NGOs and local development projects developed training

49 Armenia: 44%, Georgia: 55%, Kyrgyzstan: 53%, Moldova: 51%, Uzbekistan: 36%, in 2000

50 Number of dependent household members

51 Progress report PRSP Azerbaijan, 2005

## 5. TRAINING STRATEGIES FOR LOCAL DEVELOPMENT

components and pools of local trainers to address the specific skills needs of these projects or their developmental aims. Yet, these forms of non-formal training remain outside the education system, which has been unable to accommodate any such opportunities to enrich and upgrade, through cooperation, its own weak training provision.

### **High levels of educational attainment and precarious employment**

Widespread high educational attainment in CIS countries inherited from Soviet times, did not translate into entrepreneurial attitude and a capacity to make better use of new opportunities created by the reforms. High levels of formal education only moderately correlate with (adequate) skills and competences for active life. There is a rapid emergence of a problem of skills inequality and skills inadequacy that is in sharp contradiction with key objectives of poverty reduction strategies, from one side, and with the decent work agenda subscribed by most employment policies, on the other.

Graduates of general and higher education form the majority of the young labour force as a result of shifts in education choices in the last decade. In Armenia the highest unemployment rates<sup>52</sup> are among holders of general education diplomas, while in Georgia people with higher education diplomas have the lead.

Youngsters with secondary general education and poor skills for active life are flooding the labour markets, as a result of current state policies. These are the immediate victims of precarious or no employment. This problem is openly recognised in some poverty reduction strategy papers (PRSPs), which surprisingly simultaneously prioritise the development of secondary general education<sup>53</sup>.

Taken together, therefore, we observe a poverty phenomenon in CIS countries which is in many respects quite different from anywhere else in the world. What has been the impact of local development initiatives in this context?

## **TRAINING STRATEGIES AND LOCAL DEVELOPMENT**

### **Local development projects – not strategies**

There have been many initiatives to address increasing poverty especially at the local level. Most local development activity in the region, however, takes place in numerous isolated projects. Only a few of these are based on cohesive partnerships of stakeholders. Dialogue and exchange of experience is sometimes limited by institutional boundaries. Since effective and operational local partnerships are not in place, common purpose tends to be lacking.

Many local reconstruction and development projects were triggered originally by emergency situations, such as the rapid degradation of infrastructure and social services, and greater income insecurity. These gave birth to local and community awareness and self-help capacity. Small scale projects contributing to social and economic development in communities and localities are varied. Many have a good reputation because they had a rapid impact on the targeted populations.

There is, however, a distance from local development projects to sustainable local development strategies. Partnerships for local development that would associate the efforts and added value of relevant local actors are almost always very limited in scope and time. Concepts and practice of development of the local space as a whole, which imply intensive horizontal linkages, are still immature.

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<sup>52</sup> The unemployment rate is the ratio of unemployed to the economically active population (of the corresponding age group and level of education).

<sup>53</sup> PRSP Armenia 2003.

Equally insufficient are conceptual and operational exchanges of good practice among practitioners and local or sector authorities. Financial constraints and the short-term nature of many projects partly explain the absence of a systematic assessment of outcomes that could secure the active participation of targeted populations and be translated into a body of knowledge useful for local governments, implementing local organisations and supporting donors. Despite the installation of elected self-governance representative bodies, local self-governance is still at an early stage and strives to find a balance between socio-cultural constraints, the power of elites and the need for better local participation. Thus, there have been serious constraints on sustainable local development from two sides. The following is a typical example of the situation in many countries.

During the transition, the city of Kutaisi, Georgia, suffered from emigration and a disruption of local industrial production. In 2005 the city council prepared a local development programme. A major element in its plans was skills training, which was considered a very complex problem.

During a workshop in Kutaisi, organised by the ETF in the framework of its field studies, representatives of the city council confessed their difficulties. They lacked experience in human resources development issues and needed information on training sources.

The ETF workshop brought together the city council and vocational school directors for the first time, despite the fact they all work in the same city.

### **Skills and training in local development practice**

From the field studies it is obvious that there are many local development initiatives of various streams, with diverse actors and different forms of intervention. These interventions vary from localised initiatives inserted into larger community development programmes to small business and farming promotion projects and retraining programmes for unemployed and vulnerable groups. The majority of community development initiatives also comprise skills development components, which either support or represent the key services of these projects.

In terms of training offered within these initiatives, the field studies identified a set of categories that prevail in many programmes: skills for life and social development; associations management; village needs assessment; community mobilisation; project organisation, planning and appraisal; production (e.g. farming and processing of agricultural products); small business management; legislation; environmental protection; civil and gender rights; and advocacy.

Most training programmes concern adults. In many of the local contexts, these training programmes represent an oasis in the desert of opportunities for skills development. There is little initiative from the side of formal education and training. However, these training projects also have a series of problematic characteristics.

### **Low priority for occupational training in local development projects**

Somewhat worrying is the fact that technical occupational training is poorly addressed through training components of community development projects. Projects often focus on new content and topics linked to the key skills for active citizenship: social development, legal literacy, civil rights and entrepreneurship.

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In practice only national programmes for the training and retraining of registered unemployed focus on the acquisition of occupational skills. This training tends to be commissioned to public vocational training establishments and rarely to private providers. Access of the local adult population to technical or professional training provided by the private sector is limited. If it is available it tends to address ICT, the basics of business management, farming or foreign languages.

Dependency on donors and the existence of not very supportive institutional environments explain why many local training initiatives (non-formal and innovative) remain temporary endeavours and fail to become part of a sustainable skills development system. Locally adopted skills development policies tend to be loosely defined and lack support through public instruments or financing. The importance of lifelong learning to overcome skills mismatches is recognised but effective measures lag far behind intentions.

### **Strengths, innovation and challenges in small-scale training projects**

From the field studies we can conclude that many training programmes delivered or promoted by established NGOs and temporary aid-based projects, have initiated a more open learning culture. A number of relevant innovations can be highlighted. These deserve further development and replication. This fact should, however, not hide the intrinsic weakness of this new training segment: its difficulty in finding financial sustainability.

Some of the relevant strengths relate to the use of innovative methods: participative, non-authoritative, and learner driven. They also introduce new topics not addressed by the public VET system, such as entrepreneurship, key skills; and planning and management. They tend to be attentive to learners' needs, flexible in training design and delivery, and they use visiting experts and sector practitioners as trainers and consultants. They introduce the association of training with other learning tools, such as information, consulting, networking, consolidation

through practical application in small projects. They are often pro-active and they are generally ready to interact with external partners. The balance of these strengths against the acknowledged weaknesses tends to be positive.

The principal vulnerable point of this new generation training is its low sustainability in financial terms. Other challenges include the limited size of the providers (often NGOs) and their limited impact. The ratio of beneficiary population to overall population in need tends to be low. Weak strategies for seeking support from local governments can hamper their operations as can pressure from donor agendas and their changing focus. The latter is often responsible for their limited attention to occupational skills. Their short-lived nature often results in a lack of quality assurance, such as through fixed criteria, monitoring tools, knowledge management, exchange platforms and boards. Such problems may be expected to find solutions in a better exploitation of the potential of partnership or better integration with public education and training.

Another difficulty of these short-term projects is that they often fail to properly address the poor. Some miss the poor because the training concept used rejects participants who lack certain entry criteria. This is a dilemma in many entrepreneurship and business training methodologies. Others miss the poor because the situation of poverty creates inertia, with the poor withdrawing from the public sphere and lacking self-confidence. Only longer term and multi-level action programmes can afford to address these issues. Moreover, dead weight is a normal phenomenon in every social intervention, explaining why those already having development potential are more likely to participate and benefit from these kinds of projects.

Finally, such learning only rarely receives recognition or formal qualification from the education authorities. In an environment of poor adult training provision, the lack of formal recognition does not stop people from attending training programmes yet. But it may become an issue when the training supply increases.

### **The missing link: interaction and dialogue between public and non-public education and training**

As written earlier, CIS transition economies are based on a mixed fabric of small and micro businesses, a handful of successful new enterprises with modern management and foreign investments, collapsing state enterprises, and a wide but low productive agricultural sector.

Experience has shown that the identification of skills needs in such complex conditions is not a task that a rigid and centralised education authority can handle effectively. For this it would need a culture of cooperation with other institutional sectors, experience of working with social partners and a capacity and infrastructure to monitor market needs.

At present NGOs and public education are two co-existing but separate worlds that maintain basically only sporadic contact. NGOs don't trust the heavy functioning of public education and tend to avoid it altogether. Vocational schools, on their part, don't understand NGO approaches or are not sensitive enough to development issues in their environment. In general vocational schools strive for survival. Some accept the risks of change but this tends to be dependent on individual initiative. There are hardly any frameworks for constructive change.

Both sides could cooperate on what each can do best. NGOs are great catalysts for development, and vocational schools have the professional educators. But the reality is rather one of competition and mutual rejection. This situation can be changed, however, if local governments and external donors support simple, informal, local platforms for training and lifelong learning, based on incentives for dialogue and partnerships.

Though rare, there are of course also cases of innovative and fruitful cooperation between NGO development projects and local public vocational training establishments. These partnerships have come to life when – for example – the NGO

endeavoured to endow its target group with education and training for new occupations, still unaddressed in the local training offer. Recognising the low viability of establishing its own training centre, the NGO would opt to build the new vocational profiles together with the local public vocational school. Besides the evidence of clear advantages for both sides, such cases show that the empowerment of vocational institutions is not dependent on (currently still lacking) formal decentralisation of the system.

### **Neglect of skills development in donor supported policies**

Development policy is not always clear about the skills and employment agenda within a multi-sector policy. In fact overarching strategy papers, such as the PRSPs, have demonstrated conflicting analyses. On one hand they recognise the risk of poverty faced by the labour force equipped with general education knowledge and deprived of skills for work. But at the same time they give clear priority to the development of general (basic and upper secondary) education. Vocational training for young people and adults is recognised as important to counter structural unemployment but it is given a secondary position in sector policy. The Armenian PRSP illustrates this conflict (see p. 83).

Moreover, many regional development programmes still tend to focus on investment in infrastructure and business promotion, while they have difficulty in accommodating skills development measures within their programmes.

Some inter-sector regional development programmes include measures to tackle the skills challenges of the selected strategy. In the case of Azerbaijan, regional development is focused on job creation. Therefore this programme foresees complex measures aimed at improving the business climate. Among these is the creation of local labour training centres for unemployed people in the regions. These should take local specialisations into account and increase public-private dialogue<sup>54</sup>.

<sup>54</sup> [http://www.economy.gov.az/PDF\\_files/prog\\_en.pdf](http://www.economy.gov.az/PDF_files/prog_en.pdf), p. 31-34

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However, although education reform is taken into consideration, the proposed measures have low lifelong learning potential, concern strictly formal education and do not open possibilities for the public-private partnerships needed to reach the missing interaction of education with local markets. Moreover, the planned measures draw no attention to vocational education or to adult training. They have no particular regional nuance, and include the standard set of ideas: modernising the content of general education, increasing its quality; ensuring equal education opportunities for all sections of population; supplying free manuals; increasing student grants; improving pre-school education system; constructing new schools in the regions, and improving the technical and personnel supply of village schools.

### **Training for local development**

Training for local development basically aims to exploit the advantages of a local space approach (sector interaction, integration and empowerment at local level), bottom-up progressive change in vocational training, and broad partnerships and cooperation for a lifelong learning policy<sup>55</sup>. It associates teachers and trainers (vocational teachers and NGO trainers; methodologists from higher education particularly from rural development institutions), sector experts and practitioners (agronomists, rural bankers, rural extension services), community leaders and interest organisations, and entities responsible for an enabling environment (government, donors, civil society organisations).

In line with the local space approach of local development, training for local development should therefore also target the creation and enhancement of skills and knowledge for better local governance, dynamic local economies (self-employment and micro and small enterprises, farms) and local societies with higher self-help and solidarity capacities. Capacity building to refocus local governance towards a self-help and cooperative culture is important for a change towards strategic

local development. There is no integrated local development without local officials and politicians who are aware, open and informed, as there is no local economic development without informed and trained entrepreneurs of all levels, keen to learn for sustainable work and growth.

### **HOW CAN PUBLIC VOCATIONAL TRAINING BETTER CONTRIBUTE TO LOCAL DEVELOPMENT?**

#### **Vocational schools as active players in a local development-training framework**

It is tempting to recommend the further decentralisation of education and training, better interaction of schools with their local governance bodies and an increase of school resources. Almost a decade of education reforms in CIS countries, however, should teach us differently. Better legislative frameworks appear not to produce changes in real life if they are not accompanied – or preceded even – by grassroots forces, initiative and creativity from the part of the schools involved and local political will.

Existing legislation already allows some space for initiative in vocational schools. But managers and teachers face a web of disincentives: methods and content need to be adapted, the customer basis needs to be diversified and guest-lecturers from among experienced practitioners should be taken on board. There are ambiguities in the legal and regulatory framework that create bureaucratic bottlenecks. Complexities in financial management and high taxation hold vocational schools back from more entrepreneurial activities. Finally, the relationship of vocational schools with the local authorities is limited to aspects that bear little relation to their core business, such as settling land related issues or participation in public activities. It is not focused on jointly developing the human resources needed for economic and social development.

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<sup>55</sup> We argue that local empowerment of public education and training providers goes far beyond mere formal administrative decentralisation, which can have counterproductive effects if not accompanied by room for initiative.

**Local cooperation between vocational schools and NGOs**

Many formal vocational school managers stated that they have not even tried to cooperate with NGOs for training purposes. Yet, the few vocational schools that have tried such cooperation have given very positive feedback about the training culture of NGOs. A good, if rare, example is the cooperation between the Spitak branch of Vanadzor Agricultural College and the Spitak Farmer NGO in Armenia.

Their cooperation is unique: having gathered experience and new training packages in agriculture, the NGO supports the teachers of the college, sponsors the training of individual students, and commits the college to participate in their training programmes.

*Source: ETF, Report of Additional Field Research, Project Training Strategies for Local Development in Armenia, 2005 (unpublished)*

**Broader use of school potential**

Though confronted with serious difficulties, vocational schools still maintain some advantages over other training providers. They possess know-how and experience in technical professional education, they have the premises and equipment for it, and they provide official recognition of certificates somehow securing some kind of national quality standards. Vocational schools also still retain a positive reputation in many small towns and in rural areas where the majority of the population has made use of these schools. In order to improve their situation they must be helped to use these advantages better. It must be clear to them from the outset, however, that they face thorough changes. They must open new interfaces with the environment and grasp the development agenda of their local space to sharpen their core business – education and training – through innovation.

Some examples of good practice may help us identify opportunities for bottom-up reform. Vocational teachers and schools can join interest groups when they have a certain degree of autonomy and independence. Vocational schools can accept partnerships with civil organisations and non-public training providers and provide them support to prepare training programmes and curricula, didactic materials, use of facilities and, if appropriate, certification; vocational schools can address new audiences, such as adults – job seekers, small

entrepreneurs, farmers – and institutional clients, such as projects, donors and enterprises. Such initiatives would dramatically increase their responsiveness to the local development agenda.

**What skills? Occupational skills, key skills and the necessary cross-fertilisation for innovation in public vocational training**

As was mentioned earlier, vocational education and training is often not a priority in community development programmes, despite the fact that the desired economic resurrection of rural and vulnerable populations should be linked to the enhancement of their trade and entrepreneurial skills. This has much to do with the reform policy agendas of large international donors. To enhance the occupational element in local training programmes, donors and governments have to recognise the importance of vocational education and training for work in a changing world. And they should seek cooperation with the public vocational training system.

There is another important area for cross-fertilisation between vocational training and innovative small-scale training. Only vocational skills in the traditional sense of the term are no longer sufficient. Key skills, and life and social skills are necessary to empower vulnerable populations. Moreover, these skills are increasingly important in the world of work.



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They define individual capacity for lifelong learning. Any level of professional qualification and consequent responsibility in the work place requires these skills.

Our studies show that these skills are partly integrated in many of the small-scale non-public training programmes, conveyed through participative and project based learning and networking. There is thus local training know-how available, as well as a body of methodological knowledge and this should be exploited by existing vocational schools.

### SOME LESSONS FOR THE FUTURE

In CIS countries poverty is a result of precarious employment, low incomes and high dependency rates, not necessarily unemployment. Poverty analysis reveals that significant numbers of the poor are actually employed. The policy implications of this revelation are important as they support the argument in favour of education and training reforms aimed at improving the quality and flexibility of training for active life for young entrants in the labour market, as well as for the employed and unemployed adult labour force.

Some lessons can be drawn from an ETF review of local development experiences in CIS countries. It showed that increased resources and radical legislative changes are no panacea here. Better integration and coordination of what already exists would probably be at least equally beneficial. Achieving such integration and coordination would, however, require a radically different approach to training and local development.

#### **Combining local and central roles**

Though innovative, responsive and committed to social development issues, the majority of local development projects depend very much on donor funding and operate in relative isolation from public policy and bodies. The unsustainable nature of the organisations and human capacity they develop can only be countered through better cooperation and

integration. The general picture, however, reveals that the environment is usually poorly prepared to accommodate, let alone sustain, local participative development initiatives, despite the availability of some external support and capacity building.

Local self-governance has developed in the years of transition and benefits from a supportive legal framework in most countries. But it is not enough to have local self-governance bodies if effective and equal participation is hampered by socio-cultural traditions, power struggles among local elites and inadequacy of resources. Adapting a more integrated approach to local development is not a simple task. Several significant challenges must be confronted, including:

- changing current attitudes and practice in both public sector organisations and in civil society towards legitimate values of equity, responsiveness, accountability and responsibility;
- managing complex processes involving many organisational actors, both governmental and non-governmental, at several levels;
- surmounting institutional boundaries that separate sector policies, local government and community-based actors due to divergent interests and values;
- realigning power relations to favour local actors rather than national central actors and communities and civil society rather than public officials.

Central and regional governments have much to benefit from delegating to a local level what local actors are better at. Higher-level governments may support or hold back the dynamism of local actors. Supporting policies will therefore have to include:

- improving the enabling environment;
- enhancing local capacity;
- providing resources;
- encouraging dialogue and exchange of experience among local, regional and central actors;
- translation of lessons learnt from local practice into policy and operational measures.

### **Local space approach instead of vertical sector planning**

The challenges faced by poor and low-income people and communities are not neatly segmented into the sectoral categories used by policy makers and public managers. Children's health depends on the delivery of health services but also on the education of their mothers and on food quality. Public services are enhanced by better governance of service delivery organisations, which in turn depends on the capacity of people to hold service managers accountable, which in turn depends on education and equal information.

This complexity of development processes in which everything is connected to everything else differs from the way most public sector and development assistance programmes are organised. The consequence is a mismatch between the way governments and development agencies organise their intervention and the way families and communities perceive their problems and organise their own efforts to solve them. The spatial approach and the participatory culture of governance provide a framework for the necessary integration across sectors.

### **Local development training partnerships to overcome fragmentation and rigid institutional walls**

The local approach to reform the rigid education system into a skills development system offers an alternative opportunity to mitigate the lack of flexibility of central politics and sector regulations. It offers ways to reform and change the system through a bottom-up approach.

Education and training for work and local development cannot be left solely to the education sector. They should involve the entire educational potential of a country: formal and non-formal education, social and community organisations, development institutions, and enterprises – large and small.

### **Integrating education and training for new citizenship and new forms of employment**

The distinction between education and training becomes increasingly blurred as lifelong learning gains importance in education reforms. Changes in the world of work have caused the focus of training for employment to shift to generic rather than job-specific skills. This has policy implications with regard to skills development for the large layers of the population forced into precarious informal activities; particularly the young labour force. Local development policy can often address such implications more appropriately than nationally defined measures can.

Several issues gain critical importance in this context:

- acceptance of the right to and usefulness of informal learning activities and of non-formal training;
- transcending the traditional opposition between vocational training and general education in concepts and purposes. Poverty not only means having less assets, but also less knowledge and less flexible skills to adapt to opportunities to escape poverty traps;
- what matters (...) is the education of the whole worker – not because it is required for production alone, but because it affects him or her as a critical being with a social and cultural understanding of the world (Singh, 2005, p. 3);
- Besides work-specific skills and technical aptitudes for work, education and training need to integrate notions of citizenship and solidarity and learning to learn skills.

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### **Broader and better use of the possibilities offered by current legislative and regulatory set-ups**

There is not much motivation to try new approaches even within the permissive spaces of the current regulatory framework. The latter generally permits entrepreneurial activities and a certain degree of innovation in curriculum and methods at school level, but most vocational schools only poorly explore these possibilities.

Innovative and entrepreneurial management of the local vocational school is rather exceptional, and such cases are either the result of external support from donors or restructuring. There are examples of how, in the current environment, vocational education and training can be conceived and delivered

differently: for new user groups, with new funding sources, applying active and participative training approaches, using flexible modular joining forces with enterprises and civil organisations.<sup>56</sup>

Policies to encourage cost recovery and greater self-sustainability need to focus on services for skills development, such as training, information gathering and disseminating, sharing of experience between schools and enterprises, advisory services, conferences, etc.). They must heed the risks of unfair competition with the local private sector. Such policies aimed at fostering innovation also need to incorporate incentives for schools to become engaged. Most of all they need simplification of the financial management and taxation framework that today practically blocks the implementation of new activities.

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<sup>56</sup> Examples are linked to pilot projects supported by donors (Technikum in Tokmok, Kyrgyzstan); with public vocational schools with special private management arrangement (School N° 18, Alma Ati, Kazakhstan); with public vocational schools withdrawn from public formal education funding in the follow-up of restructuring processes (Agricultural College Vanadzor, Armenia).

## ANNEX 1: GDP IN THE TRANSITION PERIOD

In the mid 90s GDP was halved compared to the beginning of the transition, in the majority of the countries:

Country	Year of 1 <sup>st</sup> positive real GDP growth	Cumulative drop from 1989 (%)	GDP growth average rate 1998-2003	GDP growth rate 2005 (%)
Armenia	1994	53.3	7.7	13.9
Azerbaijan	1996	42.6	9.7	26.4
Georgia	1996	78.8	4.9	7.7
Kyrgyzstan	1996	48.7	3.6	-0.6
Moldova	1997	63.2	2.1	8.4
Tajikistan	1997	68.6	7.1	6.7
Uzbekistan	1996	13.9	2.7	n.a
Kazakhstan	1997	39.4		9.2
Russia	1997	41.3		6.4

Source: Loukoianova E. and Unigovskaya A., *Analysis of recent growth in low-income CIS countries*

Recovery growth was stronger in the three Caucasus countries and in Tajikistan. Uzbekistan shows a much lower GDP drop, but this can be due to less accurate data; some analysts suggest energy self-sustainability and cotton harvest readily sold, contributed to sustain GDP. Other CIS countries (except Turkmenistan) had average growth rates of 5.1% in 1998-2003.

## ANNEX 2 A: POVERTY REDUCTION STRATEGY PAPER – CONFLICTING OBJECTIVES AS REGARDS PRIORITIES IN EDUCATION

### Selected quotes from PRSP Armenia, 2003

- I) “Furthermore finding a new job for a person with secondary or elementary education is much more difficult than for those with a professional education. Note that the greatest risk of poverty is for people with a secondary education. Once again, this is related to the lack of a profession/qualification, as well as to the fact that people with secondary education constitute more than half of the officially registered unemployed.” (# 77)  
“Within the context of poverty and inequality reduction, the main priority in the education sector will be the further development of a general education system with particular emphasis on increased enrolment in the higher grades of schools. Special attention will be given to affordability issues existing in the vocational education sector.” (# 118)  
“Within the framework of the programme, a priority is the further development of the general education system to improve the quality and efficiency of services.” (# 331)
- II) “The principal way to reduce the existing high rate of structural unemployment is to carry out reforms in the system of vocational and higher education. From this perspective, the most important measure is the elaboration and implementation of a comprehensive programme for rehabilitation and strengthening the presently almost idle system of secondary vocational education.” (# 428)  
“Within the framework of this programme, secondary vocational as well as higher education sectors are viewed as the second level of its objectives.” (# 333)
- III) “Ensuring quality education and enhancing its accessibility in the medium and long term are among the most important factors for economic growth, as well as poverty and inequality alleviation. Further development of the sector is perceived as the first priority for economic progress.” (# 327)

## ANNEX 2 B: EDUCATION MEASURES IN THE POVERTY REDUCTION STRATEGY PAPER FOR ARMENIA, VOCATIONAL EDUCATION AND TRAINING SPECIFIC

**Measures over 2004-06 ensuring the realisation of Poverty Reduction Strategy Paper**  
(Approved by the Governmental Decree of 22 January 2004, No 100 of RA)

### *Related to vocational education and training*

#### **Priority: Provision of quality education and increase of accessibility**

Policy cluster: *Modernisation of curricula and methodological material*

Measure	Expected result	Implementation period
181. Publication of textbooks on vocational education in native language	Raise of accessibility of education	2004-06

Policy cluster: *Upgrading the quality of vocational curricula*

Measure	Expected result	Implementation period
182. Development of a list of professions of middle vocational education	Upgrading the quality of vocational programmes and bringing them into line with the goals of social-economic development of the country	2005
183. Organisation of training courses for middle vocational school staff	Upgrading the quality of middle vocational education	2004-06
184. Development of state education standards for professions of middle vocational education	Upgrading the quality of middle vocational education	2004-06
185. Development of vocational education curricula and subject programmes	Upgrading the quality of middle vocational education	2004-06
186. Development of recommendations and mechanisms for compensation of education costs of students of middle and higher professional education institutions	Provision of middle and higher vocational education accessibility	2004
187. Improvement of training-material basis of middle vocational institutions	Upgrading the quality of middle vocational education	2004-06
188. Basic repair of buildings of middle vocational institutions and re-establishment of heating systems	Upgrading of education quality	2004-06
189. Definition and introduction of a most suitable internal structure for middle vocational institutions	Raising the effectiveness/efficiency of middle vocational education	2004-06
190. Development of a strategic paper for middle and higher professional education	Raising education quality and effectiveness	2004
191. Improvement of legislative framework of middle and higher professional education	Improvement of management system	2004-06

## 6. CAN THE PROXIMITY OF EDUCATION AND TRAINING CONTRIBUTE TO POVERTY REDUCTION IN RUSSIA AND UKRAINE?

*Xavier Matheu de Cortada*

# 6

### INTRODUCTION

Many citizens in Russia and Ukraine would be surprised to find a chapter on their countries in a publication on poverty reduction. Most of them would never think of their countries as 'poor', and probably would not accept them to be grouped with 'poor' developing countries.

Poverty in both countries certainly has its own features, different from those of developing countries: they are 'impoverished' transition countries. And yet, poverty is a cruel reality for millions of individuals. This is why Russia adopted the Millennium Development Goals (MDG), albeit in an adapted version to reflect its specific situation. Ukraine too developed its MDGs. For Russia, the target of education development in the spirit of the MDGs is to involve socially vulnerable groups in the education and socialisation processes, and to level financing and accessibility of the

general secondary and primary vocational levels of education.

It also, no less importantly, wants to revise the content of general secondary education in order to develop skills, abilities and practical application of knowledge; and adjust curricula and quality of primary vocational and tertiary education to suit the requirements of a modern economy and labour market.

One key factor to note when addressing the issue of poverty in the countries of the former Soviet bloc is that people often experience financial difficulties as a result of external factors that they have little control over. Well-educated people, including health service employees, teachers and other professionals, suddenly find themselves facing hardship as a consequence of low earnings. The same is true of many enterprise workers and employees, who earn low wages and

regularly suffer from extensive payment backlogs. Pensioners whose benefits have failed to keep pace with inflation are in a similar situation. All of these groups have fallen into a state of impoverishment that stemmed from the economic crisis accompanying the transformation from socialism to a market economy. The feeling of deprivation has been strengthened by a rapidly widening gap in income and living conditions between the majority of the population and the small, privileged elites who have benefited most from the privatisation process that took place in most countries (Górniak, 2001).

Russia and Ukraine seem to be quite close to achieving the education-related MDGs. An analysis of the indicators that measure progress towards the goals offers a favourable picture of education coverage and gender equality in access to education.

However, closer examination still reveals a number of problems and tendencies from which the UNDP concludes that Russia has not yet fully achieved the Millennium Goals in education. These problems and tendencies include:

- the increasing regional differences in the level and quality of education;
- the increasing gap between on one side the content and quality of education at all levels and on the other side the requirements of modern life and the economic environment; and
- the exclusion of (small) groups of children from education for social reasons or because they have special needs that cannot be catered for.

In Russia, and more recently in Ukraine, decentralisation of education and training has been decided as one of the strategies to achieve the objectives of reforms. This chapter analyses how a *proximity approach*<sup>57</sup> could help to increase the relevance and attractiveness of education and training and improve learning methods. However, it also illustrates that a full exploitation of the potential of this approach still depends on the adoption of adapted strategies to the specific features of the different regions and on the improvement of a number of governance factors, including finance and social partnership.

## POVERTY IN THE RUSSIAN FEDERATION AND UKRAINE

A review of the problems of poverty in Russia should start with a brief description of the general trends in the level and structure of personal incomes. Price liberalisation in 1992 halved real personal incomes and reduced real wages and pensions by even more. There was a recovery in subsequent years, but the 1998 crisis brought real incomes back to their 1992 level. For the household sector as a whole cumulative changes in per capita income during the reform years have not brought incomes back to their pre-reform levels – this despite a fairly high rate of income growth since the crisis of August 1998. This holds true both for incomes as a whole and for the two main sources of financial income for households: wages and pensions.

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<sup>57</sup> 'Proximity approach' refers to the distance of policymakers to the target groups and local stakeholders. It implies their participation in and accessibility to the policy-making processes. Decentralisation is a precondition for the proximity approach but empirical research shows that it is not sufficient by itself. See United Nations Economic and Social Council (2005): "Decentralisation also provides the opportunity to exploit untapped fiscal and other resources available at the local level, which can be used primarily for the benefit of the poor. Another advantage of decentralisation is that marginalised groups and the poor can be represented in local governments so that they can actively participate, decide and lobby for their interests. Decentralisation provides more opportunities for participatory planning and the implementation of development programmes. As a result, the ownership of the programmes by the people of the area enhances their success, leading to greater prosperity and poverty reduction. The causes of poverty may vary in different parts of the country and decentralisation can help in dealing with those in a better way. The **proximity of policymakers to the target groups** reduces the information and transaction costs of identifying the poor. This can help in designing potentially successful programmes aimed at poverty reduction." See also below in the section 'Decentralisation of Education and Training' the discussion of factors that condition the process of decentralisation and that become crucial for achieving pro-poor decentralisation.



## 6. CAN THE PROXIMITY OF EDUCATION AND TRAINING CONTRIBUTE TO POVERTY REDUCTION IN RUSSIA AND UKRAINE?

Data of the Federal State Statistics Service show how the redistribution of overall cash income took shape. The main trends in the development of the Gini coefficient<sup>58</sup> included a threefold increase in the initial years of transition, a decline after the 1998 crisis – followed by new growth, and high and steady levels of inequality in recent years.

Since the financial crisis of 1997, economic growth has been the main reason for the decrease in poverty in the New Independent States (NIS). A recent report from the World Bank estimates that during the period 1998-2003 growth has helped more than 40 million people move out of poverty (Alam et al., 2005). While most of this poverty reduction has occurred in the populous middle-income countries of the region (Kazakhstan, the Russian Federation and Ukraine), poverty has fallen almost everywhere. It was also aided by an improved income distribution in many countries, especially in the CIS. The World Bank report recognises that “at the same time that 40 million people have moved out of poverty in Eastern Europe and Central Asia as a whole, more than 60 million people remain poor, and more than 150 million people are economically vulnerable”<sup>59</sup>.

However, the WB report recognises that “very few countries, even those that have made the most progress in reducing poverty, have been successful in creating jobs to fully replace those that have been destroyed”. The challenges for continuing this reduction rely on the ability of countries to accelerate growth, create well-paid jobs, and improve the quality of education and other social policies. Achieving these aims

will require stepping up efforts to complete and sustain the institutional and policy reform agendas.

The post-1999 growth experienced in the CIS is a recovery growth based primarily on the re-employment of previously idle human and physical capital (Milcher and Slay, 2005). The sustainability of future growth will depend on several economic policies, but also on the contribution that vocational education and training systems can make to supporting the needs of the economy and individuals.

For Russia, future growth will be a challenge given that the key drivers for growth and poverty reduction since 1999 may have run their course:

- Capacity utilisation increased by about 20% between 1997 and 2003, and future growth will require expanding the productive capacity of the economy.
- The real exchange rate depreciated by about 40% between July and October 1998. Although this propelled recent growth, it is now close to its level before the devaluation.
- The high oil price has benefited the economy over the past years. However, it is risky for a development strategy to rely on continued high oil prices, given the volatility in commodity markets. Any significant oil price drop could depress output and increase poverty again.

Thus, diversifying the economy is essential for achieving sustainable growth, and diversification policies constitute the first pillar of the poverty reduction strategy (World Bank, 2005b).

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<sup>58</sup> Source: UNDP, 2005b. The Gini coefficient is a measure of inequality of distribution, defined as the ratio of area between the Lorenz curve of the distribution and the curve of the uniform distribution, to the area under the uniform distribution. It is often used to measure income inequality. It is a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

<sup>59</sup> The New Independent States (NIS) is a geographical non-political denomination that covers 12 of the states created after the break-up of the Soviet Union (USSR). They are: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The Commonwealth of Independent States (CIS) (in Russian: Содружество Независимых Государств (СНГ)) is the international organisation, or alliance, consisting of 11 former Soviet Republics: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine, and Uzbekistan. Turkmenistan discontinued permanent membership as of 26 August 2005 and is now an associate member. Since its formation, the member states of the CIS have signed a large number of documents concerning integration and cooperation on matters of economics, defence and foreign policy.

At the same time, as indicated by the UNDP, economic growth is worth pursuing only as long as the general population benefits from it. Increased levels of human development will not always flow naturally from increased levels of economic activity<sup>60</sup> and a programme for poverty reduction should therefore achieve a balance between its efforts to promote increased economic activity and its efforts to ensure that this increased economic activity translates into higher levels of human development. Access of the poor to basic social provisions such as health services and education, or to social goods such as civil liberties do not necessarily go hand in hand with economic growth. Economic growth that encourages the productive use of labour, the main asset of the poor, usually generates a more rapid reduction in poverty than economic growth in sectors in which the poor have low participation rates.

Since the end of the 1990s international agreements and policy debates have increasingly focused on the concept and imperatives of 'pro-poor growth'. In these debates human resources development plays a key role. Education and training are explicitly part of the pro-poor growth framework of many multilateral development agencies, including the ILO, UNDP, and World Bank, as well as that of bilateral agencies such as DFID<sup>61</sup>, SDC<sup>62</sup> and CIDA<sup>63</sup>. Skills development and training for the informal and formal sectors is an essential component of the ILO's *Decent Work* policy framework. This includes explicit attention to the needs of particularly excluded and disadvantaged people including women, the extremely poor, the disabled and ethnic minorities (Mayoux, 2006).

