



FEASIBILITY STUDY ON THE NEW VET SYSTEM COORDINATION SETUP

Study Report – V01

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Executive summary

Vocational education and training symbols the start of entry into work, career, and involvement in the broader life of society. An inadequately educated workforce, low work ethics and skills mismatch in Georgia captured by the recent Global competitiveness reports serve as the symptoms for a high national unemployment rate accounting up to 13% according to the national statistics office. As the goal of producing a critical workforce for business and curing the qualified labor force shortage in a country is not met by the vocational education system, it comes as no surprise that further efforts have to be made to more actively bring the private sector into play.

Study of a new VET system coordination setup for Georgia refers to the bottlenecks of VET development of inciting more business and local government engagement, improving decision making and removing inefficiencies. The international practice and success stories indicate on the importance of the government and private sector partnership, also their mutual coordination of the vocational education. The three scenarios proposed in the study endeavors to improve VET coordination and lay the foundation for intra-industry partnership as well as develop VET programs corresponding and keeping pace to the labor market requirements. Attaining excellence of the vocational education and training, perceived as one of the key instruments for economic development, specifically in the developing countries, will allow Georgia to win the global race for the high-quality workforce in the future.

International practice and stakeholder in-depth interviews held within the study indicate that all the parties on stake are well-aware of the drawbacks Georgian VET system suffers for the time being, thus express their readiness for contributing in the structural changes. Nevertheless, as for the financial involvement, the private sector does not express a strong will and believe that a piloting of the project and initial funding from the state is a necessary and sufficient condition for all the stakeholders, representing every sector, to become more enthusiastic and ready to be involved in implementation process of the new VET coordination setup.

1. Situation analysis

1.1. Overview of the Georgian labor market situation and VET sector reforms

1.1.1 Georgia's labor market and the role of VET

An inadequately educated workforce and low work ethics are currently the single most problematic factors for doing business in Georgia (2017-18 Global Competitiveness Report). Equally alarming is the mirror image of the skills and work ethics problem – youth unemployment.

According to the World Bank's 2018 Systematic Country Diagnostic (WB, 2018)¹, Georgia's national unemployment rate in 2018 stood at 12.7%, with the bulk of unemployment concentrated in urban areas, disproportionately affecting Georgia's youth. In 2018, the share of urban unemployed stood at 21% as compared to only 5% in rural areas; youth unemployment in urban areas was as high as 42% (48% in secondary cities and 38% in Tbilisi).

Moreover, young Georgians are displaying unusually high rates of inactivity. The share of Georgian youth not in employment, education, or training (NEET) is almost 30%. The high NEET rate indicates that Georgia's young people are at severe risk of labor market exclusion. Young women are particularly vulnerable in this regard as they tend to remain inactive and out of school for longer periods than males. Since Georgia's population is highly literate, as measured by the share of those completing secondary education (Livny, Stern and Maridashvili, 2017)², one of the main bottlenecks for effective employment and job creation in Georgia is about access to the right kind of education and, very importantly, high quality vocational training.

The benefits of VET extend to the broader economy and society via the following channels:

- Improved matching of youth to future job market opportunities;
- Opportunities for lifelong learning and retraining;
- Employer satisfaction, leading to further investment and job creation;
- Reduced unemployment (particularly among youth) and emigration (brain drain);
- Improved social integration and inclusivity;
- Poverty reduction.

¹ Systematic Country Diagnostic : from Reformer to Performer, The World Bank, 2018:

<http://documents.worldbank.org/curated/en/496731525097717444/Georgia-Systematic-Country-Diagnostic-from-reformer-to-performer>

² Livny, E., Stern P., and Maridashvili T., "Reforming the Georgian VET System: Achievements, Outstanding Challenges and Ways Forward," ISET Policy Institute, the World Bank and UNICEF, 2018.

At present, the contribution of the Georgian VET system to bring out these benefits has gradually developed, however, still more effort is required for laying foundations for more sophisticated multi-stakeholder governance in the national VET system.

At the time being, the Georgian VET system serves a very small fraction of potential “clients”, and their number is not growing over time (see Annex 2).

Moreover, the current VET admissions system fails in its most fundamental aspect: **matching young talent to appropriate educational programs**. While simple, transparent and corruption-free, NAEC’s academic tests – the current basis for admission into VET – are not relevant for professional success in many vocational occupations and represent a barrier to entry for Georgian youth growing in humble social circumstances³. And because admission decisions do not involve either the colleges or the private sector, the selection of students into specific professional programs is carried out without taking into account professional aptitude and motivation.

Why careful student selection is a key performance aspect of any education system?

The Georgian VET system suffers from many drawbacks, such as a lack of qualified teachers, weak practical preparation, and only a handful of Work-Based Learning programs implemented in partnership with the private sector. However, rigorous student selection and sorting is a prerequisite for addressing other problems in the system, changing its reputation and building trust in the quality of its graduates. Students who have the right attitude and innate talent for a particular qualification (e.g. attention to detail, technological adeptness or manual skills) make for excellent employees, even if they require a period of on-the-job training to make up for the lack of practical training. And, vice versa, the best training and education programs will fail to prepare students for jobs for which they don’t have the basic aptitude.

1.1.2 The legal and regulatory environment

The government of Georgia (GoG) is acutely aware of the importance of high-quality education in general, and VET, in particular. Having collapsed in the early 1990s, the sector started receiving

³ To be admitted into VET, students have to score a minimum of 25% on the NAEC test, which may be considered a very low threshold, except that many 9-graders from rural schools are deterred by the very prospect of an academic exam and do not register for the NAEC tests. Additionally, 9-graders are at a competitive disadvantage, relative to adults, when applying for highly demanded programs in fields such as ICT. Though achieving higher scores, 25-30% of adult students tend to drop out of VET programs for lack of ability to study while maintaining full-time employment. This is a major source of inefficiency in Georgian VET (interview with Tamar Kitiashvili, Chair, National VET Accreditation Board, 5 August, 2019).

attention in 2007, with the adoption of a new law on VET. This initial legislation was substantially amended in 2010, leading to the establishment of comprehensive national qualification and quality assurance frameworks, and laying the foundations for multi-stakeholder governance.

The approval, in September 2018, of the new VET law, opens up additional opportunities for a comprehensive upgrading of the VET system. The revised National Qualification Framework (NQF), adopted in April 2019, is based on life-long learning principles, and, as such, constitutes a further step towards adopting a modern approach to workforce development. Other features of the VET law include:

- A flexible regulatory approach, allowing for greater private sector involvement in industry-led vocational education and short-term training/retraining models.
- A public-private partnership (PPP) framework providing the GoG with a tool to encourage private sector investment in new VET programs that conform to its strategic objectives, as well as—potentially— engage business partners in the governance of public VET colleges.
- Improved integration of VET with other components of the education system (schools and universities), removing existing “dead ends”, and allowing students to transition between different types of programs and combine different qualifications.
- An arm’s length relationship between the GoG and VET providers giving the latter greater operational autonomy, including the right to commercialize goods and services produced as part of the study process.

1.1.3 Government and donor investment in VET

The GoG is continuously increasing the funding of VET institutions, upgrading infrastructure and expanding the geography of VET provision by opening new colleges in sparsely populated regions that are not of interest for private sector providers. Additionally, public universities are encouraged to venture into new VET programs, often in partnership with credible international providers.

According to recently announced government plans⁴, public funding for education is supposed to dramatically increase in coming years, reaching 25% of the budget – or 6% of GDP – by 2022. The intent is to modernize VET infrastructure, to significantly increase enrollment, and make vocational education and training 100% market-driven.

⁴ See, for example, *Gov’t promises to invest 1/4th of budget in education*
<http://www.agenda.ge/en/news/2019/632>

Very importantly, since 2007, the Georgian VET sector has been in the focus of a large number of donor-financed initiatives⁵ that helped improve necessary bylaws and regulations, build skills, improve programs, upgrade the physical infrastructure of public VET colleges and design a rebranding campaign. As a result, access has increased and quality of programs is improving.

Several donors (GIZ, Millennium Challenge Account, UNDP/SDC) are currently in the process of introducing and testing different models of Work-Based Learning whereby private sector partners assume greater responsibility for the practical training component of VET. While the institutional detail and the sectors targeted differ, the general goal of these very important initiatives is to build the in-company training capacity of Georgian businesses and the capacity of Business Membership Organizations (BMOs) to engage partner organizations and coordinate such functions as student recruitment and assessment. If continued and scaled up, these initiatives are likely to produce a change in business attitudes to WBL, whetting their appetite to take part and even contribute financially (e.g. through scholarships and apprentice salaries).

1.1.4 Future reforms in Georgian VET

Based on interviews with MoESCS officials⁶, the Government of Georgia (GoG) plans to continue with the gradual introduction of WBL, as described above. In parallel, GoG is looking for ways to improve the *in-school* component of VET, and, in particular, to strengthen the practical aspect of training provided by Georgian VET colleges.

A core objective of the future reforms in Georgian VET system is to intensify private sector involvement in industry-led vocational education and short-term training models. This is seen as a means of improving the matching of the students to appropriate educational programs, implementing educational programs relevant to the labor market requirements, implementing a public-private partnerships (PPP) and encouraging private sector investment in new VET programs that conform to GoG strategic objectives, while simultaneously engaging business partners in the governance of public VET colleges.

⁵ Key donors operating in the VET sector include the European Union, Germany's GIZ and KfW, US Agency for International Development (USAID), Millennium Challenge Corporation (MCC), Swiss Agency for Development and Cooperation (SDC), UN Development Program (UNDP), Asian Development Bank (ADB), Good Governance Fund (GGF) and the World Bank (WB), among others.

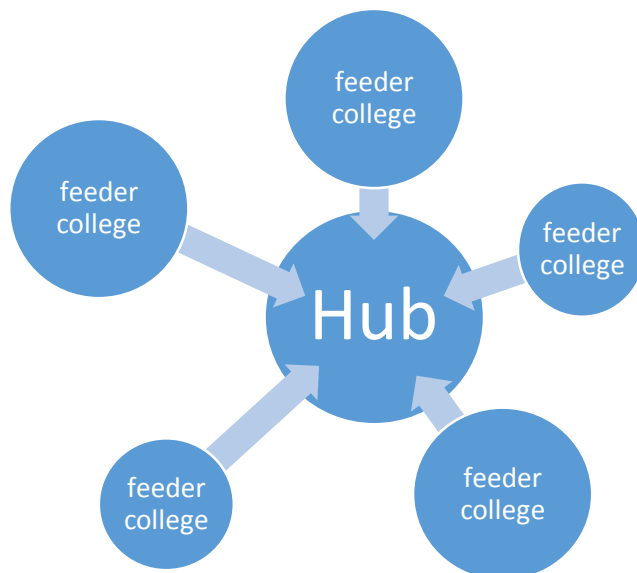
⁶ Interview with Deputy Minister Irina Abuladze (22 July, 2019) and head and deputy heads of the VET Department, Irina Tserodze and Tamar Samkharadze (19 June, 2019)

An idea that gained a lot of traction with senior MoESCS officials is to reorganize the public VET system into several *specialized hub-and-spoke networks*⁷ (see **Figure 1**). Within each network, one college would be designated as the lead provider – a “center of excellence” or “hub”. The satellite campuses would specialize in basic theoretical instruction, acting as feeder programs for the network.

In some cases, such as the planned KfW-financed center for transport and logistics in Dighomi, the hubs will be built from scratch. In the majority of cases, however, the GoG will seek to upgrade the practical training facilities available at selected colleges, and/or rely on existing business infrastructure (e.g. prominent healthcare and hospitality operators) in their immediate environment. The latter setup will naturally lend itself to WBL-type training programs implemented in partnership with private sector companies in the nearby area.

As a first practical step in this transformation, the government seeks to conduct a **mapping exercise** to identify potential providers who could take upon themselves the role of education and training “hubs” for a small number of key occupations. The occupations in questions would have to be selected through dialog with the business community, to be facilitated by the Ministry of Economic and Sustainable Development.

Figure 1: Hub-and-spoke system of VET provision. The college designated as the hub of a network acts as a “center of excellence”, providing practical training for students from feeder colleges in the periphery



⁷ This plan was inspired by the ongoing collaboration between the Georgian Government and KfW regarding the construction in Dighomi of a €20mIn “excellence center” for transport and logistics. The center, to be launched in 2022, will act as a model facility and training center for its own staff as well as other companies in the sector.

Secondly, the government will **establish the human capacity and infrastructure needs** of the selected providers, and will invite donors and interested business partners to participate in their development. The hub locations will be mainly concerned with the acquisition of *practical* skills, hence most investment will be in workshops, tools, machinery, materials, lab equipment and corresponding knowledge and teaching skills. As for the satellite campuses, their primary focus will be on *theoretical* classroom instruction, posing relatively modest requirements in terms of equipment and teacher qualification. Students from satellite campuses will travel to the hubs (which will have to be equipped with sufficient dormitory capacity) in order to engage in hands-on practical training.

Thirdly, and very importantly, the government recognizes the need for tight collaboration with relevant industries and will convene **specialized Sectorial College Boards** to *oversee and/or advise* the new VET networks in their respective domains.

The “*specialized hub-and-spoke networks*” approach should be discussed in conjunction with all possible system coordination scenarios (see section 3 below).

1.2 What kind of VET coordination setup does Georgia need?

1.2.1 Engaging businesses and local government

The current coordination setup does not include a systemic private-public partnership in the VET sector. Practically all coordination functions – from strategy and policy development all the way to VET promotion and student recruitment – are handled by a small VET department within the Ministry of Education, Science, Culture and Sports (MoESCS) with the help of a few national government agencies. What is absent is regular participation and ownership by Georgian businesses, on the one hand, and local government/civil society, on the other.

Some Georgian companies are at times consulted; a few Business Membership Organizations (BMOs), such as the Georgian Farmers Association (GFA), and large businesses are involved in the implementation of donor-financed projects⁸. However, businesses remain extremely skeptical of the public VET system and are reluctant to step in, even in an advisory function. Many existing BMOs are

⁸ Ferrero/AgriGeorgia works with USAID, Georgian Farmers Association (GFA) with UNDP/SDC, and Georgian Wine Association with GIZ on the implementation of industry-led training and/or Work-Based Learning vocational education programs. The Government also entered into PPPs with two companies (one public, one private) on the creation of vocational colleges (Georgian Railways, M2).

willing to act as service providers in donor-financed projects. However, the majority of them do not truly represent their sectors and lack the professional capacity to engage in a meaningful way.

