SUMMARY REPORT

# Financing TVET: main issues for an effective policy in development cooperation

## Main outcomes and conclusions of the seminar

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## Summary

## FOREWORD

There is a consensus between the governments of developing countries and bilateral and multilateral technical and financial partners on the urgency to develop TVET. Nevertheless, reflecting on this question raises three main issues:

- TVET is largely underfunded: this is particularly true in Sub-Saharan Africa where the enrolment rate in formal TVET at secondary level is 5% or less, and the percentage of public expenditure dedicated to TVET very low (between 2 and 6% in Sub-Saharan Africa (OECD/BAD; 2008));
- the concept of TVET itself is evolving: reflecting on the financing issue raises the question of the pathways and means of acquiring skills that should be taken into account. In the past five years, there has been a paradigm shift from traditional TVET systems towards a more holistic and inclusive concept of technical and vocational skills development (TVSD) that acknowledges the diversity of training provision and pathways of acquiring skills (formal, non-formal, informal) ;
- this new concept of TVSD requires to analyze the financing issue with regards to the results it achieves, and therefore to conduct a cost-effectiveness analysis of the measures and actions to be financed.

The seminar "Financing TVET: main issues for an effective policy in development cooperation" takes into account this shift from Technical Vocational Education and Training (TVET) to Skills Development (SD). It addresses the central and increasingly recognized role of TVET/SD financing in ensuring effective acquisition of technical and vocational skills in and outside formal education and training systems.

This seminar was based on earlier discussion between ESIP staff and TVET experts. The objective of the seminar was :

- to provide a basis for support to partner countries with a focus on how to transform and expand TVET/SD so that it can become a means for all young people and adults working in the formal and informal economy to build the skills needed for work and life;
- to provide an overview of best practices and "advisory approaches" that can help governments, with the support of EU Delegations, to analyse their TVET/SD systems and devise new financing approaches and modalities;
- to contribute to the development of strategic approaches to programming and designing actions by DEVCO B3.

The main outcomes of the seminar are synthesized in the present report. They are based on seven main contributions that were made during the seminar on the following subjects:

- Financing TVET in the EU – reflections and examples (Mantas Sekmokas – EAC/EMPL);
- Financing TVET in Sub-Saharan Africa and Latin America – a comparative analysis of vocational training funds (Richard Walther – ADEA/AFD);
- Designing Financing System for Lifelong Learning: Financing what and by whom? (David Atchoarena – UNESCO);
- Financing mechanisms and TVET policy issues at stake in ETF Partner Countries (Marie Dorléans – ETF);
- Financing TVET – Advisory approaches (Stefan Hummelsheim – GIZ);
- How to finance skills development in the agricultural sector? (Johann Engelbrecht – AgriSETA);
- Financing Cost effective skills development (Boubakar Savadogo – Akilia).

It also draws on the debates that took place in working groups that were organized around three main topics:

- Financing TVET or TVSD – moving towards a more holistic approach of financing skills;
- Cost effective training and new forms of financing;
- Role of training funds.

The detailed programme of seminar is enclosed at annex 1, as well as the list of participants (annex 2).

## INTRODUCTION

The seminar allowed to compare the funding policies that are implemented in various continents, notably in Europe, Africa and Latin America. It also offered the opportunity for fruitful exchanges between several actors: some that are directly involved in the funding of training, bilateral and multilateral organizations, and experts working in different socio-economic contexts and in training frameworks that are either publicly funded, or funded within public-private mechanisms. Through this diversity of countries, situations and participants, a very large range of contexts, publics and approaches could be analyzed, allowing to draw recommendations on financing mechanisms that are efficient and equitable.

## I. A COMMON INITIAL DIAGNOSIS

Despite the diversity of geographic, socio-economic and institutional situations and contexts mentioned above, the speakers who intervened during the seminar made reference to several strategic orientations and methodological hypothesis that were homogeneous if not common to all. They can be summarized as follows:

- The implementation of vocational training, and more precisely of technical and vocational skills development (TVSD) is impeded, both in developing and developed countries, by a labour market characterized by low employment creation and growing job insecurity. Financing TVSD therefore needs to become more efficient; it also needs to focus on better qualifying young people to existing and new jobs. TVSD financing thus acquires a strategic dimension for the sustainability of the interventions promoted in developing countries and for scaling up innovative approaches and pilot interventions.
- In all countries, TVSD needs to play a role in both stirring the economic growth and supporting social inclusion: it should therefore promote a sustainable development that covers this double socio-economic dimension. This opens up the debate around the "equity function" of vocational training and how vocational training should prevent rather than "cure" the marginalization of the most vulnerable groups from employment.
- TVSD financing should increasingly be public/private: the various presentations made during the seminar all concur on this statement. The debate rather focuses on *how* this public/private co-financing can be built in the governance of vocational training systems. It implies that social partners are increasingly involved in the governance of training funds and that economic actors are increasingly involved in the engineering of vocational and continuing training.
- The paradigm shift from traditional TVET systems towards a more holistic and inclusive concept of TVSD implies to broaden funding mechanisms to all pathways of acquiring skills (formal, non-formal, informal). This implies that public authorities in developing countries integrate the funding of all pathways of acquiring skills in their national policies, as well as the training of all those, trainers and entrepreneurs, who contribute to the professionalization of young people in work situations.
- In most countries, there is a discrepancy between the strategic priority displayed by public authorities on TVSD as a means to facilitate access to employment and to promote sustainable development, and the financial means that are allotted to it. All development aid policies must take this paradox into account, and try and help countries to invest in improving the competencies of both youth and the overall workforce.