The World Bank (2005b) points out the negative effect of increasing inequality on poverty reduction:

*Moreover, increasing inequality would substantially weaken the poverty reduction impact of a given rate of growth. If growth is not distributed*

*evenly, then the poverty impact will be attenuated. (...) While inequality may increase as returns to education increase and wages become increasingly decompressed – positive developments as market forces become entrenched – attention will need to be paid to the extent to which the poor are sharing in growth.*

Poverty is a distinctive feature of Russia today that has inevitably attracted the attention of executive and legislative branches of power and of society as a whole (UNDP, 2005c). In 2003, 1% of the Russian population lived in extreme poverty as measured by the Millennium Declaration definition (the poverty line of US\$ 1 per day), and 5% lived in extreme poverty as measured by the World Bank definition (US\$ 2.15 per day). As it entered the phase of economic crisis and market transformation in the early 1990s, Russia experienced a major redistribution of resources in favour of the medium and high income strata of society. The poor have not received priority access to the fruits of economic growth.

Thus, between 1999 and 2003 nearly half of the total financial income was taken by the wealthiest part of the population.

The actual stage of economic growth in Russia and Ukraine demands a re-evaluation of the chosen development strategies and corrections to be made to income policy. The emphasis must be shifted from providing social support to the most vulnerable population groups towards stimulating effective economic activity of working individuals. The Ukrainian government's policy on poverty reduction aims at a transition from the current economy, which heavily relies on low-cost labour, to a more advanced economic model by creating the economic and regulatory conditions for income growth, increasing economic activity of the population and decreasing the income gap between population groups.

<sup>60</sup> <http://www.undp.org.ge/nhdr2001-02/nhdr2002.html>

<sup>61</sup> DFID: UK Department for International Development

<sup>62</sup> SDC: Swiss Agency for Development and Cooperation

<sup>63</sup> CIDA: Canadian International Development Agency

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### EDUCATION AND TRAINING AND POVERTY REDUCTION

Education and training is an essential element in this kind of economic transition. It can, among other things, help to increase productivity through the development of competences and skills. But education and training in Russia and Ukraine need development. During the transition period and even as far back as the 1980s, education and training systems in many ETF partner countries – including Russia and Ukraine – became increasingly obsolete. Infrastructures and capacities deteriorated in spite of the long tradition of public initial and vocational education and training.

In an atmosphere of increasing uncertainty, and without a clear priority given by public authorities to attract students to vocational education and training, families and individuals increasingly chose general secondary education and higher education as the preferred route by which to enter the labour market. For years, a steadily growing mismatch developed between the number of graduates from general secondary education and higher education and the real jobs that are available for this type of student in the emerging labour market.

UNDP analysis of the level, profile and causes of poverty suggests a few conclusions about policies aiming to relieve poverty in Russia:

- The peculiar feature of Russian poverty is that the ‘working poor’ account for more than 50% of poor households, and that the level of poverty in such households is not usually deep. These families are usually poor because of low levels of labour remuneration and unemployment of able-bodied members of the household.
- Traditionally poor categories of the population are not the biggest group among the poor because of their low representation in the total population. However, they are most at risk of poverty and suffer the highest income deficit, so they are more likely to be in the poorest group. Children stand out among particularly high risk groups:
  - their chances of being among the poorest group are very high.
- Russia already has a stagnant poverty group, consisting mainly of those in extreme poverty and totalling about 5% of the Russian population. This stagnant group includes traditional poverty categories, but also contains families with inactive able-bodied members who have lost touch with the labour market. Despite current economic growth in Russia, the extremely poor will not be able to improve their income status due to the inadequacy of social programmes targeted at the poor in general and the lack of special programmes for the extremely poor.
- Pensioners are not particularly at risk of poverty and are unlikely to be in extreme poverty. This result is clearest when we use available resources (monetary and non-monetary) as the criterion for level of current welfare. It is largely explained by the fact that pensioners are the principal beneficiaries of benefit programmes targeting specific population groups.
- Households with disabled family members are at increased risk of poverty, but the level of the risk depends on the severity of the disability. The poverty level is highest (56.1%) in cases where the disabled family member receives the allowance for people that have never worked (indicating severe disability), and is lowest (25.1%) where the disabled family member is a so-called Level-3, Group-1 invalid, receiving an allowance associated with limited ability to work.
- Geographical location is the most important factor determining welfare inequality in Russia today. Its significance increased in the period from 1992 to 2001. All other things being equal, the highest prevalence of general and extreme poverty is in depressed regions and rural areas. The fact that stagnant poverty is concentrated in such locations too emphasises how little economic growth does to overcome extreme forms of poverty. Targeted programmes are the most effective ways of dealing with such poverty but such programmes need to be specifically tailored to the scale, forms and causes of poverty in Russia.

Despite the progress in poverty reduction through improvements in real wages, pensions, social expenditures and general employment, a few problematic issues persist in Ukraine too (UNDP, 2005d):

- Low wages, a primary cause of poverty for both the employed and unemployed, are significantly slowing down the development of a domestic market, lowering consumption standards, inhibiting savings and quality labour force renewal, and causing the most innovative and economically active citizens to move to other countries.
- A polarisation of income distribution means that the majority of the population sits in the low income category, while wealth is being accumulated by a few privileged groups.
- Insufficient funding for boarding schools negatively impacts their financial and technical state and standing and results in a diminishing number of social workers.

Throughout the 1990s, funding for training and skills development decreased, despite official commitments to human resource development and poverty reduction by many development agencies. Some northern and western industrialised countries continued to subsidise the public provision of lifelong learning and training as an integral part of national economic policies to increase their competitiveness in the global economy. This often included specific programmes for disadvantaged groups like youth, women and the long-term unemployed. In lower income countries, however:

- public expenditure on basic education, skills development and training was seriously curbed under the pressure of structural adjustment policies and liberalisation;
- assistance targeting poverty focused on the provision of minimalist microfinance funding for integrated or complementary non-financial services, including training, was substantially decreased;
- the human development budgets of major donor agencies focused largely on primary education programmes;

- the few programmes that were introduced for lifelong learning and ICT did not usually reach the very poor (Mayoux, 2006).

In the last years, with economic activity increasing and employers beginning to find it difficult to recruit people with the right qualifications, unemployment has continued to rise in some countries.

In strict terms, unemployment and poverty in the population can be attributed to a mismatch between the demand for qualified labour and the available skills and qualifications of unemployed people. However, we need to see if unemployment is caused by this mismatch or whether it comes from the fact that there are more people available for work than the actual jobs created by the employment system.

Table 1 shows the decrease of the active population in Ukraine, while unemployment and the inactive population grow. However, in order to draw any conclusions on the characteristics of unemployment patterns from these data it would be necessary to further analyse the unsatisfied employment requests from employers. If their number is high, then one may conclude that there is a mismatch between the qualifications of the unemployed and the requirements of employers. But if the number of vacancies that cannot be filled is low, then the problem will be one of job creation. Anyhow, if what is assumed is that a higher level of qualification is required to fulfil the needs from employers, or that the unemployed are those with lower qualifications, then the statement needs to be analysed further.

The evidence from the 2003 figures (State Statistics Committee of Ukraine, 2003) (see table 2) shows that 64% of the demand for labour concerns blue-collar workers. Within this group, two out of every three vacancies are in industry, energy production and construction.

This does not mean that prospective employees need not be skilled. It illustrates, however, that while the flow of students in the last decade has shifted

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**Table 1: Ukrainian Employment Structure 1995-2003**

EMPLOYMENT (according to quarterly LFS)	UKRAINE IN FIGURES 2003				
	1995*	2000	2001	2002	2003
<b>Economically active population (x1000)</b>					
aged 15-70	25562.1	23127.4	22755.0	22701.7	22614.2
of working age	23053.7	21479.6	21251.0	21117.7	20994.7
<b>Employed (x1000)</b>					
aged 15-70	24125.1	20419.8	20238.1	20400.7	20554.7
of working age	21715.5	18797.3	18748.9	18830.1	18949.7
<b>Unemployed (ILO methodology) (x1000)</b>					
aged 15-70	1437.0	2707.6	2516.9	2301.0	2059.5
of working age	1338.2	2682.3	2502.1	2287.6	2045.0
<b>Economically inactive population (x1000)</b>					
aged 15-70	12110.0	13275.3	13528.9	13582.2	13669.6
of working age	6175.9	7581.9	7919.9	8053.2	8176.2
<b>Economically active population, in %</b>					
aged 15-70	67.8	63.5	62.7	62.6	62.3
of working age	78.9	73.9	72.8	72.4	72.0
<b>Employment rate, in % to total population of relevant age group</b>					
aged 15-70	64.0	56.1	55.8	56.2	56.6
of working age	74.3	64.7	64.3	64.6	65.0
<b>Unemployment rate (ILO methodology), in % to economically active population of relevant age group</b>					
aged 15-70	5.6	11.7	11.1	10.1	9.1
of working age	5.8	12.5	11.8	10.8	9.7

\* Data are not comparable due to methodological changes.

Source: State Statistics Committee of Ukraine, *Ukraine in figures, 2003*

towards general secondary and higher education, the demand for VET graduates is strong. It is not necessarily a question of higher or lower skills but rather related to the relevance for the labour market and the attractiveness of VET among students. The figures for enrolment in education (2003-04) show that only 5.5 % of students were in VET, compared to 27.1% in higher education and 67.3 % in general education (both primary and secondary).

These education figures do not match the economic trends. In Figure 1 the vertical bars represent the weight of each sector in the total national output, in the years 2001, 2002 and 2003, while the lines mark growth in each of the sectors. One can easily conclude that the main responsible sectors for economic growth registered in the last years are the manufacturing industry, construction and services. This is coherent with the blue-collar oriented labour demand mentioned above.

Three challenges summarise the contribution that VET can provide to sustained growth and socio-economic development:

- the relevance of VET contents and methods to the needs of individuals and the economy;
- the recognition – by families, individuals and enterprises – of VET as a valid pathway for ensuring employability and matching the needs of the economy;
- access to quality education and training for all, also for the poor.

The market focus in training – demand-led services, partnership with the private sector and cost-recovery – has offered important advances on many earlier subsidised programmes in terms of meeting the needs of certain groups of entrepreneurs and employees in a more sustainable and cost-effective manner. Systematic poverty assessments of these market-based

**Table 2: Ukrainian labour demand, by type of economic activity, 2003**

EMPLOYMENT	UKRAINE IN FIGURES 2003				
	Labour demand, by type of economic activity (as of 1 January 2004)				
	Demand for blue-collar and white-collar	Of which		Of total	
blue-collar workers		white-collar workers	women	persons younger than 28 years old	
<b>Total</b>	<b>138.8</b>	<b>88.5</b>	<b>39.5</b>	<b>25.1</b>	<b>14.7</b>
Agriculture, hunting, forestry, fishing	7.6	4.8	1.6	1.2	0.9
Industry	53.9	44.9	6.1	7.5	5.7
mining and quarrying	9.8	9.1	0.6	0.1	1.1
manufacturing	40.4	32.7	5.1	7.1	4.2
production and distribution of electricity, gas and water	3.7	3.1	0.4	0.3	0.4
Construction	13.6	11.0	1.4	0.9	1.4
Wholesale and retail trade					
Sale of motor vehicles	11.8	7.7	2.8	3.6	1.4
Repair services					
Hotels and restaurants	0.9	0.6	0.1	0.3	0.1
Transport and communications	8.6	6.3	1.9	1.4	1.0
Financial intermediation	2.4	0.2	2.2	0.9	0.2
Real estate, rental services and business activities	9.4	5.0	2.8	1.5	0.8
Public administration	11.9	2.0	9.5	2.3	1.3
Education	5.0	1.0	3.5	1.5	0.5
Health care and social assistance	8.0	1.9	5.8	2.9	0.8
Community, social and personal service activities	5.7	3.1	1.8	1.1	0.6

Source: State Statistics Committee of Ukraine, *Ukraine in figures, 2003*

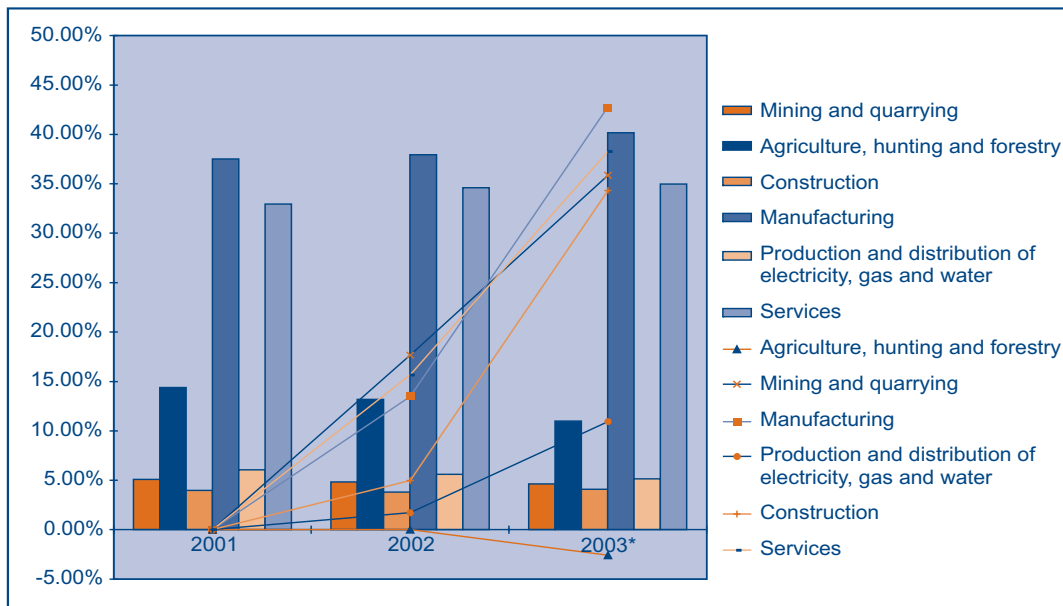
training programmes remain to be done (Mayoux, 2006). Existing assessments have focused mainly on financial sustainability. In some cases there are estimates of enterprise/job creation and overall outreach, but with no discussion of poverty-targeting or poverty impact. Nevertheless, it is clear that the design of the programmes fail to address the training challenge faced by very low income women and men.

Enterprise training is designed mainly for small and medium scale entrepreneurs and the methods and models of management promoted do not often meet the needs of

very poor entrepreneurs. Apprenticeship schemes generally fail to address the needs of apprentices for a time-efficient and thorough grounding in production skills. In some cases they amount to little more than a means for employers to get subsidised and very cheap labour. According to Mayoux (2006), market-led business development services (BDS) do not meet the needs of very poor entrepreneurs or employees and often exclude them. There has been no empirical examination of the underlying assumption of benefits at the small enterprise level trickling down the value chain to employees and micro-enterprises.

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**Figure 1. Ukrainian sectoral weight in the total national output, in the years 2001, 2002 and 2003, and growth by sector**



Source: Own elaboration based on data from State Statistics Committee of Ukraine, *Ukraine in figures*, 2003

### INCREASING RELEVANCE FOR LABOUR MARKETS: DECENTRALISATION OF EDUCATION AND TRAINING

Decentralisation is a transfer of public functions from higher tiers to lower tiers of governance. It can be administrative – through the transfer of civil servants and public functions, fiscal – through the devolution of fiscal resources and revenue generating powers, political – through the delegation of decision-making powers or a mixture of these (Jütting et al., 2005).

In theory, decentralisation should have a positive impact on poverty, as it is likely to make the voice of the poor better heard, improve their access to public services and the quality of these, and reduce their vulnerability. It can be a powerful tool to initiate improvements in instruments and policies for the poor. However, the reality is usually different. According to an OECD Development Centre comprehensive review of experiences on decentralisation (quoted in Jütting et al., 2005), in countries where the state lacks the capacity to fulfil its basic functions and in environments with high inequalities at the outset, there is a definitive risk that decentralisation will increase poverty, rather than reduce it. The

ambiguous evidence suggests that the link between decentralisation and poverty reduction is not straightforward and that the outcome is largely influenced by country specificities, as well as by the process design. In this context, the implementation of a coherent decentralisation strategy, along with indicators to monitor progress, is a promising tool to improve capacities and institutional quality at the local level.

Most of the ETF partner countries have started or are planning to start reforms of their vocational education and training systems and many among them have chosen decentralisation as the key strategy. Some of the arguments they give for this approach may also be useful for a better understanding of the options available to Russia and Ukraine.

The establishment of links between education and employers is most likely to be successful regionally, locally or even at the level of individual schools. Through this dialogue, VET contents and methods are more likely to become relevant to local market needs. Training needs analyses, training content and method updates, competence shortfalls identifications, training delivery redistribution, lifelong learning strategies, and the development of

guidance and counselling services – all such things are easier to promote from a local perspective.

Similarly, job opportunities might become more visible in a decentralised context. And if partnership arrangements have been developed, the mechanisms to disseminate information on such opportunities can also clarify the pathways to increase employability. The attractiveness of VET is therefore stimulated both by a more transparent labour market and by spreading awareness that (improved) vocational training increases employability.

Besides increasing the relevance for learners and labour markets, increasing the efficiency of VET provision is one of the main aims of any reform. One of the indicators of low performance of the system is the dropout rate, which tends to be higher when the qualification level of students after the compulsory stages of education – including initial VET – is low. A proximity approach to VET management probably also increases the ability to cope with problems of high dropout levels.

There are good examples from EU countries to build on in this area. In the Netherlands for instance, in 1999 an action plan on early school leaving was launched by the Ministry of Education and Science, stimulating cooperation between the four actors involved: education, youth care, justice and employment. In 2000, the effectiveness of regional cooperation was evaluated. In the 39 regions, all actors were very willing to cooperate, while the extent to which effective cooperation was realised differed per region. In 2001, the Regional Information and Coordination Act (RMC)<sup>64</sup> was implemented. Everyone who left education under age 23 without a basic qualification was considered an early school-leaver. Education institutions were obliged by law to inform the municipality of all early school-leavers. The aim was to reduce the dropout rate by registering their names and trying to lead these youngsters

back to education. The initiative was so successful that the RMC budget was increased in 2004 (Cox, 2004).

During the transition process in Russia and Ukraine, in the period that the vocational education and training system became more obsolete and less relevant, children from poor families or from exclusion situations dominated vocational schools. They became some of the last remaining safety-net institutions. The reform of the VET system requires that other types of student are attracted to the system – students that value VET for its ability to develop their employability. However, schools should not simply substitute their clientele from the last years but develop a socially inclusive approach towards students from vulnerable social backgrounds. Such inclusion strategies in vocational education and training would then become a powerful tool for poverty alleviation.

During the ETF project ‘Supporting the decentralisation of vocational education and training in the Russian Federation and Ukraine’<sup>65</sup>, participating regions analysed the role that initial vocational schools play. They carried out surveys among different stakeholders that covered the economic or social functions vocational institutions actually undertake. One remarkable result was that while teachers and trainers in most of the regions highlighted the social role of vocational schools, local authorities and employers highlighted their economic functions.

In Russia problems related to financial support for the development of education deserve special attention (UNDP, 2005b). It looks certain that implementation of the resource provision standards set out in the country’s *Education Development Strategy* will lead to a reduction of regional budget allocations for pre-school, primary and the non-compulsory programmes of secondary vocational education. Funding for education development will also be cut.

<sup>64</sup> Regionale meld- en coördinatiewet

<sup>65</sup> Since 2004, the ETF has been supporting the development of regional assessments and action plans in a number of pilot regions in Russia as well as in Ukraine, with the objective of increasing the capacity of the selected pilot regions to manage a decentralised vocational education and training system which ensures equal access to high quality vocational education and training (ETF, 2005a).



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Modernising education content requires significant spending, and although the development of new standards and their methodological support will be financed by the federal budget, funding of teacher retraining, the replacement of textbooks, the acquisition of educational equipment and materials, etc., will remain the responsibility of regional authorities.

Without significant federal support, such a burden will be unbearable for regional budgets, let alone local budgets. In these conditions, it is natural to expect a reduction of allocations for vocational education (primary and secondary) and of wages in the general education sector. This, in turn, will inevitably result in a worsening of the quality of teaching staff and, consequently, a deterioration of the quality of education.

Many young people will be unable to obtain vocational education close to home and will have to leave for other, wealthier regions. If medical insurance practice – which de facto guarantees free medical care only in the region of a person's origin – is anything to go by, newcomers to these wealthier regions will likely have to pay for their own education.

Major differences in the quality and scope of educational opportunities between regions are therefore probable. This will lead to a further reduction of human resources in deprived regions, a decline in the investment attractiveness of these regions, further polarisation of Russian regions in terms of social and economic development, an outflow of young people willing (and able) to move to other regions for vocational education, further social differentiation of the population and marginalisation of those young people who remain in deprived regions, criminalisation of young people due to unemployment and inadequate education levels, and increased social tension. Even the most optimistic scenario is unlikely to significantly reduce the gap between regions in scope, resource support and quality of education at all levels.

The introduction mentioned the problems and tendencies from which the UNDP concludes that Russia has not yet fully achieved the Millennium Goals in education:

- the increasing regional differences in the level and quality of education;
- the increasing gap between on one side the content and quality of education at all levels, and on the other, the requirements of modern life and the economic environment; and
- the exclusion of (small) groups of children from education for social reasons or because they have special needs that cannot be catered for.

The second and third of these problems and tendencies are given proper consideration in the *Education Development Strategy of the Russian Federation up to 2010*. However, little attention is given to the problem of widening regional differences in provision and quality of education. Furthermore, a negative public attitude and opposition of a considerable part of the professional community to any type of social reform creates a risk that reforms will be called off or implemented in a truncated form. This could mean that Russian education policy priorities will not be achieved. The UNDP recommends that education policy documents be explained and discussed with representatives of the professional community and consumers of educational services.

The MDGs, modified for Russian conditions, could be used as a starting point for consensus in order to achieve deeper public dialogue. Specific measures should be designed for achieving the adapted MDGs in Russia and these measures should be included in federal education programmes, particularly the *Education Development* and *Children of Russia* programmes.

According to the UNDP *National Human Development Report* (2002), universal education of the Ukrainian population is approaching the level of developed countries at 79%. In 2004 this indicator reached 86% (UNDP, 2005d). By comparison, the world average is 65%. In developing countries it is 61%, in developed OECD countries 94%, and in Eastern Europe and the CIS 77%.

At the same time, education has been affected by the country's severe economic downturn. Over the past four years, noticeable changes have occurred in the 'saturation' level of students and pupils. In comparison to 2000, the number of pupils in general education institutions per 10,000 people decreased by 12% (from 1,372 to 1,212), and the number of students, on the contrary, increased 1.4 times (from 392 to 545 persons).

In spite of noticeable progress in ensuring quality lifelong education, some problems still remain:

- There is a lack of material and technical base for education. This can be seen in the inadequate stocks of modern textbooks and study instruments, and a low level of computerisation. As of the beginning of the 2004/05 academic year, one third of rural schools and 15% of urban schools did not have any computers.
- The level of financing for education institutions is insufficient. Salaries of teaching staff in particular are significantly lower than average wages elsewhere.
- Pre-schools and other schools are understaffed.

To sum up, increased social and economic development is a precondition for poverty reduction. For HRD policies to make a contribution to such development requires sound reform of education and training systems, aiming to increase their relevance, quality, attractiveness and accessibility.

In fulfilling these objectives, regionalisation becomes a proximity strategy that aids involvement of stakeholders from the community and allows education and training to be better matched with the development needs of individuals and the local economy.

However, a wide variety of models can be used to undertake such a regionalisation: from a federal model to a regionalised Unitarian State model; decentralisation or de-concentration; increased emphasis on the economic or social functions of VET;

from a liberal approach to one with greater involvement from the public administration; etc.

Jütting (2005) identifies four crucial conditions for achieving pro-poor decentralisation. These are related to the design and implementation of the decentralisation reform.

- Political: commitment of the elites/central government as well as the establishment of a transparent and participative process must be guaranteed.
- Administrative: a clear division of functions between different actors should be assured; time for capacity building at local/regional level should be allowed.
- Fiscal: a secure resource flow to local governments must be developed.
- Role of local governments: entry points for establishing and improving pro-poor policies must be defined.

The different models need most of all to be flexible towards a rich and diverse range of situations, where economic development, demographic situation, employment and legal and financial regulations may vary a lot. In any case, the end result at national level will be more diverse and complex, and requires policies defining the overall and common strategy, the quality assurance mechanisms to ensure equal access of citizens to quality education, and the portability of qualifications internationally. Due to the high level of regional unbalance, the constitution of state or federal territorial compensating funds becomes necessary for efficient regional development.

## INCREASING RELEVANCE FOR LEARNERS: INNOVATING LEARNING METHODS

Until now, we have focused on how decentralisation can increase the relevance of vocational training to the labour market. However, making vocational training more attractive to learners also requires innovation of the learning methods used in its delivery. New learning approaches allow

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schools to cope with diversity and, in doing so, to widen their target audience (economic function) without necessarily focusing on and thus often stigmatising) vulnerable groups (social function).

To achieve this aim it is necessary to shift the focus of pedagogic and didactic approaches in vocational education from institutional to individual. The main idea is that the career of the student must be central to education, that educational paths must be tailored to that career, and that these paths are characterised by a cohesive, vocationally oriented pedagogic-didactic approach which relates to the interests and motivation of the various students. Such an improvement in the learning methods reconciles the previous dilemma of targeting the disadvantaged – often poor – students (social function) or the common student who could also have chosen the general education path. However, it is absolutely necessary at the same time to cover the more advanced skills and competences required by the labour market (economic function).

Two key principles can be distinguished in these policy assumptions:

- On the one hand there is the perspective of a vocational column, in which emphasis is placed on improving not only the learning results but also the learning process.
- On the other there is the perspective of a career as the guiding principle for the organisation of vocational learning paths for students.

The central assumption of recent policy from a pedagogic-didactic viewpoint is the effort to give shape to forms of activating, authentic, and competence-oriented education allowing a flexible and tailored organisation of learning to the student population in any sector. Such an approach will be essential for students from disadvantaged groups, but it benefits all students.

When discussing competence-based learning and training we refer to an inductive way of working and learning

situations, where students learn on the basis of real life case studies, drawing motivation to learn from the need to solve concrete and real problems linked to their interests. Two things are essential:

- Competence-based education is explicitly aimed at the key issues or problems in professions and careers, and prepares the learner to deal with them. It emphasises optimal competence development, tailored to the learner's personal wishes and potential.
- The aim of competence-based education is to train people to become competent citizens and professionals. Competences and competence development are the pivot around which content, programming, organisation and pedagogic-didactical design of the educational process should be developed.

International experience shows that this development touches upon all these different aspects of educational organisation and the relation between school and company. Therefore, an integral approach is the key to success. Again, proximity provided by a more decentralised approach to VET provision is key to the success of such an innovative competence-based approach. Increased autonomy of learning centres allows the introduction and development of new learning methods and content, better responding to the needs of the individuals and local economy the schools serve.

The constructivist learning paradigm appears to be a major source of inspiration for the new basic theories of learning and teaching in vocational education. The so-called 'new learning', which is based on the constructivist view, differs from the 'old learning' precisely in this relationship between *what* and *how*. In the 'new learning' the emphasis is placed on meta-cognitive learning results.

According to this approach, learning results should firstly consist of knowledge and skills that are sustainable, flexible, functional, meaningful and can be generalised. Secondly, the new learning results should relate to learning

conceptual, coordinative and consolidating skills besides the technical skills, in other words to meta-cognitive ability per se.

To achieve these new learning results it is important that there is more space within education for experiential and action learning. Alongside this greater space for self-regulated experiential and action learning, guided learning is also important.

A framework of conceptual building blocks needs to be developed to inspire a redesign of the pedagogic-didactic approach within vocational education. This framework could cover:

- the content and main thread of the learning path towards a vocational qualification;
- the pedagogic approach (including career counselling, communities of practice, personal development);
- the didactic design (an educational-psychological perspective; subject-logical approaches; the perspective of the profession and/or occupational practice; constructive learning versus reflective learning; the use of core skills such as communicating, negotiating, planning and organising; differing and varied places of learning; supportive, diagnostic evaluation during the learning track alongside independent, competence-oriented assessment at the end of the track);
- the role of teachers and (practical) trainers;
- cooperation with regional players.

## CONCLUDING REMARKS

Russia and Ukraine share a particular type of poverty related to the social cost of transition. Often, the poverty-stricken population is composed of impoverished, well-educated, healthy and low-waged working people. Many live in regions where previously dominant industries have not survived the transition process. Economic growth in the last seven years has helped some of them, but not all, escape poverty.

This post-1999 growth experienced in the CIS is a 'recovery growth' based primarily on the employment of previously idle human and physical capital. Sustainability of future growth will depend on several economic policies, but also on the contribution that the VET system can make to supporting the needs of the economy and individuals.

In particular, changing the model of economic growth will require increasing the productivity of manpower. This requires the development of skills and competences of the population and it is here that education and training can play a first key role. Developing skills and competences among the most vulnerable people, following an inclusive school approach is the other, more pro-poor type role that education and training can play.

To allow education and training in Russia and Ukraine to perform these roles adequately and efficiently, it is important to:

- increase the relevance of the content and method of vocational training in accordance with needs of the economy and individuals;
- enhance the attractiveness of vocational schools as a valid pathway to increase employability and match the needs of the economy;
- improve the accessibility to quality education and training for everyone including the poor.

This summarises the contribution that vocational education and training can provide to sustained growth, socio-economic development and social inclusiveness in the Russian Federation and Ukraine.

During the transition period and at least since the 80s, ETF partner countries, including Russia and Ukraine, have seen their education and training systems becoming obsolete and infrastructures and capacities deteriorating despite having a long and proud tradition of public initial and vocational education and training. Most ETF partner countries have started or are planning to start reforms of their vocational education and training systems, and many

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of them have made a choice for decentralisation as the strategy to face these challenges in their reforming efforts.

Decentralisation and regionalisation have become part of a proximity strategy that potentially enables a better matching of the needs of the local economy, the development needs of individuals and the involvement of community stakeholders. Proximity provided by a more decentralised approach to vocational training provision (with increased autonomy of school management) may also become a key for

innovative learning approaches based on competences and meta-cognitive skills.

However, the existing experiences on education and training decentralisation in Russia and Ukraine indicate that this potential has not yet been fully exploited. It will depend on the development of strategies targeted to the specific features of the different regions and on the improvement of a number of governance factors, in particular improved finance mechanisms and enhanced social partnership at regional and local levels.



## **7. FROM POVERTY ALLEVIATION TO ECONOMIC AND SOCIAL COHESION – HOW CAN FUTURE MEMBER STATES BE BETTER PREPARED FOR THE EUROPEAN SOCIAL FUND?**

*Arjen Deij, Milena Corradini,  
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The end of Soviet domination in Central and Eastern Europe brought new freedoms and opportunities, but also economic hardship, mass redundancies, political instability and increasing insecurity to large numbers of people. Only a small elite seemed to gain from the initial changes. The perspective of EU membership boosted economic growth in the Baltic countries and Central Europe. These countries capitalised on intensified political and economic integration and attracted substantial investment from abroad.

In terms of infrastructure, administrative capacity, rural character, and poverty, most of the potential Member States in South Eastern Europe share more similarities with Greece and Portugal at the time of their accession than with the ten that joined

in 2004. With the exception of Croatia, close to one fifth of their populations live in poverty. They also have a less educated labour force than the new Member States. The Gross Domestic Product of these countries is far below the EU average. Never before has the European Union integrated such poor countries. Integrating them successfully into the EU will require different approaches.

How much attention will be given to human resources development policies in this context? Is poverty alleviation high on the agenda? What role could the ETF play in supporting these countries? This chapter addresses these issues with the help of ETF experience with enlargement to date. It is recommended to read this chapter after the chapter on VET and social

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integration of disadvantaged people in South Eastern Europe. That chapter goes deeper into understanding poverty and social exclusion in South Eastern Europe, as well as current local responses to support social cohesion. This will help the reader to understand to what extent the enlargement process affects poverty alleviation and social inclusion policies.

## ENLARGEMENT – THE DEVELOPMENT PERSPECTIVE FOR SOUTH EASTERN EUROPE AND TURKEY

The historic enlargement of the European Union in 2004 marked the end of the artificial division of Europe that had existed since World War II. This process is, however, not complete without the countries of South Eastern Europe. In late 2006, the European Commission gave its blessing to the accession of Bulgaria and Romania from 1 January 2007, but with varying degrees of commitment from the European Union, the other countries of the region have so far only been offered the perspective of joining the EU at some stage in the future.

Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo and the former Yugoslav Republic of Macedonia were partially or completely cut off from the rest of Europe during the different Balkan conflicts of the 1990s. In most of these countries, political stability and economic and social development will be hard to achieve without the perspective of accession.

Turkey has been waiting to join the Union for over three decades. It is one of the few countries in Europe with a young and growing population. Its membership could help to balance the demographic deficit of an ageing population in Europe. Currently, the regional and social differences in Turkey are still bigger than in any of the existing Member States. Accession

preparations would create unique conditions to achieve wider social inclusion, create new employment opportunities and support general development and modernisation.

Of all the candidate and potential candidate countries, only Croatia enjoys economic and social development similar to that of the new Member States. Its accession was mainly delayed because of its involvement in the Balkan wars.

## ECONOMIC AND SOCIAL COHESION BEYOND POVERTY ALLEVIATION

In these potential Member States accession may be perceived as ending a process of rapid transformation and instability, but joining the EU will bring new challenges in order to catch up and keep up with the other EU Member States. Sectoral restructuring is having a major impact on the national economies and employment. People are changing jobs at a higher pace than ever before. The labour force is ageing rapidly. This means that there is much more emphasis on education and training and employment. There is a need for more international mobility to combat labour shortages. While 80% of equipment in companies in the EU is less than 10 years old, 80% of the labour force has been out of education for more than 10 years. Since much of the current job growth takes place in SMEs in the private sector, job profiles are changing rapidly. The future members will come to join a more complex Union than their predecessors did: a Union in which education, training and employment policies have moved up on the agenda. In today's EU the debate on education, training and employment issues is guided by the so-called open method of coordination<sup>66</sup>, with countries working towards agreed objectives, reporting on progress and receiving funds based on their performance. The Lisbon Process<sup>67</sup> has confirmed the role of education and

<sup>66</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/index\\_en.htm](http://ec.europa.eu/employment_social/social_inclusion/index_en.htm)

<sup>67</sup> In March 2000, the EU Heads of States and Governments agreed to make the EU "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010".



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training in employment and labour market policies, in economic development and in social cohesion.