The lack of genuine Public-Private Partnership (PPP) is present at all levels of VET coordination:

At the national **VET strategy/policy level**, there is little representation for non-governmental actors, other than donors and international organizations. The private sector used to be formally included in the now-defunct National VET Council which was supposed to advise the Government on VET strategy and policy. Yet, this body was far from effective. As stated in the European Training Foundation’s Georgia 2016 report “there is still a long way to go in making the National VET Council a real platform for VET policy debate and formulation.” Likewise, the ETF report states that the 27 sector committees created under the National Center for Education Quality Enhancement (NCEQE) in order to validate new professional VET standards, “suffer from an underrepresentation of enterprises and professional associations and from the corresponding predominance of education institutions and experts.”⁹

The situation is far from satisfactory when it comes to coordination at the **sub-national level** – with local/regional governments, civil society organizations, professional associations and industries. Put bluntly, the Georgian VET system lacks genuine coordination mechanisms at this level. Whereas in most national setups, local government, professional associations and industry groups have a say on *regional priorities* as well as *professional and educational standards in VET*, practically any initiative in the Georgian VET sector is conceived, implemented and financed by the donor community in cooperation with the central government – the MoESCS VET Department and other national agencies. Sectorial committees, which used to support the work of NCEQE in elaborating new professional and educational standards, are no longer functional. Moreover, these committees have never been sufficiently independent and representative of their sectors to act as genuine Sectorial Skill Councils, similar to those operating in most advanced country contexts. Municipal governments are by and large absent from VET sector coordination or implementation, which is another large gap in the current setup. Finally, **at the micro level of VET delivery**, all public colleges report directly into the MoESCS VET department, with no other (local or professional) stakeholders having much of a say. All key governance

⁹ It goes without saying that domination of any group of “experts” in a large consultative body comes with the danger of groupthink and more-of-the-same type of reform ideas that may not be particularly productive in the Georgian context. An effective consultative board – as opposed to a ceremonious one – should not be too large, and it should include innovative and assertive thinkers, people who understand the reality on the ground, and are able and willing to challenge the status quo.

decisions concerning the colleges' strategy, performance, budget or senior appointments are the exclusive prerogative of the MoESCS VET department, which is too far from the reality on the ground, is not sufficiently informed of the local labor market situation, or the principals' performance vis-à-vis local stakeholders (schools, employers). Most colleges maintain pro forma Consultative Boards that include representatives of the local government, industry and (sometimes) the NGO community. These boards, however, are not decision-making bodies, reducing the motivation of local business leaders and other external stakeholders to actively engage. The PPP-based colleges are an exception that proves this rule. It follows from the above that a new coordination setup should serve as a means of facilitating genuine engagement of the private sector, local governments and non-governmental stakeholders in the design, development and delivery of VET. By doing so, it would help remove two major stumbling blocks. Firstly, it would promote the sector's recognition as a viable alternative to higher education, improving the quality of human capital entering the VET system. Secondly, it would help reduce the gap between the kind of practical, hands-on training and education that is demanded by the economy and what the VET sector is able to supply. All in all, more inclusive multi-stakeholder governance, management and delivery of VET will strengthen the sector's reputation and dramatically increase the effectiveness of government and donor efforts to develop and rebrand it.

1.2.2 Improving decision-making and eliminating inefficiencies

The second issue with the current setup is a lack of efficiency and effectiveness related to the functioning of government agencies involved in VET coordination. Some of the challenges raised in our interviews with VET sector stakeholders include: having too many agencies involved, potential conflicts of interest, and administrative overload. The result is sub-optimal quality of decision-making and execution, particularly when it comes to the development functions envisaged by the new VET law. MoESCS VET Department currently consists of only 10 professional staff and is heavily **overloaded**. Its current responsibilities, at least on paper, extend well beyond strategy, policy and reform coordination to a multitude of operational and development functions. As a result of overload, many of these functions tend to fall between the cracks, such as when:

- **The VET department lacks staff.** This concerns most development functions, such as internationalization, promotion of innovation and entrepreneurship in VET, PPPs or WBL coordination, promotion of integrated VET programs in the general education system, short-term trainings for adults, recognition of non-formal education, etc.;

- **The VET department lacks specialized skills**, such as rebranding and marketing, reviewing the quality of tracer studies and drawing policy conclusions from available data;
- **The VET department lacks resources**, such as when a complex task is outsourced to a small number of consultants who don't have the capacity to undertake it at the right level of quality or scale (e.g. VET promotion in Georgian schools).

Another issue is a potential **conflict of interest** concerning some of the functions “owned” by the National Centre for Quality Enhancement (NCEQE). For example, the agency is simultaneously in charge of preparing colleges for the introduction of modular programs and approving them. Similarly, NCEQE is in charge of developing professional and educational standards (supposedly with the involvement of industry stakeholders) and their approval¹⁰, calling in question the quality of its decisions. From the good governance perspective, it would be far better to separate the development functions, and let NCEQE act as a quality assurance body for the entire education system, VET included.¹¹

An important development function – in-service teacher training – is currently assigned to TPDC (Teacher Professional Development Center), a government agency primarily in charge of developing the workforce for the *general* education system. Thus, VET teacher training is **peripheral** to the main focus of TPDC activity. Its VET unit appears to be understaffed and under-resourced, raising questions as to TPDC's ability to assist in upgrading the VET workforce and pedagogy in the country¹².

Finally, all government agencies performing VET coordination function are established as **Legal Entities of Public Law** (LEPL). Given this legal setup, they are subject to rigid rules concerning e.g. budgeting, procurement of supplies, and hiring, making them less operationally agile. Additionally, the LEPL status is less accommodating when it comes to non-governmental stakeholders, be it Business Membership Organizations, civil society groups or other social partners.

1.2.3 VET sector's public image: a binding constraint?

In designing and prioritizing reforms in the VET sector, it is important to understand which constraints are truly binding today (and therefore should be assigned the highest priority) and which will only become critical in the future. The idea that not all constraints are equally binding for a system's

¹⁰ NCEQE also serves as the secretariat for the National Accreditation Board under the Georgian Prime Minister, the body approving VET programs, but this does not create any conflicts of interest.

¹¹ Interview with head of NCEQE, Giorgi

¹² Interview with the head of TPDC, Berika Shukakidze

development or efficient functioning is central to the so-called Theory of Constraints (ToC). Under this theory, investing resources in addressing the non-binding aspects of performance will have little or no impact. A chain is no stronger than its weakest link, according to ToC, and reformers should seek to identify and strengthen this particular link before fixing anything else.



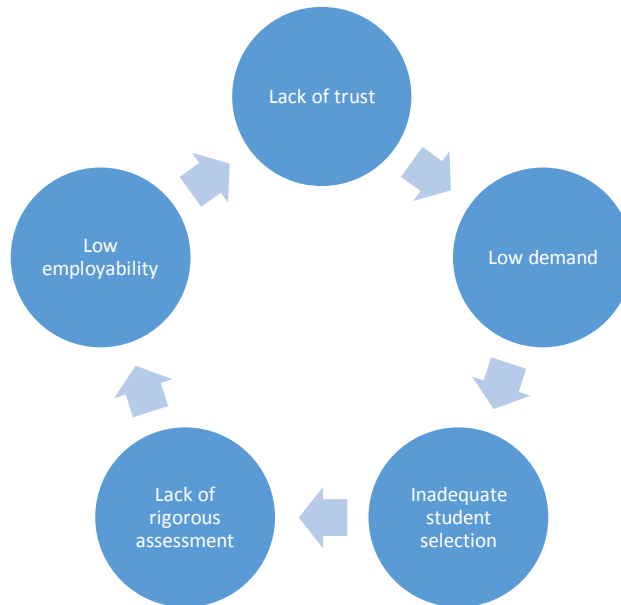
Sisyphus reforms

Reforming a system by trying to treat a non-binding constraint does not produce sustainable results. A donor-financed intervention may lead to a temporary improvement in a system's performance, but once the program is phased out, the system will inevitably revert to its pre-treatment performance level.

TOC can be handily applied to the analysis and reformation of education systems in a country. Despite continuous government and donor-financed investment in the infrastructure and programming of VET colleges, and despite several waves of legal and regulatory improvements, Georgia's public VET sector has not been able to shed its image of "a second-rate alternative compared to higher or general education."¹³ *Importantly, the poor image of the VET sector is not just a symptom of all other challenges combined, it is also a causal factor, a constraint.* And, unfortunately, this is the most difficult constraint to address because it has the tendency to reinforce itself through the student recruitment channel, acting as a self-fulfilling prophecy (see Figure 2).

¹³ See, for example, *Some Lessons Learnt from EU Countries Experience on Harnessing NQF as Lever for Reforms of Education and Training Systems* by IBF Consulting (2018): "At macro-level, the biggest challenge facing the VET system is that it remains unpopular to enter the system as it is still considered as a second-rate alternative compared to higher or general education... In general, private businesses are not enthusiastic to cooperate with VET, because they still do not identify their benefit from a strong VET system."

Figure 2: A lack of trust in the VET system acts as a self-fulfilling prophecy



- **Lack of trust.** VET graduates are not able to find lucrative employment, impairing VET system’s image as a viable education option.
- **Low demand.** With the VET system being in low esteem, very few students are willing to acquire a VET qualification. Many potentially excellent VET students opt for higher education or direct employment (with on-the-job training);
- **Inadequate selection of students.** Facing low demand, colleges do not carefully match students to programs (based on professional aptitude or motivation tests). This, in turn, weakens positive peer effects in learning, hurting student and teacher morale, and reducing their appetite for learning and teaching;
- **Lack of rigorous assessment.** Colleges are not motivated to fail students because they are not able to meet their student enrollment targets and suffer from high drop-out rates.
- **Low employability.** Given the inconsistent level of professional qualifications, private sector companies are not eager to hire VET graduates or otherwise cooperate with VET colleges;
- **Lack of trust.** VET graduates are not able to find lucrative employment, justifying the VET system’s image as a “second rate” education option.

If VET sector’s public image is, indeed, a binding constraint, what can be done to address it?

Increased funding can go a long way in improving the quality of infrastructure and human resources in Georgian VET. However, building trust in the system may require something else: shared ownership and social partnership. The government and donor organizations that are currently dominating the VET

sector cannot win the reputation battle unless they get helped by the strongest local and international companies operating in Georgia. Indeed, shared ownership that builds on the prestige, brand recognition and professional resources of private sector partners is the best way to wrestle the Georgian VET system from the low-quality-low-trust vicious circle in which it is trapped today.

To create the space for serious businesses to step in, the government will have to give up on decision-making power, and involve others in determining the VET vision, strategy, and policy at the national level, and in guiding VET provision at the level of individual colleges serving particular industries.

The partial transfer of ownership can start with those branches of the economy in which the private sector is relatively well-organized and which present sufficient potential to generate high quality jobs.¹⁴ But, it should proceed in all other sectors, after relevant capacities and organizational structures are created within the business community – whether bottom-up or top-down.

1.2.4 Challenges and opportunities for an inclusive VET coordination setup in Georgia

The results of our analysis are consistent with international best practices: VET systems can only be successful if co-owned, co-financed and co-managed by state and private actors; the state is never alone in developing and implementing an effective VET policy. That said, developed countries found different ways to engage non-state actors in VET coordination, depending on their industry structure, degree of inter-firm cooperation, and the culture of policymaking.

In Georgia's specific case, the choice of an optimal VET coordination mechanism is constrained by inter-related challenges:

- A tradition of centralized governance where most decisions are taken by national government structures without consulting local government and private sector stakeholders;
- Limited capacity within the government to engage private sector partners and coordinate a joint effort to develop and rebrand the VET sector;
- The immature and fragmented nature of Georgia's industry and agriculture, weak and unsustainable Business Membership Organizations in most (but not all!) sectors;

¹⁴ A frequent complaint by VET graduates (see, for example, a summary of our interview with Karlo Kervalishvili, Rustavi College Principal) is that a Georgian VET qualification does not help them land **well-paid** jobs. In fact, entry-level wages paid to a college graduate holding a formal VET qualification are not only low in general (400-500 GEL) but also not substantially different from those offered to candidates without a qualification who can perform the same tasks with a short on-the-job training. Thus, the focus of VET should shift to high-quality productive occupations or *regulated* professions offering higher wages or entrepreneurial opportunities in agriculture, healthcare, hospitality and other fields.

- A lack of trust and cooperative traditions within Georgia’s private sector, on the one hand, and between Georgian businesses, the government, and education providers, on the other hand.

Importantly, the government mindset is changing and the political will to engage the private sector is clearly there: the MoESCS has put in place a PPP strategy and is open for partnerships. The launch of a PPP agency under the Prime-Minister will further streamline the process of private sector engagement. Likewise, private sector companies are beginning to realize the importance of VET for unlocking labor and raw material supply bottlenecks and gaining market share. Thus, Georgia presents many win-win opportunities to get the private sector to engage – and invest – in VET, and do so in a sustainable manner. Several of these are worth mentioning:

- **Mandatory qualification standards creating demand for VET.** As Georgia proceeds with EU approximation measures, Georgian employers will be increasingly required to hire, and raise the salaries of staff with relevant formal qualifications (beekeeper, forklift operator, welder, etc.). In this situation, leading private sector companies will become interested in partnering with VET institutions in order to strengthen their competitive position in the market. The recent entry by M², a major construction company, into the VET sector, appears to be motivated by competitive considerations of this nature. The PPP framework could be used by GoG to incentivize such companies to engage not only in firm-specific but also sector- and occupation-specific training, which would carry greater value for the society at large.
- **VET as a means of unlocking raw material bottlenecks in the food processing industry.** Large food processing and agricultural holdings, such as Tskhali Margebeli (Marneuli Agro and Marneuli Food Factory), or Ferrero/AgriGeorgia, critically depend on consistent, high quality supply of agricultural raw materials. This suggests the possibility of a win-win scenario whereby such companies (or consortia of companies) enter into PPPs with VET institutions, international donors and GoG, using their agronomical expertise and model farms to serve the practical training needs of entrepreneurial AgVET students and farmers¹⁵. PPPs with well-established industry leaders could help rebrand and popularize VET education among Georgian youth.

¹⁵ One example of such a PPP-based training intervention is the “Global Development Alliance” between USAID’s Economic Prosperity Initiative and AgriGeorgia (a more than EUR 40mIn investment in hazelnut production by Italy’s Ferrero, a major buyer of hazelnuts). By allying with USAID, AgriGeorgia delivered training and extension services in cultivation and post-harvest handling methods for thousands of hazelnut growers in the Samegrelo.

- **VET as a means of unlocking professional labor supply shortages.** A number of Georgian industries, such as hospitality, auto repair/re-export, winemaking, and garment have been rapidly growing in recent years. Facing strong external demand, these sectors are held back by chronic shortages of qualified labor. As reported by Livny et al. (2018), to meet their needs, firms poach staff from each other, and continuously engage in costly on-the-job training of new, inexperienced staff. This situation creates opportunities for a PPP-based VET delivery setup involving consortia of employers at the national or local level. A VET PPP targeting an entire subsector, say, garment, would be a win-win, reducing training costs faced by individual firms, helping free up resources for additional investment and job creation.
- **VET coordination as a means of empowering Business Membership Organizations.** By performing VET coordination functions, BMOs could provide significant value to their members, leading to stronger financial commitment on their part. This, in turn, would allow BMOs to be properly institutionalized, accumulate relevant professional capacities, and attract new members. The following VET coordination functions could be undertaken by BMOs: identification of skill needs, organization of competence-based exams, and recognition of qualifications.¹⁶

¹⁶ One danger to be avoided in this context is excessive dependence on (temporary) donor funding. To be sustained, associations must develop alternative revenues channels, including public funding (possibly via the Georgian Chamber of Commerce and Industry (GCCl)), service fees, membership fees, as well as donor- and private sector-financed projects.

