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About Skills for Prosperity

The Skills for Prosperity (S4P) programme supports the education and skills development of marginalised groups in nine countries across Africa, Asia and Latin America. By improving their work readiness, we help partner countries to have a diverse workforce with skills for the future and to drive sustainable and inclusive economic growth and poverty reduction. S4P is funded by UK aid from the UK Government and implemented by a consortium led by global impact firm Palladium. Follow S4P on Medium, LinkedIn and Twitter to keep abreast of the programme's updates and learning.

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The contents of the paper reflect the personal views of the author and should not be understood to represent the official policy or position of any of the organisations listed above.

Foreword

The global Skills for Prosperity (S4P) programme is a Foreign Commonwealth and Development Office (FCDO) aid-funded initiative which has operated across nine countries (Brazil, Egypt, Indonesia, Kenya, Malaysia, Mexico, Nigeria, the Philippines and South Africa). The S4P Hub is the central management hub for the S4P programme and exists to support FCDO to oversee and co-ordinate programme delivery in the nine partner countries.

The Hub also provides technical assistance and advisory support on a demand-driven basis to the country Delivery Partners (DPs). This paper is an output of the Hub's research, learning and policy function which aims to identify and share evidence and lessons learnt across the programme and externally with our partners and relevant international organisations.

The overall intended impact of the S4P programme is increased capacity for inclusive economic growth that contributes to poverty reduction in the partner countries. The programme aims to achieve this through improving fragmented education systems and creating more robust education to employment pipelines with a particular focus on growth sectors of the economy. More specifically, the expected outcomes of the programme are improved skills levels, employment rates and productivity of beneficiaries, particularly for the priority target groups of women, low-income youth and people with disabilities.

As most countries around the world are concerned about growing their economies and creating jobs, improved productivity, innovation and knowledge are considered important contributing factors. Consequently, in many lower and middle-income countries there is a commitment to improving skills levels, especially through transforming technical and vocational education and training (TVET) and skills systems.

As donors, international organisations and other stakeholders, including national governments, have different views on the importance and value of investing in TVET to support economic growth, the S4P Hub commissioned this paper to consider how key development partners approach investing in TVET and skills. The outputs from this research will hopefully inform future donor programming and investment in TVET and wider skills development in lower and middle-income countries.

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1. Executive Summary

This paper has collected the observations and recommendations of various experts in technical and vocational education and training (TVET) and skills development to consider effective approaches to investing in TVET and discuss what evidence can be shared to demonstrate and ensure that doing so is good value for money.

The paper has paid particular attention to how development partners conceptualise and approach investments in TVET and skills systems, and on the experience and views of stakeholders involved in the reform of TVET and skill systems in development settings.

Taken together, investments in TVET and skills development serve a wide range of economic and social objectives with high expectations placed on the expected results. These broad goals are based on assumptions about the relationship between skills and economic and social development which provide the justification for almost all development projects that seek to address skills issues.

Most investment decisions are now driven by a desire to support economic growth by addressing skills constraints in sectors that are best placed to drive development.

The focus of projects and their underpinning theories of change increasingly appear to reflect the economic rationale for skills development and focus on addressing skills constraints to economic development. Skills development is also increasingly seen as part of larger programmes targeting wider infrastructure, employment or sectoral development priorities. Some development partners also overlay this logic with assessments of their own national competitive advantage and how development assistance can leverage this expertise and create commercial opportunities for their own firms or industry bodies.

The goal of more inclusive growth and greater social inclusion and equity appear to be increasingly considered second level priorities. However, sound economic and labour market analysis is required to analyse sectoral growth potential and the extent to which skills issues are a constraint. Development partners must ensure adequate lead times and project due diligence to identify and select priority sectors.

A consequence of the shift towards skills for economic and enterprise development is a move away from TVET and skills as a means to improve social inclusion, to make labour markets more equitable and to assist recovery from disasters and conflict.

Development cooperation is increasingly seen as a means to an end rather than an end in itself. Inclusion and human development are more likely to be seen as secondary outcomes rather than key objectives of investments in TVET and skills. Whilst the language of inclusive growth continues to permeate project design, many development partners highlighted a declining focus on disadvantaged groups as a priority in skills programming. Whilst the emphasis on employment as a key indicator of project success was commonplace, the issue of job quality and the conditions underpinning Decent Work need greater attention and development partners must ensure social and economic returns remain the dual objectives of investments in TVET and skills.

Development partners clearly take into account a range of economic, political and financial considerations when developing the business case for investments and use a variety of tools and approaches to do so.

Amongst the organisations consulted, a minority use formal cost-benefit analysis (CBA) and return on investment (ROI) tools, and those that do often have to rely on subjective assumptions surrounding the economic and social returns to skills in development settings. Similar observations were made about the use of ‘value for money’ or ‘best buy’ assessments which also place considerable emphasis on the monetisation of project returns. Whilst these approaches are clearly popular amongst donors and development banks in particular, they are often balanced by overarching organisational mandates through which the initiative to invest in TVET and skills comes from national counterparts and commissioning partners who have decided through their own assessments that specific activities are a priority for technical assistance or development project funding.

Regardless of the justifications for investments in TVET and skills, data and measurement issues continue to influence investment decisions.

TVET and skills systems are complex and encapsulate a wide range of services, programmes, modalities, beneficiaries and country contexts. By their very nature, they are difficult to measure and value. Much of the data available on the effectiveness of different approaches to TVET and skills development reflect findings from high income countries. Whilst the evidence base in low and middle-income countries is growing, similar data is not as readily available. The measurement challenges that exist are exacerbated by cost and timeliness issues, especially for aggregate data at the national or system level.

Several development partners stated there would be more investment in TVET and skills development if there was more robust data on social and economic impact. However, the lack of enthusiasm for investing in national data systems and capacity and limited project timelines results in a 'Catch 22', where the lack of evidence is cited as a justification for lower levels of investment alongside limited interest to invest in activities that would build the evidence base that could be justify further investment.

