USAID | KOSOVO

NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

A MODERN WORKFORCE DEVELOPMENT SYSTEM IS KEY TO KOSOVO'S GROWTH

A REPORT AND RECOMMENDATIONS FROM A SUPPLY-DEMAND ASSESSMENT OF WORKFORCE DEVELOPMENT

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(All attached as a separate document)

List of Acronyms

ADA	Austria Development Agency
CIDA	Canadian International Development Agency
EC	European Commission
ETF	European Training Foundation
EU	European Union
EULEX	European Union Rule of Law Mission
GDP	Gross Domestic Product
GOK	Government of Kosovo
GTZ	German Gesellschaft für Technische Zusammenarbeit (Company for Technical Cooperation)
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
KPEP	Kosovo Private Enterprise Project
KYDP	Kosovo Youth Development Project
LLL	Lifelong learning
MEST	Ministry of Education, Science, and Technology
MLSW	Ministry of Labor and Social Welfare
MCYS	Ministry of Culture, Youth, and Sports
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Cooperation in Europe
PES	Public Employment Service
PPHE	Private Providers of Higher Education
SBVET	School-based vocational education and training
SDC	Swiss Development Cooperation
SEDPP	Sustainable Employment Development Policy Program
SIDA	Swedish International Development Agency
SOK	Statistical Office of Kosovo
TLRP	Teaching and Learning Research Program (U.K.)
UNMIK	United Nations Mission in Kosovo
USAID	U.S. Agency for International Development
TVET	Technical and vocational education and training
VTC	Vocational training center
WFD	Workforce development

1. Executive Summary

The assessment team, comprised of three U.S. specialists and one South African, carried out a three-week study of workforce development prospects and possibilities in Kosovo in April, 2009. In order to provide context for the identification of strategic opportunities for USAID to support Kosovo's workforce development, we have taken a nuanced view of the concepts of labor supply and demand, and present a paper that sets options for USAID investment in a context of Kosovo's economic, social, and political realities. Just as it is clear that global labor market trends have important demand implications for Kosovo's workforce, so we also conclude that the extremely young population in Kosovo is not only one of its greatest challenges, it may be Kosovo's greatest asset.

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

As in any country, education is recognized as key to the development of Kosovo. Kosovo appears to recognize that its small economy is unlikely to grow rapidly without investing in its people. The transition from an agrarian economy to a modern European economy and the unlikely possibility for Kosovo to create sufficient jobs to employ everyone is a considerable challenge. Thus education and training are the instruments to develop the sort of society Kosovo wants to be in the future. Employers we spoke to were highly critical of the present state of education, however, citing critical shortages of secondary and university graduates with trade and technical skills, and poor exposure to actual practice at all levels. The interplay between the economy failing to generate sufficient jobs to employ graduates (between 25,000 and 40,000 new entrants to the labor force each year must compete for between 3,000 and 4,000 new jobs by most estimates), and the education system's reported failures to prepare its graduates for work is the most important dynamic in this supply/demand picture. The growing backlog of newly unemployed people is compounded yet again by the very large numbers of young adults who were students in the 1990's who were excluded from and did not complete their education.

Tired physical infrastructure in schools, coupled with old-fashioned curricula and pedagogy, further complicates the picture. While both the government of Kosovo and a score of international donors are making investments and a concerted effort, educational improvement is a long-term prospect almost by definition, and labor markets are impatient. A good deal of energy has been invested in the reform and improvement of secondary-level vocational education, with laws and frameworks developed with donor

support, and a new proposed network of "centers for excellence" showing promise. Yet there is still quite an extensive array of vocational secondary schools, vocation training centers for the unemployed, and job registration centers, and – with some notable exceptions – most are tired and under-resourced. With an "oversupply" of unemployed people, and in a low labor demand economy, it is not surprising that conventional labor exchange systems are ineffective, and that is the case as well in Kosovo. Nevertheless, there are some promising building blocks for improving the situation. The proposed new vocational education centers, a handful of training facilities, a network of youth centers in many municipalities, and new public conversations about lifelong learning and professional training all suggest a productive climate for action.

It would seem that the timing is propitious for investments to improve the situation through development of a comprehensive workforce development system. The actors in this development would welcome a forthright and practical USAID investment in several steps on that journey. The assessment team recommends consideration of initiatives of *system development*, including:

- Establish a public-private and inter-ministerial council to coordinate and oversee system development;
- Initiate and support the implementation of an annual Skills Gap Survey of Kosovo employers in order to document the changing demand for skills in Kosovo's growing economy

We also recommend *Direct Service Measures*, which if effective would demonstrate practices that could later be adopted on a national scale:

- Develop a municipally-based strategy of regional Career Learning Centers, governed by a public-private partnership to promote and coordinate demand-sensitive workforce policy and training delivery in three demonstration regions;
- Develop a program of skills training and certification for unemployed and underemployed beneficiaries;
- Develop a program supporting entrepreneurship training and business growth;

We also recommend provision of capacity-building support to implement several aspects of this agenda: the national level council, the skills survey, and the program and management capacities of various local organizations participating in municipal partnerships and direct services. While this sounds ambitious – and indeed it is – it is meant to map a course to a modern system. It will not, of course, take place immediately, and its full implementation is likely beyond the reach of the current initiative. However, the assessment team proposes a set of steps and options for the Mission to consider, and not to undertake the entire journey at once.

2. Introduction and Methodology

This assessment was an intense and rigorous process. The assessment team was comprised of four international specialists – three from the United States and one from South Africa – and a local firm engaged by USAID to provide logistical support. With the guidance of the Mission, the team planned and executed a taxing schedule of more than 70 interviews with governmental, non-governmental, and private sector informants, and conducted focus groups with students and trainees. We were guided throughout by both the advice and conceptual frameworks of USAID officials Naren Chanmugan, Greg Olson, Flora Arifi, and especially Dardane Peja, all from the Economic Growth section, Mission Director Patricia Rader, Deputy Mission Director Susan Fritz, and several of their colleagues in the USAID Mission in Pristina.

The team took an informal, information-gathering approach to interviews with key informants. Guided in part by the Mission's questions and supplemented by our own, we sought to understand firsthand the informants' perspectives on Kosovo's economy, the changes and prospects in current times and the future, its education and training systems, both public and private, and the mechanisms designed to connect the two. We asked for recommendations on ways in which relatively modest funds might make the most significant contribution to creation of a system for workforce development in Kosovo. We asked about strategies for developing the job-related skills of the largest numbers of people, where new opportunities might be created, and where policies and capacities needed to be developed. We asked questions, probed, listened, made site visits to observe programs and agencies first-hand, and enjoyed lively conversations with groups of Kosovo's young people on university campuses, in youth centers, and on the street.

We interviewed firms, schools and training centers, government agencies, private trainers, non-governmental organizations, and other members of the international donor community. Each team member took notes and as a team we compared our observations and comments, and prepared an "institutional profile" from each meeting. In addition, the team reviewed and analyzed many documents and a great deal of policy, programmatic, statistical, and demographic data. By the middle of the second week, clear themes were emerging, and these themes guided the direction for most of our interviews during the balance of the second and third weeks, and have formed the basis for our recommendations. While this analytical process was rigorous and scrupulous, our intention is that the tone of this assessment and its recommendations will be action-oriented, rather than academic. We received many suggestions about targeted USAID investments, and we present priority options in the context of taking steps to develop a comprehensive system. We make recommendations for *system-building*, targeted *direct* services, and *capacity-building*.

3. Understanding the Interplay between "Demand" and "Supply" Dimensions of Workforce Development in Kosovo

In order to provide context for the identification of strategic opportunities for USAID to support Kosovo's workforce development, we have taken a nuanced view of the concepts of labor supply and demand. We first consider global and Kosovo labor market, demographic, and economic trends.[1] An overview of shifts in global demand for skills is presented. We then explore the size and structure of Kosovo's population and economy, and how quickly each is growing. Within these two parameters in Kosovo, we also seek to understand the composition of the workforce: how many of Kosovo's people are of working age, how many participate in the world of work, and who are the unemployed. We are also interested in migration, both cross-border and internally, as these trends suggest how actors in the labor market appraise their employment opportunities at home, in the city, and abroad. How many of Kosovo's young people enter the labor market each year, coming from which levels of the educational system? In addition, we seek to gain a deeper appreciation of job opportunities by sector or by skill level. Are residents of Kosovo still moving abroad in search of work or simply from rural communities into cities, and are those who migrate the better or more poorly skilled among the workforce? Finally, we consider in which sectors or professional areas employment is currently concentrated, and in which skills areas future demands are likely to be felt.

3.1 Global labor market trends have important demand implications for Kosovo's workforce.

Just over 60% of Kosovo's population of 2.2 million, or approximately 1.4 million, is of working age (15-64 years old). Of these, approximately 26% are employed (367,000), 44% are unemployed (610,000, of which nearly 340,000 are registered as such with the Ministry of Labor and Social Welfare [MLSW]), and the remaining 30% (423,000) are

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[1] Although this section presents a quantitative overview, the fragility of all data in Kosovo needs to be underscored. A reliable national population census has not been undertaken since 1981. The Labor Force Survey is undertaken by the Statistical Office of Kosovo (SOK) once a year, and thus fails to capture the seasonality of employment. The Ministry of Labor and Social Welfare's registry of unemployed workers is said to be both biased downward by the fact that there is no economic incentive to register as unemployed (i.e., no unemployment benefits are paid by the government) and biased upward by the fact that names are not removed from the registry over time. The Household Budget Survey, undertaken on a monthly basis by the SOK, is based on an outdated sampling frame (World Bank 2007) and changed its method of data collection in 2003 from diary to recall, thus making data difficult to compare over time. Kosovo's business registry is said both to include firms that no longer exist and to exclude firms that have not registered. The numbers of Kosovo citizens living abroad is difficult to estimate, given that many European capitals simply recorded immigrants as "Yugoslavs." Remittances, banking, and investment data are complicated by the fact that many transactions are cash-based and therefore not recorded by financial institutions. National accounts figures are estimated at an aggregate level only, i.e. do not even include sectoral breakdowns of value-added. Thus, all numbers reported here should be understood as representing wide data distributions rather than reliable data points.

assumed to be "inactive." [2] In addition to this domestic-based workforce, it is estimated that 500-700,000 Kosovars live abroad, primarily in Europe (particularly Switzerland and Germany [ESI 2006]). Though much is not known about the labor market for those living outside, the importance of the diaspora, relative to the numbers employed within Kosovo, is clear.

Global labor markets are routinely characterized in terms of "global skills shortages." Cohen and Zaidi (2002) point out that skills shortages in specific occupations can be identified in times of both economic expansion and contraction. Skills demand surveys reveal needs not only in knowledge-intensive, research, design, and innovation positions, but also in high-skilled technical production positions.[3] In the U.S., the National Association of Manufacturers reports that "current workers do not have the knowledge and skills necessary for today's high-tech manufacturing jobs" (Gillespie and Weems, 2008). Indicative information on occupations in demand in the U.S. and Canada are suggested in Table 1 below.

Technical skills are not sufficient. Interpersonal and other behavioral or "soft" skills also influence employers' hiring decisions. Initiative, perseverance, time management skills, teamwork skills, being able to present oneself and one's company, empathy, the ability to provide service, problem-solving skills, and flexibility are also in high demand (Teaching and Learning Research Programme, 2008). This has implications, as well, for skills to be targeted in Kosovo's curriculum and pedagogy.

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[2] The employed are those who work for pay or profit; family workers are included among the employed. The unemployed are those who have no employment and are actively seeking to work. Inactive workers are those not classified as either employed or unemployed, i.e. they may be retired or discouraged from seeking employment. Working-age population and activity rates for 15-64-year-olds are from GOK (2007, 33). See also the MLSW's Department of Labor and Employment's monthly labor market information, www.mpms-ks.org.

[3] See Manpower, Inc. (2008a, 2008b), Brainbench (2006). In their cross-country study of skills shortages, Cohen and Zaidi (2002) consider for each of 47 occupation groups in nineteen, mostly higher-income countries 1) growth of employment, 2) unemployment rate, 3) growth of wages, and 4) occupational training time required.