With poorer countries joining there will be greater economic and social divergence than ever before in the European Union. Education, training and employment among specific target groups and the development of poorer regions will have to be addressed because efforts to strengthen common EU economic development have always been matched by measures to support economic and social cohesion. The most important instruments to support economic and social cohesion are the Structural Funds. They cover human resources development, competitiveness and entrepreneurship, and regional, urban and rural development. The latter encompass measures to improve infrastructure and support sectoral restructuring in urban and rural areas. The EU has tried to promote social and economic cohesion by concentrating these funds in less developed regions, and hence poorer Member States tend to receive a larger share of the cake.

One of the Structural Funds, the European Social Fund (ESF), supports human resources development and social inclusion measures. It is the oldest structural fund. It was originally designed to support the mobility of workers within the EU and their adaptation to industrial change through vocational training and retraining.

The ESF shares some similarity with poverty alleviation approaches that are discussed in the other chapters of this yearbook: its strategic frameworks and the way it focuses on skills and employment and on the importance of local initiatives. Yet, ESF is not only a poverty alleviation instrument, and it does not only aim at supporting the poor and socially excluded. Poverty alleviation and European economic and social cohesion policies both aim at improving the quality of life through the development of skills and integrated measures. The skills for poverty alleviation approach is about raising income through work at a higher skill level. In economic

and social cohesion policies there is more emphasis on increasing employability and sustainable employment than on income.

Whereas poverty alleviation strategies encompass integrated measures including education and training to 'simply' reduce poverty, the aim of economic and social cohesion is more ambitious. Economic and social cohesion policies are designed to reduce the gap in income and employment between geographical regions in the European Union and between the majority of its population and disadvantaged groups. The means available in the European Union to meet these objectives are also much more generous. In this way initiatives aiming at skills development on a large scale can, for example, be combined with investments in infrastructure to create a conducive environment for local and regional development.

The development of human resources is key to economic and social cohesion. This is no less true for the potential Member States than for any other country. But the level of public funds allocated to education, training and employment promotion in the countries concerned is low and therefore the ESF will probably become an important catalyst in changing education, training and employment policies.

Over the years, the ETF has observed that new countries joining the EU have struggled to be ready to access the Structural Funds. Of these, the European Social Fund seems to have been the most difficult to prepare for. It would seem that preparing the ground for effective use of the ESF takes more time than has been allocated earlier. It requires a strategic framework to be put into place, regional and local partnerships to be developed, and approaches that fit in the country context to be tested and evaluated.

Preparing countries to use the ESF to their best advantage therefore has to start early in the pre-accession process. There appear to be critical areas that need more attention in this introductory process and there is a role that the ETF can play in preparing the ground.

## THE CURRENT APPROACH TO PREPARING FOR STRUCTURAL FUNDS AND ACCESSION

In the run up to the enlargement of 2004, the 15 old Member States and the European Commission put more work into the accession preparation process than ever before. A special Directorate General (Enlargement) coordinated the process. Regular reporting procedures ensured feedback on the progress within the countries concerned. Twinning projects linked the administrations of the 15 existing Member States and the new countries to address specific problems.

The TAIEX<sup>68</sup> office was set up to assist in capacity building activities. To prepare the countries for the Structural Funds, the SAPARD<sup>69</sup> programme assisted rural development and the improvement of productivity in agriculture, while ISPA<sup>70</sup> covered investments in infrastructure and urban development. The Phare Programme for Economic and Social Cohesion covered measures to support regional development and human resource development. In parallel, the countries were prepared for the European Employment Strategy (EES).

Using the open method of coordination, each country identified its priorities within the framework of this employment strategy and reported on progress to the Directorate General for Employment. The Joint Assessment Paper<sup>71</sup> on employment policies and measures looked at tax policies, social contributions, active labour market measures, unemployment benefits, income and job subsidies, education and training policies, adult learning, the role of the public employment services and gender policies.

The Joint Inclusion Memorandum<sup>72</sup> provided an agreed assessment of social inclusion strategies. While national legislation was developed to boost active labour market measures, the countries prepared their first National Action Plans for Employment (NAPE)<sup>73</sup>. Finally, to prepare the specific programming for the Structural Funds the first National Development Plans (NDP)<sup>74</sup> were drafted. These included regional development plans and human resources (HR) strategies. These HR strategies were the prototypes of the first Sectoral Operational Programmes for HRD – the planning tools for ESF. Technical assistance through Phare projects helped the countries to develop strategies, train administrators, and establish new structures.

While redesigning the Phare Programme from being driven by acute needs to being driven by accession requirements in 1997, the European Commission paid special attention to the preparation for the Structural Funds and the European Social Fund in particular. The EU administration was concerned about the strong regional differences between the candidate countries and the 15 Member States, which could threaten macro-economic stability and hamper national economic development. Such regional disparities were due in large part to regional industrial structures concentrated in specific regions and towns that were vulnerable to the consequences of industrial restructuring. The administrations of the potential future Member States were still highly centralised, while the use of Structural Funds relied to a large extent on effective regional structures and local initiatives. The Commission therefore questioned their capacity to efficiently manage and employ the funds to counter such disparities.

68 <http://taiex.cec.europa.eu/>

69 <http://ec.europa.eu/agriculture/external/enlarge/back/index>

70 [http://ec.europa.eu/regional\\_policy/funds/ispa/ispa\\_](http://ec.europa.eu/regional_policy/funds/ispa/ispa_)

71 [http://ec.europa.eu/employment\\_social/empl\\_esf/enlargement\\_](http://ec.europa.eu/employment_social/empl_esf/enlargement_)

72 [http://ec.europa.eu/employment\\_social/soc-prot/soc-incl/jim\\_](http://ec.europa.eu/employment_social/soc-prot/soc-incl/jim_)

73 [http://ec.europa.eu/employment\\_social/employment\\_strategy/national](http://ec.europa.eu/employment_social/employment_strategy/national)

74 [http://ec.europa.eu/enlargement/index\\_en.htm](http://ec.europa.eu/enlargement/index_en.htm)

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In the framework of the Phare Programme a Special Preparatory Programme (SPP) was established to assist candidate countries in developing the institutions needed to manage the Structural Funds. This included preparatory activities for the ESF that the European Training Foundation came to manage. This SPP-ESF was mainly based on training activities and the exchange of experiences targeting civil servants concerned with the design and implementation of ESF programmes as well as some social partner representatives.

The programme started in June 1998 and ended in October 2000. It covered the development of employment policy reviews and background documents for the national action plans for employment, as well as international seminars studying in-depth country experiences and a limited number of targeted local seminars in candidate countries. A total of 55 conferences and seminars were complemented with 12 study visits to EU Member States. The project involved some 3000 representatives from the ten candidate countries. Ten national training institutions were supported to provide training at national level. Apart from the ETF coordinated activities, the SPP covered a series of other preparatory measures for the Structural Funds including specific national programmes.

The SPP exercises produced mixed results (Horvat, 2004)<sup>75</sup>. The candidate countries could not take full advantage of the programme. Policy developments were still at an early stage when the SPP started and the countries were not yet able to appreciate the operational consequences of the new policies. As accession approached, however, the time used to prepare for the Structural Funds could not be extended.

### LIMITED IMPACT EXPECTED OF STRUCTURAL FUNDS IN NEW MEMBER STATES DUE TO LACK OF IMPLEMENTATION CAPACITY

There are a number of indications that new Member States have difficulties in using the Structural Funds available. This is demonstrated by the example of Slovenia.

In the years around accession Slovenia focused on preparing and ratifying key programming documents that were necessary to start its work with the European Social Fund. The single programming document for the years immediately after accession (2004-06) gave priority to 'knowledge, human resources development and employment', allocating one third of its Structural Fund support to the ESF. This was above average. However, capacity building among civil servants and other actors (potential ESF beneficiaries) did not receive the attention it deserved. In 2005, 53% of the 482 public employees involved in the management and monitoring of the ESF still expressed a need for training in basic issues such as the principles and requests of the European Commission in the field of structural policy, working procedures and priorities. As a consequence the country's absorption capacity for ESF funds is far below expectations. A report by DG Budget presented in May 2006 showed that Slovenia spent only 27% of its Structural Fund allocation during 2004-05, with only 12 months left to spend the remaining 73%<sup>76</sup>. And yet, so far Slovenia is one of the best performers in ESF implementation among the new Member States.

In the run up to accession a number of expert studies were launched by the Commission to estimate the impact of the Structural Funds in the new Member States. Experts warned against overoptimistic expectations. There would be flows of labour towards the old Member

<sup>75</sup> <http://www.gov.si/umar/conference/2004/papers/Horvat.pdf>: "SPP implementation was too early. Consequently, all exercises were not taken as seriously by the central administrations as desired by the Commission."

<sup>76</sup> EC/Directorate/General/Budget/analysis of the budgetary implementation of the Structural Funds in 2005, May 2006.

States in search of better-paid jobs and the Structural Funds in the new Member States would face the problem of limited local implementation capacity and low absorption rates.

*Ex ante* evaluations of the sectoral operational programmes for human resources for the period 2004-06 also hinted at the lack of implementation capacity. They show, for example, that while countries had made considerable progress in understanding the challenges of employment development, they were not always able to translate these effectively into targeted measures, let alone identify achievement indicators, mobilise local stakeholders, and budget their programmes.

The Sectoral Operational Programmes (SOP) for HRD in some of the new Member States also contained new measures that were different from those aimed directly at employment, entrepreneurship, employability or social inclusion of the adult population. In Poland, for example, support was granted to kindergartens to address poverty among children in rural areas. In Hungary preventative healthcare was supported to reduce the number of males leaving the labour market prematurely because of self-destructive lifestyles. In a way these programmes reflect new ESF approaches that are more focused on structural reforms in education and training systems and social services, and that create preconditions for a more adaptable and competent workforce able to remain active longer in labour markets that are tightening because of the ageing population in the EU.

It is not clear from the SOPs whether these were really the concerns of the Polish and Hungarian governments, nor whether these initiatives allowed them to spend ESF funds more easily. The *ex ante* evaluations and the SOPs give the impression that ESF resources are spread rather thin and this can be interpreted as an indication that the countries were not sufficiently prepared to use the funds strategically.

It has been difficult to make a proper assessment of the current situation in the new Member States for this chapter as programmes are not yet completed and information about programme implementation is difficult to obtain. All new Member States have experienced teething problems and delays due to a lack of expertise and administrative capacity, both nationally and in the regions.

The ESF uses a bottom-up approach. In partnership, local stakeholders address the specific local and regional human development aspects of industrial restructuring and development, integration and reintegration measures and social inclusion measures. During pre-accession, Phare financed human resources development measures through grant schemes to prepare the ground and build up experience for a 'pipeline of projects' for the ESF.

This pipeline was only partially ready at the time of accession. Potential beneficiaries and applicants lacked information, project ideas, and project design skills and often faced difficulties in raising the required co-financing. Local bureaucracy too has been a major obstacle when, after accession, Phare procedures were replaced by national requirements. As of late 2006, commitments still seem to be rather slow to materialise and although they are catching up, it is not expected that any of the new Member States will be able to fully use its ESF allocations<sup>77</sup>.

## ROMANIA AND BULGARIA – MORE TIME, MORE EXPERIENCE?

Romania and Bulgaria profited from an extra two and a half years with Phare support. This facilitated better preparation.

Romania started testing the ground early with HRD grant schemes. The first was launched from the Phare budget of 1998. It was followed by new calls for applications from the 2000 Phare budget, and the

<sup>77</sup> DG Budget, European Commission analysis of the budgetary implementation of the Structural Funds in 2005.

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2002-06 Phare budgets. Implementation is about two years behind schedule, but it has given Romania a chance to experiment. Initial vocational education and training received a large share of the pre-ESF support and it is foreseen that in the future, the ESF will also be used to make VET more responsive and more accessible to learners and actors in the labour market. Reforms aim at improving VET provision in the regions. In the framework of its VET reform process, Romania has also started to improve regional planning for HRD involving all key stakeholders.

The Joint Accession Paper identified a number of critical areas for development, such as continuing training, activation policies, the public employment services, and education in rural areas. The JAP was followed by a series of national and thematic meetings to address employment policies, HRD and social inclusion measures. Extra effort was made to improve employment and labour market indicators. Just like in Bulgaria, the government developed a continuing training strategy for 2005-10 to improve participation and access and raise quality and relevance. The ETF was directly involved in this and also supported *ex post* evaluations of the HRD grant schemes. The ETF organised institution building measures that strengthened the involvement of social partners in HRD, both in local settings and at sector level. Such initiatives built, where possible, on local best practice. Sectoral committees have been established with sector representatives of employers' organisations, trade unions, professional associations and sometimes specialised training providers and line ministries. Some sectors have now started to raise funds and develop expertise in HRD. This should enable these social partners to lead regional HRD partnerships for critical sectors, such as the machine building sector, food processing, construction (including infrastructure), transport and tourism.

Because of its high level of structural unemployment, Bulgaria chose to focus on

adult learning. A National Agency for Vocational Education and Training has been established that works in close cooperation with the Bulgarian employment services. Particular attention was paid to the quality of providers. Regional training centres have been reinforced to obtain a better geographical coverage. Regional development and employment strategies were drawn up in a number of regions. Capacity building efforts concentrated on the establishment of regional partnerships. The ETF reinforced these actions with its institution building measures. It carried out a dedicated peer review on continuing training and adult learning<sup>78</sup> to support national strategic planning in Bulgaria.

It is nevertheless expected that Bulgaria and Romania will not do better than the new Member States. This seems to contradict the statement that the countries are better prepared. Although there has been more testing in Bulgaria and Romania and there has been more time to work out strategies, and probably more understanding of the implications of the structural funds at national level, other factors still hamper efficient implementation.

Both countries have to improve their administrative capacity at regional level – the six planning regions in Bulgaria and the eight development regions in Romania, which do not correspond to existing administrative structures. These must be made to work efficiently with existing administrative structures at local level, because often the most important decision-making processes take place locally – in the 28 districts of Bulgaria or the 42 counties of Romania.

Both countries did not have a tradition of partnership among stakeholders. Although they have made progress with the decentralisation of education, training and employment promotion, partnerships are still not common. There has not been enough time to capitalise on the experiences gained during the pre-accession period. Responsibilities have changed over time and regional structures

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<sup>78</sup> <http://www.etf.europa.eu/web.nsf/Pages/Related+Publications>

have only been developed very recently. In Romania, for example, the Ministry of Labour was nominated as the managing authority for the ESF in 2004 but no real transfer of experience has yet taken place from the Ministry of European Integration that dealt with the pre-ESF projects.

Although both countries have recognised the importance of doing more to support participation in continuing training and have taken steps to improve the quality of training, access to it in smaller towns, rural and more remote areas is problematic. There are still severe regional divides within both countries whose capitals and some privileged regions attract the majority of foreign investment while many small towns and rural areas are still in decline. The rural areas in particular need urgent attention as many people live off subsistence agriculture. In Romania, they represent up to one third of the workforce. The populations living in rural areas are not only difficult to reach, they are also less likely to participate in training and other activities provided by the ESF.

In establishing policies and structures to use the European funds to alleviate poverty and support local development in the most backward areas, Bulgaria and Romania are confronted with the limitations of administrative and implementation capacities on the ground. Therefore it will be difficult to reach those in most need of support.

The lessons that can still be learned from the accession of Bulgaria and Romania will be important for the future Member States as they share many common problems. In the preparation for ESF, skills for poverty alleviation approaches can be piloted together with other more structural measures to raise access to education, training and the labour market. It is however important that local initiatives connect with structural reforms and policies at national level to achieve sustainable impact.

## ECONOMIC AND SOCIAL COHESION – A BIG CHALLENGE FOR TURKEY

Turkey is the only potential member state that has had a functioning market economy for a long period of time. It has a strong tradition of private initiative, which is a huge advantage in boosting employment. It has experience with different programmes to promote local development and social cohesion. Turkey also has a young population and younger populations tend to be more open to change. These are important positive aspects when preparing for the ESF. On the other hand, the challenges that Turkey faces are far greater than those in the other countries. With an employment level of less than 45% (and female employment at just under 25%), huge regional disparities, a very large rural population and a poorly educated workforce in comparison with the rest of Europe, it will take a long time to catch up with the existing Member States. Hence stronger HRD policies and a good preparation for the ESF are important for integrating Turkey into the European Union.

Under the 2002 Pre-accession Financial Assistance Programme, the Turkish Employment Agency (ISKUR) has benefited from the €50 million 'Active Labour Market Strategy Programme'<sup>79</sup>. It covered the design, development and implementation of modern and effective employment policy measures and services in line with the European Employment Strategy. The programme helped to improve the institutional capacity of the employment agency. It also included a pre-ESF grant component for local projects that delivered training to selected target groups and that stimulated public-private initiatives to increase employability and boost employment in general. The target groups covered all jobless people, but particularly unemployed young people, women, long-term unemployed people, migrants from rural areas and former convicts.

<sup>79</sup> The programme was part of the 2002 EU assistance to Turkey. €40 million were provided by the EU and €10 million by the Turkish government.

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The projects provided vocational training for jobseekers, retraining on entrepreneurship, human resources management, marketing, and career development. Some 50,000 people benefited from the training activities and, based on preliminary results as of March 2006, at least 30% of them (re)entered the labour market. In 2005, the ETF visited a sample of the projects that showed they really target those in need. Most programme applicants were NGOs with experience in the field. Training was very practical and women made up the largest group of beneficiaries.

Many projects offer practical activities in agriculture, food processing and crafts linked with entrepreneurship training and advice. Those benefiting from the project generally hope to gain economic independence. They have started cooperative initiatives among themselves. The ETF supported an evaluation of the scheme in 2006. Although the first impressions were very positive, one disadvantage became clear: the projects are considered donor projects rather than a new tool for activation policies. This is because the legal framework does not allow ISKUR and the Ministry of Labour and Social Security to use the unemployment fund for this type of intervention. If the legal framework does not change, these ESF-type projects will not become part of a system of active labour market policies. Changing the law is necessary for national authorities to take full ownership and include this type of measure in a national strategy.

### INCREASING THE IMPACT OF ESF, WHAT HAS THE ETF DONE?

ETF support to ESF preparations has been mentioned several times in this article. The ETF has been involved in supporting DG Employment, the EC Delegations and local stakeholders in many ways with their activities.

As mentioned earlier, the ETF managed a Special Preparatory Programme, organising capacity building seminars and EU study visits for key stakeholders in the future Member States. The ETF supported Labour Market Background Studies that were prepared by the countries as part of the JAP process. After the JAPs had been agreed and signed, the ETF carried out in-depth studies – the country monograph series<sup>80</sup> – on the contribution of education and training to employment, and the roles of adult learning, active labour market measures and the public employment services. The results were discussed with stakeholders in the countries and integrated in the JAP progress reporting process. To a lesser extent the ETF has also been involved in the JIM process<sup>81</sup>, focusing on social inclusion. On the eve of the accession of the new Member States, the ETF prepared fiches for DG Employment, providing different scenarios for the costs needed to support the ESF. These focused on support to education and training, the provision of active measures and continuing training.

The ETF assisted Bulgaria, Romania and Turkey through institution building measures. It helped to raise awareness and develop cooperation between stakeholders from different national institutions through study visits and seminars. It supported the development of HRD strategies and preparatory ESF training in some selected regions. It encouraged the involvement of social partners, facilitated the implementation and evaluation of the pre-ESF grant schemes and helped to develop evaluation capacity within the countries.

ETF activities have focused both on assisting the European Commission in preparing the mechanisms for ESF as well as analysing and strengthening the countries' capacities to use ESF funds to support on-going education, training and labour market reforms aimed at increased employability.

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<sup>80</sup> <http://www.etf.europa.eu/WebSite.nsf/0/D635542945E1582EC1256DFF00328D83?OpenDocument>

<sup>81</sup> Joint Inclusion Memorandum, see above

## PREPARING FOR ESF IN THE CONTEXT OF THE INSTRUMENT OF PRE-ACCESSION

For the next waves of accession the Commission has drawn up a single preparation instrument: the Instrument for Pre-Accession (IPA). The CARDS Programme promoting stability in South Eastern Europe and facilitating closer association with the European Union, and Phare the instrument to prepare for accession will disappear. The IPA already incorporates all the countries for which accession is a possibility (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey and Kosovo). This means that the accession agenda will also be opened to Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo, which are not yet candidate countries. This offers better prospects for these countries to develop their own reforms against the background of the requirements for integration into the common European market.

However, the programme principles are different for candidate countries and for prospective candidate countries. Prospective candidates are not participating in the open method of coordination for employment and education and training policies. This means that countries that did not reach a candidate status yet will not be involved immediately in a dialogue on their national reform strategies with Commission services. Time to experiment and improve and develop effective national, regional and sectoral consultation processes could be limited as well, as HRD grant schemes which should prepare for ESF are more likely to be implemented once the country has received candidate status.

As was the case under Phare, rural development measures under the IPA are the responsibility of DG Agriculture. An integrated human resources strategy that addresses the needs of the rural population is therefore difficult to achieve. Employment services are typically urban institutions unable to reach out effectively

to the rural population. Education policies in rural areas focus on basic education and not on skills development.

## A NEW ROLE FOR THE ETF IN FACILITATING LEARNING AND DEVELOPING POLICY LEARNING IN THE COUNTRIES

The increase in funds that become available after a country joins the EU often leads to a resource driven rather than policy driven use of them. It is extremely difficult to connect local and regional policy effectively with national policy. This requires time and interaction and a process of discovering what actually works on the ground and why. Each country has different characteristics and there are no universal solutions. Human resources policies need to be dynamic to respond to changing circumstances. They need to fit into a national strategic framework and they need to have clear priorities. In order to employ the ESF strategically and effectively, learning systems need to be in place that allow for policy adjustment and development. This creates the need for a facilitator that understands human resources in different contexts and can help countries to identify the type of partnerships, measures and projects that work for specific target groups. And learning should not only be limited to what is happening within the country. It should also take into account relevant experiences in neighbouring countries and other Member States that are going through the same process. This presents an opportunity for the ETF with its experience gained during the first enlargement process and the networks it has established in the region. The ETF can play a much greater role in facilitating policy learning, by supporting those initiatives and systems that provide opportunities for mutual learning between countries.

Raising awareness among stakeholders should go hand in hand with an analysis of existing education, training and employment promotion systems with special emphasis on the early-identification of developing labour market and education



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and training policy needs. While offering an external view on the country's abilities, the ETF should continue to reinforce in-country capacity to carry out policy analysis. Apart from existing policies and strategies, the focus should be on identifying gaps and links between education and training, employment, and social and economic cohesion.

The ETF can bring different stakeholders around the table to start discussing strategy. Discussions can be linked to the contextual environment for accession with its policy instruments (NDP, NAPE, JAP, JIM, regular reports), as well as to IPA programming. A national policy dialogue on HRD requires the involvement of all key ministries, social partners, and other private sector representatives, but this dialogue will benefit from a strong lead by the labour and education authorities. The ETF could support the dialogue and raise awareness, while capacity for strategic development is enhanced at lead ministries. The policy dialogue with the European Commission and within the country between national stakeholders can be facilitated with thematic seminars and focused peer learning activities that build on self-assessment. To widen policy discussions beyond the national level, and to make discussions more concrete, best practice at national, sectoral, regional and local levels should be identified and analysed. In every country there are good examples of local development projects, of sectors actively adapting to changing labour market needs, and of successful approaches to social inclusion.

The role of the public employment services is critical in all countries. ESF activity should be integrated in national activation policies and not just be an extra instrument provided by the Commission to support local initiatives. The ETF would need to work with employment services, and the ministries of labour to ensure that there is early ownership of any pre-ESF measures. It is important that both the employment services and the ministries of labour and education develop a healthy interest in the impact of active measures.

### OTHER PRIORITIES THAT NEED ADDRESSING AND MAY REQUIRE ETF INVOLVEMENT

A key issue for the successful introduction of the ESF will be the existence of good quality service and training providers in all regions of the countries concerned. The quality of adult training providers and guidance and counselling services in particular are critical. The discussions on the quality of providers are not only an issue of either the ministry of education or the ministry of labour but need to involve all relevant ministries and stakeholders. Certainly the quality of training does not only depend on the facilities, methodologies and staff involved. Quality should focus more on results and impact and could be measured by assessing learning outcomes and the level of employability of trainees. It is not realistic that countries develop parallel structures for adult learning that cover all regions and localities.

Demographic developments mean a reduction of the school population in most countries. Schools could play a role as the adult learning providers of the future but they need significant development to get there. Lifelong learning concepts and integrated qualification and quality assurance systems can help to provide frameworks for qualified and relevant education. All the countries are characterised by high youth unemployment levels, requiring more attention to the transition from education to work. In order to understand the transition there needs to be a better track record on career paths. As education and training systems are developing within a lifelong learning perspective, people who have not finished their education are expected to be retrained. Access must therefore be improved and learning adapted to the needs of such people. This requires the development of systems for validation of non-formal and informal learning and more work-based learning approaches. A performing and inclusive education system is a precondition for raising labour market participation and improving the quality of the labour supply.

Weak regional policies have hampered the implementation of the ESF in the new Member States and are bound to have the same impact in Bulgaria and Romania. The potential new members from South Eastern Europe and Turkey have strong regional disparities and visible urban/rural divides. The countries should receive assistance in developing integrated approaches and will need to strengthen their expertise in these areas. The training of the rural adult population will be mainly tackled through the IPA rural development component, where DG Agriculture is in the lead. Investment in schools and training centres will probably be part of the regional and urban development initiatives that are under the coordination of the Regional Policy DG. Thus, it will be important to ensure cooperation and communication between European Commission services so that the countries can easily follow the integrated approach.

One of the critical issues is local and regional partnership building. Social capital is weak in South Eastern Europe and Turkey. There is little tradition of cooperation between local and regional stakeholders. In the EU there have been many attempts to engineer such partnerships with predefined formulas. They have had varying degrees of success<sup>82</sup>. The preconditions for a successful pact appear to be a receptive space in the environment, a positive attitude from high level local authorities, the availability of partners, a willingness to be coordinated and to cooperate, good internal management and a strategic vision to grasp new opportunities and put them in practice. There is little experience with partnerships in South Eastern Europe and Turkey. The pre-accession period could be used to pilot initiatives on how to improve local partnerships in order to be better prepared for ESF implementation.

Therefore the period before accession can be used to pilot different approaches, provided that they are carefully planned, monitored and their results analysed in order to draw lessons for the future.

The learning ability of each country will make it easier to adapt and develop approaches according to changing needs.

## CONCLUSION

This chapter has tried to address how local poverty alleviation and social inclusion measures will be affected by the prospect of EU accession. The countries in South Eastern Europe and Turkey have all been offered the perspective of joining the EU one day. These countries are poorer than current Member States, including the new Member States, and about 20% of their populations live in poverty. Moreover, many of the poor live in rural areas and are poorly educated. Through its economic and social cohesion policies the EU is expected to give extra support to these countries and disadvantaged regions once they enter the EU, in the form of Structural Funds. The main instrument to combat poverty and social exclusion will be the European Social Fund. The ESF is more than just an instrument for poverty alleviation and social inclusion. The ESF offers an important opportunity for education, training and employment policy reforms in the EU Member States and a model to be followed by potential Member States as they pursue economic and social cohesion. As a centre of expertise, the ETF has been assisting Commission services and the national authorities in preparing for the ESF, using the Commission's instruments and some institution building projects. This work could evolve further, with the ETF strengthening its role in the countries' learning and policy learning processes and extending its awareness raising activity, its policy reviews, its analytical and evaluative capacity building, and its work on stakeholder involvement in strategic discussions.

Future Member States can be better prepared for ESF, provided that they receive more support in this respect. The ETF can play a vital role in contributing to this success.

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<sup>82</sup> [http://ec.europa.eu/regional\\_policy/innovation/innovating/pacts/en/](http://ec.europa.eu/regional_policy/innovation/innovating/pacts/en/)

## 8. THE SECTOR APPROACH IN CONTEXT

*Ali Bellouti and  
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# 8

### THE ORIGINS OF THE SECTOR APPROACH

Nowadays, international donors have two main cooperation tools at their disposal – the project approach and the sector approach.

The project approach has been the preferred tool of both bilateral and multilateral cooperation for several decades. Although its value is not altogether denied, over time its extensive use has come to show inadequacies which international institutions, cooperation agencies and partner countries are now trying to correct.

In fact, the sector approach originated from such inadequacies in the project approach, following consultations held between international donors – in the broad meaning of the term – and partner countries over the last few years.

This approach is also related to the political determination to eradicate poverty, create

sustainable economic growth and promote lasting development. It aims to correct beneficiary countries' lack of ownership of activities that can be observed in traditional projects, and to improve effectiveness by aligning institutional and donor policies and practices with those already in force in partner countries.

Sector approaches are by no means new. They first appeared in the 1990s with the purpose of giving partner countries full responsibility for their sector policies and improving the coherence of their policy objectives, taking into account existing or potential financial resources likely to be mobilised over a given period. This role of the partner country authorities was never so clearly defined in the project approach, where every donor willing to support a specific sector could propose – if not impose – its own procedures and set up its own project management systems.

Although it does address specific problems pertaining to part or all of a sector, the standard project implementation generally

takes much more time than originally planned as unforeseen events always occur along the way. Its content is often difficult to adjust once a project has started. Legal restrictions make it difficult to introduce changes that may become necessary in an evolving context; and whenever changes *can* be made, long and laborious negotiations tend to take place between the parties involved, causing more implementation delays.

Finally, the financial participation of the beneficiary country – although defined in the cooperation agreement binding the partners – remains uncertain and subject to a country's economic situation and the short and medium-term financial balance. This often explains why some of the project's initial objectives – mainly those related to the material investment by the partner country – are not reached or why the project's impact does not go beyond its conclusion.

It can be said that overall, projects have not always served the strategic priorities of beneficiary countries.

Studies by multilateral and bilateral cooperation institutions have led to the conclusion that such projects – often designed and implemented by a foreign expert who is barely aware of country's reality – frequently turn into an accumulation of procedures which increase transaction costs and corrode the country's own institutional capacity, making it almost an outsider in its own project. Such practice is not compatible with national development priorities and does not suit budget planning cycles and programme or project development of the partner countries.

This is the background of the attempt among international financial institutions, donors and partner countries, to define approaches to developing cooperation programmes that can integrate all external funding to one particular sector.

## ONE OR MORE SECTOR APPROACHES?

Many documents have been drafted *by or for* bilateral or multilateral cooperation agencies describing how donors intend to support developing countries in the development of sector approaches. For donors such documents help to evaluate the potential risks they may be exposed to. For beneficiary countries they serve to reach a clear idea of the steps that need to be taken, and of the purpose and modalities of negotiations with donors.

There is wide agreement among donors and partner countries on the key principles:

- development of partner country ownership of issues concerning sectoral policy, strategy and expenses;
- improved consistency between policy, expenses and sectoral results;
- lower transaction costs linked to external aid by adopting, whenever possible, the country's procedures, or at least harmonising donors procedures, especially when several of them are intervening in the same sector.

These principles have been repeatedly stated by international and bilateral cooperation agencies, such as through:

- the international conference on the funding of development, better known as the *Monterey Agreement*, of March 2002;
- the *Rome Declaration* on the harmonisation of procedures of March 2003;
- the Marrakesh forum on result-based management of development of February 2004;
- the *Paris Declaration* on the effectiveness of support to development of March 2005.

Several sector approaches are currently in use. They vary among donors – mainly on implementation procedures – depending on the specific situations they apply to. The best known are:

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- Sector Investment Programmes
- Sector Development Programmes
- Sectoral Expenses Programmes
- Sector-wide Approaches (SWAP).

The sector approach as implemented by, for instance, the European Commission, refers to a support programme to a sector policy to be realised over a period of three to five years. It is based on a unified, medium-term expenditure framework integrating funding sources of a sector as a whole, as well as all the expenses proposed for the corresponding period. The expenditure framework is fundamental in the sector approach; it makes it possible to assess the consistency needed in the action plan of the sector strategy with regard to the resources available. This in turn clearly contributes to operationalising the sectoral policy as defined by government, donors and receiving parties.

Leadership exerted by the beneficiary country is an essential condition in the sector-wide approach (SWAP). But the sector approach also aims at creating synergy among donors involved in the sector in order to improve the overall consistency of the implementation strategy. It wants to reinforce dialogue and complementarity between sectors and within the sector, improving the transparency and effectiveness of resources management, enhancing local institutional capacities and involving civil society through shared monitoring.

The sector approach seeks to end the multiplication of projects whose effectiveness is at present questioned at best. It helps to attenuate the effects of a number of factors which tend to hamper projects' effectiveness and impact, among which the following are the best known:

- Duplication or clash of projects within the same sector;
- Lack of transparent coordination of donors where interventions often target the same objectives;
- Project management units (PMU) being bodies distinct from institutions and as such a potential obstacle to the ownership of the project by the relevant authorities because PMUs primarily report to the donors;
- Projects are most of the time designed by foreign experts;
- A dependency cycle that does not help institutional development;
- Transaction costs caused by dealing individually with different cooperation agencies, each with their own specific conditions, including specific monitoring;
- Lack of flexibility that makes it difficult to modify activities;
- Work programmes and reporting systems that follow mainly the donor's agenda.

The sector approach or SWAP, has existed for a long time as a planning tool but is still not often applied as a method of international cooperation in the terms described here.

One problem is that international actors define sectors differently. UNESCO considers education to be an individual sector covering all levels and types of education: basic education, informal education, teacher training, higher education and vocational training. The European Commission leaves the beneficiary free to define the size of the sector, or to limit itself to sub-sectors.

In brief, the sector approaches adopted by the most important donors share the following characteristics:

- All public funding supports one single sector policy and expenditure programme;
- A negative assessment of the project approach;
- The government has leadership;
- A single approach is adopted by all donors;
- A tendency to align with governmental procedures on matters of disbursement and justification of public expenditure, regardless of the origin of the funds;
- Acknowledgement of failures of dispositions imposed from outside, like those which determined structural adjustments.

Sector-wide approaches aim at promoting public sector policies supported by civil society. They provide a framework for discussion and debate among all stakeholders.

The question now is whether the sector approach has not replaced one set of constraints with another and whether it gives sufficient attention to the context. The sector approach has an element of trust that does not exist in the project approach, where activities are generally restricted by procedures. So, is the sector approach just a new tool for cooperation or does it call for cooperation with a new spirit?

## PROBLEMS WITH SWAPS

A review of experiences to date reveals a number of problems with the practical implementation of a sector-wide approach to international assistance. These relate in particular to different interpretations of the role of the government and the scope of the consultation process.

### The role of government

Some donors attach less importance to the role of the government, and stress instead the role of non-governmental organisations or the private sector, especially where the latter is a major stakeholder. However, the legal framework is provided by the government and the government's role goes beyond the provision of services as it guarantees the political commitment on which the SWAP is based.