More coordinated action amongst development partners could develop a more integrated and coherent evidence base for investments in TVET and skills. Further investment in data systems and capacity is required and project design and inception phases should provide sufficient lead times to identify and address constraints in local data systems and capacity. Development partners should continue to build the business case for investment to account for emerging priorities and draw on the growing body of evidence that investments in TVET and skills can deliver a range of economic and social returns.

Whilst the importance of project Monitoring and Evaluation (M&E) systems is increasingly recognised, a shift in the culture of measurement is also apparent, with increasing adoption of 'change' or 'performance' stories as a way of understanding the results of interventions.

Individual, enterprise and agency case studies can incorporate both quantitative and qualitative indicators and make the best use of local or microlevel monitoring systems where data is easier to obtain and more readily available to show the impact on project stakeholders. Such measures of change at the local level can be used to reinforce overarching assumptions and perceptions of the link between training, skills, employment,

enterprise development and inclusive economic growth, enabling projects to use these examples to build the business case for further investment through demonstration and communication activities.

As the limited financing available for TVET and skills projects constrains the scope of projects to directly impact on large numbers of individuals, the need to demonstrate impact where possible and use this to argue for wider systemic change by national governments and other development partners is a sound strategy when resources are not available for larger and longer-term interventions. Development partners should continue to explore more innovative approaches to M&E and continue to invest in the capacity of projects and national partners to deploy and adopt a wider range of tools and techniques to measure project success and ultimately the value of TVET and skills investments.

It is clear that most development partners pay great attention to private sector engagement and enterprise partnerships, both to ensure project investments deliver direct economic returns, but also as a strategy to potentially leverage additional investment.

The participation of industry partners is key, but development partners can do more to ensure that engaging with industry moves beyond representation in the governance of projects and systems. Industry engagement should involve representatives of both employers and workers and should be promoted at the national, sectoral and local levels to ensure that investments are truly demand driven. However, the tension between supply and demand led approaches remains as projects continue to grapple with the challenge of how to actually build the demand for skills.

Demonstrating the impact that investments in skills can have on firm productivity and competitiveness are key strategies in ‘demand led’ approaches. However, addressing other factors that impact on the utilisation of and demand for skills within enterprises and sectors more broadly, such as Human Resource systems, work organisation and market and business strategies should be addressed more regularly in project design. Development partners can do more to address skills related constraints that affect enterprise performance. Investments in skills are not a ‘silver bullet’ and more holistic approaches are required. Longer project lead times and inception phases also need to become more commonplace to ensure projects address the factors that influence skills utilisation and ultimately increase the demand for skills.

Sectoral and market systems approaches are key to ensuring investments in skills respond to national contexts and target constraints on development, but more flexible programming and project design approaches are required.

Market systems and sectoral approaches support detailed and thorough analysis of skills issues affecting priority sectors. However, flexible results matrices and indicator frameworks are required to support a range of intervention options and provide enhanced flexibility in project design. Longer project inception phases should be adopted to identify constraints and required actions. Whilst presenting its own challenges, the tailoring of indicator frameworks to suit local needs does enable more responsive programming. Longer lead times and extended inception phases also increase the likelihood of co-construction and bottom-up project design.

However, the greater focus on skills issues affecting economic sectors and value chains has reduced the interest in and scope for projects and activities that address systemic issues in TVET and skills development. Despite this shift, projects should and can be designed to address constraints at the system, sectoral and local levels in an integrated and effective manner.

The declining interest in system wide interventions also appears to be fuelled by ongoing doubts about the longer-term impact of system level interventions and the difficulties of measuring the impact of them. When they are addressed as issues affecting the skills ecosystem of economic sectors, they typically focus on issues related to cost, quality, and relevance as the major concerns of employers. Such approaches often fail to take a more strategic perspective that considers the effectiveness of systems as a whole, including their role in providing wide access to skills development and opportunities for lifelong learning.

While systems level work can be funded through projects targeting priority economic sectors and value chains, development partners should also recognise that over time, transformative and strategic national level reforms can have a positive and significant impact on a large number of beneficiaries. More coordinated action is required to build the evidence base and appetite for such interventions and ensure that adequate financial resources are available to fund them. This includes supplementary allocations and grants for technical assistance that support larger sector specific investments to ensure binding systemic issues are addressed in a more strategic manner.

Whilst many donors and development agencies consistently highlighted the key roles played by national partners, implementation issues continue to limit the effectiveness of investments.

The investment priorities of development partners and the priorities for system development by national partners are not always well aligned. Many national partners continue to rely on supply-based approaches, are reluctant to allow the private sector to influence project design and are resistant to include links to other line ministries. A myriad of issues impact on project success and include a mismatch between the interests of national partners in particular activities and the interests of development partners in measuring the outcomes and impact of their investments. The challenge of leveraging greater national investment for TVET continues to be influenced by which government ministry or department is the lead counterpart. There is growing interest in involving ministries of finance as key project partners in place of or alongside more traditional partners such as the ministries of education, labour and agriculture. Development partners should cooperate more effectively to harmonise activities across partners, benchmark systems and improve understanding of what works in different national contexts. Policy learning rather than policy borrowing should be the goal.

Despite these limitations, development partners all expressed the view that they expect the demand for investment in TVET and skills to grow.

There is a shared expectation that there will be ongoing and increased investment in TVET and skills development and that it is likely to remain a key priority for development partners in the future. This ongoing interest is clearly linked to a number of key developments: the accelerated post pandemic industrial transformation, the growing concerns about the pace of the transition to a low carbon economy and the ongoing social and economic transformation driven by digitalisation, migration, demographics and other factors influencing the future of work. Given the priority that many development partners place on skills, the growing evidence base on the returns to skills should drive increased investment, despite the limited fiscal space that exists in many countries. As investments in TVET and skills continue, development partners must ensure that economic imperatives for development do not completely subsume the important social outcomes that can and must be achieved by investing in skills development.