If the experts and participants of the seminar share views on these aspects, this does not imply that the means of actions should be the same regardless of the countries' specific context. On the contrary, these common findings helped better explore the specificities of diverse situations and the means that can be implemented to meet them.

## II. FINANCING OF VOCATIONAL TRAINING THROUGH THE PRISM OF EUROPEAN EXPERIENCES

The seminar first helped to understand vocational training financing through the prism of European policies. Indeed, the practices of both the European Union and its partner countries determine the visions and tools that structure either explicitly or implicitly the technical and financial support that the European Union will provide to training systems in developing countries.

### 1. Enhancing vocational training efficiency in a European context in quest for competitiveness and growth

The presentation made by the Directorate General for Education and Culture of the European Commission highlighted how much the EU's new vision, called "Agenda for Jobs, Growth, Fairness and Democratic Change – A new start for Europe", requires a strong investment in vocational training or TVSD. It promotes entrepreneurship and the creation of jobs as a means to facilitate young Europeans' access to employment, while allowing at the same time an aging workforce to adapt continually to ongoing technological and professional evolutions. Nevertheless, this investment cannot be limited to a mere increase of financial means. It implies, given the restrictions imposed on public spending on education and training, a higher efficiency of the means that are available. First, it implies to raise the quality of initial training in order to meet the needs of a knowledge-based-economy and fast-changing technologies. In particular, it stresses the need to further boost excellence in TVET by providing practical policy and financial support, and by establishing strategic networks that closely link VET provision with regional strategies for economic development and innovation. Secondly, it entails to set up mechanisms aiming at raising the competencies of the workforce, or to re-qualify them to meet the needs of European economies, both national and regional, in terms of competitiveness and innovation. This implies well-functioning skills upgrading systems (continuing TVET) and compensatory routes back to education and labour market for those lacking skills or qualifications. Thirdly, it implies to set up sustainable funding mechanisms, which supposes a clear distribution of responsibilities between public authorities, employers and employees, as well as a clear identification of the beneficiary groups most in need of skills reinforcement.

The challenges and constraints raised by this ambitious strategy are:

- To deliver better evidence on returns on education and training, by improving measurement methods and data collection, especially for CVET related indicators, as well as carrying out research to evaluate the monetary and social benefits of learning;
- Set-up more, better and balanced mix of incentives, rights and obligations for companies, and supportive and information services for individuals;
- Analyse training systems' sustainability and effectiveness: a review of different financing and regulatory instruments (such as training funds, vouchers, grants, training leave) shows that their effectiveness and efficiency are often not clear.

**Cost-sharing: collection and allocation mechanisms**

| Source/Stakeholders | State | Employed individual | Employer |
|---|---|---|---|
| State (Levy-based training funds and other public resources) | | * Vouchers / ILA / Grants (and other subsidies)<br>* Tax incentives<br>* Loans (interest free loans, loans at reduced interest rates, public loans)<br>* Saving schemes (schemes with State subsidies and/or interest subsidies | * Vouchers / Grants (and other subsidies)<br>* Tax incentives |
| Social partners (Levy-based training funds and own resources) | Allocation of public funds to SP resources | Vouchers / ILA / Grants (and other subsidies) | Grants (and other subsidies) |
| Training leave and payback clauses are regulatory mechanisms that are complementary to the financing mechanisms presented in the table. | | | |

The table shows various mechanisms: training funds, vouchers, grants, training leaves. A review of their efficiency nevertheless reveals that they do not always benefit those who most need it, that their effectiveness is suboptimal, and that they benefit first to large companies and high-skilled employees. Training funds, for example, often focus on distributing as high a share of collected revenues as possible without considering training relevance. This situation needs to be changed in the future.

## 2. Developing financing mechanisms that support European Union's partner countries

The analysis conducted by the European Training Foundation on the situation of Eastern- and South-Eastern-Europe countries, as well as on Turkey and Middle Eastern- and North African countries highlights the leading role of vocational training, or TVSD, in economic development and social cohesion. Nevertheless, this role is only truly efficient if it is analyzed in its multiple dimensions:

1. How the cost of measures and policies envisaged are estimated in order to inform policy making: this is the **costing** dimension.
2. How the *budget* is planned to cover the cost of TVET policy: this is the **budgeting** dimension.
3. How the money is *raised* in order to fund the TVET system (including where it comes from): this is the **fundraising,** also commonly called **financing** dimension.
4. How the money is *distributed* within the TVET system (including where it goes to): this is the **funding** dimension.

These "How" questions have a number of commonalities, as they unveil similar cross-cutting issues, which are linked to governance (who are the key stakeholders? what are the channels or schemes?) and to scientific methods and tools (what are the calculation methods?).

These questions helped identify the challenges faced by different groups of countries: the countries of the former Soviet Union are faced with the weakness of their initial vocational training systems and funding mechanisms, while MENA countries have more advanced funding mechanisms, including training funds, but face high youth unemployment and do not take the informal sector into account.

The cross-country analysis highlights how countries mobilize resources from the State, training centers and companies and then reallocate them to training centers (however with too little consideration of policy priorities) and to companies (according to three main levy-grant schemes: reimbursement cost, cost redistribution, levy-exemption). It concludes that it is necessary to consolidate the financing chain's governance by involving private sector representatives, and more generally by creating sustainable financing mechanisms targeted on the implementation of TVSD that meets the needs of national development policies.

To sum up:

- More funds (public and private) are needed in all countries in the current phase of ambitious reform implementation;
- Cost-effectiveness and training relevance should be promoted (incentives for quality training in public structures; promote company training; reflect on the degree of school autonomy and incentives to increase quality);
- VET financing should be closely related to policy objectives and with other key VET policy areas.