Table 1: Occupations in Demand in U.S. and Canada

U.S. Ten Fastest Growing Occupations	Canada's Ten Most-Difficult-to-Fill Positions
• Networks systems and data communications analysts	• Sales representatives
• Personal and home care aides	• Customer service representatives
• Home health aides	• Engineers
• Computer software engineers	• Drivers
• Personal financial advisors	• Mechanics
• Medical assistants	• Laborers
• Financial analysts	• Chefs and cooks
• Social and human service assistants	• Electricians
• Pharmacy technicians	• Skilled trades
• Dental hygienists	• Nurses

Sources: U.S. statistics for ten fastest growing occupations through 2016 among those with a minimum of 50,000 new jobs expected, U.S. Department of Labor, Bureau of Labor Statistics, Employment Projects Program, www.bls.gov/emp/home.htm; Canada www.arrivebc.com/skills_shortage.html

Moreover, the aging of the workforces in most industrial countries leads directly to an increased demand for those who can service the needs of older citizens, such as health care providers and aides, elder education and recreation providers, and financial planners. Indirectly, this demographic shift implies greater labor demand in all fields as increasing numbers of older workers leave the workforce. Australia has acknowledged that it faces not just skills shortages, but overall labor shortages and seeks to increase labor force participation among the unemployed, women, older workers, and the disabled (The Global Foundation, 2007).

A recent report on education, globalization, and the knowledge economy conducted in Britain suggests that OECD countries are not alone in acknowledging such skills gaps and preparing education and training strategies to address them. Newly industrializing powerhouses such as India and China are doing likewise (TLRP, 2008). To address the "global skills race," the United Kingdom seeks to provide access to both a university education and to lifelong learning opportunities for a larger proportion of its workforce. TLRP reports that skill formation and human resource strategies are becoming increasingly important to corporate competitive advantage.

As a result of shortages in the largest industrial markets, demand for skills is relocating to tap emerging technical skills pools found elsewhere. Multinational companies are increasingly facilitating the creation of centers of innovation in various localities, from Bangalore to Casablanca to Kyiv to Tel Aviv to St. Petersburg to Shenzen, wherever the talent to innovate and design can be found. The availability of skills in foreign markets is one of the determining factors of these companies' foreign investment decisions, TLRP notes. These global labor market trends and pressures provide underlying context for understanding Kosovo's labor and workforce environment, whose quantitative parameters are outlined below.

3.2 A burgeoning population of youth and young adults is Kosovo's biggest workforce challenge, and is also potentially its most significant competitive asset.

Even compared to its Balkan neighbors, Kosovo's population is extremely young and the fastest growing in the Balkans.[4] Most notable characteristics of Kosovo's estimated total population of 2.2 million are:[5]

- 33% are younger than 15 years
- 46% are younger than 19 years
- 50% are younger than 25 years
- 70% are below the age of 35 years
- 61% are between the ages of 15 and 64 years
- 6% are 65 years and older

A comparison of U.S. Census Bureau population pyramids, shown in Figure 1 for Albania, Bulgaria, Kosovo, and Macedonia, highlights the unusually young age composition of Kosovo's population.

It should also be noted that since Serbian discrimination against Kosovo Albanians, which began in the late 1980s and early 1990s and led to a near-breakdown of Kosovo's educational system in the 1990s, an entire generation of Kosovo people – from 1989 to the declaration of independence in 2008 – has suffered from educational deficiencies. Thus, we argue that our definition of the "youth" who are potential beneficiaries of a USAID-sponsored workforce development initiative should include those who are in fact now in their 30s and early 40s.

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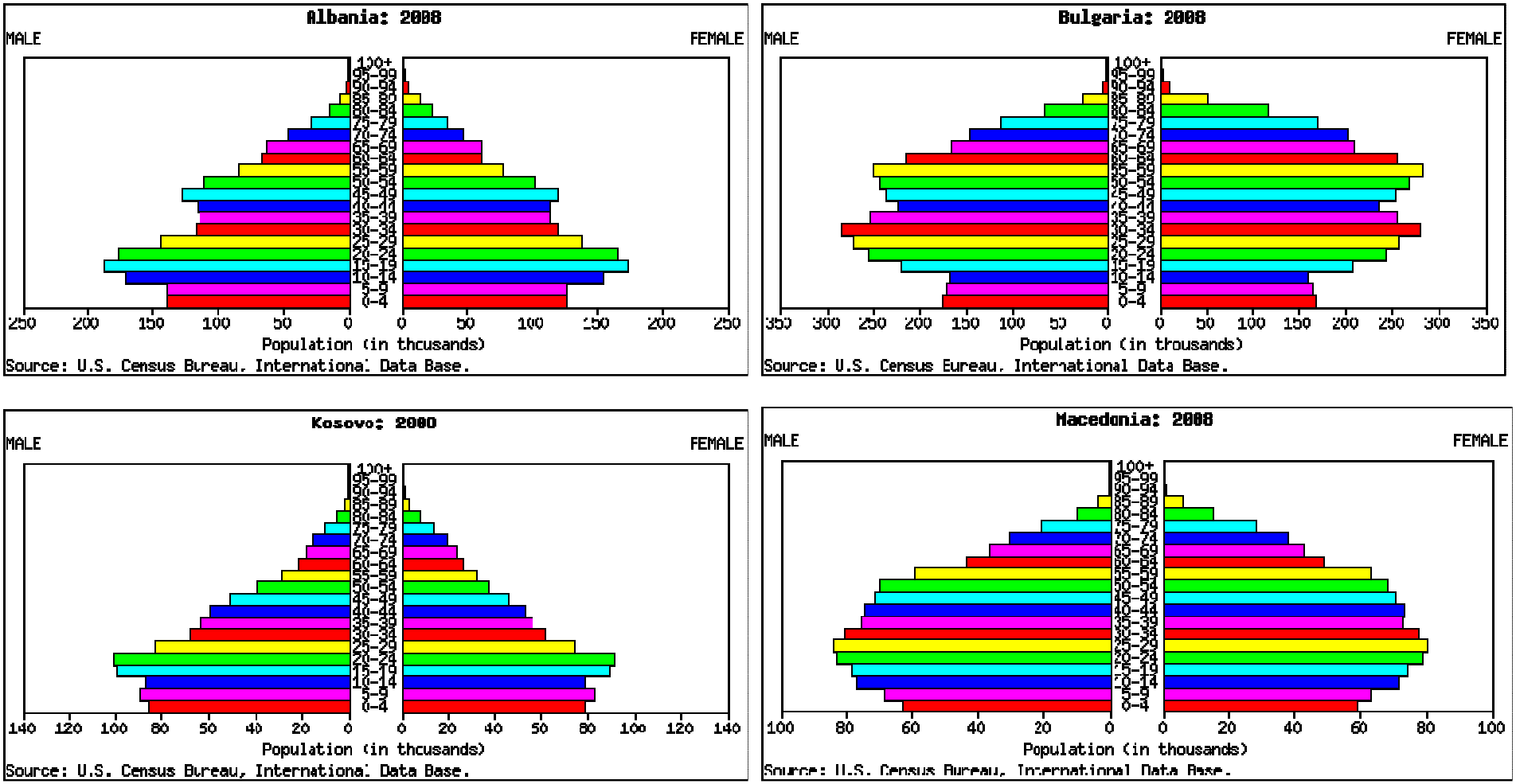
[4] The International Monetary Fund (IMF) assumes that Kosovo's annual rate of population growth is 1.7%. This is significantly higher than the rates observed elsewhere in the Balkans, ranging from -0.8% (Bulgaria) to 0.4% (Albania), as reported in the World Bank's 2008 *World Development Report.* In addition, Macedonia's population growth rate is 0.2%, and Serbia's is -0.2%.

[5] Age distribution figures are from the SOK, Government of Kosovo (GOK) (2009), and interviews.

Figure 1: Demographic Distribution by Age and Gender, 2008



Poverty is widespread in Kosovo, making it Europe's poorest nation. In 2005-06, 45% of the population was estimated to be living under the poverty line, of which 15% were living in extreme poverty, unable to afford basic nutritional requirements (World Bank, 2007). Poverty is overwhelmingly a rural phenomenon, with more than two-thirds of the poor living in rural areas. Poverty is lowest in Cjilani (southeastern Kosovo) and highest in Mitrovica (in northern Kosovo, where tensions continue with Serbia and Kosovo Serbs), as seen in Table 2. The higher incidence of poverty in rural areas creates increased incentives to leave in search of work elsewhere. Although Kosovo was previously a predominantly rural country, informants suggest that with rural-to-urban migration the population is now balanced 50-50 between urban and rural residents.

Table 2: Poverty Rates by Region

Region		Poverty Headcount Rate (%, 2005-06)
North	Mitrovica	69.7
South	Ferizaji	54.4
	Prizreni	40.5
West	Gjakova	45.3
	Peja	40.1
East	Pristina	40.6
	Cjilani	23.5

Source: World Bank (2007, volume I, 20)

Despite Kosovo's rapid population growth rate, USAID's employment and labor market profile suggests that the Kosovo labor force is shrinking by 2.5% per year, due to emigration (USAID, 2009). Migration out of the rural areas, either to urban areas in Kosovo or abroad, has been a key safety valve (UNICEF, 2008).[6] The remittances generated by such overseas work have been an important source of income for the families who send members abroad, fueling immediate consumption and investment (especially in housing construction). The World Bank estimated that about 1 in 5 Kosovo residents has at least one family member abroad (World Bank, 2007). Emigration is a clear livelihood improvement strategy, as the incidence of remittances results in poverty rates that are 20 points lower as compared with households that do not receive remittances. In addition, households who receive income transfers from abroad are able to subsist more easily in the face of high domestic unemployment rates – and may also therefore require a higher wage (what economists call a "reservation wage") to bring them out of inactivity and into the workforce.

However, migration to Europe from Kosovo is no longer as easy as it was from the 1960s through the 1990s. Kosovo citizens are no longer welcomed as guest workers or political

[6] According to the authors, "Kosovo stands no chance to create enough jobs to absorb the unemployed" (UNICEF 2008, 9). This is true in the short- to medium-run. Domi (2008) estimates that a sustained economic growth rate of 7.3% is needed over the next ten years simply to halve present unemployment rates.

refugees. Since Kosovo is not a member of the EU, its citizens are not entitled to circulate within the EU's "Schengen space."[7] With both forced repatriation and voluntary return of Kosovo people after 1999, remittance flows began to decline in the 2000s. Estimated as 12.6% of GDP in 2007, remittances are expected to drop to 10.7% in 2009 due to the global financial crisis, and are projected to remain at this level into the near future (IMF, 2009).

Migration constraints notwithstanding, as recently as 2007 rural households whose heads perceive a worsening economic environment and who have less than a university education have a 58% probability of participating in emigration (Kotorri, 2008). In the continued absence of a vibrant demand for labor within Kosovo, residents of Kosovo clearly consider their employment options outside the country as well, even if it means working outside the formal economy or outside of the usual destination countries.[8]

Notwithstanding much of the objective data, however, interviews and focus groups conducted in this assessment confirm an informal impression: young people in Kosovo – whether still in school, older and unemployed, or in the labor force – are remarkably optimistic, resilient, entrepreneurial, and energetic. This is a significant asset for Kosovo's social and economic future.

3.3 Projecting labor supply and demand in Kosovo requires an understanding of economic growth patterns, changes in trade and investment, regional markets, and the role of the informal economy.

Kosovo's government celebrated its first year of independence only in February 2009, yet Kosovo's economy has been in transition from central planning, state-run economic management, and conflict for two decades. For at least the last six years real GDP growth has been positive (Greenbaum et al., 2008; IMF, 2009), even in per capita terms, rates which compare well with levels achieved elsewhere in the region (Table 3).[9] Inflation, while it spiked in 2008 with the sudden increase in global commodity prices, has moderated substantially and is expected to be fewer than 2% in the near future. Adoption of the Euro, while it constrains Kosovo in terms of macroeconomic policy flexibility, provides additional stability. The combination of positive growth and macroeconomic stability offers a supportive economic environment in which to plan for workforce opportunities.

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[7] The Schengen agreement allows for the free movement of people within the borders of 22 EU countries, plus Norway, Iceland, and Switzerland. Citizens of these countries may live, work, and retire in any country. Bulgaria, Cyprus, and Romania currently do not participate.

[8] While we were in Kosovo, an American firm was recruiting over 200 logistics personnel to work in Afghanistan, at a salary substantially above average – or even high private sector – wages.

[9] Greenbaum et al. (2008) use Macedonia and Albania as comparator countries in their economic performance assessment. We have added Bulgaria, as the geographically closest EU member country in the Balkans.