The paper highlights numerous models, approaches and tools that can be used to increase the impact of investments in TVET and skills and ensure that skills issues can be addressed in a coordinated way at national, sectoral and local levels. More effective partnerships and enhanced support to national partners must remain a priority, and investments must continue to address systemic issues and build system capacity at the same time as addressing priority economic sectors and value chains.

2. Introduction

This paper draws on the observations and recommendations of experts in technical and vocational education and training (TVET) and skills development and presents evidence from national programmes of TVET reform. The paper pays particular attention to how development partners conceptualise and approach investments in TVET and skills systems and on the learnings from their experience of reforming TVET and skill systems in development settings. In its widest sense, the paper takes an explorative approach to consider what evidence can be shared to demonstrate and ensure that investing in TVET is good value for money.

Investments in TVET and skills systems are made for different reasons and this paper considers both the economic and social justifications for doing so. The terms ‘business case’ and ‘value for money’ are used by many development partners to highlight the economic and financial considerations that inform investment decisions, guide decision making and influence the impact of investments. A business case presents the reasoning and justification for initiating and investing in a project or programme and the concept of value for money is based on the understanding that the expected benefits of any investment are greater than the costs, and better than doing nothing at all (DfID, 2011).

Whilst the purpose of the paper is not to review the investment decision making processes of development partners in detail, it does consider a number of key references to frame the debate. This introductory section considers key concepts and issues surrounding investments in TVET and skills development grouped under two main themes which consider the rationale for investments in TVET and skills development and the evidence of returns from investments in TVET and skills.

2.1 The rationale for investments in TVET and skills development

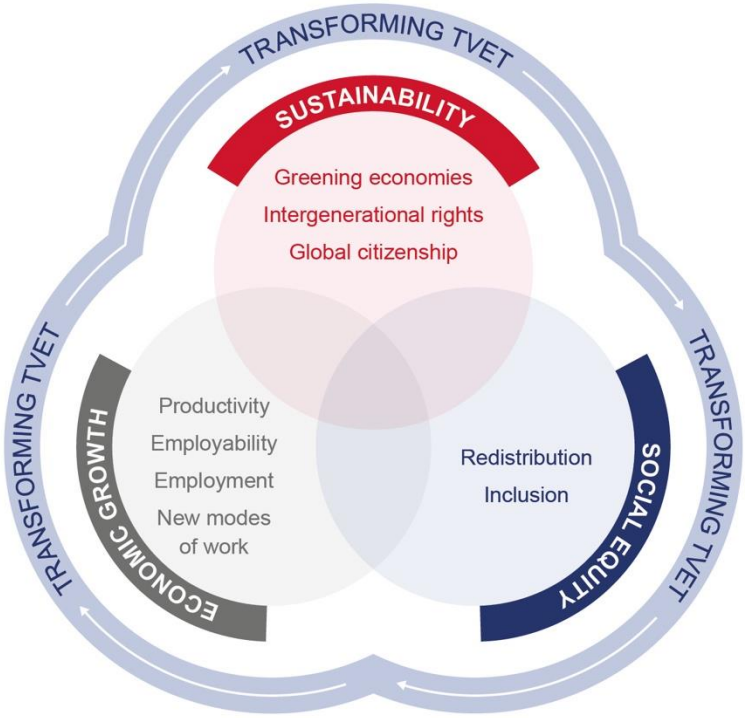
In many countries, the terms ‘skills development’, ‘vocational education and training’ (VET) and ‘TVET’ are used interchangeably. In this paper, the phrase ‘TVET and skills’ is used to

reflect the broad perspectives and programming options captured by these terms and used by development partners. [1]

Education and training systems, and in particular VET and TVET, have evolved in response to structural changes in production systems, economies and societies. These developments have shaped both the type of skills acquired and how they are developed. The scope of investment in TVET and skills is also broad, potentially covering work at national, sectoral, regional, and local levels. Investment covers a wide range of technical fields and modalities of learning, and from individual programmes and institutions to system wide interventions and programmes of reform.

UNESCO argue that skills development through vocational education and training underpins economic growth and supports social cohesion by providing employment pathways into the world of work (UNESCO, 2015). This dual purpose of TVET and skills development, to deliver both economic and social outcomes, strongly influences the rationale for investment in development programmes. It also generates a tension between competing priorities that has influenced the approaches and governance of development projects in this sector for many years. More recently, the economic justification for investments in TVET and skills development has also been framed in terms of the challenge associated with the greening of economies and the shift to low carbon forms of production and distribution. These parallel goals for TVET and skills development are reflected in the diagram below which illustrates key elements relating to the three goals of economic growth, social equity and sustainability.

[1] See Annex A for a further discussion of terms.



Source: Marope, M., Chakroun,B. & Holmes,K (2015)

Figure 1: Lenses through which TVET skills can be considered.

These combined perspectives can lead to unrealistic expectations being placed on what investments in TVET and skills development can deliver, and reconciling these different purposes and expected outcomes in project design has not always been effectively achieved.

A key challenge for projects and programmes that seek to strengthen and reform TVET and skill systems is how to improve the links between the world of education and the world of work. The European Commission argues that TVET and skills development have two distinct but inter-connected dimensions, where on one hand TVET systems are expected to produce world-class skills for global competitiveness and on the other to link informal economies to formal TVET through the provision of skills that enable people to access decent jobs and integrate into mainstream economic life (EC, 2012).

The Commission's interventions, comprising TVET-focused projects as well as the mainstreaming and incorporation of TVET into other socioeconomic policies and sectors, aims to provide the knowledge and skills for people to be active members of rapidly evolving societies, and to promote employability, decent work, social inclusion and social protection under the auspices of the Decent Work Agenda (EC, 2012).

However, the link between individual needs, social equity and economic development should not be taken for granted, and as UNESCO argues, ‘a strong synergy between the needs of the workplace and an individual’s ongoing career prospects is a prerequisite for achieving both economic and social development.’ UNESCO (2015, p.12). Despite these tensions between the needs of the individual and the demands of the labour market, skills are broadly understood as an essential driver of both economic and social progress.