### The limits of consultation

It is, however, right to consider that policy development is not the result of a real consultative process, especially when we observe that typically more than 95% of a sector budget is mere renewal from one year to another. It also frequently happens that 97% of an education budget is devoted to operational costs, such as salaries. This makes the consultation process little more than a formality as it is about a marginal part of the budget, at least in financial terms.

It is also important to note that some donors go beyond the SWAP framework and integrate sector development into a wider scope, usually an overall plan for poverty reduction and a global strategy of

national development<sup>83</sup>. The basic idea is that support is more effective if it is not limited to one sector, but extended to several.

## FACTORS INFLUENCING THE SECTOR APPROACH: THE IMPORTANCE OF CONTEXT

Several factors affect a country's way of engaging in the sector approach. They include the following:

- the complementarity of donors,
- the nature of the warranties requested by donors to limit risks,
- the institutional capacity of beneficiaries,
- the prevalence of one donor,
- the country's leadership ability,
- the financial dispositions covered by the SWAP,
- the country's degree of dependence on external help.

But the main lesson that can be drawn from different experiences with SWAPs is that the context must be taken into account, not only because the objectives are country-specific, but also because the cooperation history of a given country to a large extent determines its future cooperation too.

In the sector approach, negotiations between beneficiary and donor are of a completely different nature than those taking place in the project approach. The donor's agenda is less visible. Priority is given to:

- the role and position of support within the sector programme by virtue of the subsidiarity principle,
- a shared vision especially on the choice of procedures,
- mutual commitment by which the donor supports the beneficiary's policy throughout the programme,
- sustainability of the programme ownership processes by the beneficiary, i.e. the country's institutional capacity,
- coordination among donors.

<sup>83</sup> See chapter 1 for a discussion on Poverty Reduction Strategy Papers.

The areas of analysis covered by the sector approach are as many as the fields of negotiation. They do not cover attempts by the donors to impose conditions in order to limit risks. The fields of analysis essentially concern the following seven areas:

- the country's macro-economic situation,
- its sector policy and strategic framework,
- its medium-term expenditure framework,
- its accountability and management of public expenses,
- its donor coordination system,
- its performance monitoring system and consultation of beneficiaries,
- its institutional capacity.

### THE SECTOR APPROACH ACCORDING TO THE EUROPEAN COMMISSION

In 2004, in its external aid to the Mediterranean region, the Cooperation Office of the European Commission (AIDCO) decided to apply the sector-wide approach or SWAP to the field of technical education as well as to formal and informal vocational training. AIDCO had already applied this method in human resources development cooperation programmes supporting higher education in ACP<sup>84</sup> countries and other geographical regions, notably Tunisia. AIDCO then asked the ETF to use this methodology in Tunisia to identify and formulate a sector programme in the area of vocational education and training. The work was done in two phases: first identifying (in 2004) and then formulating (in 2005) a support programme to Tunisian vocational training sector policies. Tunisian authorities made a head start revising their strategic planning following the identification process, but the preliminary phase of the programme should have been completed by mid-2006.

In the light of this early work and later experiences in Syria and Jordan, what was learned? Or more precisely: what innovation did it bring about and how did this compare to the classic project approach?

Politically speaking, the sector-wide approach used by the European Union is based on a set of published documents<sup>85</sup> as well as on the Joint Council and Commission Declaration on Development Policy<sup>86</sup>. It is also based on the Council Resolution on Education and Poverty making education and training a priority in political dialogue and introducing the idea of complementarity of donors – one of the SWAP's key principles.

On the legal side, the sector approach is mostly scheduled in MEDA II regulations, especially in Article 7. The implementation issues are stipulated in Annex II of these regulations.

The definition, conception, implementation and management of EC support for sector programmes in developing countries are defined in the EC guidelines to programming and implementing: EC budget support in developing countries (March 2002) and Guidelines for EC support to sector programmes (February 2003).

According to the above guidelines and in EC experience to date, the sector approach is a process whose final objective is to open up a dialogue with the authorities of the beneficiary countries in order to support the agreed sector reform programmes. The Special Partnership for Africa<sup>87</sup> shares this definition.

When the process is launched, a sector programme and updated action plan is elaborated, in consultation with donors and stakeholders. The sector programme has three main features:

<sup>84</sup> ACP countries are the 71 signatories of the Lomé Convention. ACP stands for Africa, the Caribbean and the Pacific.

<sup>85</sup> No. 2000-212 concerning EC development policy and No. 212-216 on Education, training and reducing poverty.

<sup>86</sup> 10 November 2002

<sup>87</sup> Forum for donors that contributes to budgetary support programmes for African countries. Funding from a donor usually covers one or more sub-programmes of the sector programme.

- a sector policy relating to a global strategic framework,
- a medium-term expenditure framework and an annual budget,
- a donor coordination process.

It also includes a monitoring and performance system, a procedure harmonisation process (by mutual agreement) and a systematic consultation mechanism for users and public service beneficiaries.

The sector policy support programme (SPSP) is a tool used by the EC to contribute to sector programme implementation. Each SPSP reflects the specificity of the sector approach, sector programme and country realities. It contributes to the funding of the sector programme of which it shares the goals. It is a tool for making sure that this funding is additional (and not substitutive) to all other sources of funding: state budget, donor contributions and any other kind of funding which could benefit the sector.

The SWAP approach foresees a thorough and iterative analysis of the seven key areas previously mentioned.

Depending on the results of the identification and formulation phases carried out in the framework of the sector approach, the support to the sector programme can be implemented in at least three different ways:

- sector budgetary support using country budgetary procedures when all conditions are met;
- financial contribution to a basket fund, using specific procedures decided by the government and donors, when the programme is co-funded by several donors;
- EC specific procedures (financing of specific activities) in the framework of a standard project.

## RECENT EXPERIENCES IN ETF PARTNER COUNTRIES

As a centre of expertise acting in support of the EC Delegations on the sector approach in the Mediterranean countries, the ETF has

had to deal with the key issue of ownership of reforms. It tends to be underplayed in the standard project approach, because most of the time projects are not undertaken *by* national institutions but *for* them. In a SWAP however, ownership is key because it requires on the one hand a strong leadership (usually held by the beneficiary) to make sure that results will be reached over a given period, and on the other a sector strategy together with an action plan.

Depending on the context, the ownership issue can take various forms. It can either be that the main stakeholder has tight control over a well-defined sector and other stakeholders do not overtly question this leadership (as is the case in Algeria and Tunisia). Or it may be that it is difficult to identify one leading actor in the whole sector (as is the case in Syria or Jordan).

In the first example there is what might be called an excess of leadership. The ETF role in support of the EC Delegation has in these cases been to convince the beneficiary that good governance implies the active participation of all main actors, the private sector, the social partners or other public providers, such as the health sector, banking or tourism. Even if the identification of the beneficiary, the design of a strategy and of an action plan are somehow easy in this case, it is likely that reforms that are not properly shared will not change the sector in depth. The situation in Tunisia was typical of this: a strong VET sector, conceptually innovative reform, a clear strategy and action plan. But under the apparent structure and design, there is low involvement and motivation of other stakeholders. If the private sector was involved, other actors, especially social partners, were left behind. As a result, the social dimension was almost ignored on the assumption that VET systems should serve only economic purposes. The sector strategy analysis which the ETF carried out within the SWAP clearly exposed this limitation, whereas the previous project approach had consistently concealed it.

The reverse occurs when it proves difficult to identify a leading institution. No institution has a leading role, either



because the sector is very fragmented or because the institutional capacity is low. In this case, it can be challenging even to identify the sector. This is, for instance, the case of Jordan where it has taken time and effort to agree on an institutional leader. ETF action has been to remind stakeholders that key principles of the sector approach imply an agreement on a leading institution, support to the stakeholders in the design of sector strategy, and support to the institutional capacity building of the beneficiary.

Finally, another kind of problem that the ETF had to face in Tunisia and Jordan was the lack of knowledge of the tools used in the sector approach, notably in finance. This mainly concerns the medium-term expenditure framework for which sector policy makers were not prepared: how to pool and use resources coming from national and external sources within a single budget line for the benefit of one sector programme? This issue was partly dealt with through the development of specific software during the preparation phase targeting the managers in charge of the reform process.

### LESSONS LEARNT

The sector approach is a systemic approach that requires a number of conditions to be met before it can be implemented, unlike the project approach that can be used in any kind of context. These requirements can be expressed in term of eligibility criteria, namely:

- the existence of a sectoral policy document and global strategic framework;
- the existence of a sector medium-term expenditure framework and of an annual budget;
- the existence of donor coordination within the sector concerned organised by the government.

Even when these conditions are met, it has to be borne in mind that they are not static factors; they serve as a base for dialogue among the sector stakeholders and between government and donors. The dialogue starts in the preparation phase and that is where the ETF's added value can best be employed: preparing the ground for dialogue by supporting institutional capacity building.



## 9. PEER REVIEW AND PEER LEARNING

### INCOMPATIBLE OR COMPLEMENTARY APPROACHES TO FACILITATE POLICY LEARNING?

*Peter Grootings, Søren Nielsen, Margareta Nikolovska and Arjen Vos*

#### THE CHALLENGE OF FACILITATING POLICY LEARNING

Although there is an increasing appreciation within the international donor community that skills development is an indispensable component of policies aimed at reducing poverty, awareness of this among policymakers in most ETF partner countries is still very low<sup>88</sup>.

There are many reasons for this and attempts to understand and explain them can be found in previous chapters of this Yearbook. In this chapter we will reflect on ways to increase awareness among policymakers and to improve their understanding of the policy issues involved in skills development for poverty reduction.

The underlying questions that the chapter seeks to discuss are: how do policymakers learn new policy, and how can they be supported in doing so? These are key questions for an institution that claims to facilitate policy learning. But facilitating policy learning in practice is different from saying that it needs to be done.

Peer reviews and peer learning are approaches that the ETF has piloted to engage policy makers in learning. After a brief analysis of the differences between these approaches, we will review ETF experiences with peer reviews for vocational education and training reform policy in the countries of South Eastern Europe. We will then come back to whether and how these approaches could be used in the context of policy development in

<sup>88</sup> See Chapter 1 for a discussion of the concepts of skills development and poverty reduction.

other areas, such as in skills development for poverty reduction.

### **The ETF approach to peer reviews**

Different from the way peer reviews have traditionally been organised, the ETF has tried to use them as a form of active peer learning. Special importance was given to the *process* of reviewing. The ETF wanted to provide a learning opportunity to members of the review team while they were at their task.

But it was also assumed that outcomes of the review would provide useful inputs for policy learning among the national policymakers of the participating countries. The principal idea was that review team members would learn *as* peers while policymakers in the country under review would learn *from* the analysis and recommendations produced by these peers.

However, an assessment of outcomes and results of the ETF peer reviews does not present a wholly satisfactory picture. Those who have directly participated as members of the review teams have undoubtedly profited from doing so but there is some concern about the limited impact that the recommendations have had on VET policy reform inside the countries that have been reviewed.

### **Processes versus products?**

We wonder whether perhaps there could be a conflict between process and product expectations. Peer learning as a process approach and outcome-oriented peer reviews with their reports and policy recommendations may be incompatible with each other. Together they seek to combine two different learning objectives for two different target groups in one single process. That is really very ambitious.

The problem is possibly not so much a matter of incompatible objectives but of a lack of precision and focus in the way the peer reviews have been organised. There may also be insufficient understanding of how learning takes place, how a learning situation can be created and how effective learning can best be facilitated. Would it be

possible to successfully combine these objectives through a better design and organisation?

Against this background there are some very practical questions to be answered if we wish to further use the peer review approach for facilitating policy learning. Whom do we engage: policymakers or others such as researchers or policy advisers? During which phase of the policy process can they have most impact: during preparation and formulation or during policy implementation, monitoring and evaluation? What can we expect peers to learn: good practice from other countries or more about their own practice at home? How can we make good use of the outcomes of peer reviews for national capacity building and policy development?

## **PEER REVIEW AND PEER LEARNING: WHAT IS THE DIFFERENCE?**

### **Traditional peer reviews: focus on outcomes**

The concept of peer reviews has a long tradition in higher education and research where it has always been an important element of quality assurance. Inputs from peers are used to assess the quality of an article or the education process of an institution. Peer reviews of national policies have become popular among international organisations. The OECD, for example, has used this instrument widely in many policy domains. Both member and non-member states have increasingly become interested in having their policies reviewed by an OECD team even if the review outcomes have on occasion been very critical and its recommendations not always easy to follow up.

To the OECD a peer review is a “systematic examination and assessment of the performance of a state by other states, with the ultimate goal of helping the reviewed state improve its policy making, adopt best practices, and comply with established standards and principles” (OECD, 2002). In addition to its reviews of national policies, the OECD has more

recently initiated thematic reviews. These seek to emulate good, coherent and non sector-specific policy from the experience of several countries<sup>89</sup>. OECD policy and thematic reviews have become a normal element of the international policy process in which governments have come under increasing pressure to perform at least as well as their peers in other countries. OECD members engage in reviews on a purely voluntary basis.

Member States of the European Union even go a step further by agreeing to pursue common policy objectives at the European and national level. The EU has recently introduced peer reviews as an instrument in its open method of coordination, which aims at achieving greater convergence towards commonly agreed EU and Member State objectives (European Commission, 2002)<sup>90</sup>. The European Commission seeks to promote policy coordination, establish common benchmarks and guidelines, monitor, evaluate and perform peer reviews periodically, and share examples of good practice.

The open method of coordination itself is an approach that is based on the understanding that over time countries have developed different institutional solutions in similar policy domains. These can neither be easily standardised nor transferred from one national context into another but they provide rich learning sources for other countries that are seeking policy changes<sup>91</sup>.

The Directorate General for Employment and Social Affairs of the European Commission, for example, defines the peer review as “a voluntary mutual learning process involving the scrutiny of specific policies, programmes or institutional arrangements presented as good practice” (European Commission, 2002a). Its aim is to encourage the dissemination of good practice across Member States by assessing the effectiveness of key policies or institutions. It can help Member States in the design and implementation of more effective policies. It should also contribute to the dialogue with stakeholders such as social partners and NGOs and, where appropriate, people experiencing poverty and social exclusion.

Following up on the EU ministerial conference ‘A Europe of skills: let’s do the job!’ in Maastricht in December 2004, the European Commission has strengthened support to national implementation of the Lisbon objectives through the introduction of peer learning<sup>92</sup>. The Commission defines this as “a process of cooperation at European level, whereby ‘reform agents’ from one country learn, through direct contact and practical cooperation, from the experiences of their counterparts elsewhere in Europe in implementing reforms of shared interests and concern”. It aims at mutual learning and is meant to contribute to the development of the European Area of Education and Training<sup>93</sup>.

<sup>89</sup> The OECD has organised several National Education Policy reviews in ETF partner countries and in many of these ETF staff have also actively contributed to the review teams, including those in South Eastern Europe, the Baltic countries, and the Russian Federation. ETF staff has also participated in several thematic OECD reviews, such as transition from school to work, financing of lifelong learning, adult learning, and guidance and counselling.

<sup>90</sup> The peer review instrument was introduced in 2002 by the European Commission’s DG Employment, in the framework of the Community Action Programme on Social Inclusion, with the aim of monitoring National Action Plans on Social Inclusion.

<sup>91</sup> Although this is now generally accepted wisdom, it has taken decennia of international comparative research to do away with convergence and one-best-way thinking.

<sup>92</sup> The Maastricht Conference discussed the progress made in the area of VET by the EU and its Member States in achieving the Lisbon goal of becoming the most dynamic knowledge-based economy in the world in 2010.

<sup>93</sup> The European area of Education and Training was launched in 2001 as an objective by the European Commission in its Memorandum on Making a European Area for Lifelong Learning a Reality. It aims at empowering European citizens to move freely between learning settings, jobs, regions and countries. In 2005, peer learning activities were organised in four clusters: Adult Participation in Lifelong Learning, Teachers and Trainers, Making Best Use of Resources and ICT. After the nomination of peers by the Member States a preparatory meeting is organised, followed by two study visits and a final conference.

There is an interesting development in the shift from peer reviews to peer learning but the assumptions underlying these two approaches need to be spelled out to fully appreciate the implications of this change in wording.

Peer reviews have always tended to be undertaken as a kind of external quality assessment that would provide recommendations for improvement – hence, the reference to best practice, international standards and benchmarks. Peers needed to be respected and of a certain reputation – at least ‘of equal standing’. This not just in order to be able to assess against best practice and international standards but also for their recommendations to be taken seriously by those under review. In other words, they needed to be recognised experts, with knowledge of best practice and international standards from which those reviewed could be expected to learn.

The problem with many peer reviews has always been that even if the peer reviewers were recognised experts this did not necessarily guarantee that they were able to properly assess the situation under review. They could, for example, have insufficient understanding of the specific context. This has been an issue especially in international policy reviews. As it happened, policy recommendations often met with resistance, especially when they included advice on how to achieve certain objectives.

Sometimes, recommendations were accepted but not followed up. In other cases the recommendations were so general that it was difficult for policymakers to conclude what needed to be done. The fact that there is a considerable amount of contextual learning to be done by the members of the peer review team themselves has only gradually become acknowledged<sup>94</sup>.

Clearly, much of the standard practice of international aid is also based on the assumption that foreign experts are able to review and solve an aid-receiving country's needs. Even today, project identification and

formulation is typically done by foreign experts, although stakeholder consultations have become part of these processes. The experts engaged in such reviews represent donor organisations, either as members of their staff or under contract for the particular exercise. Although they are rarely considered peers, they basically undertake a kind of peer review. Much donor aid project implementation is also done by foreign experts. It still tends to be characterised by policy transfer, often of redundant policies that originate from very specific national policy environments with limited relevance in the policy context of the country that receives the aid<sup>95</sup>. This has been a recurrent theme over the past decennia in the discussions about education aid (King, 1992; Grootings, ETF, 2005).

#### **Modern peer learning: focus on process**

Peer learning, in contrast, is based on rather different assumptions. Those involved in a peer learning exercise are not necessarily in opposing roles of experts and learners; they are seen in a double role where experts can be learners and learners can be experts. The peer learning event is not meant to be an assessment exercise but rather a stimulating learning environment. Peers learn *as* peers. The expected outcome is not a set of policy recommendations for the country visited but a set of eye-openers and a source of inspiration for policies at home.

Whereas peer reviews are based on a traditional learning approach of expert knowledge transfer, peer learning – almost by definition – is based on modern constructivist learning principles, where learners actively develop new knowledge by giving sense to what they observe and share with others. However, although peer learning better matches our current knowledge of how people learn, the approach is not without problems. It demands much from learners and learning environments. It also requires a lot from those acting as learning facilitators (Grootings and Nielsen, ETF, 2005).

<sup>94</sup> Usually, in order to prepare a review team, a country is asked to provide a country background report in which it also formulates the specific questions that the review team should provide answers for.

<sup>95</sup> See also the various publications of NORRAG (Northern Policy Research Review and Advisory Network on Education and Training) at [www.norrag.org](http://www.norrag.org).

Peer learning is a voluntary process that requires engagement and the ability to learn. This assumes a certain level of preparation for learners to be able to relate the newly observed to what is already known. In organising peer learning the gap between what is known and what is observed must not be too wide. Such is, however, frequently the case in policy learning for systemic change. Often, the current knowledge and thinking of peer learners is firmly rooted in a context that is radically different from the one under review. In such a situation it is very difficult to make good sense of what is being observed.

Facilitators of peer learning therefore need to be able to properly assess the distance between the background situation of participants and the environment they will be exposed to in peer learning activities. They need to know about and understand both worlds. They also need to be able to design a learning strategy to bridge whatever gap there is. If possible, they should do this in close cooperation with the peer learners themselves. Therefore, peer learning is more than what can be achieved in a single study visit or a one-off workshop. Peer learning is a process that develops over time and of which the outcome cannot be defined at the start.

## COMBINING PEER REVIEWS AND PEER LEARNING

It is here that the ETF peer reviews come in. They were designed in an attempt to combine elements of the peer reviews and peer learning. With hindsight, this may explain why they have not fully fulfilled their aspirations. They were also designed in an attempt to relate EU assistance projects better to country context and to increase local ownership and sustainability. As such, the differences in approach of peer

learning and traditional peer reviews also may explain some of the disappointing outcomes.

However, given the increasing interest in peer learning within EU Member States we may expect that a similar approach will sooner or later replace the standard expert-led review and knowledge-transfer approach in EU external assistance programmes. A key question is on whose knowledge development assistance will be based (Gmelin et al., 2001). So far it has mainly been the wisdom of the donors and their experts that has defined the nature of assistance. The absence of research capacities in many aid-receiving countries has obviously contributed to this situation. However, the need for local knowledge has been recognised and there is increased attention for knowledge sharing and capacity building in the field of policy-oriented analysis and research. The recent discussions about knowledge-based development aid need to be further intensified<sup>96</sup>.

The ETF approach to peer reviews should perhaps not only be considered as a combination of traditional peer review and more modern peer learning but also as something of a transitional approach – away from an expert-driven knowledge transfer model, towards participatory forms of policy learning. A critical review of practical experiences may help us to move forward on this.

### Two rounds of ETF peer reviews

In 2002 and 2003, the ETF initiated a first round of peer reviews in ten countries of South Eastern Europe<sup>97</sup>. These peer reviews built on the outcomes and conclusions of OECD education policy reviews that were undertaken between 2000 and 2002<sup>98</sup>. Whereas the OECD

<sup>96</sup> The new European consensus on which EU development policy is now based has already done away with much of the Washington consensus-based thinking, in particular in terms of redefining what assistance should focus on (such as rebalancing the economic aims and the social aims, and recognising the role of the state in the provision of public goods such as education and training, the priority given to poverty reduction and an acknowledgement of the role of skills development), but has not yet gone as far as introducing peer learning principles in methodology: how aid and assistance will be decided upon, developed or implemented. See also chapter 8.

<sup>97</sup> Albania, Bosnia and Herzegovina, Bulgaria, Croatia, former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Romania, Serbia and Turkey. Reports are available on <http://www.etf.europa.eu/>

<sup>98</sup> The reviews covered: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, former Yugoslav Republic of Macedonia, Kosovo, Moldova, Romania, and Serbia and Montenegro. ETF staff participated in these reviews.

reviews covered the whole education and training system and policies, the ones organised by the ETF focused on the VET sector alone. Moreover, whereas the OECD review teams included education experts from OECD member countries, the ETF teams involved peers from the region and from the new EU Member States in an attempt to strengthen capacities in the region for VET reform policy analysis.

The objectives of the peer review project were several and combined those of classical policy peer reviews and of the peer learning approach to capacity building. They were to:

- provide an external assessment of VET reform policy initiatives to national policy makers;
- improve mutual knowledge and understanding of VET systems, issues and developments in South Eastern European countries;
- promote regional networking, exchange of experience and cooperation among VET experts, stakeholders and policymakers;
- increase awareness and facilitate the transfer of VET reform experience from EU Member States and candidate countries;
- contribute to the EU aid programming cycle;
- intensify cooperation between the ETF and national authorities and experts from the region.

In a follow up in 2005, the ETF organised a regional peer review on curriculum reforms. This review project followed a cross-country approach and focused on the implementation of curriculum reforms in four countries in South Eastern Europe<sup>99</sup>. The methodology was closer to that of the OECD thematic reviews. The theme was chosen in close cooperation with national authorities. It was directly linked to the core of EU funded VET reform projects in the countries which all include a strong curriculum reform component.

The second review was primarily concerned with the question of why, in spite of all the international assistance, so

little national curriculum reform was taking place. A common background paper and methodology were developed and two peer review teams were created that each visited two countries. The peers, all from the region, were curriculum development experts but did not all have a background in policy development. They also acted as national coordinators for the study visits to their countries. An EU expert facilitated the work of the teams. A comparative synthesis report was produced with regional and country-specific recommendations (Parkes and Nielsen, ETF, 2006).

In the background documentation, the ETF peer reviews were defined as “a careful assessment of thematic areas, undertaken by people exercising similar responsibilities to those responsible for the policies or practices being reviewed.” (Nielsen, ETF, 2005) In addition, there was a clear capacity building objective in both rounds of peer reviews. It seems however, that the combination of these two objectives created some confusion and an inflation of expectations.

### **Tensions between peer review and peer learning approaches**

There appears to be some tension between the aim of capacity building among those involved in peer reviews and the aim of producing inputs for policy learning to policymakers. This dilemma is one of a choice between either targeting policy researchers and analysts or targeting policymakers with an ambition to stimulate policy formulation. This dilemma was even more complicated for the ETF because it pursued more than just these aims.

Through the peer reviews, the ETF hoped to develop learning platforms from which capacity building of a critical mass of partner country VET policymakers and stakeholders could later be launched.

There was also the need for expertise development within the agency. It was hoped that the peer review exercise could help develop VET sector policy analysis

<sup>99</sup> Bosnia and Herzegovina, Bulgaria, former Yugoslav Republic of Macedonia and Serbia.



competence among ETF staff and develop collective competence in high level policy advice. This aspiration originated in the changing role of the ETF in EU assistance programmes for VET reform in the region<sup>100</sup>.

Thus, while the overall objective was to provide relevant policy support within the domains of VET and labour market reforms, this was based on the assumption that it could be achieved through one single capacity building activity for very different actors in the process: policy researchers from the region, national policy makers, and ETF country managers.

**First phase: focus on learning processes**

So the initial phase of ETF peer reviews in 2002 focused on capacity building. It took as its point of departure three challenges for the ETF:

- (i) To develop policy reviewing capacity among carefully selected peers in the partner countries. This was a first step towards what later would become known as the policy learning platforms.
- (ii) To respond to the internal peer review project description which pointed out that ETF country managers would have to develop a policy analysis capacity.
- (iii) To find an approach that could combine different ETF activities in a structured manner.

From the outset, the ETF peer review concept was developed not only around current and future demands of the South Eastern European countries but also around accumulated ETF experience in the region. The peer reviews should upgrade a number of activities. The ETF therefore chose a methodology that gave them the potential to frame ETF activities in the region such as the reporting of the National Observatories<sup>101</sup>, the yearly progress

reports to the European Commission, while at the same time improving the capacity of ETF staff to deal with policy issues.

In the beneficiary countries, the peer reviews should offer good practice from neighbouring countries through the active participation of regional peers in the review process. This too needs to be seen in context. At the end of the 1990s, researchers and policymakers in the countries that emerged from the former Yugoslavia still had not rebuilt relations and communications after the years of war. In fact, already before the collapse of Yugoslavia, there were few if any contacts and exchanges between researchers from the wider region. Regional cooperation, both among the new countries of the former Yugoslavia and between them and the other transition countries in South Eastern Europe, was a valid objective to be promoted through ETF activities.

As such the ETF initiative peer reviews became a mixture of the traditional peer review approach and the most basic prerequisite for peer learning: networking.

The first round of peer reviews was evaluated in 2004 (Gordon and Thompson, 2005). The external evaluators concluded that the peer reviews responded to a need that was identified and accepted by the beneficiary countries. However, they also noted the need to actively and fully involve the national stakeholders from the very beginning into the process. Broader ownership, it was argued, would increase the chances for effective use of the policy recommendations. The peer review had had a positive capacity building effect on the reviewers in terms of personal development and broadening of their perspectives. However, the diverse background of the peers prevented a more systematic development of capacity in the countries. The evaluators stressed the relevance of follow-up activities to support the implementation of their recommendations.

<sup>100</sup> The ETF was moving from being responsible for the administrative aspects of project implementation towards providing professional expertise in identification, design and monitoring of programmes.

<sup>101</sup> National Observatories were set up in the ETF partner countries from the late 1990s. They were small units, often within an existing national institution, that had the task of collecting and analysing information about the labour market and vocational education and training. They were initial attempts at capacity building. The National Observatory programme ended in 2005.

Although it is still too early to assess the pros and cons of the approach during the second round of peer reviews – those that covered curricular reform – first evaluations also indicate that it has provided a good platform for policy learning among the peers themselves. The combined role of peer and national coordinator also has provided good opportunities for a more critical attitude towards national reform agendas at home and for communicating the results onwards to national stakeholders. However, as in this case the peer review teams were composed of curriculum experts, here too the implementation of their recommendations is very much dependent on their ability to reach the policymakers responsible.

By any standards, the peer review missions had a strong impact on their participants<sup>102</sup>. They were textbook examples of how practitioners can share and develop competence and knowledge together in practiced communities and how there is a deep relationship between individual identity and participation in communities in the social world. The ETF peer review activity has certainly challenged the industrial model of knowledge and confirmed the assumption that learning is happening all the time but it is difficult to justify the investment in peer reviews only by concluding that learning is a constant transformation of the self. This became very clear in the second phase of the ETF peer reviews.

### **Second phase: high expectations**

The first generation of peer reviews found remarkable interest among high level policymakers. Ministers in most countries defined precise policy challenges and asked for operational inputs to the policy formulation process. It became clear that the ETF was raising expectations and that therefore the shaping, quality, and relevance of the reports suddenly and at too early a stage threatened to become the whole purpose of the activity.

The ETF had hoped that by carefully selecting well-known and experienced VET experts from South Eastern Europe,

candidate countries and EU Member States, the peer review activity would be able to achieve a level that could respond to the high expectations expressed in the host countries. But things turned out differently.

First, it turned out that there were not so many VET experts around who could grasp the essence of a fluctuating and transitory foreign system in a short period of time and at the same time were capable of carrying out VET reform policy analysis and presenting their observations, findings and recommendations in a report with clear policy messages that would catch the attention of a busy minister. Different experts have different opinions and contradictory information provided by various players often made it difficult to reach a joint opinion. As there often is no 'one best practice', there often is no single best opinion and wording variance is far more difficult than wording consensus.

Second, it is questionable whether peer review reports are a particularly good instrument for channelling specific policy recommendations into the VET policy process in the host countries. National political systems have their own, complex dynamics and contexts. Political systems in transition have fluctuating access points. Ways of getting external policy recommendations onto the agenda have to be better understood. In the concrete policy formulation environment of any country there are substantial problems in terms of precise timing, communication, constellation of stakeholder interests and most of all ownership during the various phases of the policy process. The more specific a peer review articulates policy recommendations, the more is ownership of national policy formulation put into question.

One target group of the ETF peer reviews are policymakers in the host country who have an interest in the field for which the peer review report is produced. The ETF peer reviews constitute highly needed support for national policymakers and stakeholders in their continuous efforts to distil their own solutions from a blend of international good practice.

<sup>102</sup> That peer reviews truly generate an environment of meaningful learning is supported by the fact that almost all former peers repeatedly ask the ETF to be allowed to repeat the experience.

However, the peer reviews tend to cover a very broad field and as a result recommendations tend to be of a general and sometimes vague nature. The reports are all very rich in background descriptions of laws, structures, functions and actors of the existing systems. The core of the peer reviews – answers to questions such as where to go next and how to get there – is often considerably weaker. The reports do not always present precise, operational and unambiguous recommendations enabling policymakers to take forward new policies (Gordon and Thompson, 2005, p. 4).

This does not mean that ETF peer reviews are not useful as policy analysis tools; it teaches us to focus more on how to turn them into policy learning tools. This implies a better understanding of the characteristics of the policy process.

The practical policy process, in which the reform of the VET system is embedded, is a complex and intricate network of institutions interlocking horizontally and vertically. A policy decision in one component can have strong repercussions throughout the system. Policymaking, therefore, involves balancing a number of often contradictory demands and generating support from many different segments of society which have an interest in education and training (Haddad and Demsky, 1999).

The approach of the ETF peer review activity may have been built on a too simplistic view of the political realities of education policy in transition countries. Although the gap between policy analysis and the policymaking process can be very narrow, it is still important to distinguish between these two dimensions – policy analysis as an intellectual challenge, and policymaking as a social challenge. We need to grasp better to what extent predominantly intellectual peer reviews can help to understand and influence the social nature of the policymaking process.

Policymakers everywhere in the world take action only when there is a problem and when there is general dissatisfaction with existing policies putting their own position

at risk. In the context of VET reforms, policymakers in transition countries have to try to solve complex problems in a setting with intricate stakeholder relationships. Even when we assume that the policymakers know what they would like to achieve, there is considerable uncertainty about how to achieve that.

The importance that policymakers attach to experience derives from their concern with feasibility: can a proposed policy actually be carried out? Public officials have little interest in discussing measures that have never been put into effect. The experience of seeing a programme successfully implemented elsewhere demonstrates that it can be realised in at least one place. For them the challenge is to also understand the contextual limitations of policies and the ability to transform these into policies that will work at home.

Rose (1993) points out that in the effort to reduce dissatisfaction with existing policies, policymakers have three alternatives: to turn to their national past, to speculate about the future, or to seek lessons from current experiences in other places. We have seen all of these options in practice. Policy learning often involves combining all three: reviewing policy approaches existing elsewhere, producing a conceptual model of a programme of interest, and placing this against the background of what has been inherited and what are understood to be the challenges of the future. Once this has been done, various kinds of lessons can be drawn for concrete policy measures (Bennett and Howlett, 1992).

### **Third phase: a pipeline for policy learning instead of a guideline for concrete policy formulation?**

The comparative approach with a common topic within a regional framework as tested in the revised peer review approach in 2005 could be a more promising inspiration for policy learning. However, also in this exercise the peer group was formed by researchers and analysts from South Eastern Europe who, although actively involved in substantial VET reform in their own countries, had their strength in external policy analysis. The issues of

communication, policy learning for national policymakers and ownership thus remained to be solved.

Policymakers are not only policy learners, they also have to act. Acting on the political scene, especially in environments that are undergoing radical change does not always leave a lot of space and time for careful and gradual learning. On the other hand, policymakers in transition countries who are engaged in systemic reforms are in need of new learning, which very often contradicts established knowledge and routines. They have to engage in daily political decision-making and, given their position in the system, that active engagement may often take priority. For policymakers therefore, perhaps even more so than for other learners, learning is more than merely a cognitive process: learning is practice.

These considerations could be the rationale for the approach to peer reviews to be developed in the future. It is not about giving up the objective of peer learning during peer reviews but of being more targeted about whom should be involved and would benefit most from such an activity if process and outcomes-based objectives are to be combined. The ETF should perhaps focus more on key actors in national VET policy functions to become peers, jointly agree on a relevant policy area and maybe reduce the pressures from the reporting phase and reports by asking others to do that. This strategy would also prepare participants for future engagement in the new EU peer learning activities.

## PEER LEARNING REVIEWS FOR POLICYMAKERS ONLY?

A reconstruction of ETF experiences with peer review and peer learning has shown that the initial considerations and argumentations sought to combine process and outcome-based approaches but that this was not easily achieved in practice. The positive dimension of this experience is that it provided for one of the first attempts to introduce peer learning as an approach to policy development. The

project's failure to make the peer learning outcomes have a real impact on policy making was basically a result of the fact that the peers were recruited from the ranks of practitioners, policy researchers and policy analysts. In this they faced similar challenges to peers from traditional review teams in having their recommendations accepted and followed up by policymakers.