Table 3: Comparative GDP Growth Rates

	2003	2004	2005	2006	2007 Est.	2008 Proj.	2009 Proj.
Kosovo							
Real GDP	3.1	2.0	-1.0	3.1	3.9	5.4	3.8
Real GDP per capita		0.4	-2.2	1.7	2.6	3.6	2.1
Macedonia							
Real GDP	2.8	4.1	4.1	4.0	5.1	5.5	
Real GDP per capita	2.6	3.9	3.9	3.8	5.1		
Albania							
Real GDP	5.7	5.9	5.5	5.0	6.0	6.0	3.7
Real GDP per capita	5.1	5.2	4.9	4.4	5.7		
Bulgaria							
Real GDP	5.0	6.6	6.2	6.3	6.2	6.0	1.0
Real GDP per capita	5.6	7.2	6.8	7.0	6.9		

Sources: Greenbaum et al. (Kosovo, 2003-2006); IMF (various) (others)

In order to anticipate what Kosovo's workforce requirements may be in the next few years, we also consider the importance of trade and investment. Kosovo's reliance on trade is significantly below that of its neighbors (Table 4). Most unusually, exports – at least the value of officially recorded exports – comprise less than 5% of GDP. Kosovo's external deficit (exports minus imports) is nearly twice as high as a share of GDP as those of its neighbors. It is covered in large part through a combination of donor funds (equivalent to 22% of balance of goods & services trade),[10] remittances (27%, although expected to dip 7% this year and then recover by 2010 and grow in 2011 and 2012), and direct investment (31%).

Table 4: Trade as Share of GDP (2007)

	Albania	Bulgaria	Kosovo	Macedonia
Exports	27.2%	70.5%	4.8%	55.7%
Imports	53.5%	92.5%	45.9%	75.9%
Trade (X+M)	80.7%	163.0%	50.7%	131.6%
External balance	-26.3%	-22.0%	-41.1%	-20.2%

Source: World Bank, World Development Indicators

With such a stark trade imbalance, many in Kosovo argue that support for import-substitution activities – and thus, by inference, for the development of skills to support them – makes more sense than promotion of export-oriented economic activity. Outside of subsistence farming and the goods produced domestically by a few fledgling industries, much of Kosovo's consumption is supplied by more advanced Balkan economies and beyond. Given Kosovo's transition from both central planning and conflict, its current "de-industrialized" state is not surprising. Before the war, Kosovo's

[10] As the financial impact of the United Nations Mission in Kosovo (UNMIK) has declined of late, that of the EU's Rule of Law Mission (referred to as EU-LEX) has picked up; observers suggest that the latter has now filled the gap left by the diminished role of the former.

economy was significantly more industrially organized (Hoti, 2005), involving mining, manufacturing, agribusiness, and a vibrant rural, non-farm economy. In light of the last twenty years of oppression, denial of education, and conflict, it is reasonable to support Kosovo's economic recovery in the short run through reduced reliance on foreign suppliers *as long as this is accomplished without recourse to economic distortions that encourage the establishment of economically inefficient production.*[11]

In the longer run, however, Kosovo's future lies in its economy's ability to compete as effectively in regional and global markets as any other emerging market economy. When asked, many local and foreign entities describe Kosovo's economic future poles of growth in terms of natural resource-based comparative advantages. Its huge lignite reserves suggest low-cost energy generation and possibly export; its substantial forest cover and hardwood resources suggest furniture and other wood products manufacturing; its mineral reserves suggest mining and metallurgy; its farmland and hillsides offer agricultural and rural tourism opportunities. These are all viable opportunities, and many are being developed with the help of an array of donor-supported initiatives, such as USAID's Kosovo Private Enterprise Project (KPEP).

We believe Kosovo should dream bigger dreams. Global experiences suggest that Kosovo's economic future may also include labor-intensive, export-oriented activities that cannot now be seen on the horizon. Offshore data processing, call centers, medical services exports, trade hubs, the export of labor-intensive manufactures based on imported raw materials and inputs, and tourism are all examples of "virtual labor export industries" that have sprung about in diverse countries around the globe. Even without a natural resource base, other countries have developed export industries that rely instead on innovative uses of skilled workforces, in strategic combination with other factors. The example of Ireland, which had long been one of the poorest and least employment-generating economies of Western Europe, is particularly instructive for Kosovo.[12] The foundation of Kosovo's workforce with the skills needed for tomorrow's knowledge-intensive industries needs to be prepared today.

Kosovo's investment promotion programs should also be guided by strategic consideration of the kinds of investment the country seeks to attract. For instance, the ability of foreign investment projects to generate decent jobs in Kosovo should figure as a top priority. To date, private investment has been attracted from Europe (Table 5). At first, these largely responded to privatization opportunities. For example, a Slovenian

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[11] Import-substitution programs in the past have often relied on high tariff and non-tariff trade barriers, factor and input price subsidies, and interventions into market organization in order to provide positive incentives for inefficient import-substituters. We have not undertaken any analysis of economic comparative advantage to understand the incentives systems in which current economic sectors operate, but caution that these should not be overlooked.

[12] See "Ireland's Economic Miracle: What is the Celtic Tiger?," December 2004, http://celticcountries.com/webmagazine/economy/celtic-tiger/ and Sean Dorgan, "How Ireland Became the Celtic Tiger," Heritage Foundation, June 23, 2006, http://www.europainstitut.at/upload/publikationen/publikation_42.pdf.

company invested in Kosovo when a second, privately provided cell phone channel became available. "Greenfield" investments are also now coming in. For instance, numerous foreign banks have been established in Kosovo. From 2000 to 2006, a total of 634 million Euros in foreign investment have been received, the most significant of which are summarized below. Over the entire period, 63% of investments have been greenfield, while 37% have been linked to privatizations.

Table 5: Foreign Investments in Kosovo, 2000-2006

Source Country	Total Investment (Million Euro)	Source Country	Total Investment (Million Euro)
Germany	84	France	9
Slovenia	69	Holland	9
Italy	39	Sweden	8
Switzerland	33	Norway	8
United Kingdom	24	Belgium	7
Austria	18	Greece	2

Source: Government of Kosovo, Ministry of Trade and Industry (2008)

Much of Kosovo's economic activity transpires outside the formal economy. The informal economy takes many guises. People work for themselves or family members, businesses exist that are never registered, or businesses may feign formality by declaring and making pension contributions on behalf of only a few of their employees. Various estimates of the informal economy put it at 25-35% of GDP. While Kosovo's immediate labor objective is simply to earn a livelihood, encouraging the growth of *formal* employment is a longer term goal associated with promotion of labor rights and social protection, or what the International Labor Organization refers to as "decent work."[13] In 2003, the World Bank reported that about half of all jobs in Kosovo were informal, with 40% of households reporting participation in at least one informal activity, while a labor market study conducted by Riinvest in 2003 put this figure at 15-22%.

3.4 The legal and regulatory environment, not surprisingly, is in flux, complicating the implementation of proposed new workforce policies.

In 1999, the United Nations established the United Nations Interim Administration Mission for Kosovo (UNMIK) as the interim civilian administration in Kosovo, primarily the government authority for Kosovo under United Nations Security Council Resolution 1244/99 (UNSCR 1244/99). Since then, the legal structure in Kosovo has consisted of (1) regulations promulgated by the Special Representative of the Secretary-General; (2) the law in force in Kosovo on March 22, 1989 (unless superseded by UNMIK laws and regulations), and (3) laws and regulations adopted by the Assembly of the Republic of Kosovo. On February 17, 2008, Kosovo declared its independence and the country's new

[13] Union of Independent Trade Unions of Kosovo, "The informal economy in Kosovo: Which role for the trade unions?" prepared with support from the International Confederation of Free Trade Unions and the International Labor Organization, 2005.

constitution was adopted in June of that year.[14] The patchwork quilt of laws and regulations, some vague, many fragmented, and some contradictory, provides a challenge for today's citizens, businesses, and prospective investors in Kosovo.

To complicate the legal and regulatory environment even further, the new EU rule of law mission, known as "EULEX", whose task is to mentor, monitor, and advise Kosovo, (essentially to supplant UNMIK in a post-independence environment) still has some executive functions. An EU Special Representative (EUSR) is charged with advising and supporting the political process to ensure the consistency of EU action in Kosovo. It is not clear who is responsible for laws and regulations being passed or enforced in light of these various contributing bodies.

Notwithstanding these various legal and administrative entities, employment policy rests with the Ministry for Labor and Social Welfare (MLSW) and is implemented by the Public Employment Service (PES). Kosovo operates under a 2001 Labor Law, Regulation No. 2001/27, the Labor Inspectorate Law (2002), the Occupational Safety, Health and Working Environment Law (2003), and the General Collective Agreement, which has yet to be adopted.[15]

In addition to educational preparation of labor market entrants (discussed below), which is a proxy for skills assets, labor demand is also affected by payroll costs to employers and by the overall rigidity of hiring and firing workers. As of January 1, 2009, Kosovo boasts boasted some of the lowest payroll costs in Europe, with employers only paying an additional 5% of wages in contribution to the national pension system. There are no unemployment or health contributions required, to date, of employers, though plans for more extensive social protection programs are currently under debate.

Labor laws and regulations are said to be compatible with European labor laws, at a minimum. They are generally deemed to be fairly flexible when it comes to the hiring and firing of employees. In fact, the employment rigidity index for Kosovo, which measures 1) difficulty in hiring, 2) rigidity of hours of work, and 3) difficulty in firing, remains at only 20, the lowest in the region (Hoti 2006, Corbanese and Rosas 2007), as seen in Figure 2. For example, annual leave is generally 18 days per year and paid maternity leave is at least 12 weeks at a rate of no less than two-thirds of the employee's wages. Other than the minimum working age of 18, there are few contract employment restrictions. The retirement age for both men and women is age 65.[16]

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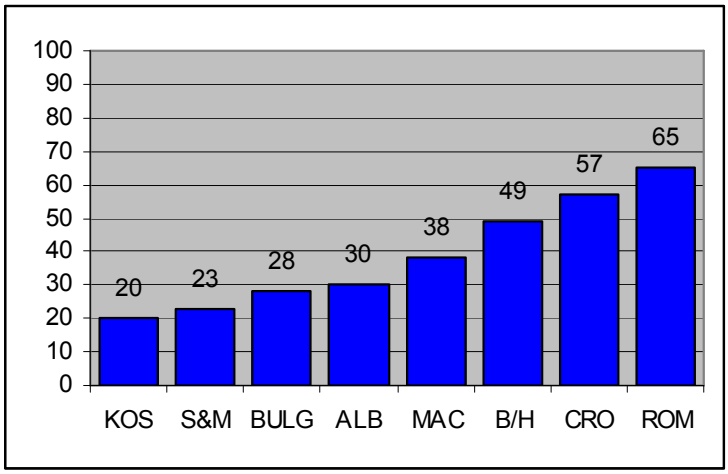
[14] UNSC Resolution 1244 is still in force with the European Union Rule of Law Mission in Kosovo, EULEX Kosovo, being a continuation of the international civil presence in Kosovo.

[15] The Ministry of Labor and Social Welfare presented a new Labor Code (2004), which has yet to be enacted.

[16] Kosovo's Labor Law (Regulation No. 2001/27)

Figure 2: Rigidity of Employment Index



Source: Hoti (2006)

The labor law does not, however, provide unemployment benefits, and the social safety net is only a basic pension and limited social assistance. The basic pension is between €45-75 per month and the average social assistance benefit is €52,[17] compare to the average wage of €250 a month.

Employment services are available to all registered jobseekers, although registration is mandatory for social assistance beneficiaries only. The current law requires social assistance applicants to register every family member of working age as unemployed. Large numbers of women or youth, who are not actively looking for a job, are registered as unemployed, thus distorting the official unemployment rate further (Corbanese and Rosso 2007).

UNMIK Regulation 2002/24 requires the Ministry of Labor and Social Welfare to provide active labor market policies, mediation between employers and employees, and vocational training. Based on the high unemployment rate in Kosovo and the country's limited human and financial resources, Active Labor Market Programs (ALMPs) are basically nonexistent. According to a recent UNICEF report, in 2006, only 3,455 persons – less than one percent of the registered unemployed benefited from publicly funded vocational training (UNICEF 2008).

[17] According to a donors' conference report, 161,863 individuals in 37,392 families receive the social assistance benefit (45 percent of benefits are estimated to be reaching the poorest quintile of the population, with only 6 percent going to the richest quintile). EC and World Bank (2008).

3.5 Demand for labor is weak; despite continuing GDP growth there are, simply put, not enough jobs in the Kosovo economy to absorb the supply of available and future workers

Overall labor demand in Kosovo is weak, as suggested above in the unemployment and inactivity rates. In addition, in the last ten years, the sectoral composition of Kosovo's economy – and thus its labor demand – has shifted away from industry. Prior to the onset of political and economic turmoil, industrial sector employment opportunities were more prevalent in socialist Kosovo. The cumulative effects of the removal of Kosovo Albanians from industrial jobs, the 1999 war, and the restructuring or privatization of state-owned enterprises since the war have been de-industrialization of the economy. This leads residents of Kosovo to agriculture (15%), service sectors (28% of all employment), and the public sector (public administration, health, and education account for 29% of all employment) (see Table 6). Over half of all enterprises registered are in the retail trade sector, employing 27% of all employees, where wages are on par with national averages.