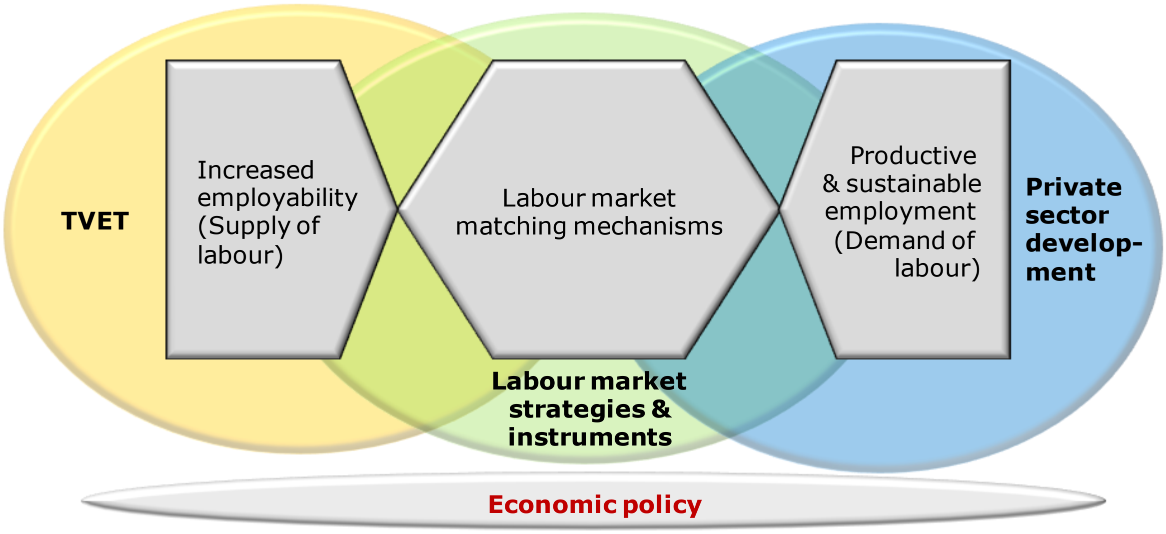
## 3. Transferring European training schemes to developing countries (GIZ Study)

Considering Germany's well-established dual system, the developing countries GIZ was working with asked the German cooperation to help them implement such a model. Their expectations with this regard were high, considering the performances of the German dual system:

- very low youth unemployment rate (integration function);
- high transition into the labor force (allocation function);
- market oriented production of qualified skilled workers for the needs of the enterprises (qualification function).

The implementation of such a model was supposed to help the countries benefitting from GIZ development cooperation train young people based on companies' skills needs and thus facilitate their integration into the labour market. The study conducted by GIZ on the transfer of the dual system's operating model and financing mechanisms was very instructive with regards to the limits of such an experience.

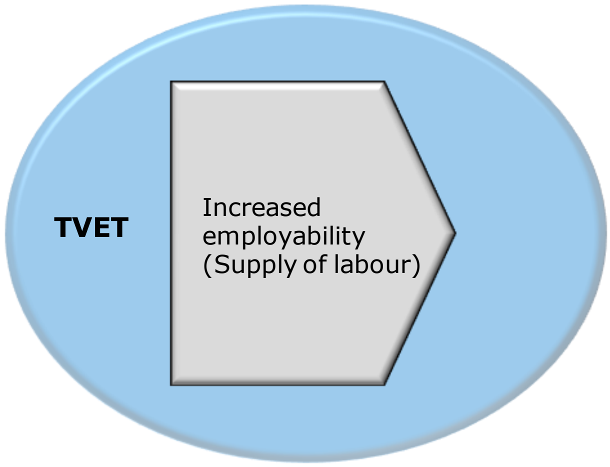
## General Integrated Approach




In reality, this transfer process requested a strong adaptation of the model, based on developing countries' realities. The promoters of the German dual training system first had to realize that the German financing mechanisms (effective co-financing of the dual system by the Länder and companies) could not be transferred as such. They also had to take into account the countries' specificities and therefore introduced the following changes:

- Develop existing training systems for a better integration of the labour market's needs for competencies;
- Adapt training to the reality of the informal economy;
- Raise esteem for TVSD since it supports both economic development and employability;
- Promote financing mechanisms, including training funds, that are very different from those existing in Germany;
- Introduce functional literacy and a culture of lifelong training.

## General Integrated Approach - 2




- **Labor market oriented technical and vocational education and training (TVET) system**
- **Skills for the informal sector**
- **School to work transition**
- **Image of technical and vocational education and training (TVET)**
- **Integrated educational approaches and lifelong learning (LLL)**
- **Financing education /education insurance**
- **Financial literacy**

The entire transfer process therefore requires an in-depth reflection on its key success factors. Copying the dual training system in another context is not possible: the German model is rooted in the country's history and, in the case of Germany, in private companies' responsibility. In developing countries, this responsibility can only be collective and will require a social consensus on the benefits that the private sector, mainly characterized by small production and service units, will draw from the implementation of a dual training system.