2. International case studies

2.1 Case Study: Slovakia

Introduction / Summary

The Slovak education and training system dates back to 1970. With the economic transition, the system evolved to provide at least upper-secondary education, mostly through a school-based supply-driven VET. Eventually, secondary education became more closely linked to the Slovak labor market; with the participation and requirement of employer representatives, especially the automotive industry, a 'dual system', company-school partnership was introduced. A new Act on VET (No 61/2015 Coll.) was adopted by parliament in March 2015, providing demand-driven, work-based learning in companies. The new act rose companies' interest to engage learners to VET and offer job-relevant training. Companies' strong involvement in the system stemmed development of dual VET, facilitating the access of youth to the labor at large.

Nowadays, the Slovak economy is among the most open economies in the EU; according to the Organization for Economic Cooperation and Development (OECD), it is predicted to grow at a vigorous rate of 4.2% in 2020. The Slovak economy is heavily dependent on exporting industry products, where automotive industry has a significant share. Automotive industry as well as other economic sector representatives, individual enterprises, learners, and labor market as a whole can significantly benefit from implementing dual VET systems.

Facts and numbers

Though there are no detailed employment data available about VET schools, according to 2015 data, the proportion of upper secondary education students who perused VET was higher compared to the EU average (69 % compared to 47 %). It is also notable that according to European Commission, the employment rate of recent VET graduates in 2017 was 81.6 %, which is well above the EU average as well (76.6 %).

The strategy paper 'Learning Slovakia' has been marketed to motivate schools to track their graduates' further education and involvement in the labor market, though initiative hasn't been implemented successfully.

Accessibility & Students recruitment & Information

Education and labor sectors are responsible for provision of career centers. Counseling in education sector is managed by centers of educational and psychological counselling and prevention and centers of special education guidance and counselling. Educational counsellors, school psychologists, school special pedagogues, therapeutic pedagogues, social pedagogues, and prevention coordinators provide information and guidance for learners at primary and secondary schools. Counselling for adults is less developed due to a lack of resources. Offices of labor, social affairs and family provides guidance to involve job seekers into the labor market. With the help of a 'Bilan de Compétences' project, there are over 150 labor office counsellors nationwide competent to work with personal portfolios and evaluate job seekers' competencies.

As mentioned, due to the implementation of a “dual system” in VET, vocational education and training have been linked with employers' needs. Therefore, companies have been endorsed to attract learners as well as participate in VET. Employers who are interested in certification for the system of dual education can participate in regular trainings designed by Council of Employers for the System of Dual Education.

Governance

VET governance structure was established in 2009 and went through the latest revision in 2018. Bodies that are responsible for elements of governance consist of:

- National VET Council, the coordinating body affiliated to the government, that discusses VET policies such as regional and sectoral strategies.
- Regional VET Councils, collective bodies consisting of representatives of state, self-government, employers, and employees. They address the management of working processes for VET policy application.
- Sectoral (Skills) Councils, who predominantly share their expertise with policy-makers linking VET to labor market needs, in order to aid the development of relevant skills.
- “Sectoral assignees”, representing employers’ interests by VET study field.
- The ‘Employer Council for Dual VET’ encompassing ‘sectoral assignees’ involved in dual VET
- Expert groups and ad hoc working groups who are affiliated to the State Institute of Vocational Education; they mainly attend material, spatial, and equipment-related requirements.

Development of vocational qualification

Education authorities regulate the development of initial VET programmes following 4 main steps:

- Initiation: employers and schools approaching the education authority
- Inception: proposal of an experimental programme, which should be approved and registered by the education ministry and then implemented as an experiment. The process involves a specialist from the field as well as the methodologist of the State Institute of Vocational Education.
- Evaluation: progress is evaluated by the specialist and the education ministry is informed regarding any changes or adjustments that should be made during the experiment.
- Mainstreaming: if the specialist’s evaluation is positive, the programme is added to the VET programme list and the corresponding State education programme is altered accordingly.

After the new Act on VET (No 61/2015 Coll.) was adopted, curricula for dual VET has been developing due to the expansion of practical training under the supervision of companies.

Funding

According to data on general government expenditure by function (COFOG), Slovakia's total public expenditure on education in 2016 was 3.8% of its GDP; though, lower than in the EU-28 (EU average: 4.7 %), several policy documents have proposed that investment in VET should be increased up to one percentage point by 2020. Since initial VET, regardless of ownership, is funded from the State budget through per capita financing, VET schools try to recruit learners despite their skills or interests. Capital expenditures are primarily funded by the bodies that establish the schools. Depending on the school type, funding may come from collecting fees, as well as parish community donations. In 2009, the VET Act established a VET fund for voluntary donations, though the fund has not been able to contribute with finances yet.

Since 2015, the new VET Act (61/2015) made certified training facilities tax deductible, therefore, initial costs have been reduced by 22%, corresponding corporate tax. Before, unless companies concluded employment contract with trainees post-training, travel, costs of meals, accommodation, etc., were not tax deductible. Therefore, only profitable companies were able to afford investing in initial VET. The new act brought corporate tax relief, further encouraging enterprises to get involved in dual VET.

EUR 3200 per trainee for 400 hours of practical training per year or EUR 1600 per trainee for 200 hours of practical training per year are offered as a further tax-deductible incentive on a per capita principle depending on hours offered on practical training.

WBL/Dual education, learning environment

Within the scope of Work-Based Learning, learners are offered practical training in certified training centers, based on a contract signed with secondary schools. Companies implement trainings and take responsibility of providing particular knowledge and experience, three or four days per week on average.

On top of practical trainings, trainees/learners attend part-time vocational school. Vocational-schools offer theoretical and practical knowledge in the relevant occupations, as well as general subjects.

Quality assurance

The main stakeholders that have been checking VET quality are the State School Inspectorate and the National Institute for Certified Educational Measurement. Though, both institutions primarily have been focusing on general education subjects. Therefore, covering various VET fields required institutions' expansion of human resources. Therefore, "sectoral assignees" are expected to assist in checking the quality of practice-oriented training as well as certifying company premises established for provision of practical training within dual VET. Legislative changes were made to improve quality of VET schools by supporting business representatives' involvement, accommodating resources for program provision, and establishing VET centers in cooperation with self-governing regions and respective "sectoral assignees".

Applicability for Georgia

The Slovak VET system can serve as a model for the involvement of the private sector in the VET governance, vocational qualification development, and WBL. Companies implementing trainings and providing particular knowledge and experience several times a week makes it feasible to attain students with expertise a relevant to the labor market requirements that translates into the high levels of employment rates of recent VET graduates. Appropriate regulatory environment additionally built up companies' interest for involvement in the dual-VET system and offering a job-relevant training. Moreover, the idea of education and labor sectors career centers could be used for additional instrument for overcoming the issue of matching of youth to future job market opportunities and it is easy to replicate.

Slovak approach for funding of VET, applied in particular for the tax deductions, could also be discussed for a good practice for further encouraging enterprises to get involved in dual VET. This would also be a very interesting model for Georgia but the country needs to cautiously examine expected consequences in advance.

2.2 Case Study: Slovenia

Introduction / Summary

Slovenia represents the country investing more in education and training than the EU average - in 2016 government expenditure on education accounted for 5.6% of GDP and 12.4% of the general government spending. Despite being a relatively new European country, gaining its independence in 1991, Central European influence could be partly traced in the way the education system and VET system is structured in the country. Public-private partnership based agency on skills (The Institute of the Republic of Slovenia for Vocational Education and Training (CPI)), co-founded by the government and chambers, offers support in developmental, research, implementing processes that contribute to the quality of vocational education and training for the citizens of Slovenia in the context of lifelong learning.

Established in 1995 by the Slovenian Government, the Chamber of Commerce and Industry of Slovenia and the Chamber of Craft and Small Business of Slovenia, CPI is working with various parties on stake, employers, schools, associations, and other organizations.

One of the core strengths of Slovenia's economic model is the dual vocational training system, so-called apprenticeship (started to be piloted in 2017), largely benefitting companies, trainees, and the Slovenian labor market as a whole. Companies are using the productivity of apprentices, ensuring access to qualified staff, and reducing costs of integrating external employees. Trainees are utilizing their skills well and equipping with practical experience, which grants them easier access to the labor market.

Facts and numbers

Starting from 1998 to 2017, the youth unemployment rate in Slovenia averaged at 16.08%, motivating companies to contribute to Work-based Learning (WBL). In parallel, the government adopted amendments to the Vocational Education Act in November 2017. These developments affected the national quality assurance indicators for VET, the participation of upper secondary students in VET has increased from 65.9 % in 2013 to 70.4 % in 2016 (EU average: 49 %). The employment rate of recent upper secondary VET graduates was at 80.8 % in 2017, which surpassed the EU average of 76.6 %. Even though the numbers are attractive, the labor market supply and demand mismatch issue is not entirely solved for Slovenia and requires a more holistic approach to be come across. That is the rationale for permanently developing a legislative environment for VET in Slovenia.

Accessibility & Students recruitment & Information

Primary school advisors, secondary school advisors, and Vocational Information and Counselling Centers (VICCs) are actively involved in the process of guidance for youth in Slovenia. These three groups of advisors and the CPI work together for promoting VET. Emphasis is placed on technical content relating to guidance and communication skills. The CPI is a helpful source for learners to find a list of occupations and form priorities. The agency concentrates on directly guiding youth before the selection of a secondary school; VET course catalogs are also developed by CPI.

Every elementary and secondary school has a school practitioner or other full-time employee(s) accountable for student supervision. Education legislation prescribes the cooperation between school counsellors and the Employment Service of Slovenia in career guidance matters.

Partners & Governance

Representatives of the Federal Government, the Employer's Associations, the States, and the Trade Unions are all involved in VET education. Co-operation of actors in the dual system mainly takes place over committees and boards and is stipulated in the legislative framework:

- The Federal Ministry of Education and Research is responsible for training regulations and general policies. The federal government overall is responsible for developing training unless training is completely school-based.
- Federal States run the part-time vocational schools, and training provided is governed by education acts.
- The trade unions and associations of employers are involved in the implementation of VET.
- Companies voluntarily offer in-company trainings, however, the training is regulated through the Vocational Training Act and the training regulations.
- The chambers take the task of consulting trainees and enterprises, as well as organizing examinations.

Development of vocational qualifications

National Vocational Qualification System was introduced in Slovenia simultaneously with an adaptation of the National Vocational Qualification Act. CPI is responsible for facilitating the process of cooperation with social partners. From 2000 through 2010 the number of national vocational qualification catalogs prepared averaged up to 40 each year. The system enables identification and certification of formal as well as non-formal vocational education. The needs of the labor market are duly considered when the developing vocational qualifications to facilitate increased employability and career development opportunities.

Funding

In Slovenia within the education system, the resources for funding public services are provided by the State budget and by the municipal budgets. However, the VET system is additionally financed by various other private bodies and sources: industry associations and chambers, direct contributions from employers for the provision of WBL, funds from the sale of services and products, donations, sponsorships and European Social Fund. Specifically, The CPI's activities are financed from the Slovenian government's budget, the European Social Fund, and the international projects in which the CPI participates.

WBL/Dual education, learning environment

Since 2012, WBL has been a policy priority for the Slovenian government and the social partners. Their continuing dialogue and work have resulted in the adoption of the Law on Apprenticeship in 2017. The programs for WBL started to be piloted in the 2017/18 school year. According to the act, students will spend at least 50% of their VET program at a training with an employer in a company, and are entitled to pay and social security in line with labor regulations. The WBL programs are expected to be extended to additional programs year-by-year.

There is recognition for companies providing quality apprenticeships. Employers' organizations play a key role in engaging and supporting companies. Companies have the obligation to pay students a financial remuneration, yet the rule is sometimes breached. Remuneration differs among sectors and is regulated in sectoral agreements or internal acts of individual companies. Outputs and outcomes of apprenticeship are regularly monitored and evaluated. Ex-ante and ex-post impact evaluation of apprenticeship are in place, in order to have the high responsiveness to the labor market requirements.

Quality assurance

CPI is tightly linked to the development and provision of a quality education and training system. Slovenia introduced new legislation to cover quality assurance at both the provider and national level in 2006. This was followed by legislation in 2008 to make self-evaluation the responsibility of training providers. The Institute of the Republic of Slovenia for Vocational Education and Training has proposed recommendations for training providers to assess their own performance.

European Quality Assurance in Vocational Education and Training (EQAVET) is one of the priorities with regard to cooperation between European countries in the field of vocational education and training. WBL is only partially covered by quality assurance, which means that VET education institutions are obliged to assure quality based on EQAVET principles. Education institutions need to assure quality on their part.

Applicability for Georgia

Case of Slovenian VET emphasizes the level of private sector involvement in the system. WBL VET system and fully shared responsibility for VET with a very well organized private sector and local government is characterising the case of VET system in Slovenia. Skills agency in the form of CPI represents the well-developed public-private partnership linking social partners of the VET system, serving as a body for reviewing annual work plans, program reports and budget; approving strategy and key parameters of educational programs, including linkages to feeder colleges, helping engage future employers in program delivery (internships, company visits, guest lectures) and final student assessment.

2.3. Case Study: Switzerland

Introduction / Summary

Non-formal vocational training in Switzerland can be traced back to the 16th century, when guilds provided vocational training at the work place. However, access was restricted and there was no formal trade school until 1884, when the Swiss parliament decided to promote and subsidize formal dual or apprenticeship training. As a result, the dual track system, where students work as apprentices in a host company and attend classes at a VET school or college became the most common form of VET. In trades for which no enterprises committed to train apprentices, public training centers were opened.

Today, **Switzerland is one of the wealthiest countries** in the world and is well positioned on the world market even though its export-oriented economy has very high wages and prices. The main drivers of its international competitiveness and wealth - **high labor productivity and high labor market participation rate** - are linked to its dual-track **VET system**. A skilled workforce and managers are essential assets for Switzerland as a location for innovation and business. They are an essential prerequisite for maintaining the country's competitiveness. The strength of the Swiss VET system lies in a combination of features: **strong labor-market focus**, an **emphasis on quality** at all levels, and the **public-private partnership** between the Confederation and the Cantons, on the one hand, and professional organizations and companies, on the other.

The VET system owes its success to the close relationship with the private sector and to the practice-oriented training. These strengths are the result of flexible adjustment over time and a high degree of versatility built into the classic dual system. Thanks to its close ties to the job market, VET focuses on those fields where there

is a demand for skilled employees. Young people are integrated into a professional environment from the beginning of their careers, and they can choose from a variety of attractive professions and career opportunities.