The link between skills and economic performance is widely accepted and underpins the theory of change embedded in many development projects. For example, the G20 notes that ‘equipping the workforce with the skills required for the jobs of today and those of tomorrow is a strategic concern in the national growth and development outlooks of all G20 countries. Each country’s prosperity depends on how many of its people are in work and how productive they are, which in turn rests on the skills they have and how effectively those skills are used.’ (ILO, 2010, p. 8). Ensuring these broad outcomes requires equal access to additional up-skilling opportunities for all people, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, and including low-qualified and skilled adults and people with a migrant background (EC, 2020).

The design of TVET and skills projects therefore must account for and reconcile several competing priorities. When successfully made, investments in TVET and skills, are understood to ‘nurture a virtuous circle in which more and better education and training fuels innovation, investment, economic diversification and competitiveness, as well as social and occupational mobility, and thus the creation of more but also more productive and more rewarding jobs.’ (ILO, 2022, p.7).

Skills are understood as being crucial for long-term and sustainable growth, productivity and innovation and therefore a key factor for the competitiveness of businesses of all sizes, in particular small and medium-sized enterprises (SMEs) (EC, 2020). Providing people with the right skills allows them to work more effectively and take advantage of advanced technologies, eliminates the major obstacle identified to business investment, prevents labour market mismatches, and lays the ground for research and development (R&D) and firm-based innovation (EC, 2020). Research by WorldSkills UK has also highlighted the need to develop a competitive skills base as a key strategy to attract inward investment and to create jobs (WSUK, 2021).

Such arguments for the value of skills, span from the individual to the collective, and illustrate that substantial expectations are placed on investments in TVET and skills development, as illustrated below:

- empower people to develop their full capacities and to seize employment and social opportunities;
- expand labour market opportunities and reduces social inequalities;
- raise productivity, both of workers and of enterprises;
- lead to higher wages;
- contribute to boosting future innovation and development; and
- encourage both domestic and foreign investment, and thus job growth, lowering unemployment and underemployment (EC, 2012).

Beyond these benefits, education and training has also been understood to offer non-production benefits such as increased work satisfaction, improved health decisions, reduced crime, improved citizenship, and even better parenting (Woessmann, 2014).

Against this backdrop, more recent debates about the skills required for the future of work in our post-pandemic world regularly refer to megatrends such as globalisation, digitalisation and demographic change and highlight the impact they are having on jobs and the way that societies function and people interact. The OECD has noted that ‘getting skills right has become even more critical for ensuring well-being and promoting growth that is inclusive and sustainable; to thrive in the world of tomorrow, people will need higher levels and different types of skills and to respond to these challenges many countries will need to re-engineer their skills systems.’ (OECD, 2019, p.3).

Another rationale for development finance is the emerging interest in impact investing which refers to investments ‘made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return (Chen, 2020). At its core, impact investing is about an alignment of an investor's beliefs and values with the allocation of capital to address social and/or environmental issues. Many development finance institutions, such as the British FCDO or Norwegian Norfund, can be considered impact investors, because they allocate a portion of their portfolio to investments that deliver financial as well as social or environmental benefits (Chen, 2020).

Whilst impact investing is not used by all development partners investing in TVET and skills projects, it illustrates the changing culture of development financing which gives substantial emphasis to the economic returns and impacts of investment in the design and implementation of projects. Taken together, investments in TVET and skills development are seen to serve a wide range of economic and social purposes, and high expectations are placed on them. However, whilst there are clearly a range of reasons which provide a rationale for investments in TVET and skills, the evidence of returns from such investments is less readily understood.

2.2 Evidence of returns from investments in skills

A rich literature exists on the links between education, skills, productivity, and economic growth. At the country level, education has been shown to be an important input to economic development, and education and training is considered a leading determinant of economic growth, employment, and earnings in modern knowledge-based economies (Woessmann, 2014).

In a summary of the economic case for investments in education and training for the European Union, researchers noted that if measured by the skills actually learned, the education of a population is very closely linked to the national long-run growth rate and found that an increase in educational achievement by 50 PISA[2] points translates into a 1 percentage point higher rate of economic growth (Woessmann, 2014).

However, as noted by the OECD (2022), despite its fundamental role in modern economic growth theory, empirical work has struggled to find a satisfactory representation of human capital to explain macroeconomic variables. Improving macroeconomic measures of human capital beyond levels of educational attainment is important given the central role that education, training and skills play in economic policy and as a driver of economic performance. Taking advantage of the unique data set generated through the PISA and PIAAC[3] international assessment programmes in high income countries, the OECD has

[2] The Program for International Student Assessment (PISA) is an international assessment that measures students' reading, mathematics, and science literacy.
[3] The Programme for the International Assessment of Adult Competencies (PIAAC) is a programme of assessment and analysis of adult skills.

developed a methodology to assess the national stock of human capital which in a cross-section of 53 OECD and non-OECD countries, shows a positive correlation between skills and productivity (OECD, 2022).

These results confirm earlier analyses which showed a 1 per cent increase in training days leads to a 3 per cent increase in productivity, and that the share of overall productivity growth attributable to training was around 16 per cent (Woessmann, 2014). Comparative national research by the OECD has also identified how national differences in the quality and quantity of TVET graduates can explain national differences in productivity, quality and innovation (OECD, 2011a).

At an individual level, employment rates are very closely related to education levels. UNDP found a strong correlation between the proportion of formal TVET students at the post-secondary non-degree level and their higher per capita income and employment rates compared to general secondary school students (UNDP, 2017). In modern economies, widespread unemployment is predominantly a phenomenon among low-educated people. Across European countries for example, unemployment rates have been 6% for those with a higher education, 9% for those with upper secondary education, and 18% for those who did not manage to obtain an upper secondary qualification (Woessmann, 2014).

