

POLICY BRIEF

VET Reform in Ukraine: Adaptation of Financial Models to Current Realities and Needs

POLICY BRIEF FOR THE EVBB ANNUAL CONFERENCE 2025

CONTEXT AND RATIONALE

Ukraine's vocational education and training (VET) system stands at a crucial moment. Amid the country's recovery, modernization, and alignment with European standards, reforming the financing and governance of VET is both an economic and social imperative. The newly adopted Law of Ukraine "On Professional Education"—passed by the Verkhovna Rada on 21 August 2025 and entering into force on 15 September 2025—represents the most comprehensive policy advancement for the sector in over a decade.

The law establishes a foundation for modern, performance-oriented, and partnership-based financing of VET institutions. It aligns with Ukraine's Ukraine Facility Plan commitments in human capital development and embodies European principles of autonomy, accountability, and inclusivity. By integrating public and private resources, introducing key performance indicators (KPIs), and strengthening collaboration with employers, the reform seeks to ensure that every investment in VET translates into employment, productivity, and lifelong learning opportunities.

CORE DIRECTIONS OF THE REFORM

The Law "On Professional Education" introduces a systemic transformation across several interrelated domains, governance, financing, institutional structure, and quality assurance.

1. Institutional Transformation

It is planned to reorganize VET colleges into non-profit organisations with enhanced autonomy and flexibility. This will allow VET providers to:

- Independently manage their own revenues and determine remuneration structures (beyond standard public-sector tariff grids);
- Conduct economic activities, provided these do not compromise their educational mission;
- Develop entrepreneurial capacity and co-financing mechanisms with businesses and communities.

This marks a decisive move away from rigid state-controlled management towards performance-driven institutions responsive to labour market demands.

2. Transparent and Accountable Management

The introduction of KPIs for directors and supervisory boards ensures that leadership performance is tied to outcomes such as employability of graduates, quality of instruction, and financial efficiency. These measures create incentives for innovation and open pathways for new leadership within the VET system.

3. Quality and Relevance

From September 2027, all graduates will undergo external assessment of learning outcomes through independent qualification centres. Diplomas will no longer be awarded without demonstrated competencies, ensuring alignment between training outcomes and occupational standards.

Furthermore, flexible learning pathways will allow learners—youth and adults alike—to pursue modular qualifications, enabling faster entry into the labour market and more accessible re-skilling or up-skilling opportunities.

NEW FINANCIAL ARCHITECTURE FOR VET

At the heart of the reform lies the modernisation of the VET financing system. The law introduces a mixed funding model combining:

- State support, primarily for national policy priorities and baseline institutional operations;
- Local budget contributions, reflecting regional development priorities;
- Entrepreneurial activities of institutions;
- Public-private partnerships (PPPs) and other forms of co-financing with employers and donors.

Outcome-Based and Formula Funding

A new formula-based funding mechanism—to be introduced by January 2027—links resource allocation to measurable performance indicators such as:

- Graduate employment rates;
- Student recruitment and retention;
- Attraction of additional (non-budgetary) resources.

This results-oriented approach represents a fundamental shift from traditional input-based financing towards evidence-based investment in quality and labour market impact.

IMPLEMENTATION TIMELINE AND TRANSITIONAL MEASURES

Recognising the complexity of reform, the law foresees a phased implementation:

- 2025–2026: Development and adoption of secondary legislation, competitive appointments of institutional heads, and establishment of supervisory boards.
- From January 2027: Roll-out of the new formula-based funding model across local budgets.
- From September 2027: Mandatory independent assessment of learning outcomes for all publicly financed students.

This gradual approach provides the necessary time for institutional, administrative, and legislative adaptation, while maintaining momentum toward full operationalisation of the new system.

CHALLENGES AND NEXT STEPS

Despite its progressive nature, the reform faces several implementation challenges:

- Uneven regional funding capacity, due to reliance on local budgets and disparities in economic development;
- Administrative complexity in applying the new funding formula;
- Limited experience among institutions and employers in managing PPPs and entrepreneurial activities;
- Need for capacity-building for VET managers, financial officers, and local authorities.

To address these challenges, continuous support will be needed from both national and international partners. Priorities include:

- Development of clear methodological guidance on the funding formula;
- Establishment of regional VET development funds pooling public and private resources;
- Promotion of international technical assistance projects focusing on innovative financing;

Strengthening data systems for monitoring outcomes and institutional performance.

CONCLUSIONS AND POLICY IMPLICATIONS

Ukraine's new VET law sets the stage for a paradigm shift—from fragmented, input-based financing to strategic, outcome-oriented investment in skills. The reform brings Ukraine closer to the European model of autonomous, accountable, and partnership-driven VET systems, where financing mechanisms serve as levers for quality, innovation, and inclusivity.

For the broader European and Eastern Partnership community, Ukraine's approach offers valuable insights into:

- How blended financing can sustain VET in crisis and recovery contexts;
- How PPPs can bridge education and employment in rapidly changing labour markets;
- How legal reforms can embed financial and institutional resilience into VET systems.

As Ukraine moves forward with implementation, international cooperation and investment—including through European instruments, development banks, and private actors—will be key to ensuring that financial reform translates into real opportunities for learners, workers, and employers alike.