The driving force behind key initiatives is not the federal government, but companies and professional organizations. They express their views when they see the need for reform or a new occupation. Businesses recognize opportunities, push innovation, build new distribution channels and assume specific responsibilities. In addition, the VET system is an integral part of the education system, which is characterized by **permeability** and **cost-efficiency**. For them, VET is not just a long-term investment in the next generation of workers: learners also perform productive tasks during their apprenticeship training. In most cases, the productive performance of learners exceeds the company's apprenticeship training costs, making apprenticeship training an economically viable option for companies. In the long run, host companies are also able to save on recruitment and orientation costs by hiring apprentices once they graduate. Because companies are also involved in the training process, dual VET poses less of a burden on public finances. This combination of features – unique in international comparison – is based on Switzerland's long tradition of VET as well as on the specific structure of the Swiss economic system.

In the Swiss VET system, everyone benefits:

- **Young people** and adults find jobs;
- **Companies** have access to a wealth of skilled workers able to adapt quickly to their work environment and apply their skills immediately in the company,
- **The society** benefits from economic prosperity and social stability.

Facts and numbers

Two thirds of all young people leaving compulsory education enroll in VET, and choose from some 230 different occupations. Around 215,000 people are in an apprenticeship position and, each year; around 60,000 young people complete their 3-4 years' apprenticeship with a VET diploma. An additional 6,000 youth with limited qualification complete a 2-years' education with a VET certificate. They have the opportunity to enroll in the diploma program and learn for another 2 years. About 20% of graduates also obtain the Federal Vocational Baccalaureate and have access to a University of Applied Sciences.

Accessibility, student recruitment & information

While the overall responsibility for the marketing of VET lies with the canton, the confederation, the canton and the private sector are all involved in promoting VET and making it more attractive for young people. At the cantonal level, vocational, educational and career guidance services provide information and advice to young

people and adults. Information is also available on the websites of professional organizations and confederations and people can search for an apprenticeship position in various databases.

Pupils who have completed lower secondary level (9 years of school) and have reached the age of 15 can apply for an apprenticeship at a training company or enroll at a full-time vocational school. The training company decides on the selection procedure. In general, criteria for selecting an apprentice include the student's performance in lower secondary level, the application documents, and an interview. Training companies may also require applicants to pass an aptitude test. The company is 100% responsible for recruiting apprentices. Once a young person has signed his/her working contract as an apprentice he/she is automatically eligible to join a VET program. Termination of his/her working contract for disciplinary or other reasons leads to his/her exit from the VET program unless he/she finds another employment as an apprentice.

VET education is not only free in Switzerland; apprentices also earn an apprentice salary because they are considered not only as students but also as workers.

Partners and Governance

The provision of VET and Professional education is a mission collectively shouldered by the **Confederation**, the **cantons** and **professional organizations** (one mission – three partners) that are jointly committed to the highest possible standard of quality within the VET system. They also strive to ensure the availability of a sufficient number of apprenticeships and training courses.

- **The confederation** is responsible for strategic management and development of the system, regulates and co-funds VET, provides initial and in-service training for teachers, trainers, instructors and examiners, and participates in research, studies, and pilot projects;
- **The cantons** are responsible for implementation and supervision. They market VET, inform and advise young people and adults; they also authorize host companies to take on apprentices, run colleges and supervise apprentices.
- **Professional organizations** are organized in so-called ODAs (organizations of the working world). These are private sector umbrella organisations that include professional associations, industry associations, large companies, technical bodies and possible social partners for the sector. ODAs are solely responsible for VET and higher education. They determine the content of training and national qualification procedures, create apprenticeship positions, develop new training courses, initiate the development of new professions, organize branch courses and manage VET funds.
- **Donors and international partners** are not involved in the Swiss VET system.

Development of vocational qualification

The legal basis for each VET programme in Switzerland can be found in national **VET ordinances** (Bildungsverordnungen) issued by the confederation. These are prepared through the joint efforts of the Confederation, the cantons and the corresponding professional organizations. VET ordinances cover the legal aspects relevant to a given occupation: The subject matter and duration of the corresponding VET programme; the objectives and requirements; health and safety regulations, environmental protection; the scope of course content and the distribution of VET content across learning environments; the VET curriculum; the minimum standards for VET professionals; the maximum number of apprentices per company; the learning documentation; the learning report and performance documentation; the qualification procedure; the qualifications and titles, the quality development and organization; and the final provisions. VET programmes lead to **formal qualifications recognized at federal level.**

Occupational standards are defined by the ODAs and are then formally approved by the confederation. The same applies for the **VET curricula** (Bildungspläne) that form the basis for the vocational teaching concept used for VET programmes. They are used to structure vocational education and training courses and guide vocational teachers and trainers in their work. They define the occupational pedagogical basis, the qualification profile, the professional competences (occupational, methodological, social skills), the approval and entry into force.

For each VET ordinance there is an obligation to nominate a **committee for occupation development and quality (CODQ)**, which is either exclusively created for the given occupation or a standing group in the occupational field. Each CODQ is composed of members representing the three main partners (Confederation, cantons and professional organizations). Their role is to adapt VET curricula for specific VET programmes to current labor market needs. If necessary, the professional organization submits a request to SERI to have changes made to the VET ordinance.

Finally, the cantons carry the overall responsibility for the provision of VET by the colleges, the companies and the branch courses.

Funding

The Swiss VET system is funded by the Confederation, the cantons and professional organizations. Companies cover the costs at the work place as well as the salaries of apprenticeship trainers and apprentices, but their benefits outweigh the costs. The Government spends approx. 5% of its annual GDP on education and approximately 10% or 3.2 billion Euro of its education budget on VET. The cantons provide at least three-quarters of public funding, as they are responsible for implementation of VET and for running the VET colleges.

Up to 10% of federal funding is earmarked to promote VET development projects and specific activities that serve the public interest.

Branch courses are financed with course fees paid by the companies (average of EUR 140 per apprentice and day), public subsidies and professional organizations. The gross cost for all branch courses that took place in 2013 was around EUR 90 million. This amounts to the average participation cost of EUR 200 per apprentice and day.

Generally speaking, host companies stand to benefit from taking part in VET programs. According to a cost/benefit study conducted in 2009, gross costs of involvement in VET amounted to Euro 4.8 billion. This figure was outweighed by the productive output generated by apprentices, which amounted to Euro 5.2 billion.

WBL/Dual education, learning environment

VET is predominantly based on a dual system where learning takes place in three places:

- **Workplace training at host companies:** Apprentices spend 3-4 days at a host company where they are provided with the practical know-how, knowledge and skills needed for their chosen occupation. Learners also actively take part in the host company's production processes.
- **Classroom instruction at vocational schools:** This consists of instruction in vocational subjects as well as general education subjects. Classroom instruction is intended to develop the technical, methodological and social skills of learners while imparting the theoretical and general principles needed to perform occupational tasks. It covers one or two days per week. Vocational schools also offer a preparatory course for the Federal Vocational Baccalaureate Examination.
- **Branch courses at branch training centers:** Branch courses are meant to complement classroom instruction at vocational schools and apprenticeship training at host companies by providing learners with essential practical skills. Branch courses often take place at third-party training centers run by the branches involved.

In some cases, VET can also be completed at a full-time vocational school.

Quality assurance

Considerable importance is given to developing quality at all levels and in all parts of the system.

- **The Confederation** is responsible for ensuring the overall quality of the system as a whole. It recognizes examination and certification of students, syllabuses for study programs, foreign qualifications, and training courses for teachers, trainers, instructors and examiners. It also authorizes VET colleges.
- **Cantons** issue permits authorizing host companies to take on apprentices and supervise the provision of VET at cantonal level including VET colleges and apprenticeships.
- **Professional organizations** establish national qualification procedures for VET programs, assess training companies and conduct examinations of students at company level.

Applicability for Georgia

The Swiss system is based on traditions that can be traced back to the 16th century. That makes it unique and difficult to replicate. This applies in particular for the involvement of the private sector. While it is generally recognized that the quality of VET will increase with private sector involvement, the private sector has no tradition in Georgia of being involved in VET. The private sector in Georgia does not feel as responsible for the training of young people as in Switzerland where the private sector feels fully responsible and proud of being involved. Therefore, a lot of sensitization and organization is needed before the private sector can take over significant responsibilities. At the same time the GoG has never worked closely with the private sector as this is the case in Switzerland where the Government fully trusts the private sector of being even more capable than the Government in the provision of certain services.

Finally, the availability of professional training companies that can receive apprentices is a major challenge in Georgia compared to Switzerland where a network of companies has been built for several hundreds of years. Dual VET would also be a very interesting model for Georgia but the country needs to carefully and slowly build up its network of training companies.

3.1 Improving coordination in the Georgian VET sector. The way forward.

Why coordination is so important when it comes to VET? An economist's view.

There is a simple but powerful economic rationale for firms in a competitive market to *under-deliver* training to their current or prospective employees. As discussed, for example, in Remington (2017), firms would, of course, train their personnel how to perform *specific* tasks (e.g. operating specific equipment). Yet, they would not invest resources in training beyond the *immediate* requirements of a *particular* job. Providing deeper or broader training is not consistent with profit-maximizing behavior because it does not pay off. Why “over-invest” in training if *other* firms can poach your staff and free-ride on your training efforts? This question can be answered with the Swiss example, the apprentices appreciate the efforts made by the company and develop loyalty, also they will not simply switch to the competition. However, in Switzerland there is also a “sector solidarity of companies” as a group towards VET. Remarkably, Swiss approach does not apply for all countries and in most cases the issue remains unresolved.

Very importantly from the economics analysis point of view, if all firms behave in such a way, the result is a **market failure**, whereby professional education and training in a country are delivered below the socially optimal level. As a result, investment decisions that could produce high quality jobs are delayed for a lack of well-trained personnel – which is, naturally, very bad news for a country’s economic, social and political situation.

It is worth noting that private under-provision of VET, such as characteristic of Georgia, belongs into a particular class of market failures known in the economics literature as “[coordination failures](#).” Such failures cannot be expected to self-correct over time as they typically tend to sustain themselves. For example, if all firms in an industry poach staff from each other (as they should in a competitive environment) and if formal qualifications are not mandatory for employment in that industry, it logically follows that all firms would only care to provide basic on-the-job training enabling workers to perform their immediate firm-specific duties. No firm would want to stray from this behavioral pattern by organizing long-term formal training schemes and apprenticeships. **Hence, a vicious circle.**

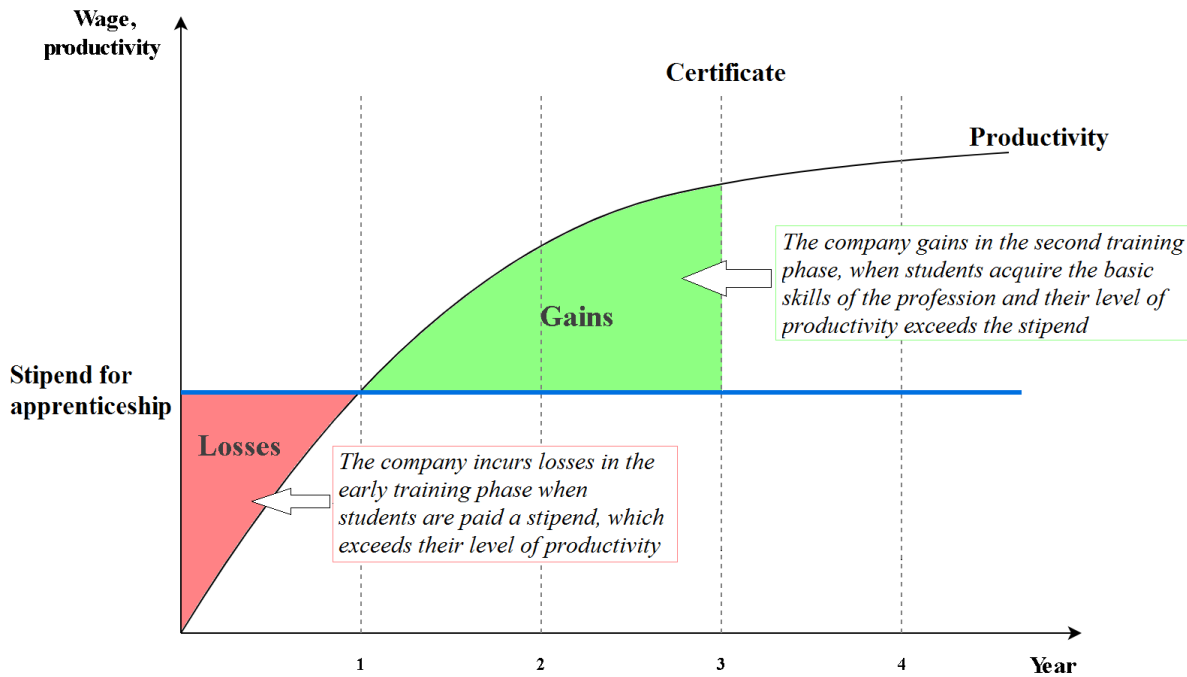
Shifting an economy or industry away from such a vicious circle requires **intervening** in the free operation of the market, typically through a **coordination** effort involving most firms in an industry and/or the government. The VET sector is no exception to that general rule.

Though both involve coordination and often go hand-in-hand, the government- and industry-driven approaches to addressing the market failure in VET provision are very different species, with different historical roots, institutional setups, and results.

- In the government-driven scenario, the government steps in and organizes public provision of VET, making up for the lack of industry-led delivery. Of course, governments typically lack *information* on the kinds of skills that the market needs; furthermore, being financially and institutionally detached from the industry, government-financed VET colleges are also likely to be short on *professional subject skills and equipment*. **Hence, the necessity of top-down coordination with the private sector (“public-private partnership”) with regard to education standards, labor market regulations, and the actual delivery of VET.**
- In the industry-driven scenario, **coordination happens between firms in a region and/or sector.** Accordingly, companies create sectorial associations (guilds) and regional organizations in order to restrict *internal* competition and strengthen their joint competitive position vis-à-vis labor unions (if such exist) and *external* competitors¹⁷. Restrictions on internal competition would typically include provisions to eliminate the possibility of free-riding on training provided by *other* firms (which is present in a competitive situation). Thus, firms may agree not to hire workers unless they complete an apprenticeship (during which they are paid below-market ‘apprenticeship wages’) and meet certain professional requirements. Of course, for firms to recoup the cost of training, the agreed upon apprenticeship periods have to be sufficiently long (e.g. three years, as shown in Figure 3). It goes without saying that **bottom-up coordination with the government and various forms of public-private partnership** can go a long way in assisting and sustaining such industry-led coordination efforts, e.g. through public funding (partially offsetting the cost of intra-industry coordination and training) and labor market regulations (such as mandatory formal qualification requirements).

¹⁷ As shown in Katzenstein (1985), inter-firm coordination arrangements that are characteristic of northern European states, such as Germany, Austria, and Switzerland, emerged in response to the need to share – across business and labor – the costs and gains from developing and maintaining internationally competitive industries.