The evidence also shows that where education and skills are more equally distributed across the workforce, there tends to be less wage inequality (OECD, 2019), and in an empirical study on skills mismatch in low- and middle-income countries, the International Labour Organization found evidence it was associated with negative outcomes in the labour market: lower job and life satisfaction, loss in private and public returns on investment in training, loss in firms' productivity, increased hiring costs, suboptimal work organisation and higher staff turnover[4] (ILO, 2019).

These broad high-level perspectives however, mask other studies which call into question the positive general assumptions about the value of investments in TVET and skills development. In a meta-analyses of project evaluations, Kluve and colleagues noted that whilst not evident in all cases, investing in skills training and entrepreneurship promotion for

[4] Skills mismatch is a broad term that refers to a range of concepts where there is a difference between the aggregate demand for and supply of skills in the labour market.

young people through active labour market measures can yield positive employment and income returns for individuals (Kluve et al, 2017).

However, in another review of projects that invested in youth training, USAID concluded that ‘the evidence reviewed casts serious doubt on the efficacy and value of training interventions to help youth enter formal wage employment. The case is stronger for interventions that speed the transition to self-employment in farming or non-farm household enterprises.’ (USAID, 2017, p.35) The World Bank similarly found that whilst vocational training did have some impact on employment, it was modest in many cases and needed to occur alongside other supporting interventions such as wage subsidies that aim to increase firms’ demand for labour, and job search and matching assistance that aims to better enable firms and workers to find and contract with one another. (World Bank, 2017)

Whilst these findings have led some development partners to query the long-standing orthodoxy that investing in TVET and skills delivers positive social and economic returns, it also highlights the wide range of interventions and activities that can be funded and reminds us that generalised statements about the returns from investment are highly context specific and depend on the goals being pursued. It also highlights the importance of integrated approaches that focus more broadly on other factors influencing the supply and demand for skills.

Another key challenge in drawing conclusions about the returns from investments in TVET and skills development in a wider range of national settings is the lack of comparable data, especially in low- and middle-income countries, where robust data sets often do not exist and the capacity of institutions to analyse, report and act on the findings are limited.

Many studies on the returns from investments in skills are highly context specific and at the level of individual firms and training programmes. The results from these studies are often not easily generalised into sector or economy wide results to show that investing in TVET and skills in aggregate will deliver the same results. For example, the lack of data on the employment trajectories of individual students and their earnings makes it difficult for policy makers to assess the benefits of diverse types of training.

Much of the available data reflects findings from high income countries. Simply put, national-level data which provides the basis for similar conclusions in low- and middle-income countries generally is not readily available or simply does not exist.

3. Perspectives on Investing in TVET and Skills Development

This section presents the outcomes of stakeholder consultations conducted over the period December 2022 to February 2023. In total, 19 interviews were completed involving representatives of donors (such as the Asian Development Bank), implementing agencies (such as the International Labour Organization), and national partners in receipt of development assistance (like the Human Resource Development Corporation of Malaysia).[5] The results of these discussions have been grouped under the following five broad themes:

- The business case for investments;
- The theory of change for Technical and Vocational Education and Training (TVET) and skills development;
- Results matrices and indicator frameworks for project design;
- Building the business case through projects; and
- Leveraging investment though projects.

The discussion that follows seeks to consider recent developments, examples, and perspectives from donors, implementing partners and national agencies on the topic of investing and programming in TVET and skills development.

3.1 Determining the business case for investments

Whilst different terminology is used by development partners, broadly speaking, all donors, implementing agencies or national partners make investment decisions based on some form of business case.

[5] The full list of organisations consulted can be found in the Acknowledgements Section at the front of this paper. The interviews with investment stakeholders were guided by the interview schedule included in Annex B.

Widely varying approaches are used that range from formal cost benefit analysis (CBA) or return on investment (ROI) assessments, to more informal and largely qualitative approaches that rely on generally understood links between investments in skills and a range of expected social and economic returns.

The European Bank for Reconstruction and Development (EBRD) for example, only invests in projects if they can convince a private sector client that there is a business case for doing so. EBRD does not undertake any ROI or CBA assessments as it is assumed that clients will determine themselves whether the project is viable and represents a sound investment. EBRD clients choose from a menu of six criteria that represent qualities of a market economy. Skills are embedded within criteria focussed on inclusion and equality of opportunity which emphasises how a focus on inclusion can address client business challenges. Approximately 13% of projects in the EBRD portfolio are understood to include this inclusion criteria, and EBRD has set a target of 25% considering growing awareness that post-COVID, skills are an increasingly binding business constraint.

By contrast, the Asian Development Bank (ADB) undertakes a CBA as part of the economic analysis for almost all projects, except those that focus on policy and institutional reforms or provide budgetary support (ADB, 2017).[6] Another donor, the Inter-American Development Bank (IDB), do undertake CBA, but due to limited data, make various assumptions about expected outcomes and returns, especially at the macro and system level where the lack of data restricts the assessment of longer term returns.

In the case of the UK FCDO, value for money is assessed through a mixture of quantified cost-benefit analysis and narrative justification. The business case must include a theory of change describing how the programme will deliver its expected results, what assumptions have been made, and how these assumptions may help to identify risks to be managed over the life of the programme (ICAI, 2018).

The Australian Department of Foreign Affairs and Trade (DFAT) also undertakes a ‘value for money’ assessment for each investment in TVET and skills although they typically do not

[6] An example of the economic analysis for an ADB investment in skills can be found in Annex E.

involve CBA or ROI calculations which are usually reserved for projects with a stronger economic or financial focus such as those involving impact investing, challenge funds and market systems development approaches (see Annex F for further details). DFAT use project evaluation criteria based on the OECD Donor Committee for Enterprise Development (DCED) which are used to inform investment decisions and shape the design and modelling of projects.