Table 6: Labor Market Demand

Sectors of Employment, 2007 (15-64 year olds)		Active Businesses & Employees, by Sector, 2005			
Sector	**Employment (%)**	**Sector**	**Businesses (%)**	**Employees (%)**	**Wages (€/mo)**
Agriculture	14.6				
Mining	1.0	Mining	0.4	5.3	188
Manufacturing	10.4	Industry	10.7	11.3	200
Electricity	2.7	Energy	0.0	13.7	373
Construction	6.6	Construction	5.2	8.0	208
Trade	16.9	Trade	55.4	26.7	279
Hotels	3.9	Hotels & restaurants	8.8	13.0	156
Transport	4.5	Transport, post, telecommunications	10.0	10.9	556
Business	1.1	Business services	3.5	6.7	200
Finance	1.4	Other services	6.0	4.4	211
Public administration	9.6				
Education	12.1				
Health	7.0				
Other	8.3				
Total	100.0	Total	100.0	100.0	281

Source: Government of Kosovo, Labor Market Statistics 2007

Source: Government of Kosovo, Structural Business Survey 2005

Aggregate figures belie a sharp distinction between male and female participation rates in the labor force. Whereas 26% of the overall labor force is employed, males (40%) are over three times as likely as females (12.7%) to be working. Unemployment affects 55% of women and 38.5% of men overall, and by level of educational attainment (Table 7). Women, especially in rural areas, are hampered by family responsibilities, the social stigma associated with women working outside the home, collapse of the industries that

had previously employed them (e.g., textiles and food processing), and their lack of marketable skills (UNICEF, 2008; see also Government of Kosovo, 2009).

Unemployment varies inversely with educational attainment, as seen below (Table 7). Staying in school clearly raises the likelihood of finding work, as 80% of men and 66% of women who have completed their tertiary education programs are employed.

Table 7: Employment and Education, 2007

	Employment			Unemployment		
Educational Attainment	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Less than upper secondary	26.6	5.1	12.8	45.9	70.5	55.4
Upper secondary	41.1	18.5	32.7	42.0	55.0	45.3
Tertiary	79.9	66.0	74.7	12.5	19.8	14.9

Source: Government of Kosovo SOK (2008b)

3.6 Feedback from Employers

While the assessment team did not conduct a wide, systematic survey of the private sector, we did conduct interviews with a number of firms, inquiring about their experience in hiring, their opinions about the people who apply for work, and their experience (if any) with training providers, schools, and universities. The firms included several former socially-owned enterprises, light manufacturing, agro-processing, ICT or technically-oriented firms, and consulting firms. We asked similar questions of all. Despite their differences, we can summarize their feedback in a handful of points:

- All have done hiring in the last year, and nearly all hired university graduates only;
- The formerly socially-owned enterprises had all transitioned to private ownership, upgraded technology, and laid off significant percentages of the former workforce; they had hired few back, instead hiring selectively for technical specialties, and often from abroad through networks of foreign owners;
- Few candidates for jobs possessed adequate levels of technical skills for the jobs presented; all needed further company training;
- While most had acceptable levels of cognitive ability (i.e., reading and language ability), there were several descriptive complaints about lack of quantitative ability, even mastery of the basic arithmetic functions;
- Few exhibited any “soft skills” in interviewing, possession of an adequate CV, experience with teamwork, ability to communicate with supervisors and colleagues, and so on;
- All firms interviewed believed generally that secondary schools, and even universities (with a couple of notable exceptions among the private universities) were outmoded, and were preparing students for obsolete jobs;
- Some believed that their jobs were really too elementary for university graduates, and that well-prepared secondary students could succeed in them, but had never hired one;

- Several felt compelled to do extensive skills training (well beyond normal company orientation) at their own expense, in order to compensate for skills their new employees lacked;
- Few had ever attended or visited a vocational secondary school or employment agency;
- Several reported offering internships, and all expressed interest in doing so;
- Several recalled posting job openings at employment centers; only one (a large retail chain) reported having hired through an employment center;
- Several reported good experience with privately-operated employment placement agencies;
- Almost all reported willingness to work in public-private partnership with any contemplated USAID initiative.

The workforce is trained not only through the formal and non-formal education systems, but through the investment of employers in skills upgrading for their incumbent workforce. The majority of businesses in Kosovo, as elsewhere in the region, are small and medium enterprises with little capacity and few incentives to provide training for their workforce. Many of these are household-based agricultural producers which tend to be isolated.

In more developed economies, the private sector takes an active role in not only training its incumbent workforce but also in reaching out to the rising population of students who will constitute their future workforce. In Europe and the United States, high school and university students generally have a myriad of opportunities for internships, mentorships, work-study, and entry-level job experiences in both the public and private sectors. The Laws on Secondary Vocational Education and on Higher Education contemplate that students will have practical learning opportunities such as internships, but there seems to be only scant implementation. With the support of several donors, there has been some experimentation with internships, informal apprenticeships, and some conversations (but no known actual programs) about work-based learning. There is some anecdotal evidence that these efforts, while laudable, are either just starting up or are relatively small,[18] and have been characterized by operational challenges. Students have had very diverse experiences: some report a positive learning experience, while others complain that they were made to do manual work of minimal educational value. Clearly there are many operational challenges to be worked out, though the inclination to expand students' horizons for learning-by-doing and making education more relevant to the real needs of the workplace is sound. Many of these challenges could be overcome if there were a closer collaboration between educational institutions and the private sector.

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[18] UNDP's program (World Bank) and Mercy Corps (USAID) are more ambitious, though Mercy Corps is new.

4. The "Supply" System: Education, Training, and Youth Development in Kosovo

As in any country, education is recognized as key to the economic development of Kosovo. Kosovo appears to recognize that its small national economy is unlikely to grow rapidly without investing in its people. The transition from an agrarian economy to a modern European economy, and the unlikely possibility for Kosovo to create sufficient jobs to employ everyone is a considerable challenge. Thus education and training are the instruments to develop the sort of society Kosovo wants to be in the future.

The inability of Kosovo's economy to generate employment is sobering in light of the fact that an estimated 25-40,000 youth are said to enter the labor force every year in search of employment. A total of nearly 440,000 students were enrolled in Kosovo schools in 2006/07 (Table 8), up 4% from 2004/05 (GOK MEST, 2008). Within upper secondary (grades 9-13), approximately 40% attend "general" secondary education (i.e., gymnasiums) and the remaining 60% attend vocational secondary schools (GOK SOK, 2008a). Education in Kosovo is also characterized by a parallel system, with educational services provided separately for the main ethnic groups.

Table 8: Students in Kosovo's Education System

	2004/05		2005/06		2006/07	
	Total	Female	Total	Female	Total	Female
Pre-school	5904	2868	5108	2579	5051	2363
Pre-primary education	17596	8384	20750	9961	21089	10203
Primary & lower secondary	327207	156566	322180	154728	324618	156210
Upper secondary	60760	30820	74781	32202	88691	38581
Tertiary						
TOTAL	411467	198638	422819	199470	439449	207357
		48%		47%		47%

Source: Government of Kosovo MEST (2008)

Yet, despite the fact that higher educational achievements improve the likelihood of finding employment, school drop-out rates are a concern, particularly in upper secondary grades, estimated as follows (GOK MEST, 2008):

- Grades 1-3 6.33%
- Grades 7-9 3.9 %
- Grades 10-12 13.77%

Educational attainment is, of course, an imperfect proxy for skills assets. As already described, employer representatives suggest that even university graduates in Kosovo are poorly prepared with the basic, technical, business, and soft skills required to be successful in the workplace.

The fragility of Kosovo's present economic base and labor market, considered in the context of Kosovo's rapidly growing and young population, suggests myriad

opportunities for donors to help Kosovo's fledgling administration address issues of employment generation and skills development. There is not really a *system* for workforce development; there are, instead, various programs and initiatives that aim to play a role in educating, training, or connecting workers (or prospective workers) with jobs, and a few that look to create jobs or enterprises. These are not well articulated nor linked, and – taken all together – do not add up to a sufficient response on either the demand or supply side to meet Kosovo's present and future requirements.

Kosovo and the Ministry of Education, Science, and Technology (MEST) have been supported by the European Union and donor agencies, investing in education and training, and encouraging the movement beyond policy to implementation. Ongoing efforts are required to provide the level of quality required for European integration and to facilitate the development of skills that are responsive to the needs of a regional labor market. There does appear to be an encouraging recognition that such reforms will require careful long-term commitment, education, and training by definition take time to produce results. A fairly new and healthy conversation has begun about the promotion of education and lifelong learning as a key coordinated strategy among the economic and social development priorities of Kosovo.

A number of policy and strategy documents have been developed over recent years to assist Kosovo with this. The MEST appears to be proactive and has recognized that *"a cross-sectoral approach involving many ministries and partners must link education and training policies with those related to employment, industrial development, rural diversification, youth and health and last, but not least, policies to enhance labor mobility in the region and within Europe"* (UNICEF 2008, 80).

Education in rural Kosovo appears to be less well-developed, and poorly coordinated. A diverse rural economy requires a diversification of skills and qualifications which is not yet in place. Three-quarters of the adult population in the rural areas have less than a secondary school education and half of these had no education or less than eight years of primary school.[19] Only 4 percent of households have participated in adult education or training programs. There are very few facilities in rural areas to provide any schooling or skills training and it appears as if non-formal adult education and lifelong learning provisions in the countryside are uncoordinated and available to very few people.

Also of concern are the lagging educational skills of many of the (now) young adults who were students in the 1990s who were excluded from education and thus did not complete their schooling. This is particularly apparent among women from this period, resulting in very high illiteracy rates. There is a similar attainment and cognitive skills gap among minorities and in certain geographic regions, though reliable and recent data are hard to come by.

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[19] Ibid.

4.1 Secondary Education

The provision of effective pre-university schooling in Kosovo is limited by a shortage of physical infrastructure (classrooms). All schools are working on a shift system with most now on two shifts and about 10% of the schools in more urban areas still having three shifts. State financing for the education sector is low, but the MEST, supported by the donor community, has effectively managed extensive development and reform in recent years. The "Strategy for Development of Education of Kosovo 2002-2007" guided this progress and now a new strategy (2007-2017) replaces it and is in the early stages of implementation.

MEST's "Indicators and Statistical Data in Education" (2008) suggests that there has been a steady increase in the number of students in schools. School-to-work pathways are outlined in Figure 3. The recent introduction of a grade 13 level introduced at the upper (general) secondary level has contributed to this increase. Grade 13 has not yet been introduced at vocational schools.[20] MEST recognizes that gathering statistical data is a challenge. The Education Management Information System supported by the World Bank has begun to produce some data but there are challenges in the data gathering process (lack of equipment, inaccuracy and ability at school level, and lack of willingness in certain sectors, particularly Serb data).[21]

Female enrollment rates in secondary education are very low, there are large varieties in the enrollment rates of minorities, and rural children are even more vulnerable and tend to have higher dropout rates and non-participation in education. Illiteracy is still a problem among some rural populations with suggestions that in rural areas 9.5% of females between the ages of 16-19 are illiterate and that 16.3% have very basic literacy.[22]

The pass rate for students exiting the secondary school system after the 2006-7 year was 46.7% for the gymnasiums and 49.6% for the vocational schools. The combined dropout rate for students at the grade 10-12 level for this period is suggested to be 13.77%.[23] It is suggested that the high percentage of school dropouts can be attributed to economic and gender reasons.