Figure 3: Intra-industry coordination on hiring and training new staff helps bring training delivery to a socially optimal level



Let us emphasize that, once established, strong **intra-industry coordination**, such as characteristic of Germany and Switzerland, creates a self-sustainable virtuous circle. By coordinating on the terms of training and hiring new workers, all firms acquire some guarantee that the resources invested in training will yield a longer-term return. Therefore, apprenticeships are no longer costly for firms. Instead, they are seen as an opportunity to attract talented young employees and save on labor costs. As a result, all firms provide proper training, helping societies achieve the optimal level of professional skills and, ultimately, ensure investment and economic growth.

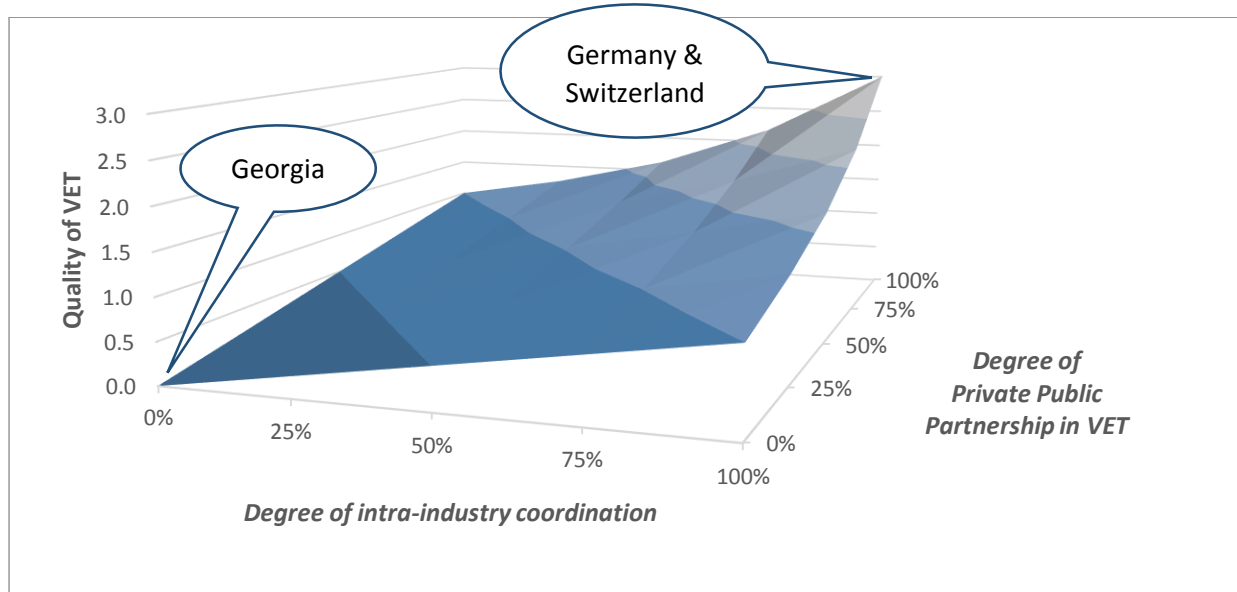
Finally, as has been already hinted above, public-private partnership and intra-industry coordination in VET are not mutually exclusive. To the contrary, they are excellent complements: public-private partnership in VET is more effective if undertaken in close cooperation with a well-organized private sector; and vice versa, intra-industry coordination on training standards and hiring policies is easier to implement in a tightly regulated environment supportive of such cooperative practices and in the presence of government funding that offsets the cost of coordination and training delivery for the private sector.

Figure 4 below provides a schematic visualization of how the quality of VET depends on the extent of public-private partnership and intra-industry coordination, and how the two complement each other. The quality of VET is shown to be a positive function of both types of coordination. In particular, it improves for any given level of public-private partnership if we increase intra-industry coordination. And, vice-versa, the quality of VET

improves for any given level of intra-industry coordination if we increase the scale of public-private partnership. Thus, the best results, as far as the quality of VET is concerned, are achieved when the national government fully shares the responsibility for VET with a very well organized private sector and local government, as is the case in Switzerland and Germany. The governments in both countries oversee that education meets uniform standards and provide some of the funding. The responsibility for setting standards, co-financing, organizing in-company training and assessing competences is delegated to the private sector (e.g. through sectorial skill organizations). Membership in business chambers is mandatory, and employment requires a formal qualification.

Figure 4: Quality of VET as a function of intra-industry coordination and public-private partnership. The best results are achieved when the national government fully shares the responsibility for VET with a very well organized private sector and local government

Note: the figure is just a schematic visualization of the function of variables and it's the author's compilation just for the sake of depicting the comparison.



Three coordination scenarios: an introduction

A key policy question facing Georgia (and other countries in similar circumstances) is how to proceed from a starting point in which the national government is the sole provider of formal VET, with little involvement by the local government, practically no public-private partnership, extremely weak business membership organizations and, consequently, very limited intra-industry coordination. In other words: what is the best way to proceed from the origin of the coordinate system in **Figure 4** above.

Obviously, the option of simultaneously moving all the way along both axes from the origin of the coordinate system (the point where Georgia is today) is simply not feasible. Georgia has ample experience of trying to achieve that feat by copy-pasting pro forma consultation bodies and committees that were supposed to improve VET coordination at the national and sectorial level. As could have been expected, these efforts had little impact and were not sustained.

The options that may be feasible for Georgia in the short-to-medium term are: to improve as much as possible the public VET system without delegating VET coordination responsibilities to the private sector or attempting to facilitate intra-industry-coordination; to promote “intra-industry coordination” (**Scenario 2**); or Public Private Partnership (**Scenario 3**):

Scenario 1 (government-led VET coordination)

In the absence of relevant private sector capacities and interest, the GoG and international partners continue to strengthen public sector provision of VET with limited intra-industry cooperation and delegation of VET coordination functions to private sector market leaders. When deemed necessary and possible, the Government will use private sector expertise to discuss and approve new professional standards, to sit on various boards and committees, to participate in the final assessment of competences, and in the governance of, and teaching at public colleges.

The reasons for non-assignment of responsibilities include the following:

- **Private sector capacity:** Lack of private sector capacity and ownership on skills development;
- **Private sector interest:** The private sector has no interest in assuming more responsibilities.
- **Private sector representation:** Existing private sector partners (BMO’s, SSOs, market leaders) are not legitimate partners that can represent at least 50% of actors in a specific sector;
- **Increased cost:** Assumption that costs for the overall coordination and implementation of VET functions would increase because more partners are involved; the private sector would not be willing to cover additional costs;

There has been an increase in the VET coordination workload because additional functions have been included in the new VET law, because of and increased budget allocation by the GoG for VET and education, and because the number of VET students has increased. The government has a complete control on VET functions single-handedly for the time being, nevertheless, for ensuring coordination of all VET functions, the Government capacity has to be increased. Without focusing mainly on public-private partnership development, scenario 1 proposes improvement of internal efficiency of the VET department for eliminating certain conflicts of interests in the system and enhancing coordination. This can be done in two ways:

▪ **Scenario 1.1 - Increase of capacity at ministerial level & setting up of “hub-and-spoke networks”:**

Additional staff will be recruited for the MoESCS VET Department and the MoESCS will set up “centres of excellence (competence centres)” in each sector, acting as leading VET providers and being the bridging partner between government and the sector.

The principle of excellence centres for educational purposes is efficient approach for the countries with limited budgetary resources – when the state invests more resources in one of the centres or this centre independently stands out, experience and expertise will be accumulated and the government will encourage the leading of this institution in the sector. The government will impose additional responsibilities on this institution or invest additional funds for ensuring delivery of long-term and short-term VET programs, subject training of VET teachers, final assessment of regular students, licensing of all VET graduates, including WBL.

- **Scenario 1.2 – Creation of a LEPL for VET:** The MoES will create a new LEPL that will be responsible for coordination and implementation of all VET development related functions excluding quality assurance functions. The functions currently managed by the MoESCS will be outsourced and transferred to the new LEPL. Policy analysis and the development of new policies and regulations will remain a core function of the VET department at MoESCS, while implementation and coordination functions will be outsourced. Coordination with existing private sector partners (BMO’s, SSOs, market leaders) and LEPL will be easier compared to the VET department itself. LEPL will have a high degree of legitimacy and accountability, and will operate independently.

The Government pursues the hub-and-spoke strategy (see above) without delegating VET governance and coordination responsibilities to the private sector. Thus, the Government (MoESCS VET Department and its agencies) retains the overall responsibility for coordinating all VET functions (if the LEPL is not created as described in scenario 1.2). At the same time, the Government invites business representatives and other stakeholders, such as local government and civil society organization, to serve on government-appointed Sectorial College Boards to oversee each of the hub-and-spoke VET networks.

Depending on specific circumstances, Sectorial College Boards can either advise the Government (MoESCS VET department or a specialized VET Agency, see below) or be trusted to make decisions on the appointment of principals, the approval of strategies and budgets, the review of programs and others.

The governance and advisory functions of the Sectorial College Boards’ are divided into two categories. First, functions typically performed by a Board of Directors in a non-profit educational institution:

- Reviewing the annual work plan, program report and budget;

- Review the strategy and key parameters of educational programs, such as criteria for recruitment and promotion of teachers, admission and certification of students, and distribution of scholarships;
- Review of the principal’s performance and recommendation of senior appointments;

Second, VET-specific functions, such as:

- Organization of final student assessments with the participation of future employers;
- Cooperation with relevant employers in all areas of program development, student enrolment and job placement;
- Monitor the development of links with feeder colleges (within each network);

The Government is also willing to delegate certain tasks and services to private service providers depending on their capacity and the Government’s needs, such as convening discussion forums, leading or participating in the development of new professional or educational standards, participating in the monitoring and assessment of government reform proposals, programs and other initiatives.

Finally, taking into consideration the complex transitional tasks related to the proposed structural changes in the VET sector, the Government strengthens critical in-house capacities and reallocates certain coordination functions among national agencies under MoESCS and other ministries.

Scenario 1: Government-driven VET coordination, distribution of functions

Institutions involved in VET coordination:	Function
VET Department at MoESCS (in case a VET Agency – a LEPL under the MoESCS or the PM office ¹⁸)	Vision/strategy, donor coordination, data analysis (LMIS, Tracer studies), policy and funding Supervision of VET delivery (via Sectorial College Boards) Development of VET (special projects, innovation, entrepreneurship, internationalization, WBL, etc.) Promotion of equity and accessibility to VET Promotion and marketing of VET (If LEPL is established, only policy and regulatory functions, reporting to donors will be remained at VET Department, monitoring and implementation will be undertaken by LEPL)
NCEQE, National Authorization Board and National Board for Licensing Training/Retraining programs	Authorization, licensing, assuring the quality of vocational education, training and retraining programs
TPDC	In-service pedagogy training of VET teachers and college directors

¹⁸ Being placed under the PM office, the VET Agency will be able to coordinate the education, training and active labor market policies of other government agencies and ministries, such as MoA, MOHLSA and MoESD.

EMIS	Collection and safeguarding of education data
Existing individual private sector companies, BMOs, SSOs	Proposing new professional standards; participating or organizing WBL programs; advisory role in other functions
Ministry of Agriculture, MoHLSA, MoESD	LLL and Active Labor Market Policies to boost employment in specific sectors, help the unemployed and under-employment to retool and find gainful employment
Government-appointed Sectorial College Boards including representatives of relevant business and professional associations, local and national governments, technical bodies and social partners	<ul style="list-style-type: none"> • Reviewing annual work plans, program reports and budget; • Approving strategy and key parameters of educational programs, including linkages to feeder colleges, • Reviewing the principals’ performance; • Helping engage employers in program delivery (internships, company visits, guest lectures) and final student assessment
Hub-and-spoke VET networks of public colleges (if scenario 1.1 is implemented)	Delivery of long-term and short-term VET programs, final assessment and licensing of all students, subject training of VET teachers and WBL instructors

Scenario 2: Shared responsibility between the public and private sector for VET:

The Government recognises the need to transfer VET functions to the private sector and will establish various forms of public private partnerships. With the aim of promoting intra-industry VET coordination in specific sectors of the economy, the Government works with its international partners to identify priority sectors characterized by strong Business Membership Organizations (BMOs), which could lead to the creation of Sectorial Skill Organizations (SSOs). The government and donors play an influential role during an incubation period while relevant capacities are built up within the newly established SSOs. Different organizations can become GoG partners:

- In well-organised sectors, GoG promotes the establishment of SSOs as umbrella organisations to represent the entire sector and all professions within the sector through different BMOs (business membership organization). SSOs are private sector umbrella organisations, which are the private sector carriers for VET and contribute to shape the development of VET for professions in a given sector. Their role is to initiate the development of new professions, to define the content of education, to organize courses in inter-company training centers and to provide offers in short term re-training. SSOs include professional association, relevant industry associations, technical bodies, associations, and possible social partners for the sector.
- In sectors where there is already a strong BMO, the BMO can double up as an SSO.
- In sectors with a strong market leader (e.g. railways), this market leader becomes the preferred GoG partner and receives SSO status for a specific sector or sub-sector.

- Finally, the Chamber of commerce could also become a partner for certain functions.

Scenario 2 proposes an obvious functional separation between the VET Department and the SSO structures. There will be a clear concept as to which functions will be transferred to the private sector and which will remain within the GoG (as described in the Swiss model). This will be the same for all sectors. However, the degree of transfer of functions will vary from sector to sector and depends on the ability of the private sector partners to take over these functions. In this scenario, the private sector is recognized as the counterpart, the trusted partner of the government. The control mechanisms of the SSO structures are reduced in this approach, provided that the private sector is fully aware of its interests and responsibilities. This scenario provides the advanced form of partnership between the private and public sector. In addition, this approach offers the opportunity for SSOs to be given more authority or to outsource several functions (e.g., development of qualification frameworks and professional standards, convening discussion forums, participation in the monitoring and assessment of government reform proposals, programs and other initiatives) as they gain in legitimacy and institutional capacity.

Moreover, the GoG must decide whether to apply a bottom-up approach where it is entirely up to a sector to organise itself and become a partner of the GoG or whether the Government wants to take a proactive role in encouraging the sector to get organised and in supporting the establishment and strengthening of SSO. Here, the government encourages the creation of SSOs through dialogue and some motivating mechanisms (e.g. acknowledgement, outsourcing of functions).

Finally, the two partners must negotiate the extent to which the Government bears the costs of the outsourced functions and the extent to which the private sector contributes to these costs. The development of SSO structures is a necessary prerequisite for the implementation of scenario 2.