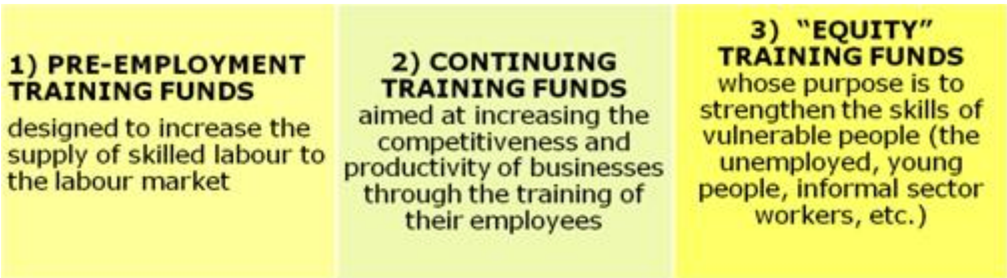
The challenge is therefore to help companies and public authorities realize the collective interest they have in the transposition of the dual system within their country's specific context, and to set up or structure financing mechanisms accordingly. This implies that companies agree on paying a training levy that will be administered by training funds governed by both the public and the private sector.

## III. SUPPORT TRAINING FUNDS TO BECOME MAJOR AND EFFICIENT ACTORS OF THE TVET SYSTEM: SOME EXAMPLES FROM AFRICA

Three presentations helped to understand the specificities of vocational training financing in developing countries, and notably in Africa. In these countries, skills development, especially through pre-employment training (apprenticeship) and continuing training for employees in formal (minority) and informal companies (majority), is financed through training funds. The literature reviews and studies conducted on the subject made it possible to take stock of the current situation of training funds and brought forth recommendations on ways to make these funds more strategic, responsible and focused on the skills needed by the labour market.

### 1. Towards an optimal model for structuring and partnership-based training funds (ADEA/AFD study)

The study that was carried out by the Association for the Development of Education in Africa (ADEA) for the French Development Agency (AFD) analyzed the funding mechanisms used by training funds in Latin America (based on a literature review) and in Africa (based on a survey conducted among 12 training funds in Western and Central Africa). The study first referred to the typology established by R. Johanson, based on the analysis of 60 training funds in different continents (Latin America, Africa, Asia and Europe) and countries, which classifies training funds into three main categories:



The analysis of Latin American training funds, which were historically the first to be established, showed how well-integrated they are in national vocational training policies and strategies:

- They generally have three functions: prepare young people for employment, develop workers' skills within companies, and train vulnerable groups of the population;
- They can be financed by various mechanisms such as taxes on wages, tax incentives, tax credits, co-financing, etc;
- Their institutional position allows them to play a major role in national vocational training policies and strategies;
- They are partnership-governed institutions;
- They do far more than just collecting and redistributing funds: they act as training providers either directly or in association with external structures.

In Africa, funds have been developed later and with different features.The survey conducted among twelve training funds, almost all of which are part of the African Network of Vocational Training Institutions and Funds (RAFPRO) helped to complement the analysis on African training funds with first hand information. The questionnaire focused on the funds' mode of governance; their budgets; the way financial means are collected and allocated; the services they offer; the way training actions are monitored; existing forms of cooperation between funds.

The funds have different features:

- in most cases, the funds are not fully managed in partnership;
- the funds cannot afford to do what they are required to do;
- the role of the funds within the national TVET systems is not properly defined;
- the funds are only receiving part of the financing they ought to receive;
- the funds need to focus on their priority tasks;
- the funds have no structured communication, monitoring or evaluation system.

The study reached the conclusion that the funds have a vital role to play in the development of TVSD by:

- promoting continuing training in formal and informal enterprises;
- promoting and supporting the development of a renewed apprenticeship carried out in one or more companies;
- developing the skills of entrepreneurs and trainers in the crafts and agricultural/rural sectors;
- raising esteem for TVSD, which is not rightfully considered by the education system.

In order to play such a role, these training funds – although different in their financing modalities (full or partial repayment of tax), governance schemes (autonomous or under State supervision) and missions (focused on continuing training and apprenticeship or other public tasks) – must be structured according to an optimal and efficient model based on the following principles:

**Use funds first to identify the current and future skills needs of formal and informal enterprises**

**Focus funds' work on the development of in-company continuing training and apprenticeships for young people**

**Ensure that funds are direct recipients of all training and apprenticeship levies, as opposed to giving them fluctuating and non-guaranteed public subsidies**

**Establish tripartite management committees with real financial and administrative autonomy and move from supervised to genuine partnership management**

**Encourage funds to develop and promote training and apprenticeship schemes that can be rolled out across the whole training system**

**Require funds to use monitoring and evaluation methods and tools to identify the impact of financed activities and maximise their effectiveness and relevance**

The study concludes with a set of recommendations to public authorities and technical and financial partners that support training funds in most of these countries:

- the primary purpose of funds is **to respond properly and effectively to the skills needs of companies and the labour market** (continuing training and apprenticeship);
- this targeting **does not exclude the "equity" function, which funds fulfil when they develop the skills of entrepreneurs in the informal sector and support apprenticeship** to promote the job prospects of young people who leave school without having acquired a minimum level of knowledge and skills;
- **the equity function must primarily be fulfilled by public authorities**, whose task is to provide for groups that are the most vulnerable and excluded from education and employment;
- training funds may, if necessary, have a remedial role, but only after having done everything **to avoid situations where remedial training is necessary.**