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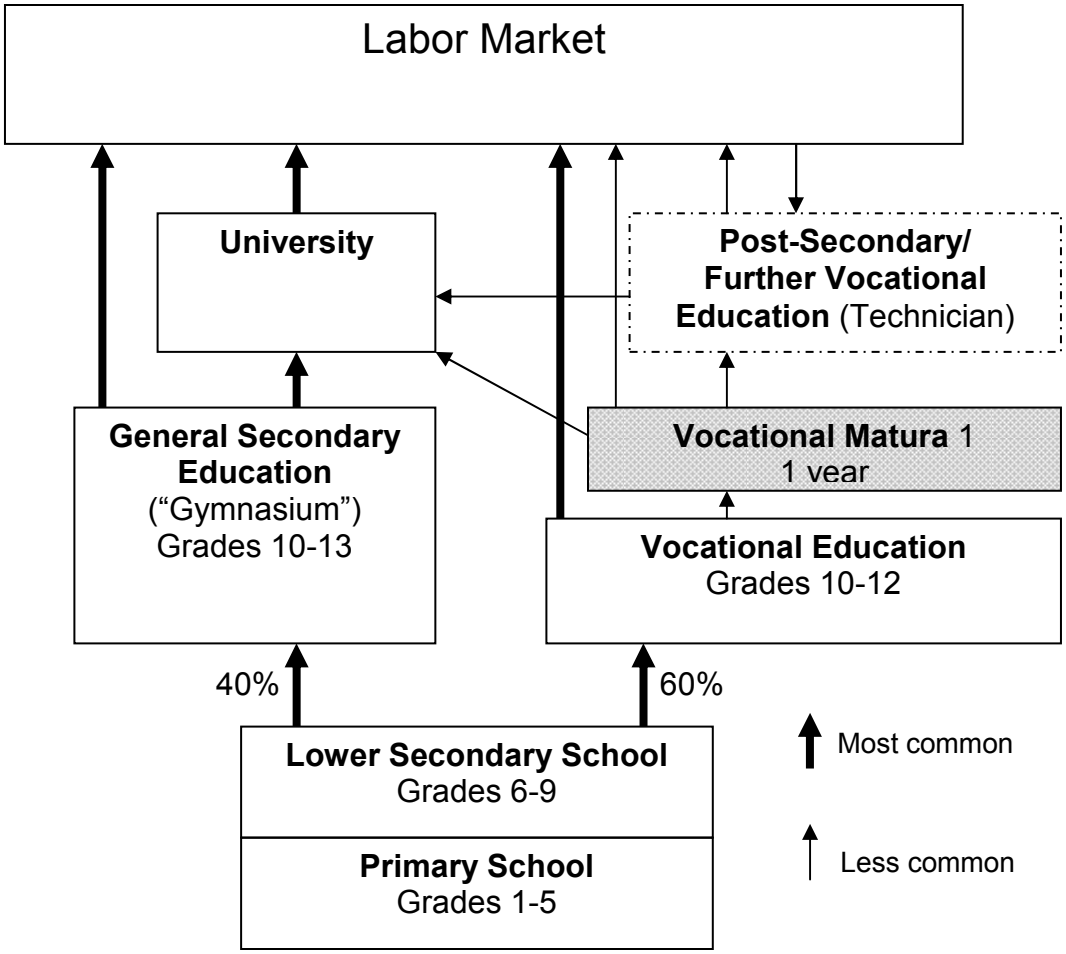
[20] GOK MEST 2008.

[21] Note that there is still a parallel structure in Serb-inhabited territories where the school system is following the Serbian Ministry of Education instructions.

[22] UNKT - Paper prepared by the United Nations Kosovo Team for International Donor Conference for Kosovo; Brussels, July 11 2008.

[23] MEST "Indicators and Statistical data in Education" 2008

Figure 3: School-to-Work Pathways



Source: Adapted from Kosvet 3 "Framework for School based VET development including priorities (draft)"

The Minister of Education speaks of an Integrated School System which is broader than just the teaching of subjects. This includes teacher re-qualifying, a curricula review, developing or translating more textbooks, and the promotion of a more focused vocational education system at the secondary school level. There is a strong interest to increase the amount of mathematics and English language taught at all levels. Part of the harmonizing or integration process includes Serbian language schools and other minorities. Infrastructure development is progressing well, as indicated by the Minister of Education in a donor briefing on 17th April 2009. He reported on the completion of 30 new schools in the last three months, suggesting that the MEST target of achieving two shifts per school appears to be attainable in most of Kosovo in less than the targeted two years. The MEST suggests a goal to have computer centers in 1200 schools nationally by 2011, and so increase the access to information via e-Learning.

The Faculty of Education at the University of Pristina is training teachers for the primary and lower secondary schools. The responsibility for upper secondary teacher training

rests with the University of Pristina. Most of the teachers in the VET system appear to have professional / technical experience, but not a teaching qualification. Extensive teacher in-service training programs supported by international experts for both groups have been provided in recent years with an emphasis on curriculum development as well as teaching methodology.

Centers of Excellence

The Minister of Education has put a good deal of energy and (mostly donor) resources into the development of what he terms "Centers of Excellence". These are planned to be seven niche schools that will each focus on one particular vocational field and offer training to students from all over Kosovo. The intention is that the student will exit the school with a certificate that will qualify them to work. It is also suggested that the centers will offer lifelong learning to out of school people from the local community.

It appears as if these centers and the implementation processes are still in the planning stage. A number of donors have suggested they are interested in financing this sector of schooling with the MEST. They indicate that donor partnership will be necessary due to the high cost of providing infrastructure as well as equipment. The curricula and training of the educators is to be the responsibility of the Ministry of Education. Norway is finalizing plans for centers in Skenderaj for construction and in Malisheve for business studies and entrepreneurship. Other donors are considering investments in other centers in nursing, trade and tourism, catering, and hospitality.

Vocational Education (Professional Schools)

Kosovo school-based vocational education and training (SBVET) involves 57 upper secondary schools and 5 private VET schools. This is more than half of the secondary schools in Kosovo, involving about 60% of all students. The students appear generally to go to the VET schools after failing to enroll at the general secondary schools/gymnasiums after the 9th grade of schooling – a "second choice" option,[24] although some make an affirmative choice. Most of the VET schools have too many students for the resources available with teaching remaining classroom-based and using a shift system. Workshops and laboratories with appropriate equipment for practical training are limited.

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[24] Kosvet 3 "*Framework for School based VET development including priorities (draft)"*

Table 9: Fields of Study, Schools, and Students, School Year 2007/2008

Fields	No. of schools	Public/private schools no of students
Agriculture and food process.	**10**	**3458**
Wood processing and forestry	**5**	**401**
Mining, Metallurgy and geology	**8**	**712**
Metal processing+mecha.	**22+1***	**5826**
Electrotechincs and electronics	**22+1***	**5084**
Geodosy and civil engineering	**13**	**2205**
Traffic	**17+2***	**3070**
Textile and leather	**7**	**651**
Chemistry, non metal	**10**	**1953**
Trade, hotels and tourism	**15**	**1679**
Economic and law	**19+2***	**14107**
Nature and math	**6+1***	**625**
Health and social protection	**7+1***	**5848**
Culture, Art and PR	**6**	**929**
IT	**20+3***	**4141**
Religion	**1**	**665**
	Total	**51354/390***

Source: www.masht-gov.net.

*Note: * Private VET Schools are:*

1. *Luarasi (medicine and natural sciences)*
2. *Don Bosco (IT & programming, Electro technique)*
3. *Aga Xhite (mixed Economics & Law)*
4. *Ismet Jashari (technical)*
5. *Tempulli (transport)*

MEST has an education aid coordinator to support the donor activities. In the VET field the biggest providers – the German cooperation organization GTZ, EU (Kosovo VET projects, known as KOSVET) and Swiss Contact – have worked to coordinate their activities, in consultation with the MEST. These activities have included curriculum development, and infrastructure and workshop equipment. The challenge of adequate consumables still remains. The KOSVET projects, GTZ, and Swiss Contact have also supported the MEST to train VET teachers.

The increased demand for a skilled labor force has put pressure on the VET system to move away from traditional supply-driven education training programs and to improve and control the quality. Closer cooperation between the Statistical Office of Kosovo (SOK), MEST, MLSW, and other institutions will be required if the curricula and programs of the secondary school vocational education system are to be informed with data. Very little collaboration takes place between the ministries arguably responsible for workforce preparation at this level, notably MEST and the MLSW. Early work was undertaken in 2003 to develop the National Qualifications Framework, accompanied by only slight cross-ministerial work. Little has been done to implement this priority

development. It is under review again in 2009. It will be important to include a VET component in this framework[25].

The introduction of some entrepreneurship initiatives into the curriculum of the secondary schools was initiated by MEST, MCYS, and MLSW in 2007 in an Entrepreneurship Education and Training Strategy. It has yet to be implemented; further work on this would be useful.[26]

4.2 Tertiary (Higher) Education

The Kosovan higher education system operates through two public universities, the University of Pristina and the University of Mitrovica, and some private institutions. There has been steady growth in the total number of students attending universities in Kosovo. The growth at the public universities has gradually increased while the number of students at the private institutions has increased rapidly.

University of Pristina had 28,757 students registered in undergraduate study and 2118 in postgraduate study in 2007-08. About 3,000 students receive bachelor or master degrees every year at University of Pristina, the majority in social and human sciences. Unlike most other European universities, University of Pritina operates as a loose association of faculties, each with a legally autonomous status and administrative structure. These include faculties of philosophy, mathematics and nature sciences, philology, law, economics, construction and architecture, electronic and computer engineering, mechanical engineering, medicine, arts, agriculture, mining and metallurgy, sports, education, and business.

The Private Education office of the Ministry of Education has detailed records of students enrolled at Private Providers of Higher Education (PPHE). These show that 20,128 students registered from 2004-05 to 2007-2008 (Figure 4). Student numbers are concentrated in two large institutions (AAB and Fama Universities), which account for nearly 60% of new enrollments in 2007-08.

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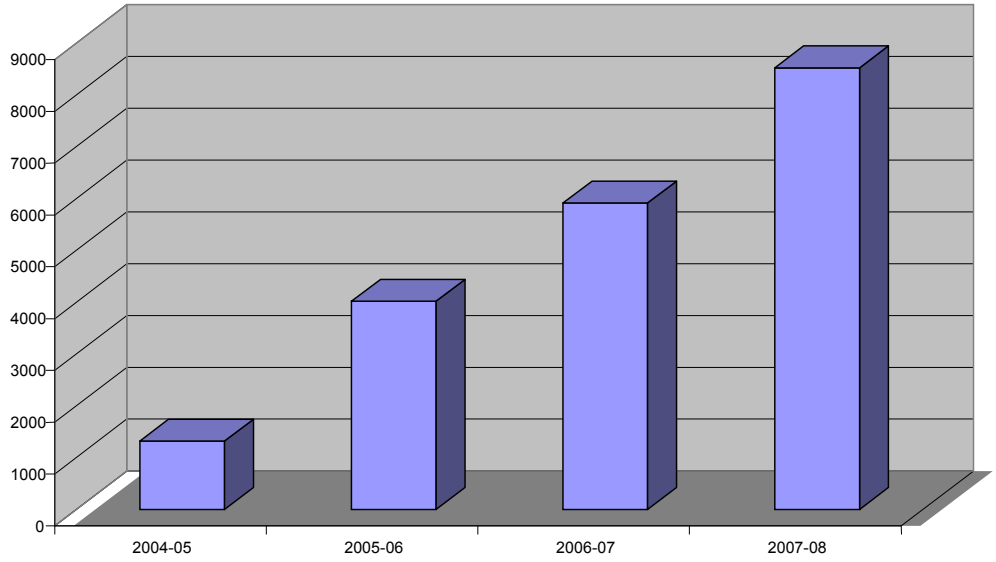
[25] Kosvet 3 "*Framework for School based VET development including priorities (draft)"* Produced for the Project - Technical Assistance for Further Modernisation of Kosovo's Vocational Education Training System by Tz. Pantaleev-DTL and R. Likaj

[26] The framework of the European Charter for Small Enterprises and the Kosovo Development Plan

Figure 4: Private Sector University Enrollment



Source: Kosova Accreditation Project Report July 2008

The Kosova Accreditation Project Report (Bristow and Vickers 2008) documents undergraduate enrolments in 2007-08 in private institutions:

Economics	36%
Law	22%
Business and Management	19%
Political Science	6%
Computing and IT programs	1.5%
Psychology, Art, Design and Media, Medicine, Education, Other	15.5%

Postgraduate enrolments were:

Management and Business	55%
Politics, International Relations and Diplomacy	25%
Economics forms	9.5%

Accreditation of Higher Education Institutions

In the years leading up to independence in 2008 a large number of private institutions of higher education (universities) were established, with many of them offering their own degrees. They complied with the Kosovo Law by applying for a license, but many were small institutions offering programs whose quality was undetermined. In order to ensure and improve the quality of tertiary education and move towards compliance with EU

standards, the Kosovo Ministry of Education committed itself to initiating a process of accreditation.

A careful process of surveying private institutions commenced in January 2008. A team of British experts supported by the British Accreditation Council visited each institution to determine what provision existed and what its quality might be. A detailed report was developed and released to the public as well as the institutions by the Minister of Education, indicating the findings and recommendations (Bristow and Vickers 2008). Only the University of Pristina and The American University of Kosovo received accreditation and were granted the right to award degrees.