Scenario 2: Shared responsibility between the public and private sector for VET, distribution of functions

Institutions involved in VET coordination:	Function
VET Department at MoESCS	Vision/strategy, donor coordination, policy and funding Supervision of VET delivery (via Sectorial College Boards) Development of VET (special projects, innovation, entrepreneurship, internationalization, WBL, etc.) Promotion of equity and accessibility Promotion and marketing of VET
NCEQE, National Authorization Board and National Board for Licensing Training/Retraining programs	Authorization and licensing of vocational education, training and retraining programs

TPDC (unless this function gets reassigned to a VET Agency of Skills Georgia)	In-service pedagogy training of VET teachers
EMIS	Collection and safeguarding of education data
Sectorial Skill Organizations (SSOs)	Developing new professional standards in VET, according to the new VET law; Collecting, analyzing and sharing data on sectorial skills demands and trends; Coordinating inter-company courses; Organizing WBL and final assessment of WBL students;
Ministry of Agriculture, MoHLSA, MoESD	LLL and Active Labor Market Policies to boost employment in specific sectors, help the unemployed and under-employment to retool and find more gainful employment
Government-appointed Sectorial College Boards including representatives of relevant SSOs, local and national governments, technical bodies and social partners	<ul style="list-style-type: none"> • Reviewing annual work plans, program reports and budget; • Approving strategy and key parameters of educational programs, including linkages to feeder colleges, • Reviewing the principals’ performance; • Helping engage future employers in program delivery (internships, company visits, guest lectures) and final student assessment

Scenario 3: Joint responsibility of the public and private sector (Skills Agency scenario)

The Government recognises the need to transfer VET functions to the private sector but wants to have a say on how these functions are carried out. Therefore, a PPP based Skills Agency (SA) will be created as a NPO with various public (ministries, ministry sub-agencies) and private sector partners (SSOs, Chamber of commerce, market leaders, etc.) as members of the governing body. The public and private sectors will be equally represented in the SA. It is possible that a larger company or a BMO represents some sectors that are not yet well organised.

The transfer of functions to the SA will be done gradually over time and the Government reserves the right not to transfer all functions to the SA (e.g. annual budgeting for VET). Some of the functions transferred to the SA are also carried out by the SA, but other functions are delegated to SSOs or to service providers while the SA has a supervisory and advisory role. The delegation of functions will increase with the readiness and willingness of SSO’s to assume responsibility. The SA will serve as a PPP-based agency in charge of the Georgian VET sector vision, strategy and reform coordination, including the appointment of members to sit on Sectorial College Boards. Ideally, the Skills Agency (“Skills Georgia”) will position itself as a coordinating body and delegate the implementation of most functions to other stakeholders (SSOs, colleges, NCEQE, etc.).

The Skills Agency is legally registered as a non-profit organization includes the following members:

- Each of the constituent SSOs
- VET department at the MoESCS (or a VET-specialized LEPL under MoESCS or the Prime-Minister’s Office)
- National agencies under MoESCS (NCEQE, NAEC, TPDC)
- Key line ministries (MoESD, MoHLSA, MoA, etc.)
- (Some) local governments

The Skills Agency has professional staff at its disposal who take over all the necessary planning and coordination functions. Additionally, the SA has its own apparatus which is responsible, for instance, for policy implementation, sectorial check (control). SSOs and the SA will exchange expertise and methodological support.

In the third model, SSOs functioning is financed by the private sector itself, while the government assumes responsibility for financing methodological work, although decisions are made together. The creation of SSOs will be initiated by the private sector itself, but if they are not well-organized yet, other private sector representatives (BMOs, leader companies, etc.) may be the members the of SA board.

Scenario 3: Joint responsibility of the public and private sector, distribution of functions

Institutions involved in VET coordination:	Function
VET Department at MoESCS	Vision/strategy, donor coordination, data analysis (LMIS, Tracer studies), policy and funding Supervision of VET delivery (via Sectorial College Boards) Development of VET (special projects, innovation, entrepreneurship, internationalization, WBL, etc.) Promotion of equity and accessibility Promotion and marketing of VET
NCEQE, National Authorization Board and National Board for Licensing Training/Retraining programs	Authorization and licensing of vocational education, training and retraining programs
TPDC (unless this function gets reassigned to the VET Agency)	In-service pedagogy training of VET teachers
EMIS	Collection and safeguarding of education data
SSOs (private sector platforms bringing together at a critical mass of member organizations in a sector such as agriculture, with an exclusive focus on VET)	Development of new professional and educational standards, organization of WBL, final assessment of WBL students, representing the private sector in Skills Agency Board
Ministry of Agriculture, MoHLSA, MoESD	LLL and Active Labor Market Policies to boost employment in specific sectors, help the unemployed and under-employment to retool and find more gainful employment
Skills Agency (SA)	<ul style="list-style-type: none"> • Reviewing annual work plans, program reports and budget;

	<ul style="list-style-type: none"> • Approving strategy and key parameters of educational programs, including linkages to feeder colleges, • Reviewing the principals’ performance; • Helping engage future employers in program delivery (internships, company visits, guest lectures) and final student assessment
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3.2. Budget Narrative

The financial analysis and budget allocation according to the disaggregated functions are presented in the excel file (see annex #5). The cost calculation was prepared by the MoESCS according to our functions distribution. This analysis allows to compare the current budget of the programs and subprograms with their future estimated costs. Investigating the budget allocation reveals that the highest increase in the future estimated costs, in case the agency is established, are depicted in the units of “Institutional capacity strengthening of providers” and “Research and analysis, M&E”, estimated increase of 446 and 385 percent, respectively. The core functions contributing to this increase are support in quality strengthening based on new standards and support of providers in program development for the first unit as funds for these functions are not allocated in the status-quo setup and is planned to be allocated. Referring to the second unit of research and analysis, a rise is depicted in the data analysis section as well as research and study one. Overall, the current budget of 7,169,100.00 Gel will be increased up to 9,099,830.00 Gel as estimated. The sources of funding are the donors and the state budget. Significantly, the components where the budget is expected to increase specifically target to improve the quality of VET programs and providers – this issue was mentioned by the majority of the stakeholders during the in-depth interviews as one of the prominent drawbacks of the Georgian VET System.

Detailed analysis of the budget on the programs and subprograms level is presented below.

The total budget of the agency consists of 12 programs, each program consisting with one or more subprograms:

1. Qualification development in IVET

1.1 Support of SSOs in occupational standard development (methodology support) – no budget is allocated currently, and no funding is planned for the future agency

1.2 Development / approval of educational standards – 5,000 Gel is budgeted in the admin part of the NCEQE budget and same amount is planned for the future agency

1.3 Facilitation of assessment instrument development – cost is not yet calculated

1.4 Facilitation of textbook and learning material development – no budget is allocated currently, and 8,000 Gel is planned for the future agency

1.5 Modular program implementation support – 125,000 Gel is budgeted in the program part of the NCEQE budget and the same amount is planned for the future agency. Involvement of 18 persons is estimated if the agency is established

2. Institutional capacity strengthening of providers

2.1 Support in Quality strengthening based on new standards – no budget is allocated currently, and 200,000 Gel is planned for the future agency. Currently 29 persons are involved in the process and involvement of 7 persons is estimated if the agency is established. UNDP assistance in the funding of this line will be required

2.2 Supporting innovations and development of Entrepreneurial school model – no budget is allocated currently, and no funding is planned for the future agency

2.3 Support of providers in program development – no budget is allocated currently, and 200,010 Gel is planned for the future agency. Currently 15 persons are involved in the process and same number is estimated if the agency is established. UNDP assistance in the funding of this line will be required

2.4 Support of (potential) providers of VET – 89,600 Gel is budgeted in the program part of the NCEQE budget, the same amount is planned for the future agency. Currently 7 persons are involved in the process and same number is estimated if the agency is established.

3. Human capacity strengthening

3.1 Supporting in-house teacher training – no budget is allocated currently, and no funding is planned for the future agency

3.2 Provision of in-service trainings – 250,000 Gel is budgeted in the program part of the TPDC budget, the same amount is planned for the future agency. Currently 3 persons are involved in the process and involvement of 5 persons is estimated if the agency is established.

3.3 Support teachers' evaluation and life-long professional development – no budget is allocated currently, and no funding is planned for the future agency

3.4 Instructors' strengthening – no budget is allocated currently, and no funding is planned for the future agency

4. Internationalisation

4.1 Support general (local/int) partnerships – 46,080 Gel is budgeted in the admin, and 1,800,000 Gel is planned for the future agency, which will cover Program accreditation cost of 9000 GEL for

100 programs; number of students to be covered in a year is 1,000, cost per student is 900 GEL for BTEC certificate; 3 staff members (from partnership division) are carrying out the general mandate to seek for loca/int. partners. and their 60% is allocated for the task. Same number of persons is estimated if the agency is established.

4.2 Support joint program - no budget is allocated currently, and 500,000 Gel is planned for the future agency. involvement of one person is estimated if the agency is established.

4.3 Support int. internships – no budget is allocated currently, and no funding is planned for the future agency

4.4 Support language programs - no budget is allocated currently, and 20,400 Gel is planned for the future agency. This will cover a salary of one person involved in the process

5. Key competences and Career guidance/education for LLL

5.1 Support entrepreneurial and digital learning - no budget is allocated currently, and 500,000 Gel is planned for the future agency. Currently 2 persons are involved in the process

5.2 Extracurricular activities - no budget is allocated currently, and 1,000,000 Gel is planned for the future agency. Currently 2 persons are involved in the process

5.3 WSD program – 3,000,000 Gel is budgeted in the program part of the MoES budget and the same amount is planned for the future agency. Currently 6 persons are involved in the process

6. Work-based learning and non-formal education

6.1 Board secretariat function – no budget is allocated currently, and no funding is planned for the future agency

6.2 Supporting agency board in overall methodology guiding of WBL policy – no budget is allocated currently, and no funding is planned for the future agency

6.3 Supporting SSO secretariats – no budget is allocated currently, and no funding is planned for the future agency

6.4 Bridging SSOs with different stakeholders – no budget is allocated currently, and no funding is planned for the future agency

6.5 Coordinating different forms of WBL and supporting quality strengthening – 45,600 Gel in the admin part and 100,000 Gel in the program are budgeted int the MoES/NCEQE budgets. Aggregate amount is planned for the future agency. Part of the Targeted Program focusing support to introduction of dual education programs; subprogram includes staff from EQE and 1 staff member from the department taking over the overall coordination

6.6 Supporting final examinations – no budget is allocated currently, and no funding is planned for the future agency

6.7 Supporting non-formal education recognition providers – 40,800 Gel in the admin part and 63,500 Gel in the program are budgeted into the MoES/NCEQE budgets. Aggregate amount is planned for the future agency. Targeted Program to EQE granted by MoES+2 staff members from the department

7. Adult education system development

7.1 Coordinating the work related to identification of demand from employers on short term courses – no budget is allocated currently, and no funding is planned for the future agency

7.2 Coordination of partnership among providers and employers – 76,800 Gel is budgeted in the admin part of the MoES budget, the same amount is planned for the future agency. Currently 3 persons are involved in the process and same number is estimated if the agency is established.

7.3 Quality Assurance for (Support of quality strengthening) short term courses – 73,600 Gel is budgeted in the program part of the NCEQE budget, and no funding is planned for the future agency. The costs also include the funds needed for the rights approval, accordingly quality assurance costs are lower than presented. This component is also supported by UNDP but this cost does not include the donor funding. Currently 4 persons are involved in the process and same number is estimated if the agency is established.

7.4 Evaluation of outcomes – no budget is allocated currently, and no funding is planned for the future agency

7.5 Ensuring funding for program implementation – 1,993,600 Gel is budgeted in the program part of the MOES budget, and no funding is planned for the future agency. Funding model requires separate subprogram and its staff mainly checks the application for funding the courses. Currently 3 persons are involved in the process and involvement of one person is estimated if the agency is established.

8. Integration of General Education

8.1 Coordination of program introduction & implementation – funding covered by the budget line 2.3

8.2 Support to quality strengthening – funding covered by the budget line 2.1

8.3 Support to student admission and assessment – no budget is allocated currently, and no funding is planned for the future agency

8.4 Support to textbook development – funding covered by the budget line 1.4

9. Targeted projects

9.1 Inclusive VET – 137,000 Gel is budgeted in the program part of the MoES budget, the same amount is planned for the future agency. Currently one person is involved in the process and same number is estimated if the agency is established.

9.2 Accessibility of VET for vulnerable groups etc. – 19,200 Gel in the admin part and 200,000 Gel in the program are budgeted into the MoES budgets. Aggregate amount is planned for the future agency. Currently one person is involved in the process and same number is estimated if the agency is established.

10. Research and analysis, M&E

10.1 Research and study – no budget is allocated currently, and 70,000 Gel is planned for the future agency. This will cover Survey Cost for 10 institutions per year - medium scale

10.2 Data analyses and reporting – 3,200 Gel in the admin part and 15,000 Gel in the program are budgeted into the MoES budgets. Aggregate amount is planned for the future agency. This will cover cost for Implementation of Tracer Study and 1 staff member salary for 2 months for preparation and coordination

10.3 M&E – no budget is allocated currently, and no funding is planned for the future agency

11. Communication and VET awareness

11.1 Consultation and Support services for VET beneficiaries, training/retraining – no budget is allocated currently, and no funding is planned for the future agency

11.2 Communication and awareness rising on T/R and WBL– 30,720 Gel is budgeted in the admin part of the MoES budget and same amount is planned for the future agency. This will cover 40% of salaries for Partnership Division 3 staff members

11.3 Projects in-line with VET branding strategy – 600,000 Gel is budgeted in the program part of the MoES budget and the same amount is planned for the future agency. Currently one person is involved in the process

12. Administration and Management

12.1 Funding management – 61,200 Gel is budgeted in the admin part of the MoES budget, and no funding is planned for the future agency. Currently 3 persons are involved in the process

12.2 Administration of processes – 193,200 Gel is budgeted in the admin part of the MoES budget, and no funding is planned for the future agency. Currently 4 persons are involved in the process

Table 1: VET coordination scenarios

		Degree of delegation of functions	
		High	Low
Degree of intra-industry coordination	High	<p>Private sector driven VET coordination: The private sector is well organized and has the capacity to become an equal partner to the GoG in the delivery of VET functions. (SSO driven model)</p>	<p>Government driven VET coordination with strong private sector partners: The private sector is well organized but has limited capacity to take over VET functions. The GoG is still hesitant to transfer functions to the private sector. (Skills Agency model)</p>
	Low	<p>Leadership model: The government delegates VET coordination and delivery functions to leading firms in selected sectors of the economy. Degree of intra-industry coordination can be increased over-time with appropriate incentives and support. (Centers of excellence)</p>	<p>Government-driven VET coordination: Firms compete in the labor market and deliver only basic on-the-job training. The government is the main provider of formal VET. It may consult businesses but does not systematically delegate VET coordination functions to the private sector. (Scenario 1)</p>

3.3. Validation Workshop Insights and Stakeholders’ interviews

Validation workshop for introducing three scenarios of the VET coordination discussed above served as an intermediary platform for sharing the opinions of the various parties involved in the VET development in Georgia (see the list of attendants in annex table 3). The main statements from the workshop favored the second and third scenarios rather than the first one (LEPL agency). Also, the principal messages that were discussed are as follows:

- Need of a bottom-up approach for the implementation phases. The role of Private Sector should be clarified, with government funding allocated to functions. The role of SSOs in governance also has to be specified;
- Revenue generation is important (courses, qual. Exams). There is a sustainability challenge.
- Equal partnership of the government and private sector means not financial equality, but equality in decision-making in Georgia; government has to push (transformational leadership) these processes;
- GIZ has some experience in clustering skill net – this could also be a tool of regional development; local stakeholders have to be involved;
- PPP-based Agency is ideal but challenging. Need to prioritize sectors and focus on several of them (tourism, construction);
- Professional standards (qualification exams could be outsourced, pilot their scale up) development is the 1st function to be delegated to SSOs;

- Piloting of an SSO in agriculture sector is underway (>20 organizations). This experience could turn out a perfect pilot or example.