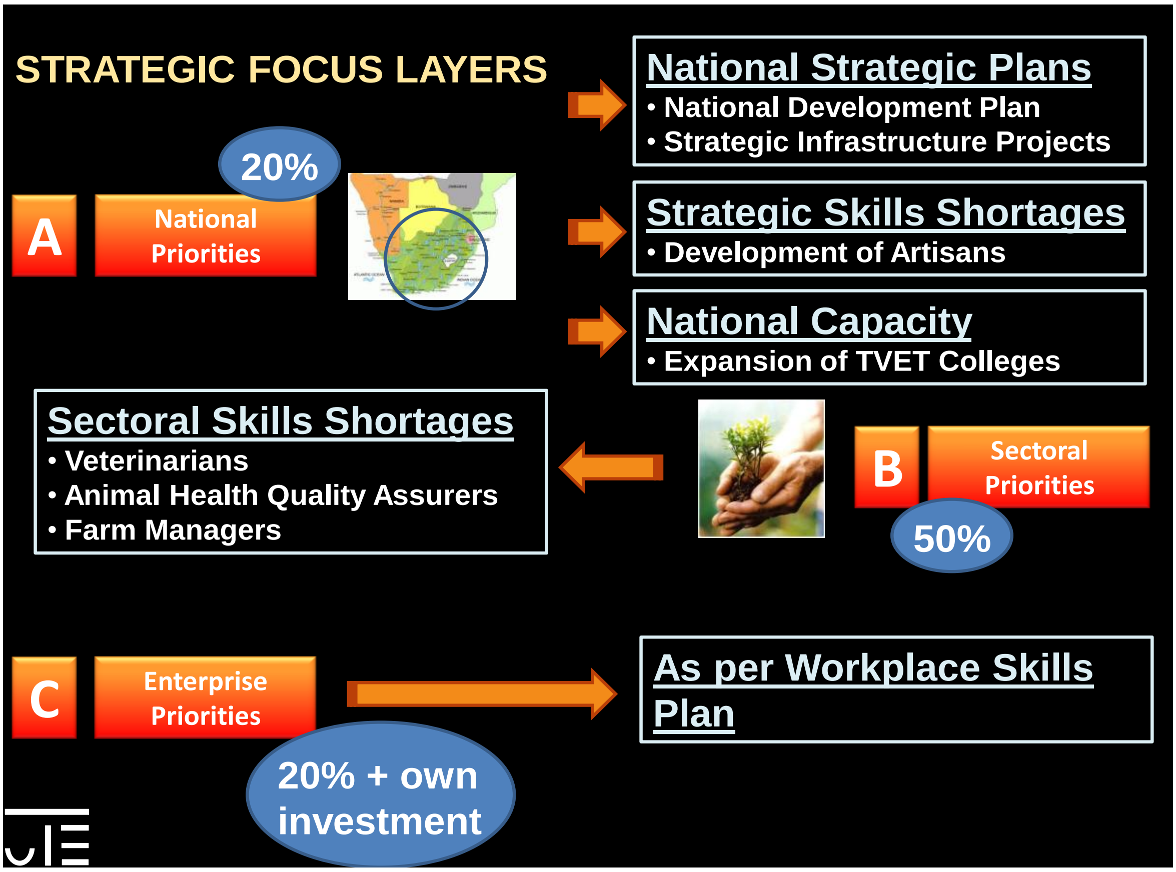
## 2. Sectoral vs. intersectoral training funds? The example of the South African model

Using the South African example, the ADEA/AFD study analyzed the pros and cons of a sectoral versus inter-sectoral approach of financing TVET. It concluded that the sectoral approach helped to better understand and respond to the skills needs of economic actors. A sectoral approach nevertheless requires, in particular for the agricultural sector and more generally for sectors with a high degree of informality, to supplement sectoral resources with other resources pooled at national level by a national solidarity fund, which reorients them towards priority sectors or sectors with high training needs and low resources.

The presentation of the South African system, which is based on a hybrid approach combining sectoral and intersectoral financing mechanisms, helped understand the relationship and complementarity between sectoral and intersectoral training funds. The South African system is financed through the collection of a skills levy equivalent to 1% of the payroll of all private sector companies whose annual payroll exceeds 500 000 Rands (50 000 euros approximately). The system is based on a coherent approach combining three complementary priorities:

- national priorities, which are primarily focused on skills development for disadvantaged groups (informal sector, unemployed) or cross sectoral training needs, or financing training in areas that have insufficient means to ensure skills development of their human resources: they are funded by 20% of the global skills levy income (collected from all sectors) and monitored by the National Skills Fund;
- sectoral priorities, mainly aimed at anticipating and promoting the skills and crafts that will create growth in the sector: they are funded by 50% of the sectoral skills levy income;
- companies' priorities, targeted on the specific skills needs of their employees, mainly aiming at better qualifying them for their jobs. These priorities are funded through a mandatory grant receiving 20% of the sectoral skills levy income.

**The links between Strategic National and Sectoral Focus: example of the Agricultural Sector**



The South African strategic financing framework is collectively defined by all public and private partners. It is based on a close relationship between the National Skills Fund (NSF) and the 21 SETAs (Sector Education and Training Authority):

- the sectoral training funds monitor skills development in each specific sector of the South African economy;
- the NSF primarily addresses the skills gap of priority groups, as well as strategic projects in initial training (TVET colleges) and continuing training for various social groups, discriminated because of their age, gender or race.

The SETAs aim to develop critical and scarce skills in their sector and more generally to enable their sector's companies to reinforce their employees' skills. In the agricultural sector, the AgriSETA *(Agricultural Sector Education and Training Authority)* aims primarily to strengthen the skills of farm managers, but also to address the lack of qualifications of livestock breeders. AgriSETA not only funds skills development programs for contributing companies. It also funds small farms that are not subjected to the skills levy and promotes skills transfer from large to small farms through a particularly efficient mentoring program.