All other institutions were required to comply with certain conditions and reapply for accreditation subject to compliance. By April 2009 only 4 institutions had applied for accreditation as higher education universities, and 12 other institutions have applied as vocational or professional schools. In May 2009 a second phase of accreditation verification will commence via teams that include Swiss and Austrian experts, visiting each institution that has reapplied and checking on progress. The process is overseen by the Kosovo Accreditation Agency.

A Review of the Higher Education System

As described earlier, the employers with whom the assessment team spoke complain that university graduates in general are poorly prepared for the world of work. They suggested that the fields of study offered by most universities, especially those most popular with students, do not correlate well to local economic needs. They are also critical of what they understand to be the qualifications of available teaching staff. Students' reports differ somewhat, and are generally more positive, but they also report wide variation in their exposure to working opportunities or internships, or to other opportunities to practice on the job what they are learning in the classroom.

Those best prepared graduates seem to be those from The American University of Kosovo where they are encouraged to find internship opportunities, or “co-ops”. Students are required to complete 400 hours of internship over the four years, and the university assists in finding these placements as well as in finding other work opportunities on an ongoing basis. Almost 85% of AUK’s students receive employment offers as a result of an internship. Students are well prepared for the internship through classes that involve soft skills, CV writing, and business practice.

On the other hand, students at the University of Pristina are not supported to find work or internship opportunities, although certain faculties have taken initiatives on behalf of selected students. Some students do try, but most suggest it is not possible. This is probably due to the more theoretical nature of the instruction at the University of Pristina. The lower fees required also don’t force these students to work. Fama University has only recently initiated a career guidance unit with the aim of assisting and preparing students.

Most donor support to the higher education sector appears to have been focused on supporting the accreditation process, with the British Council providing extensive support and funding.

4.3 Professional Education

As part of the active labor market policies of the MLSW, labor market training is delivered through a MLSW network of vocational training centers and a number of partner training institutions, aiming to increase the employability of the unemployed through skills development.[27]

Vocational Training Centers

The Ministry of Labor and Social Welfare is under-resourced with a small annual budget for vocational education and job retraining. With the continual increase of registered unemployed, the demand for this form of training increases and more resources will be necessary. In order to ensure that these programs meet the needs of the local economies of each region as well as for Kosovo as a whole, the establishment of a labor market information system is critical to improving the targeting of vocational education programs and allowing individuals to make informed choices when deciding whether to invest in the acquisition of new skills. So, too, is the coordination of initiatives in the workforce development area.

Eight vocational training centers (VTCs) are operated under the umbrella of the MLSW; for courses offered, see Table 10. Seven are public centers in the main municipalities of Kosovo, and the other is the well-regarded private initiative, the Don Bosco Training Center. They fall under the Department of Labor & Employment/Vocational Training Division and are tasked with providing free training courses that range between one and three months. Given the very high unemployment rate, the current capacity of MLSW training centers is very small in comparison with the scale of the unemployment problem with the MLSW estimating that these centers can only provide training to fewer than 2% of newly-registered job seekers each year (Lux-Development 2006).

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[27] MLSW / VTD: A vocational training strategy for Kosova, Enhancing employability 2005-2008, Prishtina 2005

[29] The European Commission is the executive branch of the European Union and is often referred to as the European Union (EU), the economic and political union of 27 member states, located primarily in Europe.

Table 10: Training Courses offered by VTCs of MLSW

Mitrovicë	Dolan	Pristinë	Pejë	Gjakovë	Ferizaj	Gjilan	Prizren
Carpentry/Zdrukthtari	x				x	x	
Kitchen/Kuzhina	x						
Waiter/Kamarier							x
Bakery/Bukëpjekës		x					x
Pastry/Pasticeri		x					
Textile/Tekstil	x						
IT/Bazet e Kompjuterit	x		x	x	x	x	
Office Work/Punë Zyre		x					
Accounting/Kontabiltet				x			
Graphic Design/Dizajn Grafik						x	
Plumbing and Pipefitting/Hidroinstalime			x		x		
Construction/Ndertimtari		x	x		x		
Elektric installation/Instalime Elektrike		x	x		x		x
Auto-Elektrik							
Repair of householdm./Riparimi I paisjeve elektrike shtepiake		x		x			x
Pneumatic and hidraulics	x						x
Agriculture	x		x				x
BA Marketing/Marketing Bisnesi							x
BA Finance/Financa Biznesi							
BA Administration/Administrim Biznesi	x	x	x	x	x	x	x
Industrial Electronics/Elektronik Industriale		x			x		x
Consumer Electronics/Elektronik te pajisjeve te eletronik							x
Repair of off.mach./Riparimi I pajisjeve te zyres		x					
Metal/Metal	x	x	x	x	x	x	
Self employment/Vetpunësimi			x	x	x	x	x

Source: Kosvet 3 "Framework for School based VET development including priorities (draft)"

Donors support a range of projects providing vocational education. For instance, the Grand Duchy of Luxembourg's (Lux-Development) "Strengthening Vocational Training program," in partnership with MLSW, is focused on the basic needs of the vocational training centers, skills training, modernization of obsolete equipment, rehabilitation of workshops, and transport subsidies for poor trainees in rural areas. The main objective of the program is to contribute to the long-term reduction of poverty by providing fair and impartial access to good quality training.

European donors will also commence with a project in mid-2009 to support the development of the system of quality assurance, accreditation, and qualifications in Kosovo, particularly in vocational education and training. This activity will support the development and capacity building of the Qualifications Authority in Kosovo and the implementation of the National Qualifications Framework in compatibility and alignment with the European Qualifications Framework (EQF).

Private Training Centers

A number of private providers offer training in Kosovo. The provision of vocationally related training by private training providers is still unregulated by either the MEST or the MLSW. The Kosovo Accreditation Agency, supported by the British Council, has drafted a report suggesting what needs to be done, but the report still needs to be released pending finalization with relevant authorities.

Twelve of the institutions evaluated by the Kosovo Accreditation Agency as "higher education institutes" have applied for re-registration and accreditation as vocational or professional schools. Once the above report, criteria, and processes are published, these private providers will need to decide whether their courses are aligned to higher education (Level 5 on the National Qualification Frame work, which is postsecondary school) or aligned to general education. What is clear is that appropriate quality

management processes and integrated assessment procedures will need to be in place in order for the graduate students to be certified against national and European standards.

Table 11: Training offered by Private Training Providers

Provider	Main Training Courses offered
SMARTBITS	ECDL, EBCL, Project Management (English), Project Management (Deutsch), Fundamentals of project Management, Trigonometry, Fit4Eu, Non-violence-communication, PMP Test Exam, CAPM Test Exam, ECDL Test Exam M1, English Test Exam
IMB	Accounting
MAR	Economic and environmental fields
SCAAK	Accounting, Auditing
SHE-ERA	Counseling, business start up
ICEED	Microfinance Services, Management, Accounting, IT, Entrepreneurship, Project Planning, Monitoring and Evaluation, Industrial Relations
KAF	EBDL, Accounting
MDA	Management, Financial management, HRD, Marketing and Sales, Technical Skills for Managers
IEME	Marketing management, Information management, Process management, Quality management system Standards
ECI	Management Training for Enterprises & Managers
CACTUS	IT
IT PAKUFI	IT
PRONET	IT, programming, consulting and telecommunications
KOMTEL	IT and telecommunication
IKAP	
RIINVEST	Economy, Environment, Energy
AUK	Project management, IT programmes, English, EBCL
ARRK	IT, English & German Courses, EBCL, Business Administration etc.
OEK	Strategic planning and organization, Risk management, Benchmarking, Business plan and strategy review, Marketing and e-commerce, Management and cost analysis, Professional business and practical methods and tools, Marketing and e-commerce, Cost management, Investment and management, Finance management, EU norms, etc.
REA	Personal Economics, The Economics of Staying in School, The Enterprise in Action, Company Programme, Management Economic Simulation Exercise MESE, Global Business Ethics, Banks in Action, International Marketplace

Source: Kosvet 3 "Framework for School based VET development including priorities (draft)"

The MLSW Vocational Training Centers receive donor support that will enable them to deliver quality skills training to the local population. Initiatives that encourage them to develop partnerships with local industry to support the training provided would be more workplace-based and more practical. The partnerships should look at other local stakeholders such as NGOs and youth centers as well.

The wide range of skills training offered in each local area reflects the emergence of training that is responsive to local labor market needs. Training provision needs to be able to react to the immediate needs of the labor market, providing initial training for the immediate priorities of the business. Equally important is the need to provide knowledge, skills, and competencies to both young and older people of Kosovo to equip them to function in the future market economy.

4.4 Lifelong Learning

Lifelong learning recognizes that learning is not confined to childhood or the classroom, but takes place throughout life and in a range of situations. Learning can no longer be divided into a place and time to acquire knowledge (school) and a place and time to apply the knowledge acquired (the workplace). Some learning is for personal reasons and some for professional reasons. Lifelong learning enhances social inclusion, active citizenship, and personal development, as well as competitiveness and employability.

In Kosovo the Ministry of Education, Science and Technology has begun to develop the legal and policy framework for Vocational Education and Training (VET) and Lifelong Learning. In a country like Kosovo where a large portion of the workforce was excluded from education and training opportunities, particularly during the 1990s, a large number of the employed are under-skilled or uncertified. Thus the concept of Lifelong Learning (LLL) is particularly relevant as a workforce development measure.

LLL activities could be located at any number of community-based centers that would offer either complete courses of personal interest (as in adult education centers in many other parts of the world), or job- or career-related training that would result in recognized certification and lead to employment. In the current array of institutions, such opportunities could be located at vocational training centers, the proposed centers of excellence, at local vocational education centers (schools), or in the current network of community-based youth centers. As we have previously discussed most of these institutions, a brief discussion of the youth centers is in order.

4.5 Youth Centers in Kosovo Communities

Under the Ministry for Culture, Youth and Sport (MCYS) there are 80 youth centers in Kosovo. These are community-based, youth-friendly spaces that offer informal courses and activities relevant to youth. Most are NGO structures depending on different donors and local municipal support for ongoing program activity. They tend to be staffed by a coordinator and one or two staff, and supported by a number of volunteers who keep the activities going. They offer similar programs such as computer courses, language courses, cultural activities, and sports, as well as training and workshops. Some youth centers run certified European Computer Driving License (ECDL, a computer literacy certification program) and Cisco computer training programs.

MCYS, with the support of the World Bank, has implemented a three-year long "Kosovo Youth Development Project" (KYDP) that has four components: improving performance and sustainability of existing youth centers; establishing two youth “resource hubs”; operating a program of business development for young entrepreneurs; and strengthening the implementation capacity of the Youth Department. KYDP is working with 10 centers to assist their growth, to increase their outreach activities, to improve the service offered to youth, and generally to be better equipped and better managed. Capacity-building programs have been offered to youth center managers.

KYDP is about to embark on an Entrepreneurship for Youth Project supported by the World Bank. They suggest they will build on a successful pilot run by the Business Start-Up Center supported through SPARK (an independent, Dutch NGO that operates in the Balkans) that provides practical training to students and graduates on how to establish small and medium commercial enterprises. The aim of the KYDP will be to invite local municipalities to partner with them to:

- increase the employability of young people through business skills training
- support entrepreneurship in Kosovo
- provide support and follow-up coaching to newly established businesses
- develop the quality and capacity of public and private training providers
- strengthen the capacity of municipal youth / education officers to provide individualized and integrated counseling and guidance service to beneficiaries

KYDP suggests that the engagement of social partners at a local or municipal level is key to the sustainability of any activity. Youth centers are involved in projects should create steering committees representing local industry, municipalities, local training providers, and other NGOs to develop and support projects. They also suggest that there is a great need to offer more to young people around work readiness linked to skills training. The concept of lifelong learning should begin with the youth and continue into adulthood.

4.6 International Donor Contributions to Education and Training

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

Since 1999, key development partners in Kosovo active in the education and training fields are or have included (see Table 12) the Austria Development Agency (ADA), the Canadian International Development Agency (CIDA), Danish Danida, the European Commission (EC)[29], German GTZ, the Organization for Security and Cooperation in Europe (OSCE), the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Agency (SIDA), the United Nations Children's Fund (UNICEF), various other United Nations agencies, and the United States Agency for International Development (USAID). These and other donors are reported to have provided more than €2.7 billion to Kosovo since 1999, mostly from EU member states and the European Commission, followed by the U.S. High donor priorities up until 2007 were in the areas of energy, housing, institution building, and private sector development (EC and World Bank 2008).