But initially with the ETF peer reviews the drafting of reports and recommendations was considered as secondary to the real objective, which was policy analysis capacity building. The suggestion made above to invite policymakers to participate in peer reviews could create more immediate policy learning for decision makers replacing the indirect approach through reports and recommendations prepared by policy advisers.

A similar concern can be observed in the discussion on peer learning in the EU. A first reflection of the experience with peer learning activities by the Education & Training 2010 Coordination Group, which met in December 2005, has led to a number of interesting conclusions. The members of the group agreed that:

- the peers need to be policymakers at an appropriate level and have a policy coordination function;
- the selection of the themes is crucial: they should be concrete and in line with the EU Education & Training 2010 objectives;
- how the activity can have an influence and impact at system level for the participating countries and the EU should be planned from the outset;
- aims and objectives should be fully shared and understood by all participants from the very beginning;
- fact-finding and information gathering is a crucial condition for effective interaction and dialogue;
- all participants need to be well-prepared;
- general discussions and evaluation are crucial and should be allocated sufficient time.

The group also concluded that it is clear that peer learning is a resource intensive activity, which requires great commitment from all participants. The peer learning activity is seen to be strong in bringing experts from many countries together in a structured way. It provides the participants with an opportunity to develop in-depth insights in policies and discussions in the countries that are visited that can then be reflected upon by their own national experiences.

The shift towards engaging policy makers in peer learning activities aimed at policy formulation is in many respects remarkable but questions still need to be answered about the initial capacity building objective of the peer review approach. If we engage policymakers directly in peer learning, does that mean that we should no longer bother with improving policy analysis capacities in our partner countries? Do we have to reserve the peer learning reviews to political decision-makers and think about other ways to assist other stakeholders in their roles and contributions?

Or does it still make sense, given our own experiences with doing so, to involve practitioners and researchers in peer learning and to give up the expectation of this having too much impact on immediate policy formulation? Is this a question of short and mid-term investment in reform policy learning? Would peer review learning be useful for phases of the policy process other than policy formulation? What about the implementation phase, or monitoring and evaluation, assuming that it is still possible to distinguish these phases so clearly?

### CONCLUSIONS

The analysis of recent ETF experience leads us to conclude that peer reviews, under certain conditions, provide a powerful learning environment for individuals to increase awareness and understanding of critical policy issues. The learning effect in terms of awareness-raising is probably strongest during pre-policy preparation phases but peer reviews may also have positive learning effects at later stages of the policy process for developing measures

that seek to implement policies, as well as for their monitoring.

The biggest learning impact of peer learning activities has been for those directly involved in the process. The learning impact for peers has been huge and as a vehicle for common policy learning the peer learning review approach has been valuable.

However, peer reviews cannot make these individual learning effects have an impact on the policy process if they are organised as isolated stand-alone events. In order for the learning that has taken place during peer reviews to play a role in the policy process, peer reviews need to be embedded in a more comprehensive policy learning strategy that includes a series of complementary knowledge sharing and policy learning activities.

Apart from seeing to it that peer reviews produce quality outcomes in the form of reports, which summarise the lessons learned and which can be used for wider dissemination and political consultation, it will also be important to pay better attention to how peer reviews are organised as processes that allow specific groups of learners to reflect about context relevance.

Moreover, even if policy learning takes place, this will not guarantee that new learning will lead to new policies and political action. Policy learning by policymakers is a necessary part of the policy process but never sufficient on its own to produce policy changes. Other, collective and institutional factors are also at stake. Policy change remains after all a political process.

It must be remembered though that there will never be any policy change unless those who are in a position to take policy decisions themselves are convinced that a particular policy issue is important and are broadly familiar with policy measures that can be taken to address it. Peer reviews, therefore, can certainly be helpful in developing this awareness and understanding if they are well-organised and properly focused, also in a sensitive policy domain such as skills development for poverty reduction.



## **10. VOCATIONAL EDUCATION AND TRAINING REFORMS AND POVERTY REDUCTION**

# 10

### **POLICY LEARNING OPPORTUNITIES FOR IMPOVERISHED TRANSITION COUNTRIES**

*Peter Grootings and Søren Nielsen*

#### **INTRODUCTION**

In Chapter 1 we argued that transition countries are to be considered impoverished and that therefore they – and not only the ones with high poverty rates – could profit from experiences with skills development for poverty reduction strategies, provided that these are put in a proper context. In fact, many transition countries have high poverty rates, but the processes and mechanisms that have led to this situation are distinctively different from those that have caused poverty in developing countries.

Even if these differences are taken into account, there are risks that once poverty has become an established phenomenon, mechanisms may develop that are similar

to those that have made poverty structural and pervasive in poor developing countries. This makes it essential to share knowledge and experience with other countries, including that about the role that vocational education and training can play in poverty reduction.

The international donor community, including the European Union, should give the same weight and priority to supporting skills development in impoverished transition countries as it does in poor developing countries. Here too, the specific characteristics of these countries need to be taken into account. These include the existence of institutionalised public vocational education and training systems, which themselves are dramatically impoverished and have lost much of their

former attraction and relevance. In the reform of these existing vocational education and training systems, skills development for poverty reduction needs to be a key element. Experience so far shows, however, that when training is used in the context of poverty reduction, it tends to take place outside and isolated from the formal vocational education system.

Meanwhile, current vocational education and training reform policies in the region have not paid particular attention to poverty and have focused largely on improving labour market relevance and cost efficiency. In fact, these concerns have often resulted in policies to abandon public vocational education and training as such.

In the preceding chapters we have presented specific experiences related to poverty reduction from recent projects in ETF partner countries. With the exception of some projects in the CIS, none of the earlier ETF activities directly addressed issues of poverty reduction but many were somehow linked to issues of social inclusion and cohesion. In this concluding chapter we will discuss these experiences more strategically. In doing so, we will return to the second claim raised in the introductory chapter, namely that strategies for skills development for poverty reduction also need to be future oriented. One way of securing this would be to take into account the lessons that can be learned from current attempts by developed (EU) countries to reform their vocational education and training systems. Of course this is not to say that poor or impoverished countries should just copy what is going on in developed countries. The argument of context fit also holds true in this case.

Current vocational education and training reforms in EU countries are in many respects wide ranging and address key aspects and fundamental principles of vocational education and training systems as they have existed until now. Vocational education and training reform policies in many countries go far beyond the simple move from 'input' to 'output-based', or from supply to demand-driven systems by

concentrating on new contents of learning and new ways of organising learning processes: learners have returned to centre stage (Grootings and Nielsen, ETF, 2005). These policies also place vocational education and training in a wider perspective of lifelong learning. They aim at coherence within entire education systems so that learners, at any moment in their lives, have access to the whole range of qualifications that modern labour markets are looking for.

There is also an increased awareness that people not only learn in formal education institutions. The recognition of prior learning from earlier schooling, work experience, or even life experience in general terms has therefore been put on policy agendas as well. Obviously, the cost implications of lifelong learning systems too have fuelled the drive towards better coherence between various education subsystems and towards a more efficient use of the results of non-formal and informal learning. Finally, this has also resulted in policies that seek to bridge the gaps between the education and training of young people and that of adults. Education and training systems are in continuous development as policymakers and other stakeholders are building them around these new principles. In this process all stakeholders (policy makers, administrators, social partners, teachers and students themselves) have to develop new roles. Education reform is therefore increasingly understood as a collective learning process of which only the key principles are clear. The idea that there could be a clear and generally accepted reform that just needs to be correctly implemented has effectively been buried some time ago.

We would argue that there is considerable overlap between the revived interest for including skills development for poverty reduction in developing countries and the considerations that drive the current reforms of vocational education and training in developed countries. This is especially true for the renewed focus on learners and their learning needs and for the innovations that are being introduced in



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teaching approaches and the organisation of learning processes. In both contexts there is the challenge of relating the 'core business' of education and training to wider developments in society. Relating these two sources of experience will help to give proper meaning to the concept of skills development and may at the same time also provide strategic direction to systemic vocational education and training reforms in impoverished transition countries. A critical reflection on vocational education and training reform experiences in the ETF partner countries may help to identify obstacles and opportunities for reform. As these are only the first reflections based on ETF activities that were not directly related to poverty reduction we shall only be able to give initial indications. A more comprehensive and detailed analysis still needs to be done.

Before we can return to these issues, however, we must present two fundamental elements that define the overall policy context for ongoing vocational education and training reforms: globalisation and the particular way that EU countries are trying to address its implications. Globalisation is the main driver of economic and social change worldwide. The way in which EU countries are trying to face the challenges related to it, in particular through the European model of combining economic development and social cohesion, is an important determinant of its vocational education and training reforms. At the end of this chapter we will return to some of the more practical implications of this for relating poverty reduction objectives to ongoing reforms of vocational education and training systems in impoverished transition countries.

### GLOBALISATION AND THE NEED FOR EDUCATION REFORM

The topic of this Yearbook is skills development for poverty reduction. However, this issue cannot be analysed in isolation from the prime movers of societal change in these years. The central driver

for change in all countries is the effect of globalisation. In his prize-winning book Thomas Friedman (2006) argues that recent history will be remembered as the dawn of a new global economy – that the world has become 'flat' mainly due to new information and communication technologies. Sceptics have argued against this technological determinism, that history is also determined by politics and culture, and Friedman has been accused of not wanting to see the rising inequalities, including inequalities of access to the new technologies. But whatever the arguments, there is hardly any doubt that globalisation is here to stay. It continues the process of world-wide industrialisation and intensifies world-wide interdependencies. The continuous flow of people, ideas, capital and goods ensures that a global knowledge-based economy emerges.

Globalisation matters. However, and paradoxically, the simple fact is that much of the world is desperately poor and despite growing economic integration, social cohesion is not automatically going hand in hand with it. In his recent autobiography, Chris Patten, the former European Commissioner for External Relations (1999-2004) argues that the extremes of affluence and poverty threaten today's global stability.

*I have little doubt that globalisation – the combination of technology, capitalism and the opening of markets – has made most people better off. But over a billion have been left behind to sustain on less than a dollar a day. So there is a risk of the case for globalisation choking in its own inequities. That argues strongly for more generous flows of development assistance – more generous and better managed. (Patten, 2005, p. 247)*

Anthony Giddens formulates this sharply by saying that: "Rather than a global village, one might say, this is more like global pillage." (Giddens, 2002, p. 16.) With modern communications and the aggressive marketing of Western culture, the poor are now much better informed

about how the other half lives<sup>103</sup>. National economies and even national cultures are globalising. Today, contrary to even a generation ago, capital, technology, management, information, and core markets are globalised. Martin Carnoy (1999) argues that globalisation has a profound and increasing effect on education at different levels as nations, regions, and localities fully comprehend the fundamental role education institutions have, not only in transmitting skills needed in the global economy, but in reintegrating individuals into new communities built around information and knowledge.

How dramatic and profound this change is for partner countries can be illustrated by developments in Albania. Under Enver Hoxha's dictatorship Albania was kept totally isolated from economic, political and military cooperation in Europe – EU and NATO in the West as well as COMECON and the Warsaw Pact in the East. The migration of workers was forbidden and foreign loans were ruled out by the constitution. Albania was the last of the Eastern European countries to undergo total system change. It is estimated that today almost one third of adult Albanian males are working abroad more or less permanently. From having been Europe's most closed country Albania has become engulfed by globalisation with a steady stream of its workers flowing across its border to Greece or over the Adriatic Sea to Italy.

Transition has been particularly brutal because the changes to the economic system have completely transformed social relations, patterns of orientation and value systems. It has uprooted the existing attitudes to work and qualities of life. These profound effects are illustrated by Charles Handy:

*'Work,' said a friend in Dresden, in the old East Germany, 'used to be a place one went to, not something one did. We could not always work very productively*

*because the parts or the tools we needed were not there. Anyway, the customers were used to waiting and we got paid the same whether we did anything or not.' I must have looked appalled because he went on, 'I don't mean that it was right, or even sustainable as a system, but it did mean that there was a lot of time and energy for family and friends, for festivals and fun.'*

*'Now', he smiled ruefully, 'it seems to be all about profit and performance, pay and productivity. Sometimes I think that I preferred the four "f"s to the four "p"s. What is it all about?'* (Handy, 1994)

All of the ETF partner countries share, to some degree, this dilemma. Societies and individuals everywhere are facing the challenges of an increasingly globalised world. Goods, technology, investments and workplaces move more rapidly across national boundaries and countries are constantly seeking to upgrade the four 'p's. A new division of labour creates global economic growth but also creates risks if countries and regions do not mobilise their resources to cope with the international competition. Economic prosperity and socially balanced development depend increasingly on the ability to compete by making productive use of new knowledge and new ideas that can create new jobs with a higher added value.

Education will play an even more important role in economic and social development in the future than it played in the past. Improving student learning and expanding education opportunity requires a coherent and systemic effort by the public sector. Globalisation requires radical innovation and adaptation processes in all countries. But it also provides the opportunity for new conceptualisations of education and training systems – systems in which schools may become the centres of new communities built around information and knowledge.

<sup>103</sup> Giddens (2002, p. 6) gives an illustrative example of how an anthropologist friend studied village life in a remote area in central Africa. The day she arrived she was invited to a local home for an evening's entertainment. She expected to find out about the traditional pastimes of this isolated community. Instead, the occasion turned out to be a viewing of *'Basic Instinct'* on video, the film which at that point hadn't even reached the cinemas in London.

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Developing countries and countries in transition are therefore under pressure to pay more attention to education and training to produce a better educated labour force. A well-organised education system and a more educated labour force can act to attract globalised investments, which play an increasing role in the global economy.

Carnoy (1999, p. 14) determines the global challenges for education planners in this way:

*Globalisation together with new information technology and the innovative processes they foment are driving a revolution in the organisation of work, the production of goods and services, relations among nations, and even local culture. These changes put a lot of pressure on education to change.*

He also identifies three types of education reform as responses to the pressures of globalisation (1999, p. 37): competitiveness-driven reforms, finance-driven reforms, and equity-driven reforms.

The basic characteristic of competitive-driven reforms is their emphasis on the macro issues of the education system. Changes are introduced in the area of administration and management (decentralisation, privatisation, management of resources). They also emphasise standards of achievement, and teacher recruitment and training. The main purpose of this type of reform is to increase the quality of education in order to produce a better educated labour force. The finance-driven education reforms target a reduction of public expenditure on education. These reforms are advocated by the IMF and the World Bank, particularly in developing and transition countries. They try to shift funding from secondary to basic education, expand especially the technical and vocational part of secondary education through privatisation, and reduce the cost of public education by increasing the teacher-pupil rate. Finally, the equity-driven reforms emphasise equality of education opportunities. They focus on basic education which takes on a wider meaning than basic literacy.

It looks as if Carnoy (1999, p. 46) is right when he argues that globalisation forces governments to move away from the equity-driven reforms and move towards the finance-driven ones due to the demands from international organisations for structural adjustment of each nation state to the new global situation. But this is a very dangerous and short-sighted strategy for poor and impoverished countries to follow. They have to have a good provision of education and training in order to compete for jobs in the global market. As we described in the first chapter, awareness of this has recently increased among the international donor community. The real challenge for impoverished transition countries is to find a proper balance between all three types of reform: they need to develop a well educated labour force in order to secure sustainable growth and welfare; they also need to make their education and training systems affordable in the long run and they need to secure social cohesion through education and training in order to develop a certain degree of political stability.

The major VET reform themes under discussion in ETF partner countries since the mid-1990s – decentralisation, openness and autonomy of schools, education for all, equity, social partnership, etc. – have been part of a wider international discussion about education reforms that is still ongoing and continuously covering additional issues. The discussions on quality in education, new ICT based methodologies, key competencies, lifelong learning, and the internationalisation of education and training are global discussions, which were not introduced by the EU. However, within the European Union these discussions are intertwined with the development of specific EU policies in the field of human resource development – which should, in reality, be seen as an answer to what is in effect a global challenge. Partner countries are faced with shared challenges but sometimes receive conflicting messages from international organisations and bilateral donors. It is therefore necessary to be clear about the specific characteristics of EU policies on education and training.

## EU EDUCATION AND TRAINING POLICIES – A RESPONSE TO GLOBALISATION

As we wrote earlier, a more global economy brings a whole range of new opportunities but also risks. As an example of mini-globalisation at work, the European Union offers a model of how economic growth and social progress can be mutually supportive. Social policies have played a central role in shaping Europe's economy through the development of a unique social model. This model is based on good economic performance, a high level of social protection and education, and social dialogue. The EU Social Agenda has two key priorities. Employment is one; the fight against poverty or exclusion is the other.

EU external policies are now taking on board the principles of the EU social model. The bilateral and regional agreements that govern trade and cooperation between the EU and third countries are an example. Europe's economic and social model offers many lessons for global policymakers. The European Union's growth and jobs strategy, which translates this model into practice, emphasises the need for investment in human capital and the quality of employment, as well as strong social dialogue. It also advocates good governance and balanced management of economic, employment, social and environmental issues.

Also in the fields of education and training there is a uniquely strong EU policy framework. Education systems, also in the partner countries, are increasingly viewed by national policy makers in an international context. In spite of the fact that education policy and education systems are a national prerogative, there is a clear (global) trend to formulate common strategic goals and to implement common measures in education, in particular in higher education and vocational education and training. The keywords here are the Bologna process (1999), the Lisbon process (2000), the Copenhagen process (2002). This is particularly true for the candidate countries where national

education policies for some years have been explicitly understood as part of their preparations for EU accession, but it also holds true for the development horizon of pre-accession countries. Everywhere, the focus of vocational education and training reforms has acquired a strong European dimension.

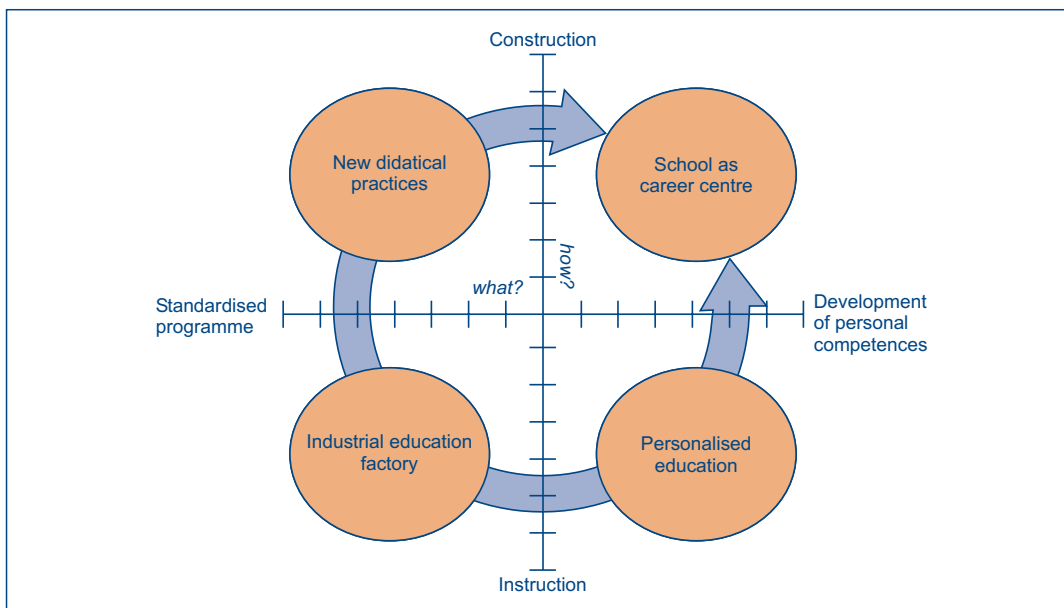
In its development aid policies, the EU generally strives towards equitable societies. It has thus proposed the introduction of a covenant for equity as part of the criteria to determine the aid allocations of countries. This will ensure the availability of additional resources for countries willing and able to address issues of inequality and marginalisation.

What can then be learned from ongoing EU vocational education and training policy developments and vocational education and training reforms in ETF partner countries about poverty reduction in developing and transition countries? Before coming back to issues more specifically related to skills development for poverty reduction, it may be useful to present the current thinking about vocational education and training in EU countries and summarise some of the lessons that can be drawn from the experience with ETF work in the partner countries.

### **Vocational education and training reforms in the EU: more attention to learners, new knowledge and the quality of learning processes**

Many EU countries are, in response to the manifold challenges of globalisation, introducing far reaching education reforms. One of the key features of these reforms is its focus on 'what' is taught and 'how' it is taught (Grootings and Nielsen, ETF, 2005). In vocational education and training, countries are moving from standardised education programmes based on instruction by an expert teacher towards the development of personal competences through learning settings that favour the joint construction of knowledge and skills. Learners have become the key stakeholders. We will briefly discuss these developments based on figure 1.

**Figure 1 Vocational schools: from training factories to career centres**



Source: Geurts and Meijers, 2006.

**Traditional standardised instruction**

The ‘what’ dimension concerns the contents of vocational education and training programmes. Traditionally, these are standardised programmes, based on a number of isolated subjects, delivered by teachers and trainers individually. Everybody has to learn the same, in the same order and in the same way. Everybody is also examined at the same time and is therefore assumed to need the same period of study as everyone else. This can truly be called the industrial education factory. Most vocational schools around the world – and indeed the most widespread ideas about vocational education policy – are still firmly located in the lower left corner.

**Personalised and flexible instruction**

Some of the more active schools and advanced policy thinkers are concerned about the need for more flexibility. There is recognition that, in a globalised economy, products and services need to become more diversified and client-oriented. There is also concern for the efficiency and cost of education and training. This moves the attention towards broader profiles with gradual specialisation instead of narrowly profiled curricula, and towards thinking in

terms of multi-sector instead of mono-sector profiles. Recognition (including recognition of prior learning) and quality assurance become important so that people can move flexibly from one level or sector of education to another, even across countries. The introduction of forms of modularisation will replace subject-based and annual school programmes.

‘Flexibilisation’ also takes account of the fact that students have different learning styles. Some are more academically oriented than others, some prefer theory before practice, others learn better by starting from practice. Some students learn faster than others while they may also have different prior knowledge or experience and do not need to go through the same programme at the same time and in the same order. Certain forms of modularisation respond to this as well. Programmes become more learner-centred and schools provide individual learner trajectories instead of standardised programmes; they also become better equipped to cater for different groups of learners: young and adult, employed and unemployed, beginners and the more experienced. The lower right corner of figure 1 typifies these kinds of programmes, schools and policies.

Both the standardised and the personalised forms of vocational education and training are often still based on a traditional approach to learning and teaching, no matter whether this is about knowledge, practical skills or attitudes. They follow a traditional pattern of transfer from the teacher and the trainer to the student. Teachers are considered the experts in a particular subject whereas trainers are the experts in how knowledge has to be applied in practice. In pre and in-service teacher and trainer education this is reflected by the priority given to subject knowledge at the cost of didactics.

### **New education approaches in standardised programmes**

Didactics are the primary concern of the 'how' dimension. The main thrust here is that vocational education has to make the transition from 'learning-from-instruction' to 'learning-by-construction'. The learning cycle is inverted: theory need not necessarily always and for everyone precede practice any longer. Practice can also guide theory which then has to be presented 'just-in-time' and 'just-enough'. This approach is being implemented through various forms of problem-driven or practice-driven education. The division between theory and practice, learning and working, school and enterprise, becomes less pronounced.

On the upper left and lower right corners of the figure, we see intermediate forms of education. New didactical practices, such as problem-driven education, are to the upper left. In EU countries, if there is any experimentation at all, new practices are almost always placed within traditional standardised programmes. The lower right hand corner refers to the modular organisation of existing education programmes. This *à la carte* education – often just training – is similar to custom-made education, but is not innovative in the didactical sense. This is nevertheless often what is presented as modern vocational education and training.

### **Individual learning by construction**

Opposite to the school as a factory, in the upper right hand corner, the school is pictured as a centre for optimal career development. The starting points for achieving a recognised qualification are the interests and capacities of the student. Students develop their own unique set of abilities via a flexible programme, with individual, customised training as the terminus. Construction of knowledge and skills – as opposed to instruction – is the primary form of learning and teaching.

The combination of non-standardised, personalised vocational education and training with student-centred didactic approaches in which teachers and trainers act as facilitators of learning, is still in an early stage of development. Some countries are introducing vocational education system reform, including pre and in-service preparation of teachers and trainers, along these lines (Grootings and Nielsen, ETF, 2005; Descy and Tessaring, 2001).

### **Vocational education and training reforms in EU countries: in search of a coherent reform policy**

It is important to note that this return to an increased attention to learners – the 'core business' of education and training systems – follows earlier reform initiatives that focused on other aspects of education and training systems: their governance (through increased involvement of social partners); their administration (through decentralisation and increased accountability of education and training institutions); their funding (involving private sector and students and their parents in financing arrangements); their assessment (giving more attention to learning outcomes); their quality assurance and transparency (through developing national qualification standards and frameworks); their openness and pathways (through recognition of prior learning) and their curriculum reform (making curricula more competence-based).

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Having said this, countries differ in the extent to which they have introduced reforms. As such they also differ in the extent to which they have created conditions that are favourable enough to introduce new learning contents and organise new forms of learning processes. But all countries face the challenge of bringing these different issues together in one coherent reform policy that will enable education and training systems to help people to develop the skills that are needed to survive and prosper in a globalising world. Thus, countries are facing similar challenges but are differently prepared.

The issue of developing coherent reform policies has yet another dimension that needs to be emphasised: paying attention to learning contents and processes cannot simply be added to the list of policy measures still to be undertaken or undertaken so far. On the contrary, focusing on learning contents, learners and those who should enable and facilitate the learning processes requires a rethinking of those reform aspects of education and training systems that have so far been given priority in most countries.

For example, by putting the quality of learning processes up front, decentralisation becomes more than merely giving more administrative autonomy to lower levels in the system – it will also imply improving the capacity for schools to enter into dialogue and cooperate with other organisations involved in education and training. Moreover, it will require developing capacities at school level for identifying, initiating and implementing innovative measures in response to the education and training needs of the local communities that they are part of.

This, in turn, will have implications for national and often centralised support institutions as it affects the way in which national authorities fund and promote such school-based innovation and development

work. Decentralisation of this kind can only be successful and productive when it is framed by overall national qualification standards or frameworks that can secure the adherence to agreed quality standards across the country, or groups of countries. Otherwise, decentralised initiatives may put the very existence of transparent national systems with open pathways at risk. For all these reasons the move towards new learning contents and approaches is a hotly debated issue in many countries.

One example of a country that has made a huge leap forward by developing and reforming its governance, infrastructure, and education is Ireland. How Ireland went from the poor cousin of Europe to the rich man in less than a generation<sup>104</sup> is a highly interesting story in which education and training plays an important role. Ireland completely changed its education policies in the late 1960s, when the government removed the fees for secondary education, making it possible for many more working class children to get a high school or technical degree. Therefore, in the years after Ireland joined the EU in 1973, the country was able to organise its industry and services based on a much higher educated and trained workforce than it had ever had before. In 1996, Ireland also removed fees from public college education. This resulted in an even more educated workforce. A well-educated workforce combined with attractive industrial and tax policies led to a steady rise in foreign direct investment. Now the country wants to take reform in education to the next level with a policy to double its number of graduating PhDs in science and engineering by 2010. Ireland has also set up a science foundation that gives grants to researchers from anywhere in the world who have an idea to pursue in Ireland. The ambition is to strengthen the research-technology-training chains and stimulate innovation<sup>105</sup>.

The recent history of Ireland confirms that capital does not just travel around the globe in search of cheap labour. Future

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<sup>104</sup> Ireland is today the richest country in the European Union after Luxembourg measured by GDP albeit middle-level when measured by BNI.

<sup>105</sup> It should however also be pointed out that the country has been able to fill many of its less qualified jobs with – often young and very well educated – migrant workers from the new EU Member States.

jobs will be located in countries that combine the best-educated workforce with the most competitive infrastructure and environment for creativity and supportive governance. And the playing field is even. Sir John Rose (in Friedman, 2006), chief executive of Rolls-Royce, starts talking less about “developed, developing and underdeveloped countries” and more about “smart, smarter and smartest countries.”

### **Vocational education and training reform experiences in partner countries**

It is against the background of these current developments in EU countries that vocational education and training reform experiences in ETF partner countries need to be reviewed, particularly because most of the reform measures have initially been framed by what Carnoy calls competitiveness-driven and finance-driven reform. His third type – equity driven reform – has traditionally been a strong driver behind the European economic and social model but in the face of globalisation and in a situation where national authorities generally have less money to spend, competitiveness and finances have become important drivers for reform in the EU too. On the following pages, we will discuss some of the issues that emerge from the reviews of vocational education and training reform projects in partner countries against the background of new developments described so far.

### **Resources and capacities**

Widespread impoverishment has been the consequence of change in all transition countries. Institutional impoverishment in vocational education has led to the disappearance of innovative capacity from the education system, in particular the vocational part of it. Vocational education and training systems have been forced to focus entirely on operational day-to-day provision of education and training at the expense of development. This is also a result of the demise of traditional systems

of central support, especially those for curriculum development and in-service teacher training in vocational education<sup>106</sup>. There is a dramatic lack of resources – financial and conceptual – to rebuild the vocational education and training system. Instead, a particular constellation of aid and cooperation is in place.

Vocational education and training reform processes are ongoing in all transition countries. These are often donor-led and designed by international experts with foreign technical assistance dominating implementation in the countries. Local vocational education and training experts are very often employed in such donor projects and as a consequence there is a quite strong familiarity with EU policy frameworks (in fact, often stronger than in EU Member States themselves) as well as with individual, national Western European examples of good practice. But these development activities are externally defined, technocratic (i.e. done with another purpose than understanding and recognition), and normally carried out as short-time activities with sharp deadlines.

There is a huge need for local theoretical understanding of vocational education and training reform policy formulation and implementation. Too often, reform designs are not embedded in the existing institutional structures, while there are many examples of different vocational education and training system models being implemented side by side, e.g. the GTZ promoted German dual system with social partnership and apprenticeships alongside Anglo-Saxon output-steered modularised credit accumulation systems – the latter without an adequate mechanism for recognition and accreditation in place.

As has been indicated in some of the earlier chapters, there is a need to create local, critical research-based guidance on a number of dimensions in transition countries: on the input side of vocational education and training reform in order to

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<sup>106</sup> In the ETF Yearbooks 2004 and 2005 (Grootings, ETF, 2004; Grootings and Nielsen, ETF, 2005) we have analysed wider aspects of the impoverishment of vocational education and training, such as the need to distinguish between modernisation needs and systemic reform needs. We have also pointed at the neglected position of teachers and trainers and the need to think in terms of a double role for them in order to bring the reform of vocational education and training forward.



ensure contextual fit, embeddedness and ownership; in relation to processes in order to enable a better dialogue with universities on issues such as new developments in learning theories; and on the output side in order to continuously assess the results and wider implications of donor intervention through independent accompanying research bodies that enable the countries to assess early on whether and to which extent reform elements are functioning as intended. This is a general need for transition countries but it becomes even more pressing where education and training are employed to support poverty stricken segments of the population with dedicated training strategies as discussed in previous chapters of this Yearbook.

### **Governance and management: decentralisation, from input to outcomes**

Some of the risks and pitfalls of decentralisation are analysed in chapter 6. Transition means polarisation, as documented in recent developments in Russia and Ukraine. Economic growth does not ensure stable improvements in life conditions for all. Policies for social coherence are needed and education and training really matter. The decentralisation of education and training governance is part of a solution – based on its potential for providing better, more flexible and often cheaper solutions to local and regional needs – but it certainly cannot stand alone. The central level must establish a redistributive mechanism to balance uneven developments.

It is important to stress (as documented in chapter 5 on training strategies for local development in CIS countries), the absence of any central level intelligence (in the sense of knowledge, understanding and creative thought) about what is going on locally/regionally. Hence there is a need for a new approach to innovation and development, training delivery (including learning needs assessment) and governance. Central authorities should provide the enabling environment for that and also keep an eye on quality assurance through, for example, national qualification

frameworks. The priority is not so much to find a short term solution to all the problems at once, but to start a development process which can lead to sustainable outcomes.

In all ETF partner countries, the new vocational education and training policies attempt to make vocational education more skills-based and less purely knowledge-based and to focus on learning outcomes rather than on inputs such as curricular programmes and teacher and trainer roles. Most EU countries are seeking to re-establish the balance between a policy that is based on learning outcomes and policies that focus on assuring the quality of inputs and processes. Those countries that turned to qualifications and national qualification frameworks during the 1990s are returning their attention to processes. Those countries that did not introduce strict outcome-based policies are now including elements that have become part of national qualification frameworks, such as pathways, transparency and recognition. This recent change also includes recognition of the role of teachers and trainers for quality education and training.

As is advocated in chapters 2 and 6, developments and experience in South Eastern Europe, Russia and Ukraine illustrate the need for a changed education steering principle in vocational school governance. It is argued that perhaps the most substantial answer to combating poverty and social exclusion is to design inclusive, spacious vocational education and training programmes laid out as mainstream programmes that are open to all, also the weakest, in order to avoid stigmatisation of those who up until now have had to attend specialised programmes. Curricula arrangements and methods would profit from the introduction of learning for key competencies. Giving more autonomy to local school implementation in a decentralised vocational training governance system is proposed as one of the building blocks of the new learning paradigm. This is identified as a potentially strong socially inclusive instrument.

### **Economic development – social inclusion/migration/social cohesion**

A special case of developing life strategies to cope with poverty is the issue of migration flows. Chapter 3 focused on migration and its importance for skills acquisition and poverty alleviation in the Mediterranean region. It is documented that results are mixed but certain lessons can be drawn based on a study of research findings. Labour emigration from the region could be seen as a survival and livelihood strategy for the majority of Arab migrants and remittances sent to migrant households in the origin countries help to reduce acute poverty. It is difficult to draw conclusions about the effect of migration on skill accumulation, skill transfer and poverty reduction but even though emigrants tend to be relatively well skilled, the author argues against the purely negative conception of ‘brain-drain’ impact because migration of the strong can be a substantial incentive for others to become skilled.

It appears that increased interaction among international communities, demographic as well as commercial, is more likely to enhance development and reduce poverty than any attempt to restrict population movement. There seems to be only a limited support of emigrants to support home country economic and skills development. However, where a framework exists for inclusion of the immigrant community in the host country while at the same time maintaining their attachment to the home country, it may be possible to nurture a culture of support to the modernisation of education and training systems, including vocational education and training, in home countries.

There are of course limits as to how much training *per se* can contribute to alleviate poverty problems, as is argued in most chapters above. Only economic growth and, with it, increased employment can bring sustainable solutions to poor communities, provided of course that economic growth comes with a fair distribution of wealth.