The next step was to hold stakeholder interviews for assessing their readiness to actively engage in the implementation of the new VET coordination setup. The parties with standing are the representatives who benefit or lose after introducing the new coordination setup for VET. A large number of actors are likely to be involved for implementing one of the scenarios of the VET coordination in Georgia. These stakeholders can be divided into two main groups:

- **The government parties;**
- **The private sector** in the form of business representatives and business associations from the diverse economic sectors;

The questionnaire was developed to reveal the involvement of the stakeholders in the existing VET system as well as assess their willingness to participate in the new coordination setups, observe whether they are ready for the proposed changes or not. Business Associations and BMOs were in the main focus group as having the collective voice of the businesses from their respective sectors, thus allowing grounds for more comprehensive and diverse analysis. *Tourism, service, production, logistics, winemaking, building, agriculture* is among the sectors (for the list of stakeholders interviewed see annex #3) that were observed during the in-depth interviews.

All the interviewed parties confirm and once again emphasize the importance of the vocational education for each of the economic sector and the country as a whole; however, the majority spotlight the necessity for further developments in the quality of VET and its coordination. The core obstacles VET system has to come across in Georgia detected by the private sector representatives are as follows:

The image of the vocational education in Georgia:

Business Associations and businesses from the tourism and service sectors emphasize the importance of planning VET promotion very carefully. According to the interviews, VET image was destroyed in 90's in Georgia, thus only advertisements and commercials are not capable of combating the problem. Interviewees strongly believe that simultaneously with enhanced government effort, the cure is a combination of the private sector involvement in this process, schools active engagement so that students from the very early ages be aware of the main insights and importance of VET. Paradoxically, while everyone hears how important the VET development and image is for the time being, stakeholders believe that none of the government institutions require a VET qualification for the potential employees/candidates, only the higher education diplomas are accepted.

The quality of the VET programs and qualifications of the graduates:

Cases of “M2” and “Tegeta Motors” are the manifestation of reciprocal reactions of the business to the low quality VET programs in Georgia. These two businesses, operating in the different spheres, were “obliged” to establish their own training centers substituting already existing VET collages. The main reason behind investing additional funds in the training centers was the inadequate qualifications of VET graduates and the vital necessity of the qualified staff for the business, in their words “students’ qualifications cannot stand any criticism”. The president of the restaurants’ association additionally claims that their member businesses, in most cases, avoid candidates with VET diplomas as quality of their education is very low and does not meet the business requirements, the expectations of the VET graduates on their professionalism is high though and does not meet reality, thus businesses would rather hire beginners and invest in their professional development.

Human resources are mentioned by the stakeholders as one of the main bottlenecks for business development, therefore again state that they are ready to contribute. Even though not every sector is involved in the dual education, the representatives of all businesses are ready to implement the WBL courses at their workplace in cooperation with the VET Department, nevertheless, they emphasize the need for incentivizing mechanisms for businesses in the initial stage. The role of the government at this stage is crucial – tax exemptions, utility tariff reductions, bonus remunerations might serve as a motivation for businesses to be involved in WBL. It goes without saying that if similar encouraging approaches are not proposed by the state, it would be complicated to make all of the business representatives comply.

The qualifications of the VET teachers:

The majority of the stakeholders interviewed once again spotlight the need of the practitioner VET teachers to deliver quality education. Moreover, they strongly believe that permanent trainings for the lecturers is vitally important. In the constantly developing world of dynamic markets, the skills of the VET teachers should be regularly updated and adapted to the labor market needs.

Financial Contribution is another key topic discussed while introducing new VET coordination scenarios. Stakeholders of the private sector are ready to contribute for SSO organizing expenditures, however, still some of them express skepticism and advise to choose one or two main directions/sectors where the new coordination mechanisms will be piloted and this would increase trust and compliance of other businesses. Furthermore, this approach will allow the VET department test the better trajectories for adapting the new scenarios. Private sector stakeholders highlight their enthusiasm to work with MoESCS in the process of implementing new VET coordination setups. However, every of the stakeholder interviewed is ready to be involved in the WBL model, if

government is ready to help them in the initial stages. The proposed model should become sustainable over time so that the businesses should not have to finance all the expenditures of the coordination.

Comparative analysis of VET coordination scenarios

Table 2: Comparative analysis of the proposed VET coordination scenarios

Function	Current setup	Scenario I (Government-led)	Scenario II (SSO driven)	Scenario III (Skills Agency)
Policy Development , Strategic management and systems setup	VET Department at MoESCS	VET Department is strengthened to perform all policy development and regulatory functions, coordination functions envisaged by the new VET law or a new National VET Agency (LEPL) is created to perform all functions	VET Department at MoESCS is responsible for policy development, strategic management and systems setup Government-appointed Sectorial College Boards including representatives of relevant SSOs, local and national governments, technical bodies and social partners approve strategy and key parameters of educational programs	VET Department at MoESCS to perform all policy development and regulatory functions; “Skills Georgia” is created as the main body in charge of VET strategy, policy and reform coordination; The agency approves strategy and key parameters of educational programs, including linkages to feeder colleges,
Funding	MoESCS covers direct, indirect and development costs of <u>individual providers</u> ; Businesses pay apprentices in WBL programs	MoESCS covers direct, indirect and development costs of <u>provider networks</u> ; Businesses pay <u>apprentices</u> in WBL programs	MoESCS covers direct, indirect and development costs of <u>individual providers</u> ; Businesses pay apprentices in WBL programs and cover <u>a part of SSO costs</u> MoESCS covers <u>a part of SSO costs</u> (a part of admin costs and the full cost of services)	MoESCS covers direct, indirect and development costs of When created, Skills Georgia is financed by a line in the MoESCS budget. It covers the development costs of <u>provider networks</u> ; Businesses pay <u>apprentices</u> in WBL programs;
Qualification development and certification	NCEQE and National Authorization Board approve VET programs	NCEQE approves changes in professional and educational standards proposed by private sector companies, BMOs	NCEQE approves changes in professional and educational standards proposed by SSOs; SSOs develop new professional standards in VET, according to the new VET law	NCEQE approve changes in professional and educational standards developed by SSOs; SSOs develop new professional standards in VET, according to the new VET law;

				SSOs organize WBL, final assessment of WBL students and represent the private sector in Skills Agency Board;
Quality assurance (QA)	NCEQE and National Authorization Board approve VET programs	NCEQE and National Authorization Board approve VET programs	NCEQE and National Authorization Board approve VET programs	NCEQE and National Authorization Board approve VET programs
Provision & supervision	MoESCS appoints and oversees college principals, allocates budgets, and approves strategy. NAEC is exclusively responsible for admissions (except WBL: NAEC's scores and assessment by college boards, which include business partners, are weighed 20:80, respectively). Individual providers (public and private) deliver training, conduct final assessment (except WBL, where business partners are also involved) and certify (on behalf of MoESCS)	MoESCS funds public VET provision, appoints and oversees Sectorial College Boards; Sectorial College Boards provide the governance for college networks (approve vision, strategy, programs, senior appointments, admissions and final assessment procedures); Weight of NAEC scores in student admission decisions is reduced based on recommendations of Sectorial College Boards (students undergo interviews with college and business reps) Final assessment procedure approved by Sectorial College Boards, allowing for greater business engagement.	MoESCS funds public VET provision, appoints and oversees Sectorial College Boards; SSOs represent the private sector on Sectorial College Boards which provide the governance for college networks (approve vision, strategy, programs, senior appointments, admissions and final assessment procedures); Weight of NAEC scores in student admission decisions is reduced based on recommendations of Sectorial College Boards (students undergo interviews with college and business reps) Final assessment procedure approved by Sectorial College Boards, allowing for greater SSO engagement. SSOs are engaged in admissions, final assessment and certification (on behalf of MoESCS); SSOs plan, coordinate and support provision of WBL, including inter-company courses and final assessment	MoESCS funds public VET provision, appoints and oversees Sectorial College Boards; SSOs are engaged in admissions, final assessment and certification (on behalf of MoESCS); SSOs plan, coordinate and support provision of WBL, including inter-company courses and final assessment; "Skills Georgia" supervises annual work plans, program reports and budget; Reviews the principals' performance; help engage future employers in program delivery and final student assessment;

<p>Life Long Learning programs and Active Labor Market Policies (Active Labor Market Policies are beyond the responsibilities of Ministry of Education)</p>	<p>MoESD, MoHLSA (Not affiliated with the Ministry's budget, it is an independent program run by the MoHLSA)</p>	<p>MoESD, MoHLSA or a new VET Agency (LEPL)</p>	<p>MoESD, MoHLSA SSOs Collecting, analyzing and sharing data on sectorial skills demands and trends;</p>	<p>MoESD, MoHLSA, or MoESCS/VET Agency and eventually "Skills Georgia"</p>
<p>Developing and strengthening provision quality</p>	<p>MoESCS is performing the bulk of development functions:</p> <ul style="list-style-type: none"> - Strengthening the institutional capacity and management systems within individual colleges; - Modernizing the learning environment or developing new VET institutions - Organizing WBL; 	<p>MoESCS (or VET Agency in the case of scenario 1.2) leads the process of creating „hub-and-spoke“ provider networks (if scenario 1.1 implemented); MoESCS (or VET Agency) remains responsible for most development functions but is assisted by Sectorial College Boards in overseeing the performance of college networks:</p> <ul style="list-style-type: none"> - Creating incentives for improvement and innovation; - Strengthening the institutional capacity and management systems; - Modernizing the learning environment; - Increasing the employability of VET students/graduates; 	<p>MoESCS remains responsible for most development functions but is assisted by Sectorial College Boards and SSOs in overseeing the performance of college networks serving priority sectors:</p> <ul style="list-style-type: none"> - Creating incentives for improvement and innovation; - Strengthening the institutional capacity and management systems; - Modernizing the learning environment; - Increasing the employability of VET students/graduates; - Streamlining entrepreneurial education. <p>SSOs promote WBL; Coordinate inter-company courses; Organize WBL and final assessment of WBL students; TPDC provides in-service training for VET teachers and instructors</p>	<p>MoESCS remains responsible for most development functions but is assisted by Skills Agency and SSOs in overseeing the performance of college networks serving priority sectors:</p> <ul style="list-style-type: none"> - Creating incentives for improvement and innovation; - Strengthening the institutional capacity and management systems; - Modernizing the learning environment; - Increasing the employability of VET students/graduates; - Streamlining entrepreneurial education. <p>SSOs promote WBL; Coordinate inter-company courses; Organize WBL and final assessment of WBL students; TPDC provides in-service training for VET teachers and instructors</p>

	<ul style="list-style-type: none"> - Encouraging innovation-operation of fub-labs; - Increasing the employability of VET students/graduates; - Streamlining entrepreneurial education. <p>TPDC provides in-service training for VET teachers and instructors</p>	<ul style="list-style-type: none"> - Streamlining entrepreneurial education; - Providing in-service pedagogy training <p>Colleges serving the hub function within each network provide in-service training for subject teachers and WBL instructors;</p>		
<p>Ensuring equity and accessibility</p>	<p>MoESCS finances VET provision in remote areas (directly or through PPPs), furnishes voucher funding to private providers; encourages gender mainstreaming & inclusion of minorities and disadvantaged groups; and promotes vertical and horizontal student mobility MOHLSA/SSA: subsidizes</p>	<p>MoESCS encourages hub-and-spoke VET networks to expand their geographic coverage to remote areas by financing initial investment and indirect program costs; MoESCS and MoHLSA encourage inclusion and productive employment through <u>differentiated</u> voucher funding and employment subsidies</p>	<p>VET Department at MoESCS promotes equity and accessibility; MoESCS encourages SSOs and relevant provider networks to expand their geographic coverage to remote areas by financing initial investment and indirect program costs; MoESCS and MoHLSA encourage inclusion and productive employment through <u>differentiated</u> voucher funding and employment subsidies;</p>	<p>VET Department at MoESCS promotes equity and accessibility assisted by Skills Georgia; MoESCS and SA encourages SSOs and relevant provider networks to expand their geographic coverage to remote areas by financing initial investment and indirect program costs;</p>

	internships and the first 6 months of employment for disabled persons			
Promotion of VET	MoESCS undertakes career counselling services to promote VET at secondary schools and develops general communication tools to promote VET to the general public and employers	MoESCS (or VET Agency if established) develops general communication tools to promote VET to potential students, the general public and employers; MoESCS/VET Agency works with designated and provider networks and their Boards help promote relevant programs among potential students and job seekers, and assist with job placement of VET graduates	MoESCS is responsible for promotion and marketing of VET, develops general communication tools to promote VET to potential students, the general public and employers; MoESCS. VET department finances SSOs to undertake targeted career counselling and promotion of VET to the unemployed, under-employed and secondary school students in relevant geographic and professional domains	MoESCS (eventually Skills Georgia) (eventually Skills Georgia) works with and finances SSOs to undertake targeted career counselling and promotion of VET to the unemployed, under-employed and secondary school students in relevant geographic and professional domains;

Annexes

Annex #1: Detailed functional analysis of Georgia’s current VET coordination setup