To assess the business case of projects, DFAT applies the concept of distributed benefits, which includes a focus on changes to the income level of individual beneficiaries and improvements in performance, accessed markets, and productivity at the enterprise level. DFAT considers sectors where investments in skills are likely to have the most immediate return in terms of equity, employment and wages. For example, by prioritising the tourism sector in Sri Lanka over health because of the greater potential for enhanced employment of women, and the lower level of regulation which is seen to simplify the process of change in that sector. In cases such as these, a mix of qualitative and quantitative tools and approaches are used to build the business case.

In the VET Toolbox Programme (Phase 2), the greater focus on enterprise partnerships requires longer lead times but enables the business case for investment to be developed in partnership with participating enterprises. The programme does not utilise CBA as part of the project development process, or in any ex-post assessments that are done, and this is primarily due to the cost, time and measurement challenges involved, including the high levels of informality that exist in many countries where they operate.

Investments in TVET and skills development are also increasingly seen by development partners as a smaller component of programmes that address other binding constraints on social and economic development.

Infrastructure development, trade and export growth, value chain and enterprise development and expanding employment and social protection increasingly present opportunities to address skills issues in these other policy domains. Similarly, investments that aim to support the transition to a low carbon economy, address the challenges of digitalisation and improve labour migration are also vehicles to address skills issues surrounding these priorities. Several development partners also highlighted the links

between TVET and skills development, global citizenship and peace and stability, illustrating again the wide purposes of investment in TVET and skills.

Some respondents argued that whilst this provided greater opportunities for skills issues to be included in the business case for such projects, the focus was more narrow and less likely to address systemic issues.

IADB acknowledged the internal communication challenges of convincing other programme managers to include work on skills in their projects, such as water or agriculture, but observed that the COVID pandemic had accelerated change in these and other sectors and laid bare skills and labour issues which have created a stronger argument for inclusion.

Understanding the returns to skills from these more integrated approaches and using this to inform the business case for future investment however does not seem to be a well-established practice amongst development partners. WorldSkills UK noted that as the business case for skills was linked to economic and societal change, there was a need for development partners to update the case for investment and to inform that through intelligent and systematic analysis. They also argued that this should include benchmarking of different national systems, models and approaches, including those that addressed skills constraints through wider economic development interventions.

Another consequence of the shift towards skills for economic and enterprise development has been a move away from TVET and skills to improve social inclusion, to make labour markets more equitable or to assist recovery from disasters and conflict.

Some donors reported cultural differences within their organisations as the more humanitarian focus of investment in TVET and skills declined, and several referred to the changed institutional arrangements in countries such as Australia, where the development agency AusAID was subsumed within the DFAT. Similar references were made to the name of the Directorate General for Development Cooperation in the European Commission changing to the Directorate General for International Partnerships.

The VET Toolbox programme has had a focus on improving labour market and personal outcomes for unemployed youth on the basis that improved skills enhances employability and the potential for decent work. Whilst Phase 1 of the programme had a greater focus on

inclusive TVET and targeted disadvantaged groups and localities, in Phase 2 there was more of a focus on developing partnerships with employers across value chains where future growth and employment opportunities were likely. This approach is understood as 'Opportunity VET'.

Development cooperation is now seen more as 'a means to an end' (enhanced trade and investment) rather than an end in itself. Reflecting this shift in emphasis, a skills specialist within EBRD highlighted a key challenge for them was to convince 'the bankers' as internal clients, to recognise the business case for investment in skills and to promote its inclusion in projects being developed with clients.

The rationale for such investments is clearly now more driven by economic than social considerations which it could be argued makes mounting the business case easier to justify.

However, the approach to assessing the 'business case' for investments or projects is strongly influenced by whether an organisation is mandated to work in that field or are responding to the direct requests of member states and constituents to do so. This applies both to implementing partners like UN agencies which are normative organisations and national donors such as USAID and FCDO who are driven more by domestic political priorities.

In many cases, the initiative to invest in TVET and skills development comes not from a business case per se, but from national counterparts and commissioning partners who have decided through their own processes that specific activities are a priority for technical assistance or development project funding.

UNESCO, for example, highlighted the fact that TVET and skills development was a core mandate of the organisation and that member states request the office to work on that thematic area. The OECD also respond to the interests and requests of member states which are programmed by use of a rating exercise undertaken by all OECD members. It was noted that TVET and skills consistently rate highly even when compared with other educational sectors, reinforcing the strong OECD interest for ongoing work on this topic. Given that the work of the OECD is driven my member states there is no internal assessment process which develops a business case for each project.

As the major implementing agency for skills development in India, the rationale for investment in TVET and skills development by the National Skills Development Corporation (NSDC) is based on its core mandate as an implementing agency of the Indian Ministry of Youth Skills and Entrepreneurship and informed by overarching government priorities such as the Skill India Mission. This demands that their work substantially focuses on the link between skills and employment for young people. Whilst they do undertake financial assessments of new funding arrangements for implementing partners, they do not undertake formal CBA or ROI assessments on these partnerships or other funded programmes such as those that support sector skills councils.

Swiss Economic Cooperation (SECO) investments in TVET and skills are also driven by the strongly held belief that Switzerland has an internationally recognised VET system that is a fundamental pillar of economic growth and there is strong political support for its inclusion. This strongly influences how ‘the business case’ for investment is presented.

The Netherlands Ministry of Foreign Affairs take the view that all private sector development and youth employment programmes should include investment in TVET and skills. They added that they do not consider that effective private sector investment is possible without a workforce with the right skills.

While equity and inclusion remain a major driver of recent OECD work on TVET and skills, the focus was noted as being more on the labour market returns and a consequence of the political orientation of member states and the extent to which ministries of labour or ministries of education were involved, rather than whether a business case existed for any project.

The OECD has done limited work on issues surrounding value for money or return on investment in TVET and skills, but their flagship publication, Education at a Glance, tracks a number of key employment and social indicators across member states. Whilst these global reports do not use the language of value for money, it is occasionally a focus of analysis at the country level if agreed, but even then, it is difficult to get data on investment in aggregate.