Enterprise restructuring requires a more proactive intervention of public services (such as employment and investment

agencies, and training organisations) and a response to precarious forms of employment created by company flexibility policies through more robust social protection systems. Examples of possible solutions in the countries of South Eastern Europe are given in chapter 2. Solutions will have to be found not so much in ‘wholesale’ reforms but rather in locally adapted schemes, according to the argumentation of the chapter. Local development regeneration strategies in the vicinity of plants earmarked for closure would have the advantage of accommodating lay-offs and ensuring more community-inclusive approaches to small business development, employment, and ultimately to individual, family and community well-being.

There is a need to take non-traditional initiatives to cope with poverty. One new ‘job opener’ would be for ETF partner countries to consider borrowing on the ‘third sector’ approaches to economic development in EU countries, where successful alternative employment schemes with a particular community enhancement objective could be recommended as a policy learning reference point. Finally, in ETF partner countries more policy attention should be paid to self-employment as a viable labour market option – for many it may well represent the only one for income generation and overall protection from poverty and social exclusion. However, much self employment is currently based on what is sometimes called the informal sector and is characterised by vulnerable, temporary and often indecent work. Dedicated public-funded programmes should be set up to support this ‘blind spot’ in national economic and employment development policy.

### **Financing: national budget, ESF type, international assistance SWAP**

According to Carnoy (1999), the approach to change and education reform depends on three key factors:

- the government’s objective financial situation;
- its interpretation of that situation;
- its political-ideological position regarding the public sector in education.

## 10. VOCATIONAL EDUCATION AND TRAINING REFORMS AND POVERTY REDUCTION

State budgets in all transition countries are under heavy stress as the private sector is under reorganisation and public budgets are being squeezed by macro-economic stabilisation policies. The poverty alleviation challenge is not high on most government agendas. In all countries pro-growth policies are more important than pro-poor development issues.

For governments, the fundamental question is often to which extent a balance can be found between economic growth and social policies. Here it appears that lessons can be learned for poverty alleviation from the rich pool of experience of the European Social Fund (ESF), as analysed in chapter 7. Although the ESF is not a poverty combating instrument as such, it is a tool to socially balance the forces of uneven economic development characterising a free market system. The general finding is that economic growth cannot stand alone but needs to be balanced by locally based learning in partnership models, and here ESF offers a fertile field of EU experience. Training alone is not enough and the perspective within the ESF is therefore to see vocational education and (continuing) training as a supply-side system factor responding to (stimulated) demand from the employment system.

Centrally managed innovation funds and enabling initiatives from below are among the successful examples of ESF-type designs in ETF partner countries. This is, for example, demonstrated by the ISKUR-led employment project in Turkey (see chapter 7). However, it is essential in this context to avoid encapsulation and ensure embeddedness, contextual fit, and sustainability by creating sufficient institutional capacity.

ESF-model mechanisms which are based on systematic regional efforts and shared responsibility of the social partners are promising approaches but are also very complicated to plan, implement and monitor. More work is needed to dig into the rich pool of project experience with the practical functioning of large centralised development funds. Such experience needs to be taken into account when

pursuing the idea of a national innovation fund. These experiences are not altogether positive; a finding that has also been made by the international donor community with its traditional project-funding approach.

In chapter 8 an instrument for enhanced policy learning is presented together with a critical discussion about its applicability in developing skills for poverty reduction. The sector-wide approach (SWAP) is a deliberate attempt to move away from project-based funding. It aims to ensure a sharp focus on partner countries' own responsibility and therefore stimulates ownership and contextual fit. It is a vehicle for translating policy options into concrete designs implemented within the ordinary governance system of a country. It also has its own drawbacks although real experience with the sector-wide approach in vocational education and training reform in ETF partner countries is still too recent to draw firm conclusions. In the context of skills development for poverty reduction a critical issue is the delineation of the sector to which the approach would apply.

Typically, poverty is a phenomenon that crosses education sector boundaries. ETF experience also shows that problems of leadership may arise as it cannot always be clearly decided who within a country is in charge of sector-wide reforms.

### **Lifelong learning, local partnerships: pedagogical innovation**

The EU Memorandum on Lifelong Learning emphasised the importance of education as the main strategy to make Europe a more competitive region in the world. But what does lifelong learning actually mean? It implies a radical change in the balance between 'the system' and 'the individual'. The central message of lifelong learning to any education system is that the individual learner is put at the centre and has to be taken seriously. Up until now, vocational education and training have generally been oriented differently. It was more about forgetting the learner's individuality and to make him or her learn to function in an unambiguous and reliable way. Today, the learner is seen much more as an 'entrepreneur' – as a person who has an idea and aims at realising this. Relying on

and releasing the individual potential of learners and transforming it so that they are able to implement their own ideas is the key message of lifelong learning. This is the reason why, for example, project work is one of the key didactic principles behind it. It enables students to work on an idea or problem of immediate interest and relevance to them. Project orientation means a break with traditional subject or discipline orientation, as there is always a view to illustrating a larger and more essential area of reality. Merely cutting a traditional curriculum in small modules does not really appear to address these crucial issues.

Essential ingredients of lifelong learning include the promotion of independent initiative, independent responsibility, and self-organisation of the institutions involved in education and training. As for ministries of education, this means that they will have to depart from their present practice of planning education paths precisely in advance and organising the funding of schools down to the smallest detail. Instead, as far as the curriculum is concerned, the optimal way is to provide no more than the framework of a syllabus, while funding will have to be provided on a lump-sum basis in accordance with a pre-determined code. The structure of the curricula and the appropriation of the funds will largely be left to the schools themselves. Vocational schools will have to abandon their previous functions as training facilities and evolve into regional centres for innovation, consultancy and training. In the future, they will probably have to provide students, workers and SMEs in the regions with advisory, experimental and development services.

In this context, the traditional bureaucratic and hierarchical organisational structures of vocational schools are counterproductive. The need for change includes greater scope for discretion and independent action on the part of the school management and increased responsibility, teamwork and out-of-school contacts for the teaching staff. This requires improved and more professional school leadership as well as strategic

school development to enable a core of change agents among teachers to drive the constant innovation of the school.

Most ETF partner countries are well familiar with the paradigm of lifelong learning, and vocational education and training reforms are often inspired by (some of) the components of lifelong learning. An interesting example of countries trying to reconfigure their systems is given in chapter 6 of this Yearbook. In Russia and Ukraine decentralisation and regionalisation have become a 'proximity' strategy that potentially allows better matching with local economy needs, individuals' development needs and involvement of the stakeholders from the community. Proximity provided by a more decentralised approach to vocational education and training provision (with increased autonomy of school management) may also become a key for innovative learning approaches based on competences and meta-cognitive skills.

However, existing experience with education and training decentralisation in Russia and Ukraine indicates that this potential has not yet been fully exploited. Ultimately, success will, to a large extent, depend on the development of targeted strategies for the different regions and on the improvement of a number of governance factors, such as improved finance mechanisms and enhanced regional and local social partnership.

The main lesson for poverty alleviation through education and training is that the organisation of learning processes should change emphasis from the curriculum towards the needs of the learner, that schools should have the freedom (within the margins of accountability) to create courses and training sequences based on the needs of learners, and that school principals and teachers should change from looking upwards to the ministry to looking sideways towards the local community. This would allow for a much closer connection between genuine training needs analysis and the design of more relevant education offers to all, including the weakest groups in society.

### Policy learning: peer learning?

Most institutions and countries have visions they want to realise. The vision in many countries is to be equal to what happens in so-called 'globalisation'. Relationships with industry, practical training, EU standards, lifelong learning and continuously updated qualifications and competences shape the vision of most vocational education and training systems and the new expectations of future vocational teachers.

For several years, education change has been driven by what happens globally. Nations are increasingly aware of the international playing field and to a large extent they compete with each other on which country will be the most effective and efficient in different assessment programmes, such as PISA<sup>107</sup> and TIMSS<sup>108</sup>, PIRLS<sup>109</sup>, ISSUS<sup>110</sup> – and also the OMC<sup>111</sup>. Indeed, having scored low on any of the international assessments has often been a strong incentive for reforms.

In many cases reforms have the following characteristics (based on a market-oriented approach):

- Decentralisation
- Privatisation
- Increasing efficiency.

As Sahlberg rightly notes (2004, p. 68), the problem is that none of these policies in isolation seem to lead to improved education systems. He therefore suggests "...that governments need to realise that there is more than one way of proceeding on the way to improvement". He also points out that education change should be a matter of development rather than creation. Following this advice, it is necessary for each country to find answers to the following questions:

- What is the history of the current system?
- What kind of institutions do we want the schools to become?

- What do individuals and the system need to be capable of to successfully implement the expected reform?

Behind reforms there will always be some values, assumptions, and approaches. Standardisation still appears to be the preferred approach in most transition countries. Standardisation is an approach which Hargreaves calls "a new official orthodoxy of education reform" (Hargreaves et al., 2001). It is very much inspired by the Anglo-Saxon community.

According to Hargreaves standardisation has the following components:

- "*higher standards* of learning for all students, except for those who have the most severe mental or physical dysfunctions;
- *deeper learning*, which shifts the focus of teaching away from a presentation-recitation mode of instruction towards teaching for conceptual understanding, problem solving, and shared intelligence that are all essential for successful participation in the knowledge society or knowledge economy;
- *centralised curricula* that ensure common and consistent coverage of what every student should know and be able to do, often in the form of standards or pre-scripted attainment targets;
- *literacy and numeracy* as prime targets of reform and which also determine the success or failure of pupils, teachers, schools, and entire education systems;
- *indicators and attainment targets* of student achievement and curriculum planning that enable teachers and others to be clear about whether these standards have been reached or not;
- *aligned assessments* that are tightly linked to the prescribed curriculum, learning standards, and indicators making sure that teachers focus on high learning achievement for all students;

107 Programme for International Student Assessment

108 Trends in International Mathematics and Science Study

109 Progress in International Reading Literacy Study

110 The International Survey of Schools at Upper Secondary Level

111 The Open Method of Co-ordination, as described in chapter 9.

- consequently, *accountability* where the school performance, and especially raising the quality of education, are closely tied to the processes of accreditation, promotion, inspection and ultimately funding and rewarding (or punishment).”

Integrated elements in this ‘orthodoxy’ are outcomes-based education, and standards-based policies. Some of the problems related to these two elements are that ‘what can be measured is what counts’, and that a lot of time is spent on doing tests and exams instead of learning something. Another problem is that this approach tends to lack a clear focus on weaker and low achieving students. It does not take the individual learner as the point of departure for didactical planning of learning, which is probably the best way to open up education programmes for participants handicapped by impoverished backgrounds.

Furthermore, Sahlberg (2004, p. 76) points out, that recent research indicates that standardised reforms may have drawbacks, for instance the de-professionalisation of teachers’ work, or the narrowed focus on basic skills in core academic subjects instead of on how to seek information and use that information in problem solving etc. (Oakes et al., 2000; Popham, 2002; Fullan, 2003; Hargreaves, 2003). Knowledge societies are based on their capacity to share information, build knowledge and innovate – in other words, to learn. Although many education programmes in transition countries have names like ‘the way towards the knowledge society’ – they may, in a final analysis, cause more problems than they solve.

In a knowledge society, people need to be able to acquire knowledge, use it, develop new knowledge, apply it to new situations, and share it. This implies risk-taking in the absence of standardised procedures. Innovation is an important element in the knowledge society. Innovation can best be developed in an atmosphere of creativity in the classroom where it is not quite certain where to go and where to end. As a consequence initial measurable and comparable results may look poor, but

such learning experiences could nonetheless very well be extremely valuable.

Some countries are now trying to establish professional communities in which teachers and principals can find new and useful ways on how to cope with the knowledge society and its challenges. According to Hargreaves (2003) such professional communities are based on four principles:

- collaborative work and discussion among the teachers and principals in school;
- focusing on teaching and learning within the professional collegiality;
- collecting data from classrooms and schools to evaluate the progress and challenges in the education process;
- rearranging time in schools.

This could probably be organised in many different ways, but the whole idea is to bring professionals back onto the scene and supply them with good advice on how to ensure that education and training not only focuses on what can be measured through tests and exams, but also embraces knowledge, skills and attitudes related to innovation and creativity, and to the ability to work and live in a global world.

Obviously, the concrete choice among reform-approaches (or a mixture of them) must be taken by the national government concerned. The authors of chapter 9 on peer reviews and peer learning have illustrated the need to build up ‘navigation’ capacities among policymakers in today’s whirlpool of policy discourses. There are so many different vocational training and education policies offered by international donors, and even more so in the world at large, that policy learning is fundamental to enable decision-makers to make informed choices. There is a case for organising policy learning platforms by making use of peer reviews, peer learning activities and also by establishing professional communities (communities of practice), in the field of poverty alleviation education strategies between developed, transition and developing countries.

Chapter 9 thoroughly reviews this experience and provides one of the very few attempts to operationalise the concept of policy learning in terms of how to create learning environments for policymakers. In practice, the main barrier here will be to generate interest in the field of poverty and social exclusion among policymakers. The benign neglect or lack of awareness, as mentioned in chapter 2 on South Eastern Europe, could easily be the main obstacle.

To conclude, the policy responses to issues of globalisation from developed countries will need to be taken into account when discussing a possible contribution of skills development for poverty reduction in ETF partner countries. But besides an exchange of experience about what vocational education and training reforms in response to the challenges of globalisation are all about, also the question as to how countries can be helped in giving more attention to poverty reduction when reforming their vocational education and training systems needs to be reviewed against the background of the new learning approaches (Grootings, ETF, 2005). In the next section we shall try to combine these more general and fundamental issues into some kind of an agenda for skills development for poverty reduction.

### SKILLS DEVELOPMENT FOR POVERTY REDUCTION<sup>112</sup>

Skills development can contribute significantly to poverty reduction. In addressing problems of the intergenerational transmission of poverty, lifelong learning for adults from poor and disadvantaged groups is an essential complement to education for children – whether in the EU or in poorer partner countries. It is also an essential complement to training for entrepreneurs and employers in medium and large scale industries if they are to have access to a skilled workforce and quality subcontractors down the value chain.

For historical reasons, vocational education and training for disadvantaged groups in many of the ETF partner countries have tended to focus on technical training for integrating the unemployed into formal employment. However, poorly funded poverty-targeted training through conventional vocational education and training systems is unlikely to be effective, cost-efficient or able to satisfy the requirements of the large numbers of people from different disadvantaged groups that need skills development. Poverty targeted training in itself is also insufficient to address the many constraints which poor people face and formal employment is an option that becomes increasingly out of reach for many people in impoverished countries.

The challenging task is to equip poor women and men to take advantage of emerging opportunities and to decrease their vulnerability in rapidly changing economic and social environments, taking into account:

- the generally low – or decreasing – levels of basic skills in disadvantaged groups even in countries with functioning formal education systems;
- the scarcity of economic and social resources – not only income, but also networks, respect and power which lead to multiple disadvantage in employment and markets;
- the lack of access to information systems and exclusion from information technology;
- the multidimensional and unpredictable nature of market and social needs;
- the scale of demand from diverse poor, marginalised and disadvantaged groups each with different needs.

An effective skills strategy for pro-poor development requires different shifts in thinking, based partly on experience in poorer countries in Africa and Asia who have never had the luxury of large amounts of funding or social safety nets, partly on innovative approaches in some of the ETF partner countries, and partly on EU experience from policies aimed at developing social cohesion.

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<sup>112</sup> This section relies very much on discussions of some of the chapters of this Yearbook during the ETF Advisory Forum conference in 2006. We are grateful to Linda Mayoux for helping us with these conclusions.

It requires a shift in thinking **from top-down training to bottom-up and lateral learning**. Bringing together these levels of action also requires innovation in the concept of skills development itself:

- Focus should be on participatory action learning at all levels to build confidence, dialogue and listening skills. This implies a move from top-down theoretical understanding to methodologies where the trainer is also a learner. Facilitation of mutual learning between participants then allows 'expert training' to be tightly focused on complementing what the various participants can teach each other. This requires the development of a new profile of competence in the trainers and stakeholders at all levels.
- There is a need to move from one-off courses to ongoing learning processes adapted to the availability of very busy poor women and men as well as entrepreneurs and policy makers.
- Increased use must be made of easily accessible visual materials, drawings and other participatory techniques which can be used by people with low levels of formal education as well as being more interesting for people at other levels.
- Training must be provided to facilitate networks and dialogue between different levels.

It also requires a shift in thinking **from institutional specialisation to institutional integration** to give people from disadvantaged groups easy and ongoing access to lifelong learning and facilitate dialogue between the different stakeholders: poor women and men, employers and local planners and national policy makers.

Depending on the local context this could include:

- The development of traditional vocational education and training schools or centres into decentralised community-managed training resources and local development centres. This could be done along the model of rural

information and training centres being developed in parts of Africa and Asia and the 'one-stop shops' for entrepreneurs in Western Europe – made fully accessible to poor and disadvantaged groups.

- Using schools and school buildings as meeting places to provide local centres where vocational education and training schools do not exist. These would both involve the parents of children from disadvantaged groups attending the school and bring in those of children too poor to attend school. This also increases the accountability of the public education system itself to the local community.
- Integrating skills development into micro-finance programmes such as through meetings of group-based micro-finance.
- Integrating skills development into employment schemes.

Finally, it requires a shift in thinking **from marginalised poverty targeted training to skills for pro-poor development** involving three complementary levels of action:

- Training and learning opportunities must be designed according to the needs of different groups of poor people and local economic priorities of employers and national economies. This need includes skills in accessing labour markets, getting quality apprenticeship training and integration of broader life, empowerment and organisational skills.
- Awareness on poverty and social exclusion must be integrated into all other education and training to challenge discrimination in employment, markets and society as a whole which limit the ability of poor and disadvantaged groups from using the training they obtain. This also includes the development of employer skills in apprentice training.
- Skills development for poverty reduction must be integrated into national and international policies. This requires integration of poverty concerns into policy learning of policy-makers, peer review processes, etc.



## 10. VOCATIONAL EDUCATION AND TRAINING REFORMS AND POVERTY REDUCTION

In order to facilitate this policy learning there is a need for participatory monitoring and evaluation systems to identify innovative good practice, and to keep an eye on implementation and effectiveness. Using commonly established good practice in Africa, Asia and Latin America it would be possible to develop participatory planning systems for skills development which give constructive feedback to trainers to improve their skills, monitor and assess the effect of specific course content and methodologies on the economic and social situation of trainees, and aggregate this information for better policy development. This would be a more useful way forward than large expensive top-down impact assessments which have many methodological as well as conceptual shortcomings. A participatory body can monitor and evaluate while simultaneously building the local knowledge and capacity for improving the training.

Involving local partners would also increase the accountability of the education and training system, ensure its tuning to the needs of poor people, and reduce the risk of corruption down the implementation chain. Unless people are directly involved in the monitoring and evaluation process from information collection through analysis to identification of recommendations, this information is rarely fed back down. As a result the impact of these expensive exercises tends to be limited.

Most of all, the above requires a shift of attitude from top down expertise brokering and decision making to a real commitment and respect for poor people. And last but not least, it requires a translation of the current rhetoric of social inclusion and pro-poor growth into funding.



## 11. TRENDS IN ETF PARTNER COUNTRIES

*Jens Johansen*

11

For all of the ETF partner countries statistical data are provided in the annex to this yearbook. To guide the lay reader, a number of key trends are presented here.

Populations are declining in about half of the countries. In others, population growth is strong. The countries experiencing the largest population growth are the Mediterranean and the Central Asian countries; the West Bank and Gaza Strip, Jordan, Israel and Syria have particularly strong population growth rates. The latter have relatively young populations.

The dependency ratio is the part of the population under 14 or above 65 as a percentage of the working age population. In the West Bank and Gaza Strip this is 96. In other words, for each person of working age there is one dependent. The dependency ratio is less than 50 for all candidate countries except Turkey, where it is 54. In the majority of the Mediterranean and Central Asian countries the dependency ratio is far higher as a result of strong population growth rates.

Migration increases the dependency problem, as emigrants are generally of working age. Only five of the ETF partner countries had a net migration inflow for the period 2000-05. Tajikistan, Georgia, Kazakhstan, Armenia and Albania all have very high net migration outflows.

Economies are also showing strong growth rates across most of the regions. The exceptions are Georgia and the West Bank and Gaza Strip that suffered a decline in their GDP between 2000 and 2004, while Israel and the former Yugoslav Republic of Macedonia had only small growth rates. With the exception of the former Yugoslav Republic of Macedonia, the candidate countries and the countries of South Eastern Europe generally grew around 5% per year. Eastern Europe and Central Asia had growth rates in the range of about 4.5% to 11.3% with the fastest growing economies being fuelled by rising oil revenues. Growth rates in the Mediterranean countries have also been high, although this can be explained in part by the high population growth rates.

The service sector grew in practically all countries.

Economic growth has not reduced youth unemployment rates much. Clear tendencies are hard to discern: in some countries youth unemployment has decreased, but in others it has increased. This pattern is seen not just when examining all countries, but also when looking at countries within a particular region. Unfortunately too many of the countries do not have reliable data on youth unemployment. Care should therefore be taken when comparing data. Regional trends on youth unemployment are not clear. However, where data is available youth unemployment is still endemic and should be a major policy issue. In the candidate countries only Romania and Turkey experienced a decrease in youth unemployment rates.

Labour force participation rates are relatively stable with a noticeable increase in many Mediterranean countries. As female labour force participation (not presented in the statistical annex) is still low in these countries, they have relatively low overall participation rates, whereas Central Asian countries have relatively high rates.

With the exceptions of Egypt, Serbia and Montenegro a child entering education in any of the ETF partner countries in 2004 can expect to spend more time in that education system than one that entered in 2000. In part this is because secondary education is becoming more widespread, but it is also because tertiary education is becoming increasingly popular. Morocco and Syria have both experienced strong growth in secondary education. Nonetheless, they still stand out with very low secondary education participation rates. In the candidate countries, Serbia, Montenegro and Egypt, around one third of students are enrolled in vocational education and training. In none of the other countries, however, does the proportion of students in vocational training exceed 15%. For countries that want to expand their education systems and boost participation in higher secondary education, the expansion of vocational training is therefore a clear option.

Participation in tertiary education is increasing very rapidly in Ukraine and Kazakhstan. It also shows strong growth in Lebanon, the West Bank and Gaza Strip, Jordan, Tunisia and Romania. Although it cannot be determined with certainty due to the weak youth unemployment data, one possible interpretation is that young people remain enrolled in tertiary education as long as their employment perspectives do not improve.

Education expenditure continues to be one of the largest expenses for all countries, ranging from 8.4% (Albania) to 27.8% (Morocco) of the government budget. With such a heavy weight in government budgets, efficiency and quality will be likely to remain high on the policy agendas. In terms of GDP, education ranges from 2.4% of GDP in oil-rich Kazakhstan to 8.1% of GDP in Tunisia.

If poverty is measured against the traditional international standard of having less than US\$1 a day to spend, it does not seem to be a major issue in most ETF partner countries. The picture changes dramatically if the poverty line is set at US\$2 a day. This implies that in many of the ETF partner countries large numbers of inhabitants live on less than US\$2 a day. In Moldova this is the case for more than 40% of the population. Also Egypt and Tajikistan, with around 40% and 35% of the population respectively living on between \$1 and \$2 a day, have severe poverty problems. When a small change in the level by which poverty is measured has such dramatic effects on statistics it is clear that financial vulnerability is something that touches the lives of many families in most ETF partner countries.

This can be further confirmed when examining the national poverty lines. Poverty is widespread in Eastern Europe and Central Asia, ranging from approximately 20% to 55% of the population, with more than half of the countries registering poverty among more than 40% of their population. Candidate countries and the countries of the South Eastern Europe have much lower national poverty levels (20-27%) with Bulgaria registering less than 13% of its population as poor in 2001. There are fewer data

## 11. TRENDS IN ETF PARTNER COUNTRIES

available for the Mediterranean countries and the figures that are available are often older than those available for the other countries.

It is striking, however, to note that while Algeria, Morocco and Tunisia exhibit the classic pattern of higher poverty levels in rural than in urban areas, the data for Egypt shows almost similar levels of poverty in rural and urban areas. Other exceptions to the classic pattern can be found in the Caucasus, where Armenia, Azerbaijan and Georgia all have higher poverty levels in urban zones than in rural areas.

The Gini index measures the extent to which income or consumption is evenly distributed in a country. A figure of 100 denotes perfect inequality: one person owns everything, whereas a figure of 0

represents perfect equality. It is worth noting first the figures for the EU Member States that have the highest and lowest levels level of equality. Although the data are from 1997, they do provide some perspective. Denmark has a Gini index value of 24.7, implying a high degree of equality of wealth, while Portugal has a Gini index of 38.5, outside the EU, the United States, with a value of 40.8, and Chile with 57.1 are worth noting. The ETF partner countries, which in only three cases have values over 40, can therefore not be said to have societies that are extraordinarily unequal, even though they generally show high values on the Gini index compared to most EU Member States. Poverty thus may be widespread in many of the countries, without this being a measurement of inequality per se.



**ANNEX I**  
**STATISTICS**

## Basic demographic data on ETF partner countries

ETF Region	Total population (million)			Average annual population change (%)		Dependency ratio (dependents as % of population aged 15-64)	Net migration (per 1000 people)*
	Source: World Bank			Source: World Bank			
	1994	2004	2020 [f]	1990 to 2004	2004 to 2020 [f]	2004	2004-2005
<b>Candidate countries</b>	<b>98.3</b>	<b>107.6</b>	<b>120.6</b>				
Bulgaria	8.4	7.8	6.9	-0.8	-0.8	45	-0.1
Croatia	4.7	4.4	4.4	-0.5	-0.1	49	4.0
FYR Macedonia	2.0	2.0	2.1	0.4	0.1	45	-1.0
Romania	22.7	21.7	20.4	-0.5	-0.4	44	-1.4
Turkey	60.6	71.7	86.8	1.7	1.2	54	-0.7
<b>South Eastern Europe</b>	<b>17.2</b>	<b>15.1</b>	<b>17.5</b>				
Albania	3.2	3.1	3.4	-0.4	0.6	56	-6.5
Bosnia and Herzegovina	3.5	3.9	3.8	-0.7	-0.1	44	2.1
Serbia and Montenegro*	10.5 [b]	8.1	10.3	0.1 [c]	1.5	48	-2.0
<b>Eastern Europe and Central Asia</b>	<b>283.8</b>	<b>278.6</b>	<b>269.7</b>				
Belarus	10.2	9.8	8.9	-0.3	-0.6	44	-0.2
Moldova	4.4	4.2	4.1	-0.2	-0.2	41	-1.9
Russian Federation	148.3	143.8	133.1	-0.2	-0.5	41	0.6
Ukraine	51.9	47.5	39.6	-0.6	-1.1	45	-2.9
Armenia	3.3	3.0	3.0	-1.1	-0.2	51	-6.6
Azerbaijan	7.6	8.3	9.4	1.1	0.8	51	-2.4
Georgia	5.1	4.5	4.1	-1.4	-0.7	50	-10.8
Kazakhstan	16.1	15.0	14.9	-0.6	0.0 [a]	47	-8.0
Kyrgyzstan	4.5	5.1	6.1	1.0	1.1	62	-2.9



ETF Region	Total population (million)			Average annual population change (%)		Dependency ratio (dependents as % of population aged 15-64)	Net migration (per 1000 people)*
	Source: World Bank			Source: World Bank		Source: World Bank	Source: United Nations
	1994	2004	2020 [f]	1990 to 2004	2004 to 2020 [f]	2004	2004-2005
Tajikistan	5.7	6.4	8.2	1.4	1.5	77	-10.9
Turkmenistan	4.1	4.8	5.8	1.9	1.2	60	-0.4
Uzbekistan	22.5	26.2	32.5	1.7	1.3	63	-2.3
<b>Mediterranean</b>	<b>151.9</b>	<b>182.6</b>	<b>237.0</b>				
Algeria	27.7	32.4	40.6	1.8	1.4	54	-0.6
Morocco	26.0	29.8	38.3	1.6	1.6	57	-2.6
Tunisia	8.8	9.9	11.6	1.4	1.0	49	-0.4
Egypt	60.1	72.6	94.8	1.9	1.7	63	-1.3
Israel	5.4	6.8	8.3	2.7	1.2	61	4.9
Jordan	4.1	5.4	7.6	3.9	2.1	69	3.7
Lebanon	3.1	3.5	4.1	1.8	1.0	57	-2.0
West Bank and Gaza Strip	2.3	3.5	5.7	4.1	3.0	96	-2.3
Syria	14.4	18.6	26.0	2.6	2.1	68	-0.3

\* = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available

m = data missing or not available

[a] = less than 0.05

ne = national estimate

e = Eurostat estimate

f = forecasted data

p = provisional data

\* = projected data

[1] = 2005 first estimates

[2] = 1999

Source: World Development Indicators 2006 (World Bank)

Source: World Development Indicators Database (World Bank)

Source: International Migration 2006 (United Nations – Department of Economic and Social Affairs – Population Division)

## Basic economic data on ETF partner countries

ETF Region	GDP per capita at PPP (current International \$)		GDP average annual % growth		Annual contribution of sectors to GDP (%)						
	Source: World Bank		Source: World Bank		Source: World Bank		Source: World Bank		Source: World Bank		
	2000	2004	1990 to 2000	2000 to 2004	Agriculture	Industry & Manufacturing	Services	1990	2004	1990	2004
<b>Candidate countries</b>											
Bulgaria	5979	8078	-1.8	4.8	17	11	49	31	34	58	
Croatia	9545	12191	0.6	4.5	10	8	34	30	56	62	
FYR Macedonia	6060	6610	-0.8	0.7	9	13	45	28	47	59	
Romania	5889	8480	-0.6	5.9	24	14	50	37	26	49	
Turkey	6510	7753	3.8	4.2	18	13	30	22	52	65	
<b>South Eastern Europe</b>											
Albania	3703	4978	3.5	5.4	36	25	48	19	16	56	
Bosnia and Herzegovina	5295	7032	m	4.9	m	12	m	28	m	61	
Serbia and Montenegro <sup>+</sup>	m	m	1.5	4.7	m	19	m	36	m	45	
<b>Eastern Europe and Central Asia</b>											
Belarus	4802	6970	-1.7	6.8	24	11	47	40	29	50	
Moldova	1331	1729	-9.6	7.0	36	21	37	24	27	55	
Russian Federation	7096	9902	-4.7	6.1	17	5	48	35	35	60	
Ukraine	4109	6394	-9.3	8.9	26	12	45	37	30	51	
Armenia	2422	4101	-1.9	11.3	17	23	52	37	31	40	
Azerbaijan	2571	4153	-6.3	10.6	29	12	33	55	38	32	
Georgia	1880	2844	-7.2	7.2	32	18	34	25	35	57	
Kazakhstan	4594	7440	-4.1	10.3	27	8	45	40	29	52	

ETF Region	GDP per capita at PPP (current International \$)		GDP average annual % growth		Annual contribution of sectors to GDP (%)					
	Source: World Bank		Source: World Bank		Source: World Bank		Source: World Bank		Source: World Bank	
	2000	2004	1990 to 2000	2000 to 2004	Agriculture		Industry & Manufacturing		Services	
					1990	2004	1990	2004	1990	2004
Kyrgyzstan	1560	1935	-4.1	4.5	34	37	36	21	30	42
Tajikistan	785	1202	-10.4	10.0	33	24	38	31	29	45
Turkmenistan	3668	m	-4.8	m	32	21	30	45	38	34
Uzbekistan	1516	1869	-0.2	4.8	33	31	33	25	34	44
<b>Mediterranean</b>										
Algeria	5418	6603	1.9	4.8	11	10	48	57	41	34
Morocco	3514	4309	2.3	4.7	18	16	32	30	50	54
Tunisia	6252	7768	4.7	4.3	16	13	30	28	55	60
Egypt	3598	4211	4.7	3.4	19	15	29	37	52	48
Israel	23858	24382	5.3	1.0	m	m	m	m	m	m
Jordan	3847	4688	5.0	5.5	8	3	28	29	64	68
Lebanon	4216	5837	5.8	4.4	m	7	m	21	m	72
West Bank and Gaza Strip	m	m	3.4	-13.3	m	6	m	12	m	82
Syria	3242	3610	5.0	3.5	28	23	24	27	48	50

+ = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available

m = data missing or not available

Source: World Development Indicators 2006 (World Bank)

Source: World Development Indicators Database (World Bank)

## Basic labour market data on ETF partner countries

ETF Region	Labour force activity rate (% of population aged 15-64)		Unemployment rate (% of labour force aged 15 and over)		Youth unemployment rate (% of labour force aged 15-24)	
	Source: ETF calculation on ILO data		Sources: ILO, World Bank, Eurostat		Source: ETF calculation on ILO data	
	2000	2005	2005	latest year	1995	latest year
<b>Candidate countries</b>						
Bulgaria	58.8	57.4	16.3 [e]	12.0 [1,e]	36.8	27.0 [1]
Croatia	64.3	64.2	16.1	13.8 [1]	35.1	27.9 [1]
FYR Macedonia	60.2	60.6	32.4 [b]	37.2 [1,b]	60.1	59.0 [1]
Romania	68.9	61.3	7.1	8.1 [1]	18.5	24.4 [1]
Turkey	52.8	54.8	6.5	10.3 [1]	11.9	14.2 [1]
<b>South Eastern Europe</b>						
Albania	68.3	65.1	22.7 [4,b]	15.2 [2,b]	m	40.5 [4]
Bosnia and Herzegovina	71.3	74.4	m	m	m	m
Serbia and Montenegro <sup>+</sup>	62.6	65.5	12.6	15.2 [2]	m	m
<b>Eastern Europe and Central Asia</b>						
Belarus	69.8	69.3	m	m	m	m
Moldova	70.0	70.5	8.5	8.1 [1]	11.5	8.9 [1]
Russian Federation	69.2	71.0	9.8 [d]	7.8 [1,d]	m	m
Ukraine	67.1	67.4	11.6 [c]	8.6 [1,c]	23.9	16.6 [1]
Armenia	62.6	60.2	m	m	m	m
Azerbaijan	70.7	71.9	m	m	m	m
Georgia	66.3	63.7	10.8	12.6 [1]	15.8	20.3 [1]
Kazakhstan	75.9	76.7	12.8	8.4 [1]	17.2 [4]	13.2 [1]
Kyrgyzstan	69.5	68.6	7.5 [b]	9.9 [2,b]	m	19.6 [3]
Tajikistan	58.7	57.5	m	m	m	m