FUNCTIONS	GOVERNMENT	PRIVATE SECTOR		COMMENT
STRATEGIC MANAGEMENT AND SYSTEMS SETUP				
Vision and strategic planning	MoESCS: leads and facilitates	Contributes through NVETC		NVETC is currently disabled
Legal, institutional and governance arrangements conforming to the strategic vision	MoESCS: leads the development of all laws, bylaws, and regulations	Not involved		
Coordination of all functions, actors and SIAP	MoESCS: provides overall coordination and facilitates the involvement of donors and government agencies	Contributes through the NVETC		NVETC is currently disabled
Policy analysis, labor market and education sector data collection, research and reporting	MoESCS leads the analytical effort, hires a consulting company to conduct a national tracer study, receives tracer data collected by colleges and publishes an annual report; EMIS: collects and manages education sector data; MoESD: maintains the Labor Market Information System (LMIS) Colleges: conduct tracer studies and submit data to MoESCS	Individual businesses provide data	Analytical capacity within the government is limited; cooperation with the private sector does not extend beyond data provision; LMIS provides a snapshot of the past (at best), not a forward looking projection of the demand for skills and qualifications	
FUNDING				
Budgeting	MoESCS: plans, monitors and evaluates budget execution			
Financing VET provision	MoESCS: voucher-based funding of providers’ teaching costs, indirect costs and special projects; competition-based funding of short-term training/retraining programs by public and private sector providers; MOHLSA: short-term courses for job seekers (active labor market policy measures)	Individual businesses cover the cost of apprentices, provide scholarships and operate PPP-based (M2, Georgian Railways) and private colleges		Donors finance WBL pilots, short-term training/retraining programs
Investment costs	MoESCS (often with donor support): program funding, special projects, infrastructure, and capacity building measures	Individual companies invest in PPP-based colleges; School-level partnerships provide funding for equipment and materials (e.g. Spektri-Knauff cooperation)		
Controlling	MoESCS: monitors budget execution of all public-colleges	Private sector is represented on the advisory boards of some		MoESCS may start monitoring budget execution of private

		colleges but is not in a position to control budget execution	colleges that receive voucher funding
QUALIFICATION DEVELOPMENT AND CERTIFICATION			
Setting the National Qualifications Framework (NQF)	NCEQE develops the NQF MoESCS approves	Not involved	NVETC was not involved
Identification of skill needs from the economy, society and individual citizens' points of view	NCEQE: leads and coordinates the analysis of EU guidelines, best international practices and conventions regarding key competences to be developed	Private sector contributed through participation in focus groups discussions organized by NCEQE regarding labor market needs	The new Law delegates the function of skills identification to the private sector
Setting national occupational standards	NCEQE: leads the development of standards based on DACUM methodology	Private sector contributed through participation in focus groups discussions organized by NCEQE	The new Law delegates the function of initiating a revision of occupational standards to the private sector.
Develop educational standards	NCEQE: drafts the standards together with sectorial and educational experts	Used to be validated through Sectorial Skill Councils, facilitated by NCEQE Private sector is welcome to initiate the creation of new educational standards	Sectorial Skill Councils are no longer in existence.
Develop educational and training & retraining programs	Colleges take the lead on developing education program content for approval by PM-nominated National Authorization Board (NCEQE serves as NAB secretariat) Providers of short-term programs (including private companies, training centers and VE providers) develop programs for approval by MoESCS Minister-appointed National Board for Licensing Training and Retraining programs	Private sector <i>may</i> participate in developing VE programs; it <i>must</i> be involved in case of dual education track programs. The private sector is represented on NAB Private providers, including businesses, can propose and deliver training/retraining programs. The private sector is represented on the National Board for Licensing Training and Retraining programs	
Final assessment and certification of students	MoESCS: approves the format of diplomas and certificates, and sets the rules of certification; MoESCS: delegates the authority to conduct the final assessment and certify students to authorized providers, both public and private. The issuance of certificates is strictly regulated.	Private sector representatives participate in the assessment of students as commission members; Private sector organizations may be delegated the authority to conduct the final assessment (as was recently the case with Georgian Wine Association); but cannot <u>certify or co-certify</u> professional qualifications (as is the case in Germany); In case of private provision, authorized/licensed providers are also the certifying institutions.	

Recognizing foreign certificates and assuring that national qualifications comply with international regulations	NCEQE: recognition, legalization, referencing	Not involved	
Validation of non-formal education (learning outcomes achieved outside authorized institutions)	NCEQE: develops regulation, certifies providers;	Private sector associations and VET providers are encouraged to deliver programs	The regulation is not yet approved
QUALITY ASSURANCE			
Setting up a quality assurance framework	MoESCS: develops and approves regulations, sets <i>program</i> authorization standards (institutions are not authorized unless they deliver at least one program)	Not involved	Private sector's participation is required by the new authorization standards in all aspects of VET provider development and operations
Authorization of VET providers	Decisions are made by the PM-appointed, independent National Authorization Board (NCEQE serves as NAB secretariat)	The private sector is represented on NAB	
Licensing of training and retraining providers	Decisions made by an independent Board for Licensing Training and Retraining programs	The private sector is represented on the independent Board for Licensing Training and Retraining programs	
Internal quality assurance of VE and training providers & WBL	Providers conduct a regular self-assessment for NCEQE review	Advisory boards <i>may</i> be involved in reviewing self-assessment reports	The self-assessment process will <i>require</i> private sector participation
Monitoring of compliance with the authorization standards (including supervision of colleges)	NCEQE monitors providers, prepares reports for review and approval by the National Authorization Board	Private sector experts are involved in the monitoring process and as members of the National Authorization Board.	An new function of NAB is to assess the <i>degree</i> of compliance, approve expert suggestions for improvement, set deadlines and monitoring schedule
PROVISION & SUPERVISION (IMPLEMENTATION)			
Enrolment of students into VE programs	NAEC: organizes the national student admission exam (20% weight in WBL admission); Colleges have no control over general VET student admission, but are on the selection board for WBL VET admissions	Private sector companies interview and assess future WBL students/apprentices (80% weight)	Academically stronger students perform better but this does not guarantee professional success
Provision of VE programs	Colleges are fully in charge	Private sector representatives can teach on an individual basis, companies may host interns	
Enrollment of students and provision of training/retraining programs	Authorized providers are in charge of admissions (using a fair and transparent procedure via the EMIS-	Private sector companies can be authorized providers and are eligible	

	administered platform), content delivery and certification	for public funding (on a competitive basis)	
Provision of Work Based Learning (Dual type VET)	Colleges deliver up to 50% of learning outcomes, participate in the final assessment, and certify graduates	Private sector companies offer apprenticeship positions, enroll students, participate in, or implement, the final student assessment	The plan is to include intercompany (überbetriebliche) learning
Provision of the E-learning/distance and/or blended education			Part of the strategy but not yet implemented
Internationalization of VET	MoESCS: communicates with donors regarding ad hoc study tours and international exchange agreements; NCEQE: coordinates Georgia's participation in the World Skills Competition; Providers engage in twinning agreements	The Private Sector contributes to the World Skills Competition	This function does not have an institutional home
DEVELOPING AND STRENGTHENING PROVISION QUALITY			
Strengthening the institutional capacity and management systems	MoESCS covers indirect program costs TPDC builds the capacity of principals and admin staff	Private sector companies are represented on the <i>Advisory Boards</i> of most providers	Private sector participation could be strengthened
Modernizing the learning environment, including infrastructure	MoESCS finances the rehabilitation and refurbishment of schools Education and Science Infrastructure Development Agency implements rehabilitation projects and procures centrally coordinated purchases of equipment NCEQE is in charge of developing teaching materials and textbooks	Private sector companies partner with providers and help with equipment and materials, particularly in formal PPP-based setups Private providers take care of all their material needs Donors financed private sector participation in developing teaching materials. Needs to be sustained and systematized.	Private sector participation is not systematic
Building the human capacity of VET providers	Colleges can organize internal trainings, with funding by MoESCS TPDC provides in-service training for VET teachers and administrators, Pre-service training is provided by universities; TPDC will train in-company WBL trainers in pedagogy	Private sector companies and/or associations will train in-company WBL trainers in subject matter. Certification of WBL instructors is not yet institutionalized. So far, they have been trained through donor-financed initiatives according to standards yet to be approved by TPDC	It is up to colleges to request program funds to cover their training needs, but doing so represents additional workload
Encouraging innovation in VET	One of the new authorization criteria directly stimulates innovation	No systematic engagement	There is no institutional home for this function UNDP and ETF will pilot a training and coaching program to strengthen the

	MoESCS is working on the introduction of performance-based funding to encourage innovation (with funding from GGF);		entrepreneurial skills of college principals and staff
Increase the employability of VET students/graduates	Colleges employ career counselling and guidance focal points; Colleges organize job fairs and engage in a range of activities to strengthen students' competitiveness in the labor market and link them to potential employers; Colleges organize extra-curricular activities to develop students' soft skills (eight key competencies)	No systematic involvement	There is no institutional home for this function Very little participation of the local authorities (good examples are Kobuleti and Rustavi)
Streamlining entrepreneurial education	MOESCS: the new law on VET allows colleges to engage in small-scale entrepreneurial activities with students' participation NCEQE: made the newly revised entrepreneurship module a mandatory part of every program GITA: works with public colleges to build in-house capacity to use MoESCS-financed FabLabs, and organizes Hackathons for VET students TPDC/ETF: all VET teachers will receive training in encouraging entrepreneurial thinking of students across all subjects	No systematic involvement	No institutional home for this function
PROMOTING EQUITY AND ACCESSIBILITY			
Analyzing and extending the geography of the VET provider network	MoESCS: establishes and finances colleges in remote areas MoESCS: encourages the private sector to set up PPP-based colleges in the periphery MoESCS: seeks to establish leading colleges as specialized "hubs" in priority fields MoESCS provides voucher funding for private colleges to improve access	Sponsoring, co-investing in PPP-based colleges	No participation of the local authorities is a major gap.
Ensuring inclusion in VET education	MoESCS: develops the regulatory framework to promote gender equality and include disabled and otherwise disadvantaged groups, ethnic minorities, and IDPs; MOHLSA/SSA: subsidize internships and the first 6 months of employment for disabled persons	The private sector's appetite for CSR activities in this field is on the rise	Coordination and implementation of specific, well-targeted inclusion initiatives requires some strengthening There are currently no tax incentives for hiring disabled persons
Ensuring mobility	MoESCS: puts in place the legal and technical framework to ensure both vertical and horizontal mobility; EMIS: technically coordinates horizontal mobility; Colleges and universities have to revise their internal rules to allow for seamless vertical mobility	No systematic involvement	Short-cycle level V qualification programs help link VET and HE; Students on a VET track after the 9 th grade are allowed to continue to Bachelors programs
PROMOTION OF VET			

Developing career counselling and guidance services at secondary schools	Promotion activities have been piloted by the UNDP and handed over to MoESCS, which employs three full-time consultants to carry out promotion activities across Georgian schools	Private sector companies in some cases participate by hosting visits of school pupils. Needs to be systematized.	MoESCS function in this regard needs to be significantly strengthened. Local governments should be more proactive
Development of communication tools to promote VET	MoESCS developed a communication strategy but does not have the capacity to implement it EU supported a rebranding effort for the VET sector	Donors are supporting private sector companies and BMOs to organize promotion activities for particular professions. The main concern is sustainability.	

Annex #2: Georgian VET sector in numbers, 2016 and 2018

	Education level	VET schools		VET teachers		VET students (enrolled)		VET students (active)	
		Private	Public	Private	Public	Private	Public	Private	Public
2013	(Upper) Secondary education	6		34		188		359	
	VET colleges/institutions	34	20	667	545	5310	10930	9968	17094
	Higher education providers	5	11	49	243	763	1798	988	2009
	TOTAL	45	31	750	788	6261	12728	11315	19103
2014	(Upper) Secondary education	5		39		121		346	
	VET colleges/institutions	35	21	909	679	4439	8428	9833	15593
	Higher education providers	5	11	54	325	294	1803	722	3531
	TOTAL	45	32	1002	1004	4854	10231	10901	19124
2015	(Upper) Secondary education	4		43		123		318	
	VET colleges/institutions	36	21	1086	777	3878	8566	9102	16117
	Higher education providers	55	11	71	434	527	2518	882	4596
	TOTAL	45	32	1200	1211	4528	11084	10302	20713

	VET schools		VET teachers		VET students (enrolled)		VET students (active)		
	Private	Public	Private	Public	Private	Public	Private	Public	
2016	Education level								
	(Upper) Secondary education	5	1	70	8	151	21	351	21
	VET colleges/institutions	39	23	1383	896	3817	8608	8779	15990
	Higher education providers	5	13	68	596	579	3072	1027	5868
	TOTAL	49	37	1521	1500	4547	11701	10157	21879
2017									
	Education level	Private	Public	Private	Public	Private	Public	Private	Public
	(Upper) Secondary education	5	1	71	9	112	20	337	41
	VET colleges/institutions	43	23	1679	1127	3927	8951	8869	17293
	Higher education providers	6	13	123	876	503	2539	1119	6050
	TOTAL	54	37	1873	2012	4542	11510	10325	23384
2018									
	Education level	Private	Public	Private	Public	Private	Public	Private	Public
	(Upper) Secondary education	6	1	56	9	250		431	41
	VET colleges/institutions	41	25	2038	1493	3760	6474	9138	15805
	Higher education providers	6	13	159	1052	428	1277	888	4927
	TOTAL	53	39	2253	2554	4438	7751	10457	20773
2019 (6 months)									
	Education level	Private	Public	Private	Public	Private	Public	Private	Public
	(Upper) Secondary education	6	1	49	11	11	19	266	39
	VET colleges/institutions	37	25	2110	1412	492	2372	5142	8876
	Higher education providers	5	11	134	681	2	316	469	2394
	TOTAL	48	37	2293	2104	505	2707	5877	11309

Source: EMIS

Annex #3: List of Stakeholders Interviewed

Business		PERSON INTERVIEWED	Position
1	M2	Mariam Tevdorashvili	Head of the Department
2	Tegeta Motors	Aleks Chibarashvili	Head of the Tegeta Academy
3	GWS	Salome Dolidze	Brand Manager
4	Rustavi Steel LLC	Nugzar Kachukhishvili	
5	Healthy Water	Mikho Svimonishvili	CEO
6	Smart Warehouse	Beso Akhaladze	CEO
Business Associations			
7	Restaurants' Association	Shota Burjanadze	President
8	Georgian Farmers Association	Nikoloz Meskhishvili	VET expert
9	Georgian Tourism Association	Nata Kvatchantiradze	President
10	SME Association	Vakhtang Charaia	Deputy Head
11	Georgian Wine Association	Tata Jaiani	President
Government Parties and International Organizations			
12	Ministry of Education (MoESCS)	Irina Tserodze, Irina Abuladze, Mariam Tabatadze	Head of the VET depart, Deputy head of the minister, Head of the Economic Dep.
13	National Center for Educational Quality Enhancement	Giorgi Vashakidze Tamar Makharashvili	Former and new Head of the EQE
14	National Center for Teacher Professional Development	Berika Shukakidze	Head of the Agency
15	EMIS	Dimitri Beridze	
16	Rustavi City Hall	Irakli Tabagua	
17	European Training Foundation	Timo Kuusela Ummuhan Bardak Olena Bekh	
18	EBRD	Natasa Gojkovic Bukvic	logistics VET consultant
19	GIZ	Johannes Strittmatter	private sector program
20	Ministry of Economics and Sustainable Development, Labor Market Department	Giorgi Gamkhrelidze	

Annex #4: Validation workshop 20th of November, 2019; List of Attendants

	Name	Organization
1.	George Nanobashvili	UNDP
2.	Nino Ushikishvili	EBA
3.	Rusudan Chanturia	ADB
4.	Zurab Simonia	MCA Georgia
5.	Kakhaber Eradze	EQE
6.	Irina Tserodze	MoES
7.	Tamar Rurua	MoH
8.	David Handley	EU TA
9.	Oliver Deasy	IOB- GGF
10	Nikoloz Meskhishvili	GFA
11	Nino Edilashvili	SDC
12	Lela Maisuradze	GIZ PSDTVET
13	Ute Fock	BWMV
14	Giorgi Vekua	GCCI
15	Salome Deisadze	ISET-PI
16	Rusudan Gigashvili	Farmer of Future
17	Tamar Samkharadze	MoES
18	Ani Kitiashvili	GIZ-TL
19	Giorgi Chanturidze	GTUC
20		GCCI/IHK
21	Rusudan Gigashvili	Farmer of Future

Annex #5: The financial analysis and budget allocation according to the disaggregated functions



Microsoft Excel
Worksheet