The ‘business case’ as understood by EC (DG EMP) also does not involve formal CBA or ROI assessments for TVET, which is typically a smaller component of a larger project. In these cases, the business case is jointly developed by the country delegations and Brussels.

Recent debates amongst the tripartite constituents of the International Labour Organization (ILO) reinforced the widely understood theory of change in the relationship between investments in skills development and returns to individuals, enterprises and society more broadly. Enhanced employability and improved productivity remain key concerns of workers' and employers' organisations, yet in those same discussions there was no reference made to the return on investment or the relative costs and benefits of work in this area (ILO, 2022).

Over time, investments in TVET as a discrete sector have declined as greater emphasis is being placed on trade and investment, industry growth and economic development.

There is evidence to suggest that skills are being considered more of a horizontal programming issue that complements other economic development programmes rather than a policy vertical which demands reform of the skills system as a whole.

This shift has also affected the business case and theory of change within projects as objectives shift from the development of TVET and skills systems to addressing skill issues impacting specific economic sectors and value chains that are most likely to have a positive effect on overall economic development. For example, when selecting priority sectors, FCDO considers the stage of development and competitive advantage of countries and consider how their investments will support the process of structural adjustment and overall development. Skills are thus seen primarily as an economic constraint rather than a social investment.

The fact that investments in TVET and skills generally do not directly create jobs, results in a measurement and attribution challenge when there are expectations that programmes and projects will contribute to increased employment in sector or national level labour markets. Complementary structural economic policies make investments in education and training more powerful in achieving their objectives, but ensuring positive results from education and training projects also requires a smart mix of public and private financing when addressed alongside other sector priorities (EC, 2017). These links between TVET and skills development and the policies and investments in other sectors further complicates the Monitoring and Evaluation (M&E) challenge.

Some implementing partners noted that an increased focus on value for money as part of the business case process has also led to an increased focus on how projects directly affect beneficiaries.

As part of their business case process, FCDO utilise a 4e framework that allows value for money to be assessed against indicators related to efficiency, effectiveness, equity, and economy which include indicators related to the impact on beneficiaries (see Annex F). Whilst Enabel do not consider the value for money of individual investments, they acknowledged that 'proximity to beneficiaries' was a key consideration and linked this to how programming in TVET and skills was seen as part of counter radicalisation strategies in certain countries.

Some development partners also suggested that the growing emphasis on how investments affect beneficiaries was a consequence of the growing interest in impact investment and the emergence of private sector foundations and other philanthropic investment vehicles.[7] These organisations are thought to have more interest in demonstrating direct impact on the lives and livelihoods of individuals rather than improvements to TVET systems at the sectoral or national levels or the wider economic impact of their investments.

Whilst giving greater attention to the labour market outcomes of individual beneficiaries of training may influence how value for money is determined by some development partners, it is also understood to reduce interest in projects that address binding constraints on TVET systems themselves such as poor infrastructure; gaps in policy and legislation; quality assurance and the system of initial and continuing professional development of teachers and trainers. Such competing priorities have a direct impact on how the business case for investments are developed and argued by development partners.

Arguing the case for investments in TVET and skills and considering the value for money of one intervention compared to another was considered more difficult than in other policy domains.

[7] For example: The Mastercard Foundation, JP Morgan Foundation, Rockefeller Foundation.

This was primarily due to the difficulty of comparing ‘like with like’ amongst the complex range of TVET and skills interventions and the measurement challenges associated with determining wider social and system level returns. FCDO referred to the difficulty of developing counter factual scenarios involving similar cohorts and sample sizes which could then be used to argue for one course of action over another.

Several development partners also reflected on how often-cited reports examining the link between skills and employment had negatively influenced views on investing in TVET both within their organisation and more broadly. They suggested that in the case of some studies, the question had been approached from too narrow a perspective and had drawn conclusions that were not relevant to other country settings.[8]

In response to the challenges they faced in arguing the case for investments in TVET and skills, the British Council conducted their own review which concluded that there was evidence of impact, but it was limited and highly context specific (British Council, 2018). Similar conclusions were referred to by EC (DG EMP) which cited Kluve et al (2017) as refining their assessments of what were the likely labour market outcomes of investments in TVET and skills. WorldSkills UK (WSUK) has also embarked on a programme of research to emphasise the link between skills, productivity and enhanced competitiveness which includes international benchmarking of skill systems to illustrate to government and employers the business case for investing in skills (WSUK, 2022).

It was suggested by several development partners that there would be more investment in TVET and skills development if there was more robust data on social and economic impact.

EBRD believe that if there was more data on the return on investment from TVET and skills in the countries where they operate, they would see more firms willing to invest in skills. Enabel noted, however, that whilst more data on impact was unlikely to increase absolute

[8] An oft cited example was Johansen & Adams (2004) which focussed on the case of Sub-Saharan Africa but was seen to have influenced World Bank investment in TVET for decades.

levels of investment, it would improve the ability of non-specialists to understand and make the business case for investment.

The British Council noted the difficulties of convincing some donors that investments in TVET and skills were the ‘best buy’ compared to other potential areas of investment. They also referred to the challenging ‘framework conditions’ that exist in many of the countries in which they operate, where measurement challenges are compounded by weak data systems and capacity constraints amongst partners.

Measurement issues were also highlighted by a number of donors and reference was made to displacement and substitution effects which illustrate the complexity of measuring returns. It was also suggested by some respondents that these measurement issues were not necessarily well understood by many development partners. SECO recognised that data on ROI cannot be collected if national framework conditions were absent and observed that this influenced how they approached the business case for projects, especially in low- and middle-income countries.

The Netherlands Ministry of Foreign Affairs raised that while data can be lacking in some countries, a bigger challenge is accessing and using data from other organisations. For example, they found that some international organisations are reluctant to share lessons learnt and project results. They added that those involved in designing programmes need the skills, resources and time to enable them to find, analyse and use globally available data to inform their thinking.