European Commission. Since 2002, the EU has supported four phases of education and training and employment programs, known as "KOSVET," to ensure effective links to employers' needs and to improve vocational training in Kosovo:

- KOSVET I, November 2002 – August 2004, €3 million provided technical assistance to the MEST and the MLSW;
- KOSVET II, September 2004 – September 2006, €2 million provided support to curriculum development and standards, teacher and trainer training, and qualitative improvement of VET delivery;
- KOSVET III, September 2006 – March 2009, €2 million to support modernizing the VET system in line with European Union and international standards; and
- KOSVET IV, June 2007 – September 2009, €1.5 million provided for skills training within various companies and to bring private and public partners together to develop both the industry and the public bodies.[30]

The EU's Instrument for Pre-accession Assistance 2008 program is expected to provide €10 million to support improving the efficiency of the education and employment training systems.

Beginning in September 2009, the EC will provide € 2.5 million for 2 years to the MEST and the MLSW to work with employers to improve their hiring, firing, and retention skills and to provide youth employment training. This activity will link EU companies with Kosovo companies as well as provide internships with EU companies. In the EU's experience, on-the-job-training is an effective approach for improving youth employability.

From 2009-2011, the European Training Foundation (ETF), a European Union agency that helps improve vocational educational systems in non-EU countries, has committed to monitor education and training, employment, and labor market polices. It also plans to facilitate the development planning, implementation, and monitoring of active labor market policies with particular attention paid to adult learning and skills development.

European bilateral aid agencies. Italy and Denmark contributed to the establishment and equipping of the eight VTCs throughout Kosovo. GTZ provided vocational education and training, as have the European Agency for Reconstruction with funds from the European Union, IOM, and Mercy Corps. Luxembourg is focusing on vocational education training centers, e.g., skills training, modernization of obsolete equipment, transportation subsidies for poor trainees in rural areas, and rehabilitation of VET facilities.

Multilateral organizations. Since 2001, the ILO has been supporting employment policies and programs, including child labor and trafficking. Its recent employment project in Kosovo, Skills Development for the Recovery and Reconstruction, is designed

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[30] Ibid, page 20.

to contribute to the reconstruction and recovery of Kosovo and assist in its transition to a market economy. The ILO project includes assisting the MLSW and its PES, and the regional training centers. Other aspects of the project include:

- Establishing a vocational training system for adults;
- Providing job counseling and other assistance to job seekers;
- Promoting self-employment through vocational education and training (VET) institutions and the PES;
- Strengthening the capacity of the government and the social partners in the design, monitoring, and evaluation of youth employment policies and programs; and
- Undertaking to pilot an active labor market activity that targets disadvantaged youth[31]

In addition, from 2005 to 2007, the UNDP's Employment Generation Project assisted the PES with employment programs aimed at improving youth employability. The World Bank assists MCYS with youth development policy and youth entrepreneurship. The IOM is implementing a program to promote small and medium size enterprise development in the Mitrovica region. In 2007, the UNDP supported Employment Generation Project became the "Active Labour Market Programme for Youth." The project includes on-the-job training, pre-employment training, employment subsidies, internships, and vocational training provided by the Don Bosco Training Center in Pristina.

In 2008, the GOK asked the World Bank and the European Training Foundation (ETF) to conduct an assessment on youth employment in Kosovo. Their report provides information, analysis, and policy options for the Kosovo government to improve policy employment policies in the short-, medium-, and long-term.

Also in 2008, the World Bank and the GOK began to develop the Sustainable Employment Development Policy Program (SEDPP), fostering an inter-ministerial approach to policy-making in order to achieve sustainable development. SEDPP is a three-year program to provide grant funds for budget support to Kosovo from a multi-donor trust fund of approximately €60 million. The World Bank contributed $40 million USD with the balance of the trust funds provided by nine other donors. The U.S. is not a donor as of the date of this draft.

A youth employment program promoted by the ministries of labor, youth and education is to begin this year and run for 2½ years. This project is designed to (1) increase the employability of youth, (2) promote entrepreneurship, (3) provide follow-up support to new businesses, (4) strengthen the quality and capacity of public and private training

[31] http://www.unkt.org/?cid=2,47

providers, (5) strengthen the capacity of PES staff; and (6) provide counseling and career guidance to participants. The specifics of this program are under development.[32]

In short, vocational training – and education generally – is a somewhat crowded field in terms of international donors. For those working in Kosovo, this is not an unusual phenomenon, and is not restricted to education. The chart on the next page displays in simple terms which donors are investing in which of several areas of the workforce development field. While not an absolute standard, the assessment team recommends that the contemplated workforce development activities generally should occupy "space" not currently dominated by others.

The chart on the following page is a rough visual representation of the presence of international donors in the workforce and vocational arena, by program area.

[32] Several UN agencies and the World Bank planned a $6.7 million youth employment and migration program for a period of 36 months focused on employment opportunities in depressed areas and among vulnerable groups. The program design is documented in *Kosovo: From Migration Options to Decent Work for Youth.* This project was never implemented, according to the World Bank.

Table 12: Gaps Analysis of Donor WFD Programs

	USAID	WB	Ire	Nor	GTZ	Neth	Den	EC	Fr	SIDA	Italy	UK	Lux	Switz	Aus	UN
Youth Centers and Employment (S)		X	X	X	X		X	X			X		X	X		X Norway
LLL – Adult Ed. (S)																
Skills Gap Analysis (D)																
Center for Excellence (S)				X									X			
Private Professional Schools (D)																
SMME Support / Growth (D)	X				X	X		X		X			X	X	X	
Entrepreneur / Enterprise (D)	X				X	X		X					X	X	X	X
Inter-ministerial council for workforce Development (S-D)																
Alternative Certifications, GED (S-D)																
Trade skills Training (S)			X	X	X		X	X		X	X		X	X		X
1-Stop Career Center (S)																
Internships	X	X			X											X

Note: S = supply, D = demand

5. Options and Recommendations

5.1 Options

Many suggestions emerged from interviews and focus groups, and were analyzed by the assessment team and brainstormed with Mission staff. We have grouped the options into five "target beneficiary" categories:

Options for Preparation Of Future Workers

- Focus on more skills-oriented education, combined with practical training for every secondary (both vocational and gymnasium) student and for every university student;
- Consider the role of private firms and universities in skills training, provide incentives either directly or through student scholarships with private providers eligible;
- Introduce internships, apprenticeships, and other work-based learning opportunities are needed;
- Deepen and broaden entrepreneurship education earlier in school years; look at curricula from other places, like a program in Honduras, or in the U.S., such as the Foundation for Teaching of Entrepreneurship (NFTE);
- Pilot an effective labor exchange system that goes beyond registration and offers genuine assistance with career planning and job placement;
- Revise curriculum to reflect much more closely "state of the art" knowledge;
- Help schools understand the difference between practical learning in schools and true private sector linkages and work-based learning;
- Work with municipally based youth centers to involve youth still enrolled in school with training and entrepreneurship learning opportunities;
- Despite other donors' participation, connect with one or another of the proposed Centers for Excellence – perhaps around certification and outcomes;
- Arrange scholarships for foreign study in key sectors.

Options for Serving the Presently Unemployed

- Work with and in key municipalities to demonstrate links between workforce development and local economic development. Consider local or regional partnerships among jurisdictions, NGO's, local branches of vocational education and employment service, and private firms in a true public-private partnership for local labor markets and for all employment categories (future, unemployed, employed);

- Create a significant program for entrepreneurship support, including incubators, for persons in all three categories (future, unemployed, employed) in order to create new jobs;
- Establish a better mechanism and system for labor exchange by improving the role of the local employment centers, moving them beyond registration centers into aggressive training referral and placement agencies;
- Focus training on key sectors, like IT, agriculture, and agro-processing, higher-skill construction and trade skills;
- Introduce better skills assessments at every point in the system, to be linked to career planning and relevant training;
- Connect the interest in "lifelong learning" to skills development and employment;
- Consider an alternative secondary school credential for early school dropouts (e.g., Kosovo GED);
- Tailor initiatives to local geography and culture: e.g., "advanced" agriculture for rural areas, trades/crafts for urban, self-employment focused on indigenous enterprises;
- Re-balance the mix of training opportunities to ensure that there are programs in rural areas and in municipalities outside of Pristina;
- Consider equipping and "exporting" labor from among the large numbers of unemployed;
- Create a system of "one-stop career centers" to provide improved services to both future workers and the currently unemployed – with private sector-led boards, assessment, counseling, career planning, and job placement.

Options for Serving the Presently-Employed but Under-Skilled

- Provide incentives for businesses to invest in the training of the existing and incoming workforce, and supports such as skills gap analysis, shared training platform, and cost-sharing.
- Develop a course of experience-based business management training for current middle managers in targeted growing businesses.
- Develop and deliver on-worksite or community (adult) learning that may not be directly job-skills oriented, but which would lift general skills (e.g., workplace literacy and soft skills like teamwork and communications).
- Use the above-referenced "one stop career center" for this population as well.

Options for Policy and System Improvement Initiatives

- Establish a high level task force (or Council) consisting of key government officials plus a broad cross-section of society to identify and address barriers to

job creation, hiring and firing and workforce skills upgrade issues, and to serve as a coordinating council for governmental policies and donor participation in workforce development;

- Establish a system for annual national skills surveys and skills gap analyses, and disaggregate data to local jurisdictions and local labor markets;
- Follow through with earlier developments to establish certification systems for all levels of training, compatible with international standards;
- Develop an alternative credentialing process for school returnees and adult education students (such as a GED, secondary equivalency diploma).

Options for Capacity-Building Initiatives

- Enhance the capacity of the Statistical Office to design and manage an annual national skills gap survey, to analyze survey results, publicize them, and disaggregate to local jurisdictions and labor markets; link them to the policy and curriculum processes in the Ministry of Labor and Social Policy and the Ministry of Education, Science and Technology;
- Build capacity at the local levels to improve programs for job training and employment preparation;
- Build a program of real employer participation in local vocational education centers, vocational training centers, youth centers, and vocationally-related university programs;
- Try capacity-building of a few institutions (labor or education and training) in order to showcase successful models and to encourage lower-risk innovation.

5.2 Criteria for Moving From Options to Recommendations

It is clear that no single initiative could accomplish all – or even most – of such an ambitious agenda. Accordingly, the assessment team reviewed the options generated by the assessment through literature review, key informant interviews and focus groups, and brainstorming conversations with several Mission staff, and considered which approaches had priority according to certain criteria:

- *Systemic importance, impact:* If it worked, what difference would it make?
- *Leverage*: Could USAID's investment leverage useful change?
- *Feasibility*: Could it be done successfully?
- *Innovation*: Will it break new ground?
- *Compatibility with context:* Could it fit Kosovo policy and organizational realities?
- *Potential for scaling up and sustainability*
- *Public-Private Partnerships*: Does it advance this interest?
- *Donor coordination*: Is someone else already doing it?

5.3 Recommendations for Workforce Development in Kosovo

Recognizing considerable overlap among these categories, the assessment team considered numerous possibilities, and recommends 1) an overall **System Building Strategy;** 2) a series of **Direct Service Investments**, and 3) a set of **Capacity-building Investments**.

The assessment team recommends a strategy for USAID activity in this field that takes steps toward a genuine workforce development system in Kosovo. In full form, such a system would include: a) a nationwide policy apparatus; b) a vigorous implementation strategy; and 3) municipal and regional delivery mechanisms. It would build upon current and past government and donor investments in general, vocational and technical education at the secondary and tertiary levels, in labor measures in both policy and delivery, in youth development, in economic competitiveness, in conflict mitigation, and in governmental decentralization. It would include measures to support job creation, to upgrade and credential skills training and education, and to inspire and support public-private partnerships. The approach draws on lessons learned from both recent Kosovo experience and U.S. and European experiences with investments in workforce development.

While this sounds ambitious – and indeed it is – it is meant to map a course to a modern system. It will not, of course, take place immediately, and its full implementation is likely beyond the reach of the current initiative. However, the assessment team proposes a set of steps and options for the Mission to consider, and not to undertake the entire journey at once.

System Building Recommendation #1

Initiate and support the development of a national level, private sector co-led inter-ministerial Council on Workforce Development to oversee the development of policies and programs throughout Kosovo.