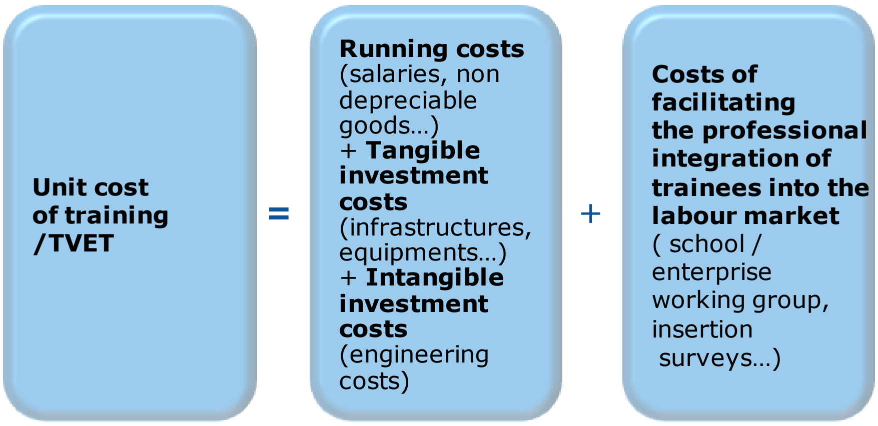
AgriSETA is therefore primarily focused on developing sectoral skills and respects at the same time the crosscutting priorities that are defined at national level and financed through the NSF. The SETAs and the NSF also comply with common crosscutting values of: inclusive development; cooperation between large and small contributing and non-contributing companies; and cooperation between the various sectoral and national training funds. This system facilitates the country's harmonized and inclusive development, which requires a coordinated approach to support skills development for working and non-working groups that are low-skilled and most in demand for job skills.

## 3. Financing in an efficient and sustainable way (AFD studies)

Several studies conducted on behalf of AFD helped develop a calculation method for training costs. This method, that was used in various countries, was aimed to analyze internal and external training efficiency, thus promoting financing mechanisms that are both relevant and sustainable.

These studies were led in a context where many African countries were planning to multiply by four or five the number of young people who should have access to TVET in the next five or ten years. At the same, it was impossible to calculate the costs implied by such reforms, since budget data only reflected functional training costs. Calculating the actual cost per trainee implied not only to consider all the running costs, but also the costs induced by tangible (infrastructure, equipment) and intangible investments (engineering of training frameworks and programs, training of trainers, regular update of occupational standards) as well as costs to facilitate job integration.

**How to calculate unit costs of training/qualification/insertion pathways**



Applying this calculation method in several countries (Ivory Coast, Burkina Faso, Mali) has shown that TVET costs are very high and inefficient. The study showed that the annual unit cost for the center-based training of one trainee could reach a level close to that observed in developed countries without giving the trainee real integration opportunities in the world of work.

The studies conclude that TVET systems need to move from center-based training to integrate apprenticeship or dual training. As shown in the table below, it is the only way to significantly increase the capacity of existing training centers and thus improve young people's access to skills development. At the same time, it significantly reduces the training cost per trainee and improves the training system's external efficiency (in terms of integration in the world of work).

**Investing in an efficient and sustainable TVSD**

| Types of schemes | Running costs | Tangible investment costs | Intangible investment costs | Employment follow up costs | Relevance = efficiency + sustainability |
|---|---|---|---|---|---|
| Center-based training | ++++ | ++++ | +++ | +++ | Weak or very weak |
| Apprenticeship /dual training | +++ | + | +++ | + | Strong |
| Learning at the workplace | +++ | + | +++ | + | Strong |

32

## IV. DESIGNING FINANCING SYSTEMS FOR LIFELONG LEARNING

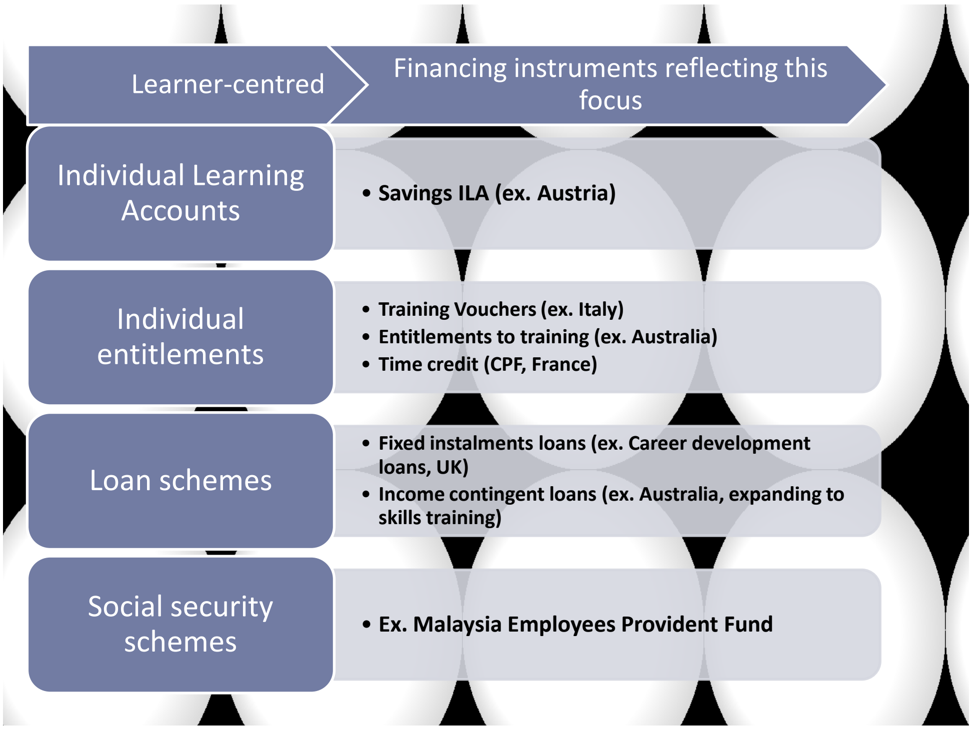
The presentation made by UNESCO opened the debate on the financing mechanisms that will be necessary to meet the needs of the post-2015 development agenda for education and training.