ETF Region	Labour force activity rate (% of population aged 15-64)		Unemployment rate (% of labour force aged 15 and over)		Youth unemployment rate (% of labour force aged 15-24)	
	Source: ETF calculation on ILO data		Sources: ILO, World Bank, Eurostat		Source: ETF calculation on ILO data	
	2000	2005	2005	latest year	1995	latest year
Turkmenistan	70.6	70.7	m	m	m	m
Uzbekistan	67.0	68.1	m	m	m	m
<b>Mediterranean</b>						
Algeria	57.8	61.0	29.8 [b]	17.7 [1,b]	33.3 [4]	21.7 [1]
Morocco	56.1	56.1	13.6	10.8 [1]	19.2	16.5 [1]
Tunisia	52.7	54.9	15.6	14.3 [2]	m	m
Egypt	48.9	49.3	9.0 [b]	11.0 [2,b]	24.7	33.6 [2]
Israel	61.7	62.1	8.8	10.7 [2]	17.4	22.9 [2]
Jordan	53.7	55.6	m	15.3 [3]	m	m
Lebanon	57.3	59.0	9.9	m	m	m
West Bank and Gaza Strip	41.0	40.6	14.1 [a]	26.7 [1,a]	22.1	40.3 [1]
Syria	61.5	64.6	7.0	11.7 [3]	m	21.4 [3]

+ = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available

m = data missing or not available

[a] = Age group 10+

[b] = Age group 15-64

[c] = Age group 15-70

[d] = Age group 15-72

[e] = Age group 15-74

Source: LABORSTA Database (ILO)

Source: World Development Indicators Database (World Bank)

Source: Euro-Mediterranean Statistics (Eurostat-MEDSTAT)

## Basic data on participation in education in ETF partner countries

ETF Region	Expected years of schooling		Years of compulsory education	Participation in secondary education*		Enrolment** in TVET (%)	Participation in tertiary education***	
	Source: UIS			Source: UIS			Source: UIS	
	2000	2004		2000	2004		2000	2004
<b>Candidate countries</b>								
Bulgaria	12.9	13.3	8	91.4	102.1	29.6	44.5	41.1
Croatia	12.2	12.6 [1]	8	85.3	88.1 [1]	36.4 [1]	30.8	38.7 [1]
FYR Macedonia	11.9 [e]	12.1	8 [2]	84.1	84.1	28.0	22.5	28.0
Romania	12.0 [e]	13.3	8	80.6	85.1	31.2	24.1	40.2
Turkey	10.9 [e,3]	11.1	9	77.8 [e,3]	79.2	24.8	23.1 [e]	29.0
<b>South Eastern Europe</b>								
Albania	11.0 [e]	11.3 [1]	8	72.8	77.8 [1]	5.1 [1]	16.1	16.4 [1]
Bosnia and Herzegovina	m	m	m	m	m	m	m	m
Serbia and Montenegro <sup>+</sup>	13.3 [e]	13.0 [e,3]	8 [3]	90.1 [e]	88.7	35.1 [3]	40.2 [e]	36.2 [e,3]
<b>Eastern Europe and Central Asia</b>								
Belarus	13.8 [e]	14.4	10	84.7	93.5	– [n]	54.4	60.5
Moldova	11.2 [e]	11.6 [e]	9	82.6 [e]	82.8 [e]	5.7	32.8 [e]	37.0 [e]
Russian Federation	13.2 [1]	13.4 [e]	10	93.1 [e,2]	92.9	15.0	65.2 [e,1]	68.2 [e]
Ukraine	12.7 [e]	13.7	12	97.4	92.9	7.2	49.5	65.5
Armenia	10.4	11.3	11	86.3 [e]	91.4	0.5 [e]	23.6	26.2
Azerbaijan	10.1 [e]	10.8	11	75.4	83.1	– [n]	16.3	14.8
Georgia	11.8	12.3	6	78.9	82.3	2.7	37.9	41.5
Kazakhstan	12.3	14.7	11	91.1	98.1	4.7	28.4	50.0
Kyrgyzstan	11.8	12.4	9	84.5	88.0	3.8	34.8	39.7

ETF Region	Expected years of schooling		Years of compulsory education		Participation in secondary education*		Enrolment** in TVET (%)		Participation in tertiary education***	
	Source: UIS		Source: UIS		Source: UIS		Source: UIS		Source: UIS	
	2000	2004	2004	2004	2000	2004	2004	2004	2000	2004
Tajikistan	9.8 [e]	10.7	9		73.5	81.7		2.5	14.0	16.4
Turkmenistan	m	m	9 [1]		m	m		m	m	m
Uzbekistan	11.4 [e,2]	11.4 [e]	9 [1]		95.5 [e,2]	94.6 [e]		8.9 [e]	15.2 [e,2]	15.3 [e]
<b>Mediterranean</b>										
Algeria	12.0 [e,2]	12.5 [e]	9		75.0 [e,2]	80.7		11.5	16.1 [e,3]	19.6
Morocco	8.5 [e]	9.9 [e]	9		38.7	47.6		6.1	9.0	10.6
Tunisia	13.1 [e]	13.7 [e]	11		75.1	81.3		7.2	18.9	28.6
Egypt	12.5 [e,4]	12.0 [e]	8		83.4 [e]	87.1 [e]		30.1 [e]	36.3 [e,4]	32.6 [e]
Israel	m	m	m		m	m		m	m	m
Jordan	12.6 [e]	13.1 [e]	10		87.3	87.4		5.8	27.9	39.3
Lebanon	13.2 [e]	14.1 [e]	9		82.1 [e]	88.7		13.4	36.9	47.6
West Bank and Gaza Strip	12.2 [e]	13.4	10		81.2	93.6		0.7	25.6	37.9
Syria	m	m	9		40.5	63.2		5.7	m	m

NB = According to the new convention of UIS for citing the reference year of education data the academic year is cited according to the later year

\* = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available

m = data missing or not available [1] = 2003

[e] = estimated data [2] = 2002

[n] = nil or negligible [3] = 2001

[4] = 1999

\* = gross enrolment ratio in lower and upper secondary education (ISCED levels 2 and 3)

\*\* = total enrolment in technical and vocational education as a of total enrolment in lower and upper secondary education (ISCED levels 2 and 3)

\*\*\* = gross enrolment ratio in tertiary education (ISCED levels 5 and 6)

Source: UNESCO Institute for Statistics (UIS)

## Basic data on expenditure on education and training in ETF partner countries

ETF Region	Public expenditure on education as a % of GDP				Public expenditure on education as a % of total public expenditure			
	Sources: ETF, UIS		Sources: ETF, UIS		Sources: ETF, UIS		Sources: ETF, UIS	
	2000	latest year	2000	latest year	2000	latest year	2000	latest year
<b>Candidate countries</b>								
Bulgaria	3.5 [4]	4.3 [2]	8.9 [6]	9.6 [2]				
Croatia	4.5 [4]	4.5 [3]	15.1 [6]	9.9 [3]				
FYR Macedonia	4.1 [6]	3.4 [2]	m	m				
Romania	2.9	3.6 [2]	10.9 [6]	11.0 [4]				
Turkey	3.5	3.7 [2]	m	12.4 [4]				
<b>South Eastern Europe</b>								
Albania	m	2.8 [3]	m	8.4 [3]				
Bosnia and Herzegovina	m	m	m	m				
Serbia and Montenegro <sup>+</sup>	3.3	m	m	m				
<b>Eastern Europe and Central Asia</b>								
Belarus	6.0	5.8 [1]	m	13.0 [1]				
Moldova	4.0	4.9 [2]	15.0	21.4 [3]				
Russian Federation	2.9	3.7 [2]	10.7	12.3 [2]				
Ukraine	4.2	4.6 [1]	14.7	18.3 [1]				
Armenia	3.2	3.2 [3]	m	m				
Azerbaijan	3.9	3.4 [2]	23.6	19.2 [2]				
Georgia	2.2	2.9 [2]	11.7	13.1 [1]				
Kazakhstan	3.3	2.4 [2]	12.1	m				
Kyrgyzstan	2.9	4.4 [1]	m	18.6 [4]				
Tajikistan	2.3	2.8 [2]	11.8 [6]	16.9 [1]				



ETF Region	Public expenditure on education as a % of GDP			Public expenditure on education as a % of total public expenditure		
	Sources: ETF, UIS			Sources: ETF, UIS		
	2000	latest year	2000	2000	latest year	latest year
Turkmenistan	4.3 [7]	m	m	m	m	m
Uzbekistan	4.8 [6]	m	m	m	m	m
<b>Mediterranean</b>						
Algeria	m	m	m	m	m	m
Morocco	6.4	6.3 [1]	23.5	27.8 [1]		
Tunisia	6.8	8.1 [2]	17.4	18.2 [4]		
Egypt	m	m	m	m	m	m
Israel	7.5 [6]	7.3 [5]	m	m	m	m
Jordan	5.0 [6]	4.6 [6]	m	20.6 [6]		
Lebanon	2.0	2.6 [1]	9.2	12.7 [1]		
West Bank and Gaza Strip	m	m	m	m	m	m
Syria	3.4 [6]	4.1 [4]	12.2	11.1 [5]		

\* = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available

m = data missing or not available [4] = 2001

[1] = 2004 [5] = 2000

[2] = 2003 [6] = 1999

[3] = 2002 [7] = 1998

Source: UNESCO Institute for Statistics (UIS)

Source: Key Indicators database (ETF)

## Basic data on poverty in ETF partner countries

ETF Region	National poverty line				International poverty line				Gini index			
	Survey year	Population living below the poverty line, %			Survey year	Population below \$1 a day	Poverty gap at \$1 a day	Population below \$2 a day	Poverty gap at \$2 a day	Survey year	Distribution of income or consumption	
		Rural	Urban	National								
<b>Candidate countries</b>											Source: World Bank	
Bulgaria	2001	m	m	12.8	2003	2	0.5	6.1	1.5	2003	[a]	29.2
Croatia		m	m	m	2001	2	0.5	2	0.5	2001	[a]	29.0
FYR Macedonia		m	m	m	2003	2	0.5	2	0.5	2003	[a]	39.0
Romania	1994	27.9	20.4	21.5	2003	2	0.5	12.9	3.0	2003	[a]	31.0
Turkey	2002	34.5	22.0	27.0	2003	3.4	0.8	18.7	5.7	2003	[a]	43.6
<b>South Eastern Europe</b>												
Albania	2002	29.6	19.8	25.4	2002	2	0.5	11.8	2.0	2002	[a]	28.2
Bosnia and Herzegovina	2001-02	19.9	13.8	19.5		m	m	m	m	2001	[a]	26.2
Serbia and Montenegro <sup>+</sup>		m	m	m		m	m	m	m			m
<b>Eastern Europe and Central Asia</b>												
Belarus	2000	m	m	41.9	2002	2	0.5	2	0.5	2002	[a]	29.7
Moldova	2002	67.2	42.6	48.5	2001	22.0	5.8	63.7	25.1	2003	[a]	33.2
Russian Federation	1994	m	m	30.9	2002	2	0.5	12.1	3.1	2002	[a]	39.9
Ukraine	2003	28.4	m	19.5	2003	2	0.5	4.9	0.9			28.1
Armenia	2001	48.7	51.9	50.9	2003	2	0.5	31.1	7.1	2003	[a]	33.8
Azerbaijan	2001	42.0	55.0	49.0	2002	2	0.5	2	0.5	2002	[a]	19.0
Georgia	2003	52.7	56.2	54.5	2003	6.5	2.1	25.3	8.6	2003	[a]	40.4
Kazakhstan	1996	39.0	30.0	34.6	2003	2	0.5	16.0	3.8	2003	[a]	33.9
Kyrgyzstan	2001	51.0	41.2	47.6	2003	2	0.5	21.4	4.4	2003	[a]	30.3
Tajikistan		m	m	m	2003	7.4	1.3	42.8	13.0	2003	[a]	32.6

ETF Region	National poverty line				International poverty line						Gini index		
	Population living below the poverty line, %				Survey year	Population below \$1 a day	Poverty gap at \$1 a day	Population below \$2 a day	Poverty gap at \$2 a day	Survey year	Distribution of income or consumption	Source: World Bank	
	Survey year	Rural	Urban	National									
Turkmenistan		m	m	m		m	m	m	m	1998	[a]	40.8	
Uzbekistan	2000	30.5	22.5	27.5		m	m	m	m	2000	[a]	26.8	
<b>Mediterranean</b>													
Algeria	1995	30.3	14.7	22.6	1995	[a]	2	0.5	15.1	3.8	1995	[a]	35.3
Morocco	1998-99	27.2	12.0	19.0	1999	[a]	2	0.5	14.3	3.1	1998-99	[a]	39.5
Tunisia	1995	13.9	3.6	7.6	2000	[a]	2	0.5	6.6	1.3	2000	[a]	39.8
Egypt	1995-96	23.3	22.5	22.9	1999-00	[a]	3.1	0.5	43.9	11.3	1999-00	[a]	34.4
Israel		m	m	m		m	m	m	m	m	2001	[a]	39.2
Jordan	1997	m	m	11.7	2002-03	[a]	2	0.5	7.0	1.5	2002-03	[a]	38.8
Lebanon		m	m	m		m	m	m	m	m			m
West Bank and Gaza Strip		m	m	m		m	m	m	m	m			m
Syria		m	m	m		m	m	m	m	m			m

NB = According to the new convention of UIS for citing the reference year of education data the academic year is cited according to the later year  
 + = Serbia and Montenegro are in the process of becoming separate countries. Future ETF publications will present data for the two separate countries as such data becomes available  
 m = data missing or not available

[a] = Expenditure base

[b] = Income base

[c] = Refers to expenditure shares by percentiles of population, ranked by per capita expenditure

[d] = Refers to income shares by percentiles of population, ranked by per capita expenditure

Source: World Development Indicators 2006 (World Bank)

## DEFINITIONS

### DEMOGRAPHY

#### **Total population**

All residents regardless of legal status or citizenship—except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The values shown are mid-year estimates.

#### **Average annual population change**

The number of live births and the number of immigrants minus the number of deaths and the number of emigrants during the year expressed as a percentage of the total population at the beginning of the year. Population projection is the exponential change for the period indicated.

#### **Dependency ratio**

The ratio of dependents (people younger than 15 or older than 64) to the working age population (aged 15-64).

#### **Net migration**

The difference between the number of immigrants and the number of emigrants over a period, expressed as net number of migrants per 1,000 population.

### ECONOMY

#### **Purchasing Power Parity**

Purchasing Power Parities (PPP) are used to eliminate the differences in price levels between countries. PPP conversion rates are used to convert economic indicators which are expressed in a national currency into a common currency (i.e. to equalise the purchasing power of different national currencies).

#### **GDP per capita, PPP (current international \$)**

GDP per capita based on PPP. GDP is Gross domestic product converted to international dollars using purchasing power parity rates. GDP at purchaser's price is the sum of gross value added by resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products.

### LABOUR MARKET

#### **Labour force activity rate**

The proportion of the population aged 15–64 that is economically active (i.e. all people who supply labour for the production of goods and services during a specified period).

### **Unemployment rate**

The unemployed expressed as a percentage of the labour force (i.e. the employed plus the unemployed) aged 15 and over. To further improve comparability within EU, a more precise definition of unemployment is used in the EU Labour Force Survey. This definition remains fully compliant with the ILO guidelines. According to this definition, the unemployed are people aged 15-64 who: were without work during the reference period of the survey AND were currently available for work (i.e. can start a job within two weeks) AND have been actively seeking work during the past four weeks. Data for Romania and Bulgaria is compliant with the definitions used in the EU Labour Force Survey.

### **Youth unemployment rate**

The unemployed aged 15-24 expressed as a percentage of the labour force aged 15-24.

## **EDUCATION**

### **Expected years of schooling**

Also called school life expectancy, this is the average number of years of formal education that children are expected to receive during their lifetime (including tertiary education and years spent in repetition). It is calculated as the sum of age-specific enrolment ratios for primary, secondary and tertiary education.

### **Participation in education**

Educational participation rate for a given age (or for an age-group) is the ratio of the number of students of that age (or of that age-group) which are registered at a given level of education or in a given type of institution, to the total population of that age (or of that age group). The enrolments in education at a given age are presented in two ways. The gross enrolment ratio (GER) is the total enrolment in a specific level of education, regardless of age, expressed as a percentage of the population in the official age-group corresponding to that level of education. The ratio can exceed 100% due to late entry and/or repetition. The net enrolment ratio (NER) is the enrolment of the official age group for a given level of education, expressed as a percentage of the population in that age group.

### **TVET – Technical and vocational education and training**

Includes educational programmes which prepare participants for direct entry, without further training, into specific trades or occupations. Such programmes lead to qualifications which are widely recognised in the labour market. Many vocational education and training programmes cannot be easily classified and the contents of a specific ISCED level may differ between countries and even within countries over time between different age groups. However in many countries two types of vocational education exist. Vocational with qualification refers to programmes that lead to a labour market-relevant qualification, which does not give access to tertiary education. Vocational education with Matura examination refers to programmes whose successful completion give access to tertiary education. Such programmes typically lead to the upper secondary general education diploma, which gives access to tertiary education (often called the Matura). They may, in addition, lead to a vocational qualification.

### **Public expenditure on education**

Public expenditure on education includes expenditures by all public agencies at local, regional and central levels of government. They are usually expressed as a percentage of Gross Domestic Product and/or as a percentage of total public expenditure (on health, education, social services, etc.).

## **POVERTY**

### **National poverty rate**

It is the percentage of the population living below the national poverty line. National estimates are based on population-weighted subgroups estimates from household surveys.

### **Population below \$1 / \$2 a day**

The percentage of population living on less than \$1.08 a day and \$2.15 a day at 1993 international prices.

### **Poverty gap**

It is the mean shortfall from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line.

### **Gini Index**

It measures the extent to which the distribution of income (or consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

## **ANNEX II**

**COMMUNICATION FROM THE  
COMMISSION TO THE COUNCIL  
AND THE EUROPEAN  
PARLIAMENT ON EDUCATION  
AND TRAINING IN THE CONTEXT  
OF POVERTY REDUCTION IN  
DEVELOPING COUNTRIES  
(COM (2002) 116)**

## SUMMARY

The purpose of this Communication is to stress the vital importance of education in reducing poverty and in development and to present an overall framework for the objectives, priorities and methods of the Community in education and training in developing countries.

The Communication refocuses sectoral support **on reducing poverty in line with recent international undertakings, in coordination with developing countries' policies and on the basis of complementarity with other donors**. Its purpose is to focus all of its methods on support for education and training and to **set out guidelines for the Community**.

The Communication recognises the vital role of the countries and identifies three priorities for Community support: **basic education, in particular primary education and teacher training, work-related training and higher education, especially at regional level**.

The strategy to be pursued will involve support for basic education as first priority (at both qualitative and quantitative level) and ensuring that girls as well as boys have attained an acceptable level of schooling, before support of work-related training. Higher education will be supported at regional level in particular.

The principles to be followed in the political dialogue on education and training strategies are as follows:

- Total resources for education and training must be increased, in particular for the poorest countries and population groups;
- The recurrent expenditure of "education" budgets can be covered by the Community subject to certain conditions;
- Developing countries will have to improve the efficiency and quality of their education systems;
- They will have to improve access to primary education by working towards making it compulsory and free;
- Equality between the sexes is essential;
- The links between AIDS and education should be taken into account in education programmes;
- Account should be taken of education issues in conflict prevention and in conflict and post-conflict periods in order to protect children, in particular girls.

As regards political and strategic dialogue, the Commission will use its programming framework (the Country Strategy Papers) and, for the countries eligible for the HIPC initiative, the Poverty Reduction Strategy Papers prepared by the partner countries.

Lastly, the Community's strategic approach in developing countries will be based on the following guidelines:

- the sector-wide approach;
- consideration of the macroeconomic and budgetary framework;
- consideration of the needs and participation of the poor;
- participation by education actors and civil society in the broad sense;
- support for institutional development and capacity-building;
- monitoring and results (indicators);
- increased coordination and complementarity between all the partners.

Sectoral support for education will as far as possible be provided through macro-economic support on the basis of sectoral programmes founded on dialogue with all the partners.



## I. INTRODUCTION

Education and training play an essential role in reducing poverty and in development. This is borne out by a series of undertakings made by the international community.

The Dakar Forum (“Education for All”) in April 2000 reaffirmed and broadened the international community’s commitment to compulsory primary education for all by 2015.

Under the Millennium development objectives for education, all children (boys and girls) should complete at least primary education by 2015.

In their Joint Statement of November 2000, the Commission and the Council affirmed that the main objective of Community development policy must be to reduce and, eventually, to eradicate poverty. The Commission and the Council noted, in this context, that the promotion of equitable access to social services, i.e. health and education services, is a vital dimension of poverty reduction.

The purpose of this Communication is therefore to present a new framework of guidelines for the Community which specifies the role that support for education<sup>1</sup> and training can play in combating poverty in the developing countries.

## II. EDUCATION AND TRAINING: KEY FACTORS IN REDUCING POVERTY

### **The role of education and training in combating poverty**

Education and training have a significant positive impact on health, social and political participation, equal opportunities, economic growth rates, income and productivity, especially from the point of view of the fair redistribution of the fruits of this growth. Education provides the core skills that people, especially those who do not enrol for secondary education, need to be able to find work.

In parallel, education has positive effects in terms of good governance: education can play a key role since it enables people to claim greater transparency and accountability on the part of the authorities and therefore to obtain better access to local resources and public services.

At the same time there is incontrovertible evidence that primary education cannot be developed and economies cannot grow without an education system that trains teachers and a large number of students beyond the elementary level and up to university level. Education therefore has to be developed in a balanced way, i.e. care must be taken to ensure that systems produce students at different levels and that their qualifications are in keeping with labour market demand.

An overview of the education situation, in the developing countries in particular, is given in Annex 2.

### **Action by the developing countries**

Experience shows that the developing countries play a crucial role in gearing their policies and action to support the education and training systems. Some countries have succeeded in significantly increasing school attendance rates, although considerable problems remain as to the quality of education.

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<sup>1</sup> Definitions of the various levels of education and training are set out in Annex 1.

Essential measures in this field are: increasing the funds devoted to educational systems, good governance, a credible and stable macro-economic framework and the ownership of reforms by governments.

Other countries have failed to translate their international commitments into budget appropriations and to encourage initiatives benefiting the poorest.

School attendance rates are continuing to rise, but not quickly enough. In overall terms, demographic growth is also having an adverse effect on trends in school attendance rates throughout the world: this is true even though birth rates are tending to decline, although the extent of this decline is very different in different regions.

### **International undertakings**

At the World Summit for Social Development in Copenhagen (1995), the developing countries also undertook to increase the resources channelled to the social sectors, with voluntary dialogue on the 20/20 principle under which 20% of aid and 20% of the budgets of developing countries are to be channelled into the basic social sectors of these countries.

The Framework for Action on Education for All (April 2000) reiterated the international commitment to provide support for basic education within the framework of the Millennium development objectives and strengthened this commitment through increased action and through its extension to other objectives within the sector: “no country seriously committed to education for all will be thwarted in their achievement of this goal by a lack of resources”. The objectives adopted can be summarised as follows:

- Generic declaration on education and the protection of infants and the acquisition of life competences by young people;
- Compulsory and free primary education for all by 2015;
- 50% improvement of the adult and in particular female literacy rate by 2015;
- elimination of gender-based inequalities by 2005 and the introduction of equality in primary and secondary education by 2015;
- improvement, in all respects, of the quality of education that can be measured by recognised and quantifiable results.

### **Action by countries and donors**

In a context of stagnating Official Development Aid (ODA), donors have not increased their education aid to the developing countries to any great extent. At present, an average of approximately 10% of all ODA among the DAC members is channelled into support for education; differences range from 3% in the case of US aid to 12% of total aid from the Community and its Member States (Annex 3). The share of total aid for education allocated to basic education has remained constant at 15%, i.e. no more than 1.5% of total aid from the DAC countries!

A recent external evaluation of the process of PRSPs shows that for the 24 countries currently benefiting from the HIPC initiative, the social sectors will not necessarily be strengthened. Even after debt alleviation the countries will only allocate between 3 and 5% of GDP to the social sectors, while three-quarters of these countries have spent more than 10% of their revenue on servicing the debt in 2001.

The data given in Annex 3 show that the Member States are not, in general, giving education in general priority over the other sectors of action. The World Bank, however, currently spends 7% of its resources on education, in the form of loans (USD 1 billion per annum). The policies and actions of the Member States are summarised in Annex 4.

Community aid for the overall sector is shown in Annex 5, with a peak in Asia and sub-Saharan Africa. Aid for education and training accounts for roughly 6% of all Community aid; a substantial proportion of this aid goes on basic education. The Community's current investments at the end of 2001 total some EUR 2 billion.

A recent external evaluation of Community aid to the ACP countries for education under the 7th and 8th EDF (1990-2000) shows a nominal but not substantial increase. The shift of priority to basic education has favourably influenced the amount of funds channelled to it, but the link between education and poverty reduction was recognised only after most of the programmes had been devised. Targeted macro-economic support is considered an approach that increases the financing of education systems. However, the evaluation shows that very substantial efforts still need to be made from the point of view of the impact and quality of education aid. It argues in general for limiting the number of projects, a sector-wide approach where possible, institutional capacity-building and better donor coordination (Annex 6).

The Commission is taking account of the findings of this evaluation in the programming of the 9th EDF (ACP) and programming for other regions.

### III. EDUCATION AND TRAINING PRIORITIES GEARED TOWARDS POVERTY REDUCTION IN THE DEVELOPING COUNTRIES

The Communities' priorities in education and training are:

- Basic education (in particular primary education) and teacher training;
- Work-related training;
- Higher education, in particular at regional level.

In setting these priorities, the Commission:

- Follows the principles of tightening up of priorities in the context of ownership by the countries and of coordination and complementarity with other donors, in particular the Member States;
- Is aware that it is impossible in practice to isolate either one level of education from another or the education system from all the external demands which cement it to working and everyday life;
- Focuses on the strategic priority unanimously agreed at the Dakar Forum, i.e. access for children to free basic education, at both infant and primary level (formal and non-formal sectors).

#### **Basic education and in particular primary education and teacher training**

- a) *The total resources channelled into education, in particular primary education, need to be substantially increased*

Primary responsibility for implementing the strategy of Education for All lies with the governments of the developing countries. A clear sign of a commitment to this strategy will be their ability to allocate resources in ways that enhance education and in particular primary education, which is the cornerstone of basic education and the area in which the Community can play an important role as a catalyst, in particular through its budgetary support, and in ensuring that resources are targeted towards regions and disadvantaged groups and to countries where other donors do not sufficiently target education.

The international Community should give preference to countries that have the most clear-cut commitment to Education for All, in particular countries that are taking account of the needs of the poorest population groups, encouraging girls to attend school and removing barriers to education access, such as the costs of education.

*b) The efficiency of education systems must be improved*

An increase in education expenditure is not enough on its own to improve progress in education: the efficiency with which different countries may use the same resources differs greatly.

Countries therefore need to make their education systems more efficient. Those that are successful combine high expenditure on primary education, reasonable unit costs and a low rate of repeated years.

Donors will therefore discuss education strategies with recipient countries in order to maximise the impact of the financial support that they can offer for these strategies. This obviously means that the amount of resources needed for education must be discussed not across the board but with each individual country.

*c) Countries must improve school access opportunities and move towards free access to primary education*

Parents are often discouraged from sending their children to school because they have to pay some or all of the costs of education. There is now a world-wide consensus that primary education should be universal and free (Education for All).

The introduction of free and compulsory primary education may have consequences for a country in terms of additional financial resources. The Community should therefore help countries that have demonstrated a firm desire to move in this direction.

Providing the largest possible number of children with access to school is also a way of combating child labour, and of complying with Convention 182 prohibiting the worst forms of child labour, which is among the fundamental ILO Conventions to whose implementation the Community is committed.

*d) Education budgets should therefore be geared towards the most urgent needs, i.e. towards poor and vulnerable population groups which have only limited access to schools*

Priority should be given chiefly to rural areas rather than urban areas where school attendance is easier and where gross attendance rates are much higher, even though severe problems of poverty in towns and cities may prevent children from attending school, girls and women (see following section), children and adults with special educational needs (disabled, orphans) and indigenous peoples whose specific needs need to be taken into account through intercultural dialogue.

From this point of view, the urban/rural balance needs to be seriously considered. This means that it must be possible to encourage children brought up in rural areas to pursue their education and training in situ; vocational and secondary education schools should be located at district level. When decentralisation processes are taking place the Community and the Member States should therefore promote financial support at district level in recipient countries within sectoral programmes.

Recognition of these urgent needs should be reflected by the construction of more schools closer to areas in which disadvantaged population groups live, and by the training of more teachers in these areas.

e) *Gender equality is a fundamental priority in connection with access to and the fairness and quality of education*

Education for All is underpinned by a strong commitment to gender equality in education; although the gap between the school attendance of girls and boys is falling, girls are still lagging behind. This means that educational strategies must be supported by gender analyses. Gender analysis means, moreover, that specific measures need to be taken from the point of view of teacher training and of programmes intended to step up the demand for education from girls and to open up opportunities for women teachers.

To reduce gender-based inequalities in education systems the Commission recommends that the following points be taken into account in discussions on country strategies and sectoral programmes:

- a national policy to support women's advancement;
- campaigns to make parents aware of the advantages of educating girls;
- curricula and teaching materials from which gender stereotypes have been removed;
- more appropriate and better distributed education infrastructure and facilities, in particular in rural areas, as distance to school is a serious barrier to attendance by girls; this is especially true of continued attendance at secondary level (boarding schools must be located as close as possible to pupils);
- active promotion among parents of choices of education that help girls to advance, including in non-traditional areas;
- measures to step up the number of women teachers;
- analysis instruments and statistics through which girls' performance can be genuinely measured;
- consultation of and participation by the actors when planning education measures (families, experts, NGOs, etc.).

f) *The stress must be placed as much on the quality as the quantity of education*

If quality is to be improved it has to be part and parcel of the content of sectoral programmes which must reflect local situations; the only way of ensuring success here is to involve the authorities of countries and the civil society actors working in the educational field. This highlights the fact that countries must attach as much priority to the abilities acquired by pupils as to the extension of school coverage.

The issue of quality overlaps the issue of stimulating demand for education. Such stimulation programmes highlighting the value of education include: care for infants (Education for All), activities to upgrade girls' education, the availability of secondary education facilities, adult literacy programmes, partnerships between schools, parents and communities, and measures to promote children's health at school (nutrition, school canteens).

More specifically, measures that can help to improve quality include local community participation in the management of educational issues and an increase in the number and an improvement of the status and training of school teachers and principals which is an absolute priority in this context. Curricula must be practical and adaptable. There must be opportunities to monitor and evaluate educational performance so that progress can be measured other than in quantitative terms. The availability and adequate use of appropriate teaching materials (textbooks) is also important.

The language of learning (in particular the mother tongue and the common language) plays a key role in access to education and its quality.

Many countries of sub-Saharan Africa and southern Asia have a poor educational environment. The development, maintenance and appropriate location of school infrastructure plays a vital role in high-quality results. In this respect, the importance of locating schools as close as possible to pupils needs to be stressed.

The Commission also stresses the importance of including in curricula (wherever possible) essential elements relating to the protection of human rights and democracy in the context of education for peace and respect for cultural diversity.

*g) Developing countries and donors need to pay much more attention to the impact of AIDS on education systems*

AIDS has an impact on the education sector and education can play a key role in limiting the epidemic and in protecting the health of people affected.

- AIDS affects education systems in two ways: firstly, there is increasing pressure on education systems to provide information on AIDS. Secondly, AIDS can have a negative impact on school systems (fewer pupils and teachers, therefore fewer classes) and methods of teaching and learning, and on the quality of education (owing to higher rates of absenteeism among teachers and pupils).
- Lack of education and poverty are serious obstacles to the fight against AIDS. Education can play a key role both in limiting the spread of AIDS and in helping people to cope with its effects. Experiences in Thailand and Uganda show that a political will on the part of governments to use education to combat AIDS, by introducing special curricula into school syllabuses, has been helpful in halting the spread of the disease.
- Other methods of prevention include the provision of appropriate teaching materials, the recruitment of teachers together with specific support, special arrangements for orphaned students, the strengthening of community social funds, school information campaigns and the inclusion of specific education programmes in health programmes.

*h) Education must be protected and restored in conflict and post-conflict periods*

50% of children who do not attend school live in countries in crisis or in a post-conflict situation (some 73 countries throughout the world) and 82% of the 113 million school-age children who do not have access to primary education also live in these countries.

Among measures taken to prevent conflicts, education should be given an essential role in order to promote social cohesion and a culture of peace. From this standpoint the content of teaching programmes, school books and the language of instruction are decisive factors.

In periods of conflict, during which education systems are severely tested or even destroyed, particular measures need to be taken to protect children, and in particular girls, and to maintain a minimum education system.

Countries in transition, countries at war and countries emerging from crises are countries which do not have sufficiently consolidated strategies. This must not be left out of the equation but must receive the aid that they will need in future to achieve the objectives of Education for All, in the same way as countries that do have sound programmes.

In post-conflict periods, governments and donors must rebuild school infrastructure and ensure that enough human resources are available for children to return to school.

In its Communications on linking relief, rehabilitation and development of April 1996 (COM(96)153) and April 2001 (COM[2001]153 final), the Commission stressed that relief measures should take account of long-term development objectives, which is particularly true in the case of education.

In practice, the Community and the Member States should agree on the following principles:

- education must be a key component of crisis-related policies;
- education is a fundamental component of reconstruction programmes.

*i) Knowledge of education programmes relevant for development must be increased*

Improving knowledge involves first of all the need for better statistics on education and training. Many developing countries do not possess all the data that they need to introduce efficient education policies. Good statistics can help to identify groups facing serious school attendance problems or problems in completing education as well as the necessary financing requirements. Donors also need reliable statistics to be able to plan, manage and evaluate aid.

A further aim is to deepen and pool knowledge of the ways in which education policies can be introduced and implemented, and of the lessons that can be drawn for success in other countries, although the reproducibility of reforms from one country to another should be viewed with caution. Issues covered here include, for instance, education quality, gender equality and distance learning.

**Work-related training and the development of qualifications: taking account of education demand**

Training can be provided in specialist centres through apprenticeships, via distance learning using the new technologies or directly in the workplace. It has been recognised that technical education and vocational training are necessary for the establishment of an education system that offers an alternative to students leaving the system who will ultimately provide a skilled workforce for the formal and informal sectors but attempts to make schools into combined centres of education and training have led almost everywhere to a decline in standards of education, without providing a standard of vocational training that can be recognised by employers in the formal sector.

This means that it is necessary to support educational strategies, systems and processes that promote the demand for education and the acquisition of qualifications paving the way for the economic growth, increased productivity and the efficiency of those in employment. The corollary is that any development strategy has to look in further depth at the complex relations between education, qualification and employment within the integrated framework of a poverty reduction strategy.

This means that the developing countries should introduce innovative approaches that go beyond the formal education sector, enable girls to move beyond the primary education level, promote self-employment and concomitant access to other forms of capital (land, loans) in particular for women, develop a framework conducive to expansion of the private sector and ensure lifelong learning. In this context, it is essential to step up the acquisition of qualifications in adult literacy programmes, especially for women.