Objective: To go beyond the current government/donor-driven, *ad hoc* approach to workforce development through means of a high-level, public-private council driving a cross-ministerial implementation strategy to build a modern, demand-driven capacity in workforce development for the 21st century. Get commitment from key government Ministers to engage such a development. Assign a working group of permanent secretaries or key staffers from represented ministries, as well as from the Prime Minister's office or donor coordination office

Rationale: The assessment documents that there is a great deal of activity, much of it donor-supported, in vocational education, capacity-building in schools and centers, entrepreneurship support, and youth development. Employers complain, Ministers each express their department's vision and plans, donors keep developing programs, but there is no overarching strategy either for delivery systems or for ongoing government investment to build and sustain a true, demand-responsive system.

System Building Recommendation #2

Initiate and support the implementation of an annual Skills Gap Survey of Kosovo employers in order to document the changing demand for skills in Kosovo's growing economy

Objective and Rationale: In support of development of a modern workforce development system, real data and the results of its analysis must replace the current approach, which is largely estimation and conjecture. If the inter-ministerial Council on Workforce Development has been developed by this time, the Skills Gap Analysis becomes a signal product and a policy driver

Direct Service Recommendation #1: Develop Municipally-based Career Learning Centers*

A local social partner stakeholder-driven initiative to identify and deliver relevant learning and livelihood activities that support a culture of lifelong learning and excellence in skills development and contribute to meeting local workforce needs.

Objective: To develop two or three centers through a quasi-competitive process among several candidate municipalities in order to demonstrate coordinating lifelong learning and livelihood skills activities that result in competency-based certification and income generation activities for local beneficiaries.

Career Learning Centers act as coordinating agents for the implementation of the Workforce Development Project on the ground in local situations. They are meant to be designed, managed and guided by a public private partnership Board of Directors, and directly the responsibility of the municipality, which would be expected to provide the physical facilities. These Centers would be staffed and receive a grant of staffing support, plus negotiated supplies, equipment, and technical assistance and coaching to enable them to play a coordinating and promoting role in the local community. They work in partnership with other donor initiatives in the local area, complementing other initiatives. The aim of this is to develop best practice methodologies that contribute towards local economic development through employment, and that demonstrate elements of a future national system. In the long-term, strategies should be developed to expand a successful concept and institution to other regions, and to move from donor to public funding.

***Note: Regarding OPTIONS: there are three direct service recommendations. They may be viewed as component parts of a single "umbrella" recommendation or they can be separated. In brief, either all of these activities could take place in a small number of municipalities as a coordinated initiative, or some of them could be eliminated or implemented elsewhere, at the Mission's option. The FIGURES that follow represent pictorially how all the activities might relate.*

Figure 5: Project Structure

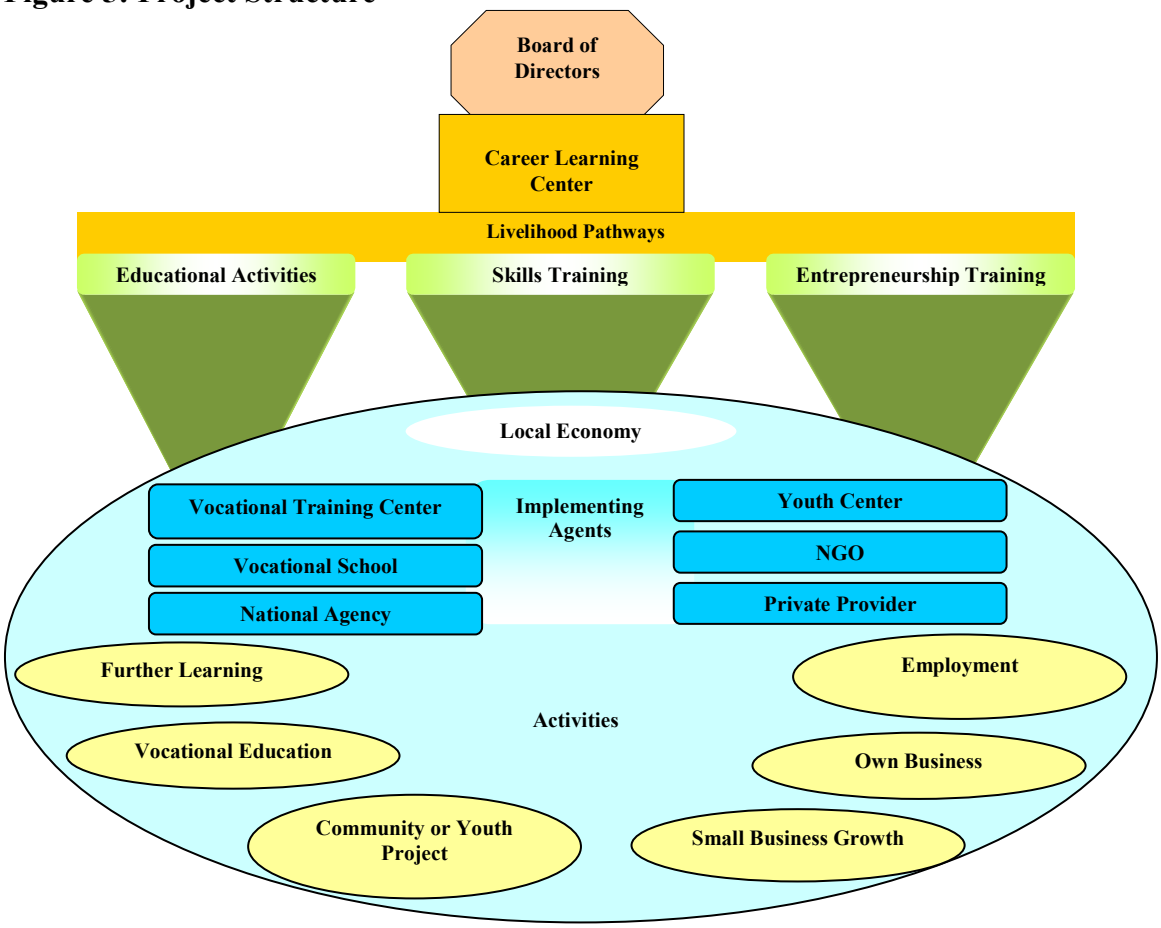
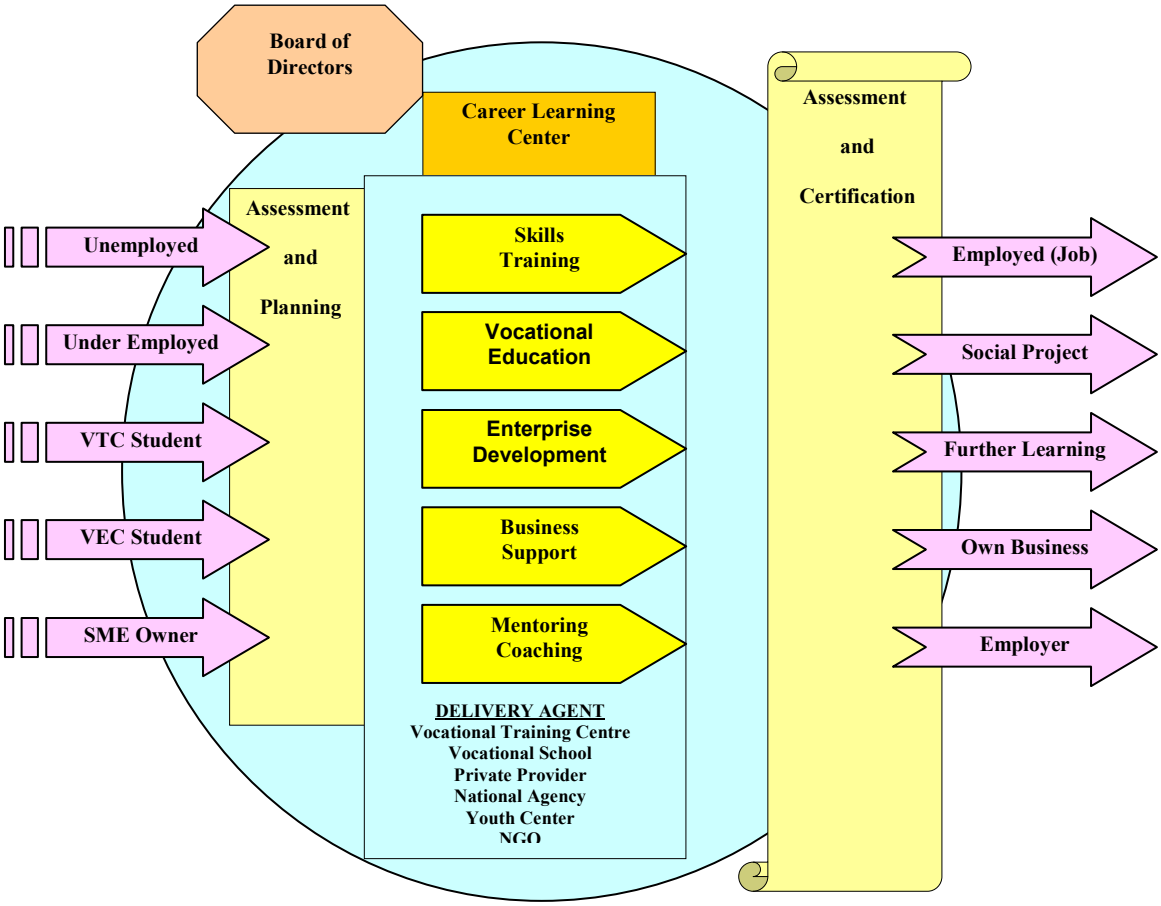


Figure 6: Project Flow



Direct Service Recommendation #2: Skills Training and Certification for Unemployed and Underemployed Beneficiaries

A municipality-based approach to providing accredited competency based skills training and work experience for unemployed and underemployed persons from the local economy, supporting them to acquire critical livelihood skills to enter the labor market and self-employment

Objective: To provide critical skills that are needed, at entry, intermediate, and advanced levels through the provision of accredited competency-based training and work experience to assist local beneficiaries to enter the labor market and self-employment.

The aim of this is to provide quality skills development training that is integrated and competency-based and recognized at the national and regional levels. The training must include a work experience component and should result in at least 60% of the beneficiaries finding placement in employment or self-employment. Consider how such a program of training might operate within or in conjunction with the Career Learning Centers recommended above. The training would be provided to three *beneficiary groups:* the unemployed, the under-skilled (employed or not), and the employed but "unaccredited"

A note about certification:

A consistent theme and common recommendation regarding vocational education training is that the skills training offered to these beneficiaries would be practical, as well as towards courses either registered against the Kosovo National Skills Framework (when developed) or against recognized international standards. The graduates' certificates would thus indicate that they were competent against select modules. Not only would this ensure that successful graduates receive quality assured training, but there would be portability for the graduates into Kosovo industry and into the European market.

In order to certify the graduates in this way, the training provider delivering the courses would need to be competent to deliver such training. Eventually they would need to be recognized by the Kosovo Accreditation Agency or the Ministry of Education, depending on the level of the courses delivered. They could also have European or international accreditation or recognition.

Direct Service Recommendation #3: Entrepreneurship Training and Business Growth

Provide accredited business skills training and support business growth initiatives for unemployed and underemployed persons and small business owners (micro and informal) from the local economy to acquire skills to run and grow their businesses, contributing to local economic development, self-employment, and employment.

Objective: to provide business skills training accompanied by business growth mentoring to local entrepreneurs to ensure sustainable businesses that result in local economic growth and employment generation.

The aim of this is to provide practical business skills training supported by active hand holding and mentoring to ensure beneficiaries are running operational businesses one year after completion of the training. The beneficiaries are either small business owners (micro and informal) from the local economy or unemployed and underemployed persons who have the necessary technical or trade skills. The businesses are operational from the commencement of the program and the hand holding and mentoring is practical, encouraging businesses growth. This income generation contributes to local economic development and, as the business grows, results in the employment of additional persons. There would be three *beneficiary groups:* small business owners who want to grow; unemployed persons with some experience that shows their entrepreneurial aptitude; and participants from skills training initiatives.

Capacity-Building Recommendations

There are several aspects of this strategy where capacity-building is almost a prerequisite. The assessment team recommends four:

1: Staff support to the proposed inter-ministerial Workforce Development Council;
#2: Staff and expert support to develop the annual skills gap survey and analysis;
#3: Development of certification processes for training and an alternative secondary school diploma could both make good use of expertise from the project in the form of short-term technical assistance and trained Kosovo staff; technical visits to certifying bodies in Europe, or the developers of the U.S.-based GED program, might also be in order;
#4: We think it is likely that municipalities proposing to participate in the Career Learning Center initiative will require assistance to plan, strategize, develop, and negotiate the required partnerships with employers and service deliverers. Each municipality is purported to have a "youth specialist" who will need to be coached, taught, and partnered with in pursuit of the program's objectives.

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