The financing of vocational training can no longer be considered without taking into account the new vision of education and training that was defined in the Muscat-Agreement that resulted from the Global "Education for All" Conference organized by UNESCO in Oman in May, 12-14th 2014. There, the theme "Ensure equitable and inclusive quality education and lifelong learning for all by 2030" was proposed as overarching goal for the future agenda. This objective is based on three key characteristics of the lifelong learning concept:

- Life-long : people continue learning throughout their lives, not just in informal ways but also in formal and non-formal settings. There is a smooth progression, with multiple access and exit points, pathways and transitions;
- Life-wide: learning is implemented in many different settings. Assessment and recognition of learning occurring outside the formal education system are important;
- Learning and learner centred: there is a shift of perspective from education to learning. The learner acquires greater choice in learning opportunities and options but also greater responsibility.

These main characteristics and this paradigm shift towards lifelong learning have implications on the design of financing mechanisms. In particular, it implies to conceive financing mechanisms that take into account the individual's right to access, through various channels, to the skills and competencies he needs to continually improve his working conditions and life. Several countries have already implemented financial approaches that support and enable this concept of lifelong learning.

**Promising approaches for the financing of lifelong learning**




All financing schemes need to enable smooth progression for each individual in acquiring knowledge and skills. They also need to give the right to people:

- to have their skills and work/learning experiences recognized;
- to access different services promoting access to lifelong learning: guidance, training leave, time credit.

Lifelong learning financing tools do not replace those, like training funds, who promote collective systems of initial and continuing vocational training. These systems enable as many young people and adults as possible to have access, at any given time, to the skills they need for their social and professional fulfillment. Lifelong learning financing tools complement these mechanisms because they offer the opportunity to every individual to take the initiative and achieve his own personal and professional route.

# V. REFLECTIONS AND RECOMMENDATIONS FOR EFFICIENT AND INCLUSIVE POLICIES AND FINANCING MECHANISMS

The experts' presentations led to a very rich debate amongst participants. The discussion was organized around three main issues:

- Shifting from TVET to TVSD,
- Cost effective training and new forms of financing,
- Role of training funds.

The conclusions of these working groups provide elements for the European Union's reflection on devising new financing approaches and modalities in the area of Vocational Education and Training and Skills Development.

## 1. First conclusion: financing must revolutionize the scale and the impact of current TVET policies

One common finding of the seminar was that current TVET systems only train a minority of young people and adults and thus have a very limited impact on the development of skills that are required by current and future jobs.

Financing mechanisms therefore need to cause a complete change in current policies and revolutionize access to TVET. This implies:

- to extend the concept of TVET to all ways of acquiring skills and work situations (formal, non formal, informal), and thus achieve a paradigm shift from traditional TVET towards a more holistic and inclusive concept of technical and vocational skills development (TVSD);
- define with all partners (public, private, civil society) how to best reform the current TVET system to evolve towards a skills development system that is closely related to the world of work. It implies to promote apprenticeship and dual training modes that significantly increase young people's access to vocational training and improves their access to employment;
- strengthen the capacity of economic, professional and social actors at national, sectoral and local levels, to get involved in the redefining and implementing of a training offer that is delivered in partnership with formal and informal companies.

It seems obvious that the financial means collected from the private sector and managed by training funds should primarily be used to enable this change of scale. However, this change will not succeed without the support of technical and financial partners.

## 2. Second conclusion: financing should primarily target the actual and future skills needs of the labour market

The analysis of the training systems' current performance shows how poorly fitted they are to prepare the workforce for existing and future jobs. It also shows that the current budgetary policies are defined without a previous analysis of the actual training costs and their external efficiency with regards to job integration.

In this regard, the group on "cost effectiveness and new forms of financing" reached the following conclusions:

- new forms of financing should support skills development according to the country's socio-economic priorities and thereby promote more efficient training with regards to pre-employment preparation and professional integration. This is not the case of some newly established funding instruments;
- new forms of financing should consider the efficiency of subsidized training and particularly their capacity to meet the labour market needs. This implies to improve the relevance and quality of existing devices in orienting them on the skills needs expressed by economic and social partners;
- defining new financing mechanisms requires prior design of unified measurement and evaluation criteria with regards to the objectives to be achieved. It is not sufficient to only consider the training's internal efficiency, in particular the drop-out rate, which is usually the only one being monitored;
- the equity dimension must be taken into account when measuring training systems' efficiency. All support that is provided must ensure that skills development access is guaranteed to those who most need it;
- any funding policy requires the establishment of a logical framework that will help decision makers to analyze the cost-effectiveness ratio prior to the definition and implementation of training actions and to identify the priority groups that will benefit from them.

## 3. Third conclusion: financing must be targeted on skills development that meets the standards and requirements of a public utility training

Financing of technical and vocational skills development is currently provided by: i) the State's budget voted in its yearly Finance Act; ii) the private sector through the payment of training levies which were introduced concomitantly with the training funds, or through renewed traditional apprenticeship, where the company bares part of the training costs while training an apprentice; iii) technical and financial partners who contribute to the public- or training funds' budget. Whatever the channels or whoever the initial or final payer is, financial means and mechanisms must, according to the conclusion of the seminar:

- support training actions of general interest, which will improve workers' mobility and produce skills that meet the development requirements of sectoral or cross-sectoral activities. In other words, they should not be targeted on the specific interests of a particular company (that the latter must finance on its own);
- be defined in close partnership between public authorities and social partners, and meet priorities defined either at national, sectoral or local level. A public/private governance of training funds is the most appropriate way to target the resources on skills development actions that are most needed by companies and workers;
- support the evolution of training systems, that are mainly based on center-based training, to integrate training schemes that are conceived and piloted in partnership with the world of work. It would thus support the creation of: i) sustainable continuing training structures that enhance companies' capacity to adapt to ongoing changes; and ii) sustainable initial training structures, based on apprenticeship, that maximize young people's employability and thus their access to employment.