Similarly, in order to increase school attendance levels, secondary schools should forge links with the labour market. Enterprises should set up partnerships in order to strengthen synergies with schools.

This requires the introduction of active labour market policies linking the development of skills with employment, possibly including: job-seeking aid, improvements to employment services, programmes of targeted training combined with income substitution benefits, direct assistance for job creation and other measures related to the flanking structural policies, including private sector development. Close cooperation with businesses on matching the supply and demand of skills in specific economic sectors also plays an important part in this approach. This should be a priority for the Community in its political dialogue.

The aforementioned need to improve teaching quality, the number of teachers, the quality of statistics and the pooling of knowledge applies also to job-related training.

### **Higher education**

Support for higher education is a key component of the “Education for All” strategy. Teachers and planners are trained in higher education institutions which are also centres for educational research. Support for higher academic, technical and vocational education is just as necessary as support for primary education.

Support for higher education is also necessary for countries’ institutional development. Institutional capacity-building is an essential component of programmes in all sectors of development cooperation.

In this context, information and communication technologies can improve the management, implementation, content and quality of education services throughout the world. These technologies – which are a tool and not a priority in themselves – can help greatly to improve the organisation of education systems, access to these systems (support for teacher training, access to foreign languages, overseas training, etc.) and quality (access to a wider range of knowledge, interinstitutional network assistance). This applies, for instance, to distance learning methods for teacher training.

Cooperation in the area of higher education between European and third-country institutions seems to be a useful way of supporting higher education in these countries. This cooperation is to be promoted at the regional level in particular.

The Community must be more vigilant in regard to the impact on these countries of a brain drain to the developed countries and must ensure greater taking into account of other Community policies. It must also ensure that development cooperation policies do not unfairly limit the ability of these countries to provide for their own development at a time when the brain drain from the south to the north has reached unprecedented levels.

The Commission will also ensure coherence between other Community policies and development cooperation.

It sees its own measures in this field as a necessary contribution to institutional and administrative capacity-building in recipient countries. The Commission’s Common Cooperation Framework for Higher Education places this approach on a practical footing (Annex 7).



## IV. METHODS OF IMPLEMENTING COMMUNITY EDUCATION AND TRAINING PRIORITIES

Implementation of the Community's priorities in education and training will be based on the following strategic options:

- Political and strategic dialogue with the countries in the Country Strategy Papers (CSPs) and partner countries' Poverty Reduction Strategy Papers;
- The sector-wide approach;
- Consideration of the macro-economic and budgetary framework;
- Consideration of the needs and participation of the poor;
- The participation of education actors and civil society in the broad sense;
- Support for institutional development and capacity building;
- Monitoring activities and results (indicators);
- Financing instruments (recurrent costs).

### **Political dialogue: the Community's Country Strategy Papers (CSPs) and partner countries' Poverty Reduction Strategy Papers**

The recently approved guidelines for Country Strategy Papers (CSPs) explicitly provide for an analysis of the policy programmes of recipient countries. The purpose of the CSPs is to create a framework for Community cooperation and to meet and support national development efforts as expressed in national development strategy. Education and training are a sectoral priority at the stage of dialogue on programming.

The introduction of PRSPs at the end of 1999 represents a turning point in aid and tries to return the initiative to recipient countries by placing poverty reduction at the centre of development strategies. PRSPs are government policy documents prepared following consultations with civil society and the private sector which analyse poverty in the country concerned and set out a programme to reduce it.

Education and training are a priority of PRSPs since they are instrumental in reducing poverty. Donors, and in particular the Commission, must ensure that PRSPs comply with the commitments made at the Dakar Forum on Education for All, in particular in the area of support for basic education.

### **The "sector-wide approach"**

The sector-wide approach in education is the Commission's preferred method to support a sector; in this field the Commission has developed the achievements of the international community. Ownership by the recipient country is essential for the implementation of this approach. The aim is to consider the education sector as a whole. It is an ongoing and dynamic process; sub-sectoral support is still possible provided that it is relocated in the overall context of the sector, and a key aspect of this is the ownership by the country of policies and implementation. The sector-wide approach in education must be accompanied by high-quality monitoring and evaluation systems and be more result-oriented.

Support from donors must be long term as results are not immediate, especially in social sectors. The external support that countries receive must therefore be reasonably predictable, especially in the case of education which is, more than other sectors, a government-directed public service.

The sector-wide approach has the advantage of managing the number of education cooperation measures. But in many countries a sector-wide approach as described is not yet in place; in this case the approach could be targeted to sub-sectors or fields with a minimum of capacity and with a strengthening of institutional capacity. Education programmes will be financed bearing in mind the conditions of the sector as a whole.

### **Consideration of the macroeconomic and budgetary framework**

The sector-wide approach presupposes a viable macroeconomic framework and a transparent and efficient budget framework, within which the specific financial features of the education sector obviously have to be included. Greater consistency is therefore to be sought between economic reform programmes and sector-wide programmes so that the former are better able to serve the objectives of social sectors, and in particular education.

In this field, therefore, the Community and the Member States must ensure, by setting result indicators, that resources are channelled into education and training, in line with international commitments (Millennium development objectives) and to offset in part the financing shortfall in education budgets on condition that the developing countries seriously commit themselves to these objectives.

In this context the Community will encourage macroeconomic support in the framework of dialogue with governments on their education policy and its implementation; it will have to monitor governments' medium-term expenditure framework, trends in the amounts of resources channelled into education and the results achieved on the basis of monitoring and result indicators. The sector-wide approach will be applied. This requires substantial institutional support to countries and delegations in order to step up monitoring of the impact of the budgetary support, tie macroeconomic support more closely to results in the education sector and set up or improve systems for monitoring education sector performance.

However, macroeconomic support alone cannot provide sufficient aid to education, even if tied to result indicators in the sector. It does not take real account of sectoral sub-strategies and the need to help partner countries devise appropriate education strategies. Consideration should also be given to the fact that Community practices are different from those of the Member States and vary according to the area or region.

In keeping with the macro-economic framework, the Community will support the education sector through sectoral programmes based on dialogue with all the partners.

### **Taking account of the needs of the poor and their participation**

One of the main risks of the sector-wide approach applied to education is that people who are below the poverty line remain outside the system and fail to benefit from advances in access to and quality of education.

At government level, education measures need to be targeted on poverty within the medium-term programming and budget implementation process. At the same time, expenditure on the protection of the poor must be protected against any budget cuts. From the point of view of donors, joint reviews play a key role since they enable practical measures to be taken to consolidate poverty reduction objectives.

The choices made in the framework of macroeconomic programmes or in the area of direct sectoral support should, in the interests of fairness, be aimed primarily at promoting the least advantaged population groups, who do not necessarily have access to these services.

Users of public education services must be consulted about the objectives of the sectoral policies supported by donors before they are adopted by governments and must also be involved in their implementation.

The specific school coverage needs of some disadvantaged regions or groups (distribution, schools in rural areas, ease of access to schools) must be taken into account when implementing sectoral programmes.

If education services are decentralised, mechanisms are needed to enable the users of these services to monitor results.

Lastly, priority for basic education and preferential access for girls are key components of poverty reduction in public expenditure programmes.

### **Participation by the education actors (including the private sector) and of civil society in the broad sense**

Participation by the actors and civil society must be considered a priority. Participation of this kind needs therefore to be sought with parents' and teachers' associations in particular. This will work only if real financial capacities are provided at local level.

Participation by the actors may also be assisted by decentralisation policies. Countries as well as donors must be able, however, to audit the allocation of funds to users. In this context, participatory social assessments should be used more systematically, particularly in the sector-wide approach. Decentralisation may also help to mobilise the actors, especially if they are able themselves to monitor education measures.

The importance attached to actors in the education sector also means that account has to be taken of the "private sector" of education which may in some countries make a major contribution to the quantity and quality of education, especially outside the formal education system.

### **Support for institutional development and capacity-building in education systems**

Donors have not, in general, paid sufficient or systematic attention to institutional capacity-building even though it plays a large part in the sustainability of sectoral programmes. Support for institutional capacity-building tends to be a natural consequence of the sector-wide approach. It is a key factor for the introduction of viable education strategies. This is reflected by the Code of Conduct on Education adopted by the Commission and the Member States (Annex 8).

Institutional capacity-building in the education sector may include support for policy formulation and implementation, substantive and budget auditing of government commitments, financial constraints and choices, development of the ability to dialogue with donors, consistency with public service reforms, development of teachers' capacities and training, infrastructure planning (school locations), support for gender issues and local capacity to produce usable statistics.

The Commission considers that institutional support for education must be seen as part and parcel of the general enhancement of countries' institutional and administrative capacity. It is consistent with the Commission's commitment to finance recurrent expenditure in the context of budgetary support.

### **Monitoring of activities and results (indicators)**

- The use of budgetary support and the sector-wide approach means that activity monitoring (input) indicators, results (output) indicators and impact indicators must first of all be those of the country, e.g. within the framework of the Poverty Reduction Strategies.
- They must also be common to all the donors, because it is no longer possible to evaluate the impact of a single donor's activity in isolation from the country's activity and other donor operations. This is particularly true if donors are willing to make up the financing shortfall of the "education of countries" budgets with a view to achieving the Millennium development objectives.

- Considerable efforts need to be made to improve over time the statistical data on which indicators are to be based, if reliable and relevant indicators are to be set up. It is vital that statistics be broken down by gender. Countries and donors also need to improve their monitoring and feedback systems.
- Indicators should be few in number, simple, relevant and readily measurable and achievable. Donors and partner countries must check that the indicators used in the country and poverty reduction strategies are consistent.

Annex 9 summarises the criteria for the use of indicators. The success rate of an age-group after a sufficient number of years of education (end of primary education) is a good indicator of a system's efficiency.

### **Financing instruments**

- The Community will back education and training systems through macroeconomic and budgetary support on the basis of monitoring and results indicators, in coordination with the other donors, and on the basis of viable sectoral policies on the part of recipient countries.
- The Community will defray the ongoing current expenditure connected with some measures (for instance teachers' pay), especially for the poorest countries and those that are in or emerging from crisis. This undertaking is new, consistent with direct budgetary support, and should enable many countries to strengthen the tenability of the reforms they wish to undertake in the management of their education systems. It is expressly provided for by Article 61 of the Cotonou Agreement. It will take place in a healthy macroeconomic context in order to ensure the long-term viability of education systems. The conditions of this payment undertaking are linked to the circumstances of the macroeconomic support itself: there must be sufficiently transparent, reliable and efficient management of public expenditure; clearly defined sectoral or macroeconomic policies established by the country; and known, transparent public procurement rules.
- It will continue, in line with the Joint Declaration of the Commission and the Council, its support to the education sector with a view to ensuring equal access to education by means of sectoral programmes.
- This support can be provided through joint financing, which will be based on matching the partner country's financing needs with the overall capacity of donors. The financing should preferably be provided under the management of one donor, ensuring pooling of its financial resources and that of other donors, according to the macro-economic context and based on a sector-wide approach. It may take the form of strengthened operational coordination, harmonisation of procedures, joint monitoring and evaluation and possible unified financial support.

#### ***Lack of financing: Tanzania***

In Tanzania the Poverty Reduction Strategy Paper contains a programme for the development of the education sector which should enable the country to achieve education objectives by 2015. The cost of the programme is estimated at \$ 969 million for three years (until 2004). The Tanzanian Government can only finance half of that amount. The World Bank and DFID have undertaken to cover two thirds of the remainder. Thus despite this aid the sectoral financing plan does not cover all of the estimated needs.

*Source: OXFAM, Are PRSPs working? 21 December 2001.*

## V. CONSISTENCY, COORDINATION AND COMPLEMENTARITY BETWEEN DONORS

For the Commission, coordination and complementarity with the Member States and the other donors must take place via increased cooperation in the framework of tenable sectoral policies owned by the recipient states.

Commission cooperation with international bodies (UNESCO, ADEA), the other multilateral donors (World Bank) and with the Member States must be substantially strengthened both in terms of policy analysis and the formulation of joint programmes and on the operational level through wider-ranging cooperation in the field. The Community undertakes to strengthen cooperation with European donors by meetings of experts in Brussels and on the ground in the framework of sectoral strategies for education.

Increases in aid resources for education should, according to the Commission, take place also within a framework of complementarity with Member States' measures. The Member States must also take on their responsibility in this field on the basis of much closer coordination between them and with the Commission.

In its conclusions on operational coordination between the Member States and the Community (May 2000), the Council listed the following areas: information exchange, dialogue on strategies, cofinancing, differences in implementation between regions, joint evaluations and studies, etc. These conclusions are fully applicable to education and training strategies.

Complementarity is likely to play a greater role where the governments of partner countries have clear education sector policies which are actually applied and where financing mechanisms are common to both donors and partner countries. The critical point in this respect is the level of financing of education and training budgets and the commitment of donors to finance the shortfall.

The Commission considers the strengthening of coordination and complementarity to be an essential prerequisite for increasing the overall efficiency of aid.

## VI. CONCLUSION

This Communication from the Commission refocuses its sectoral support on poverty reduction in line with its recent international undertakings. It confirms its political commitment to stepping up education and training resources in its development cooperation.

The Commission therefore asks the Council to adopt a resolution in accordance with the guidelines contained in the Communication.

## ANNEX 1: DEFINITIONS

It has been acknowledged, in line with the recommendations of the Jomtien and Dakar conferences, that basic education requires a specific definition that is no longer over-restrictive or too technical (e.g. the OECD/DAC definition) but can be more broadly applied to all regions and education systems. It therefore seems appropriate to adopt the definitions of basic education produced by the conferences as well as the OECD/DAC definitions for other categories or sub-sectors.

**Basic education:** basic education needs to be redefined in respect of the terms “technical”, “special”, “higher”, “tertiary” and “lifelong”. Basic education as such embraces formal primary education but also covers all the skills, knowledge, attitudes, values and motives considered necessary for an individual to fully master the skills of reading and writing and to lay the necessary foundations for embarking on a voyage of lifelong learning. Basic education can be dispensed by means of both formal and informal resources and institutions.

The length and nature of the “basic” school cycle varies from one country to another: from a minimum of 3-4 years of primary school to a nine-year cycle or the completion of a full secondary cycle.

**Infant education:** offers a structured series of activities in a formal institution or as part of a non-formal programme for children. These activities are normally geared to children from the age of three onwards and include organised learning activities as one part of the overall care programme.

**Primary education:** refers to education programmes normally designed to give children a firm grounding in reading, writing and mathematics and an understanding of other subjects. In most countries this level covers approximately six years of full-time formal schooling.

**Secondary education:** study in the secondary cycle.

**Training:** vocational training geared to preparing young people and adults for work and basic living skills; secondary-level basic and technical vocational training; continuing training; apprenticeship including informal vocational training.

**Higher education and training:** university-level degree courses; in *lycées* and *polytechniques*: grant programmes.

## ANNEX 2: THE EDUCATION SITUATION

- 1) Data provided at the Dakar Forum on Education for All (April 2000) show that close on 113 million children (60% of whom are girls) are not enrolled at school. In nearly 40 countries, net enrolment rates for primary education are below 80%. Although it is extremely difficult to obtain accurate data on school attendance, completion rates and results, it is estimated that in sub-Saharan Africa one third of children enrolled for primary education drop out of school after four years.

Sub-Saharan Africa, where net enrolment rates are the lowest (61%) and where 42 million of Africa's 140 million school-age children live, and southern and western Asia, where 47 million of Asia's school-age children live, pose the severest challenges for Primary Education for All. There are close links in these two “regions” between low school enrolment rates and the incidence of poverty.

The situation seems less desperate in southern and western Asia. In the Arab countries and North Africa, considerable efforts will have to be made to ensure that a further 29 million children attend school by 2010.

In Latin America and the Caribbean there has been a slow expansion of secondary education which is a step in the right direction, but many children leave school after a few years and rates of repeated years are still very high. The quality of education is an urgent problem in these areas.

In general, world demographic trends show that it is reasonable to fear a drop in school attendance rates in the future.

- 2) All the education systems of the developing countries raise problems from the point of view of evaluating the quality of school outcomes. A recent study of 58 countries shows that in 23 of these countries over 20% of children enrolled for the first year of primary education fail to complete four years of education. Primary education completion rates are between 60% and 70% in most countries of sub-Saharan Africa. There are major disparities within countries. Africa has one of the lowest rates of progression to secondary education (less than 10%).

The inequalities faced by girls are most evident in sub-Saharan Africa and southern and western Asia. In sub-Saharan Africa, 54% of girls of school age were enrolled for primary education in 1998 against 66% of boys. In southern and western Asia, the percentages were 67% and 79% respectively. While disparities between boys and girls are in general decreasing, enormous progress has still to be made to achieve parity by 2005 in sub-Saharan Africa, southern Asia and the Arab countries.

- 3) As regards illiteracy, one out of four of the world's adults was illiterate in 2000 (i.e. close on 900 million people) and this figure is increasing: most are women. Southern and eastern Asia account alone for 71% of the world's illiterates. Illiteracy is a major barrier to sustainable development.

Poverty increases educational disadvantages. Although access to education in the poorest countries is more difficult for children from rural areas, access problems are also to be found in many countries in urban areas to which there has been an exodus from rural areas; in these urban areas, poverty is a barrier to any recovery of children by the education system, especially in Asia.

- 4) AIDS is having devastating effects on the poor and on education, especially in sub-Saharan Africa. In Zambia, 1 300 teachers died from the disease in the first ten months of 1998 and there are estimated to be 650 000 children aged under 15 whose parents have died from AIDS. An ever increasing number of children are on the streets. There are clear signs of a substantial downturn in school attendance by girls and an increase in child labour in countries with high AIDS prevalence rates.

AIDS is also having a catastrophic impact on education system performance; AIDS affects the size of education systems (fewer pupils and teachers), teaching and learning methods (when pupils and teachers are infected) and education quality (higher rate of absenteeism among pupils and teachers).

- 5) Education systems have been hard hit by conflicts, especially in sub-Saharan Africa, but also in other conflict zones (Colombia, Afghanistan, etc.). Conflicts affect the availability of teaching materials and the organisation of systems. Children are often the main victims of conflicts. According to UNICEF, over two million children have died over the last 10 years as a result of armed conflicts. The number of severely injured children and survivors suffering from very severe psychological trauma is estimated at six million.

### ANNEX 3: SHARE OF TOTAL DEVELOPMENT ASSISTANCE TO EDUCATION AND TO BASIC EDUCATION (DAC COUNTRIES)

Donor	% to education in total	% to basic education
Australia	15.7	3.9
Austria	19.8	0.5
Belgium	13.0	0.5
Canada	8.1	0.8
Denmark	1.2	0.1
Finland	7.4	0.2
France	27.4	–
Germany	16.8	1.9
Greece	6.3	–
Ireland	15.9	–
Italy	5.8	0.0
Japan	8.7	0.4
Luxembourg	18.7	3.2
Netherlands	8.3	3.9
New Zealand	35.1	1.8
Norway	10.4	6.5
Portugal	7.3	0.0
Spain	12.1	2.2
Sweden	5.8	2.9
Switzerland	3.6	1.2
United Kingdom	9.6	3.0
United States	3.2	1.2
<b>Total grants</b>	<b>10.7</b>	<b>1.2</b>
<b>Total ODA</b>	<b>4.8</b>	<b>0.9</b>
World Bank	6.3	1.3
Other development banks	2.4	0.1

Source: DAC Report 2000 on Development Cooperation, pp. 246-247

### ANNEX 4: MEMBER STATES POLICIES IN THE EDUCATION AND TRAINING SECTOR

#### Austria

- Austrian Development Co-operation gives priority to basic education, vocational training and post-secondary education. Special focus is placed on increased access to education for all, quality development of educational programmes, support for reform processes by partner countries, science and research, democratic institutions and institution building.
- Bilateral aid focuses on a number of countries mainly in Europe, Asia and Sub-Saharan Africa.
- In 1999 Austria spent 19.8% of its total bilateral aid on education.



## Belgium

- Education sector support is focused mainly on financing university co-operation. However, stronger priority is being given to basic education, formal and informal education and access to education.
- Belgian bilateral aid is focused on 25 countries, but there are not necessarily educational projects or programmes in each of these countries. All countries negotiate periodically with Belgium and it is decided by mutual agreement which sectors will receive financial support.
- Belgium finances in particular projects implemented by Belgian universities and with Belgian technical assistance. However, aid programmes in general and budgetary support in particular constitute a relatively new form of aid for Belgium.
- In 1999 Belgium spent 13.0% of its total bilateral aid on education.

## Denmark

- The focus in the education sector is on basic education and special needs education as a component of basic education in a selected number of partner countries in Africa, Asia and Central America.
- Bilateral assistance within a sector will, to the fullest extent possible, take the form of sector programme assistance. Sector policy dialogue is emphasised. Danida is also working towards an increasingly decentralised approach to project management.
- In 1999 Denmark spent 1.2% of its total bilateral aid on education.

## Finland

- The Finnish Government gives priority to basic education. The geographical focus is on Africa (there are sizeable education programmes in Mozambique, Tanzania and Zambia, among other countries). However, in recent years new projects have been launched in Latin America, Asia and the Balkans.
- A portion of development co-operation funds is channelled through non-governmental organisations. In recent years, sector-wide programmes have been launched in many partner countries.
- The Education sector accounted for some 7.4% of Finnish development co-operation funds in 1999.

## France

- Under French co-operation in the field of education and training the largest budget allocation is for technical assistance. Technical education, higher education and education supplies were other priority areas. Recent trends have seen a rise in support to the basic education sector (which includes secondary education). Almost half of education sector support focus on seven countries: Burkina Faso, Cameroon, Ivory Coast, Madagascar, Mauritania, Senegal and Chad.
- France provides both direct budgetary support and project support.
- In 1999 France spent 27.4% of its total bilateral aid on education.

## Germany

- The German education sector policy focuses on the promotion of basic education, co-operation in higher education, and vocational training. In the 1990s the vocational training sub-sector received almost 50% of German co-operation in education. However, increasing amounts and priority are being given to basic education. Regional priority areas of German development co-operation in the field of basic education are Sub-Saharan Africa and populous countries of South Asia. Taking all three education sectors together, regional emphasis is on co-operation with Africa, closely followed by Asia.

- Sectoral support, in co-operation with other donors, will be placed in the foreground. All measures should be regional- or country specific. Germany provides project support.
- In 1999 Germany spent 16.8% of its total bilateral aid on education.

#### **Greece**

- Greek ODA is mainly concentrated in its own region, and focuses on health and education infrastructures. It devotes approximately 10% of its ODA to education, using a project approach.

#### **Ireland**

- The focus of Ireland's aid support to education changed in the 1990s from an emphasis on tertiary education to one on basic education. By the end of the 1990s over 90% of the education budget was allocated to basic education. Ireland's ODA in the education sector focused principally on three countries in the 1990s: Lesotho, Tanzania and Zambia.
- Education support is provided through bilateral and multilateral support and through NGOs. Ireland's aid supports national efforts and sector-wide approach programmes. Other aid modalities include area-based or district development programmes and project aid.
- In 1999 Ireland spent 15.9% of its total bilateral aid on education.

#### **Italy**

- The largest share of Italian co-operation in the education sector has been channelled to university co-operation, followed by investment in material infrastructures. Support for policy reforms and capacity building is also being given an increased focus. The regional emphasis is on Somalia and Latin America, but North Africa, the Middle East and some countries in Asia are also important regional focuses.
- In 1999 Italy spent 5.8% of its total bilateral aid on education.

#### **Luxembourg**

- In 1999 Luxembourg spent 18.7% of its total bilateral aid on education, of which 8.2% was committed to basic education.

#### **The Netherlands**

- The Government is giving increasing priority to access to education (mainly basic education) within the context of poverty reduction and the PRSPs while retaining a strong emphasis on higher education. This intensification of effort is done by enhancing the policy dialogue and increasing financial resources, through both bilateral and multilateral channels. More than half of the focus countries of the Netherlands have opted for co-operation in the education sector.
- The main instruments of aid are: project and programme aid, technical assistance.
- In 1999 the Netherlands spent 8.3% of its total bilateral aid on education.

#### **Portugal**

- Support for the education sector has been identified as one of the priorities for Portuguese co-operation policy in the next three years. The co-operation programme on education will focus on five areas: support for primary and secondary education, higher education support, infrastructures and facilities, institutional building and Portuguese teaching schools. Particular attention will be given to basic education (primary education, literacy and non-formal basic education). Portuguese co-operation

will focus on Africa (Angola, Mozambique, Cabo Verde, Guinea Bissau, Sao Tome e Principe and Timor Leste).

- Portugal works through project support.
- In 1999, Portugal spent 7.3% of its total bilateral aid on education.

### Spain

- Spanish aid has the following priorities within the education sector: educational policy and administrative management, educational services and facilities and training, and university education. The focus has been on inter-university co-operation. A new strategy on co-operation in the education sector is under preparation. Geographically, the focus is on Latin America, some parts of the Arab world and some ACP countries.
- The development aid in the education sector is principally disbursed through a project approach.
- In 1999 Spain spent 12.1% of its total bilateral aid on education.

### Sweden

- The main area of support in education programmes is primary education. Education programmes also aim at gender equality and the promotion of peace, democracy and human rights. Africa received more than half of all disbursements.
- Swedish development co-operation in the education sector has undergone a change from project support to programme support (SWAP). It began with the provision of support mainly for school construction, teacher training and textbooks, but is now mostly channelled directly to the government budgets in the partner countries.
- In 1999 Sweden spent 5.8% of its total bilateral aid on education.

### United Kingdom

- DFID's policy at country level gives high priority to improving access to and quality of primary education. A high proportion of the UK's bilateral aid benefits least-developed and other low-income countries.
- DFID's approach places increasing emphasis on supporting consistent sectoral plans within a comprehensive country-led analysis in the context of the countries' overall poverty reduction strategies. Priority is given to direct budget support for a set of well-developed national priorities.
- In 1999 United Kingdom spent 9.6% of its total bilateral aid on education.

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## ANNEX 5: COMMUNITY COOPERATION IN EDUCATION AND TRAINING

### Current commitments by geographical area (November 2001)

REGION	GLOBAL COMMITMENT		BASIC EDUCATION		OTHER LEVELS OF EDUCATION AND TRAINING	
	EUROS	Number of project and programmes	EUROS	Number of project and programmes	EUROS	Number of project and programmes
Europe, Caucasus, Central Asia	176 943 835	31	0	0	176 943 835	31
Asia	693 595 250	24	567 350 000	13	126 245 250	11
ACP + South Africa (without Structural Adjustment)	627 381 475	116	232 709 650	26	394 671 825	90
MED	388 673 571	21	180 000 000	3	208 673 571	18
Sub-total Latin America	164 522 820	22	26 713 645	4	137 809 175	18
<b>TOTAL</b>	<b>2 051 116 951</b>	<b>214</b>	<b>1 006 773 295</b>	<b>46</b>	<b>1 044 343 656</b>	<b>168</b>

## ANNEX 6: EVALUATION OF COMMUNITY SUPPORT FOR EDUCATION IN THE ACP COUNTRIES

### Summary of main conclusions and recommendations, based on the draft report

7th and 8th EDF aid to education in ACP countries shows a nominal but not substantial increase. The shift of priorities towards basic education has favourably influenced the amount of funds channelled to it. On the whole the results do not reflect the interest demonstrated by the Commission in supporting basic education given its effects on reducing poverty.

The link between education and reducing poverty was recognised only after most of the education programmes/projects in ACP countries had been devised, which partly explains the absence of any conceptual framework allowing for synergies between programmes in these respective fields, and of any systematic attention to the poverty aspect in the implementation of education programmes.

Under appropriate circumstances, budgetary support (combined with “project” support, especially for institution-building) appears to be more suited to the needs of low-income countries that depend heavily on external aid and where better access to education is a priority, compared to medium-income countries that have the budget resources necessary to support project investments.

The sector-wide approach should only be envisaged under appropriate circumstances: an approved strategic framework and a national sector policy, a medium-term budget linked to annual budgets, coordination between government and donors, competent and active Delegations, and performance indicators increasingly focusing on the quality of results in education.

The “project” approach should not be abandoned, in particular in situations not allowing for large sector programmes. Essential factors for successful education projects include: a favourable political environment, good governance, ownership of preparation and implementation at local level, flexible programming, technical assistance for institutional change, clear objectives, and a link with a single institution.

It is advisable to include in Country Strategy Papers an analysis of the political environment and of the macroeconomic budgetary and sectoral management capacity, to pave the way for more detailed decisions as to the type and level of support for education as well as the choice of implementation mechanisms.

More attention and resources should be devoted to support for institutional capacity building, which can be reinforced through partnerships, North-South pooling of experience, scholarships, technical assistance and regional support. Key fields include: information gathering, analysis, dissemination and management; budgetary and financial management; public service management; follow up and evaluation.

It is recommended that the number of specialists in education and social sectors in Brussels and in Delegations be increased. This would improve the credibility of the Commission in its relations with partner countries and donors, which is essential in the present devolution and decentralisation process.

The Commission should place more emphasis on research development in education, including publications; and improve its data collection, storage and utilisation system.

## ANNEX 7: COMMON FRAMEWORK FOR COOPERATION WITH THIRD COUNTRIES ON HIGHER EDUCATION

The Common Framework defines the main guidelines for establishing a frame of reference for cooperation in the field of higher education between the European Community and developing countries, as well as with emerging economies and countries in transition. It proposes harmonising the methods of implementing Commission programmes/projects with a view to improving the effectiveness and impact of existing cooperation in the field as part of a strategy to focus efforts.

The Common Framework rests on the following principles:

- **Support for institutionalised networks**, based on structured and sustainable cooperation between countries/regions and designed to contribute to the development of local capacity through the transfer of know-how. The Common Framework also recognises the importance of projects to encourage mobility, both for students and teachers.

- **A flexible approach** that respects the priorities set for each country/region and the differences between them in terms of cooperation policy. Projects/programmes defined on the basis of the Common Framework will include features specific to the regions/countries concerned: for example, priority thematic areas for cooperation, eligible establishments, network membership and financing levels. Flexibility in the cooperation objectives pursued will ensure the consistency of these actions with the two Communications mentioned above.
- Use of the existing legal basis for each geographical area (for example, the Cotonou Agreement, budget headings, and so forth). Financial resources will be allocated by the DGs responsible for programming, on the basis of the priorities laid down and following standard programming procedures.

The typology of actions covered by the Common Framework may cover various aspects, such as:

- updating of administrative and academic management (management of academic and administrative staff, management and development of curricula, management and development of university teaching careers, etc.);
- developing human capital by means of training and mobility (training and mobility schemes for university students and professional managers, training and mobility for university teachers and instructors, networking of high-level experts);
- financial and technical assistance for institution-building.

The Common Framework envisages the setting up of a regular system of “calls for proposals” by region or country. These calls for proposals will be intended for final beneficiaries, i.e. higher education, research and vocational training establishments recognised by the respective authorities, organised in networks around a joint project. Other partner institutions (public or private institutions/organisations, companies, associations and organisations representative of civil society) will be able to form part of the networks by participating in the preparation and implementation of projects. High level teachers and instructors, students and administrators of the beneficiary establishments are the final recipients of the projects resulting from the Common Framework.

## ANNEX 8: CODE OF CONDUCT FOR EDUCATION SECTOR FUNDING AGENCIES

Participants of the Horizon 2000 Meeting of Education Experts from the Commission and Member States share the view that all reasonable steps should be taken to implement the following:

1. Ensure that information on all relevant interventions in the sector (including consultancies, new project initiatives, requests for assistance made by government, project appraisals, implementation and progress reports, technical assistance reports, evaluation reports) is made available to government and other funding agencies. Confidential matters (e.g. internal problems relating to inappropriate behaviour by expatriate staff) may be excluded.
2. Strictly adhere to maximum national/regional rates of remuneration and allowances set by governments in agreement with donors for civil service employees, remuneration of national consultants, payments for conferences, etc. Avoid “buying out” civil servants for private funding agency consultancy.

3. Ensure that donor-financed Technical Assistance for governments:
  - is driven by government priorities and absorption capacity, on the basis of the initial draft Terms of Reference that are normally provided by the government;
  - reports primarily to government managers;
  - strengthens government institutional capacity by focusing on skills transfer to civil servants in priority government functions;
  - is not restricted to supporting individual funding agency projects or programmes;
  - develops local consultancy expertise wherever possible.
4. Incorporate gender issues in all missions, studies or related activities and use experts in this field if necessary. Ensure environmental aspects are taken into account in education-related activities where appropriate.
5. Actively encourage national consensus-building processes and support local coordination mechanisms (to encourage government ownership and use as a means of exploring further aid options and modalities).
6. Work towards:
  - using the recipient country's own financial, procurement, monitoring and reporting procedures and guidelines;
  - following the government fiscal year and procedures for progress reports, financial reports and audits;
  - consolidating reporting procedures.
7. Use existing structures in order to ensure maximum integration in MoE policy.
8. Ensure effective communication between the local funding agency offices and headquarters.
9. Organise joint evaluation missions, joint monitoring, joint auditing and evaluation, in accordance with the government's budget cycle and fiscal planning.
10. In consultation with the government, schedule missions to fit the government's timetable, on a scale that is manageable for it.

## ANNEX 9: INDICATORS

Indicators must be included in Country Strategy Papers, PRSPs and specific programmes.

The most useful indicators, in addition to monitoring indicators, are result indicators. Examination of these indicators has to include an analysis of past trends in order to measure whether or not they are realistic. They must be such that they can be used both to measure progress made and possibly to enable a re-orientation of policies. They should be reasonably achievable and at the same time express an actual effort to achieve objectives.

The typical indicators for education are: the percentage of the country's budget channelled into education and the percentage allocated to primary education, an annual audit, and the class, teacher and textbook ratio per pupil. Other indicators may concern the percentage of pupils of a certain age reaching a certain level, the number of teachers recruited, the introduction of information systems for the management of education, the rate of enrolment in primary school and the illiteracy rate.

It should be stressed here that the choice and monitoring of indicators will not be effective unless the developing countries and donors strengthen their own monitoring and evaluation systems so that they can improve knowledge of what they are doing and draw lessons for the policies to be pursued.

For education as for other programmes, improved management of public expenditure is an essential dimension and a prerequisite for the implementation of any budgetary support. In practice, this improvement involves the gradual introduction of the following measures:

- Development of specific performance indicators in the area of budget management and more generally the sound management of public finances;
- Support to strengthen monitoring capacities within and outside countries (institutional support to strengthen financial and budgetary audit agencies);
- Support to strengthen indirect auditing by civil society (through information and transparency of allocations and budget execution);
- Development of instruments making it possible to evaluate the quality of budget management, which extend the scope of public expenditure audits or act as a supplement to them.



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