New financing mechanisms therefore must not be targeted on narrow and too specific needs but should support training actions that promote sustainable and inclusive development, as defined in the post-2015 agenda.

## 4. To conclude

The speakers and participants stressed the importance of further reflection on the subject. In particular, they expressed their interest for a research program that could help determine the ways and means to operate what the seminar called "an access revolution for the largest number" to a TVSD that supports growth and employment. This implies to analyze why TVET remains a largely underestimated and underfunded skills development system although countries claim they want to train a large majority of young people to integrate them effectively into the labor market. This also implies to identify and assess the financing tools that are the most effective and adequate to achieve a genuine reform of the actual training system. This analysis is all the more important given the 4$^{th}$ target of the Muscat-Agreement (Global Education for All Conference, UNESCO/2014), that includes "providing relevant skills sets to young people through various education and training pathways, improving education-to-work transitions and enhancing adult up-skilling and reskilling in a life-long learning approach". Such a research program could be piloted by the European Commission and led by a consortium of selected experts or organizations.

## ANNEX 1. SEMINAR AGENDA

**Financing TVET: main issues for an effective policy in development cooperation**

**Brussels, 27th November 2014 - DEVCO – Rue Joseph II 54 - (J54, room 00/SDR2)**

| | | |
|---|---|---|
| **9.00** | **Registration** | |
| 9.10 | Introduction | Francoise Millecam, Deputy Head of Unit DEVCO B3 |
| 9.20 | Financing TVET in EU – reflections and examples | Mantas Sekmokas - EAC/EMPL |
| 9.30 | Presentation of the ADEA/GRET/IRAM study "Financing TVET" in Sub Saharan Africa and Latin America | Richard Walther – ADEA/AFD |
| 10.00 | Designing Financing System for Lifelong Learning : Financing what ? And by whom? | David Atchoarena - UNESCO |
| 10.30 | Financing mechanisms and TVET policy issues at stake in ETF Partner Countries | Marie Dorléans - ETF |
| 11.00 | Coffee break | |
| 11.30 | Presentation of the GIZ study "Financing of TVET - Advisory Approaches" | Stefan Hummelsheim - GIZ |
| 12.00 | How to finance SD in the agriculture sector? | Johann Engelbrecht, AgriSETA |
| 12.30 | Financing cost effective SD | Boubakar Savadogo - AKILIA |
| 13.00 – 14.00 | Lunch | |
| 14.00 – 14.20 | Short summary of main outputs from the morning session and presentation of the working groups | Richard Walther/Hamidou Boukary |
| 14.20 – 15.30 | Discussions in 3 thematic working groups | |
| 15.30-15.45 | Coffee break | |
| 15.45-16.30 | Discussions in 3 thematic working groups (follow-up and conclusions) | |
| 16.30-17.00 | Presentation of group work outputs | |
| 17.00-17.30 | Discussions with the audience<br>Conclusions | Hamidou Boukary<br>Richard Walther |

**Thematic working groups**

| Theme | Facilitators |
|---|---|
| **Thematic group 1:** Financing TVET or TVSD | David Atchoarena / Hamidou Boukary / Michel Carton |
| **Thematic group 2** : Cost effective training - News forms of financing | Boubakar Savadogo / Marie Dorléans / Stefan Hummelsheim / Kerstin Nagels |
| **Thematic group 3** : Role of the training funds | Richard Walther / Christine Uhder/ Johann Engelbrecht |

## ANNEX 2. LIST OF PARTICIPANTS

| Name | Organisation |
|---|---|
| Roberto APARICIO | DEVCO C1 |
| Michel ARIBAUD | Consultant |
| Isabelle ARRAULT | D1 |
| David ATCHOARENA | UNESCO |
| Adrienne BIRD | Dept. of Higher Education and Training (South Africa) |
| Hamidou BOUKARY | |
| Monica BUCURENCIA | DEVCO F3 |
| Michel CARTON | NORRAG |
| Marie Rose DE PAOLIS | DEVCO B3 |
| Marie DORLEANS | ETF |
| Layla EL KHADRAOUI | G2 |
| Johann ENGELBRECHT | AgriSETA |
| Tracy FERRIER | British Council |
| Christian FUSILLIER | AFD |
| Donatella GOBBI | B3 |
| Jürgen HEIMANN | EUD Bangladesh |
| Frank HESS | H1 |
| Stefan HUMMELSHEIM | GIZ |
| Simon LE GRAND | H1 |
| Walter LINDO | Fondir Italia |
| Chrystelle LUCAS | F4 |
| Audrey MARTINENQ-DUPLESSIS | Ministère des Affaires étrangères et du Dév. Internat. |
| Françoise MILLECAM | B3 |
| Zukile Christopher MVALO | South African Department of Higher Education |
| Kerstin NAGELS | GIZ |
| Nazaret NAZARETYAN | DVV international |
| Luca ORIANI | F1 |
| Sergio PIAZZARDI | C4 |
| Chiara PIERDICCA | D1 |
| Anna Lucia PINTO | DEVCO G2 |
| Alba RIOBO SOUTO | B3 |
| Boubakar SAVADOGO | AKILIA |
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