FCDO observed that demonstrating the business case for TVET and skills investments was made more difficult by the considerable variability of what constitutes TVET and skills development and the broad categories of programming and modalities that exist. The FCDO-funded Skills for Prosperity programme (S4P) is a case in point, comprising ten programmes across nine countries which all report against the same global results framework. However, each programme takes a very different approach, working on different issues at varying skill levels of the education and training system. For example, in Indonesia, the programme included a focus on higher technical levels to meet skills needs in the maritime sector whereas in Nigeria there was work at the national policy level to support government bodies and national employer organisations to introduce a new apprenticeship framework.

These different examples highlight that even across the same programme it can be challenging to capture, measure and report on outcomes and impact in a way which enables effective assessment of the investment in the programme.

For the German GiZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH), reflections on the value for money of individual projects are included in the project development process but are typically based primarily on subjective assessments. This seems to be the case for projects irrespective of whether they prioritise for example, value chain development or policy change. CBA or ROI analysis are typically not used as part of initial project planning or final project evaluations, which tend to focus more on cost management and effective business management processes in accordance with priorities set by the German federal audit office to ensure that government agencies control costs. For GIZ, funds available are fixed in advanced and programming options are developed as part of the initial planning process. GIZ use a Cost Output Management approach to budgeting which identifies and monitors the costs at the outcome level but are less likely to develop a business case in bilateral cooperation projects where decisions to invest are driven more by agreed priorities and actions.

Taken together, development partners consider a range of economic, political and financial considerations when developing the business case for investments. Amongst the organisations consulted, a minority use formal CBA and ROI tools, and those that do tend to make positive assumptions surrounding the economic and social returns to skills in development settings.

3.2 The theory of change for TVET and skills development

As the business case for development partners is increasingly aligned with economic and trade priorities, the Theory of Change (ToC) for projects changes accordingly.

Development partners need to recognise that investments in TVET often play a supporting role to other development initiatives.

As investments in skills are increasingly linked to a wider set of actions to increase employment opportunities and drive economic development, setting out the theory of change for projects needs to account for issues other than skills. The Enabel ToC for projects on

skills for youth employment shown in Annex D, illustrates this point and highlights that skills form only one element of a larger integrated intervention model. EC (DG EMP) also noted that whilst the impact of skills on employment was significant, it was limited, and that this had to be reflected in the theory of change developed for any project.

Many organisations highlighted the need to maintain a focus in project design on the 'triple bottom line' to show benefits to individuals, enterprises and the environment.

However, even within such an approach, the majority of respondents noted that greater importance is placed on enterprise and economic development per se rather than equitable and inclusive growth. Many development partners noted that when developing the theory of change for project investments, the contribution of improved skill levels to a wide range of social and economic results is in effect taken for granted. These results include:

- more inclusive growth;
- strengthened enabling environment for enterprises and economic development;
- improved productivity, products or services in enterprises; and
- improved employment and wage outcomes for individuals.

Some implementing partners developed country specific theories of change based on country profiles and assessments. The British Council observed there were several routes that projects can follow when developing the theory of change, depending on the priorities of the national partner. Whilst they use a standard set of key performance indicators, they were considered a work in progress and require further development. A similar approach was undertaken by the UK S4P Programme to enable country specific programming within an overarching programme framework – see Annex D.

Several development partners referred to the need to link individual project theories of change to the overarching theories of change of their own organisations, resulting in projects that were 'self-referential', meaning that key organisational concepts and commonly used language contributed to a design orthodoxy which staff had to follow to improve the likelihood of a project being funded. Some development partners noted that this design orthodoxy was often based upon assumed causal links rather than empirical data to demonstrate the expected results and impact.

The shift towards enterprise partnerships in Phase 2 of the VET Toolbox programme, has meant that the theory of change for projects is ‘built from the ground up’ based on the needs of participating enterprises rather than being developed in isolation or implemented from the ‘top-down’ based on predetermined institutional logics. This approach is also evident in the FCDO funded S4P which centrally developed a broad global ToC that enabled country specific Theories of Change and project designs to be developed locally to reflect country contexts and priorities.

SECO have adopted the market systems development approach to projects which supports detailed and thorough analysis of markets to identify constraints and required actions, including consideration of the market for skills that exists in specific economic sectors (SECO, 2018). Such standardised design methodologies also affect how the theory of change of projects is developed.

The design of projects is also increasingly being influenced by the growing interest amongst bilateral partners in targeting secondary benefits for companies from their own countries.

Whilst the potential for projects to support future business and trade opportunities has often been a consideration of donors, the goal has perhaps become more explicit and targeted in current practice. Secondary benefits reflect the now commonplace strategic, political, commercial and security concerns amongst doners and how development assistance is increasingly being used to serve those purposes.

FCDO noted that the selection of priority sectors was also influenced by whether UK firms were seen to have a comparative advantage and be best able to take advantage of private sector investment opportunities. However, it was also noted that in some cases, implementing partners were not able to agree with the requirement for secondary benefits for national entities due to their own procurement rules and Official Development Assistance (ODA) eligibility criteria their inability to limit the provision of project products and services to providers from a particular country.

Whilst the theory of change for projects can be designed to achieve different results, a tension between system level change and direct impact on people was reported.

Some respondents noted there was a tension between increasing access to TVET by training large numbers of beneficiaries to maximise impact and more targeted interventions that addressed skill constraints for specific enterprises, sectors or regions. Similar tensions were reported between addressing these priorities and addressing constraints in the wider TVET and skill system as a whole.

Some reference was made to the pressure of national domestic political demands to ‘show the numbers’ which had the effect of limiting interest in national level work to improve systems. Some implementing partners called for a change in mindset from donors to accept a causal link between national reforms and likely future impact on beneficiaries, even though they could not be accounted for within project, funding, or parliamentary cycles.

DFAT typically do not directly train large numbers of beneficiaries to increase the direct impact of investments but pilot interventions at the local level to model and measure change that is then used to influence the wider system and demonstrate the value of investments. As the limited financing available for TVET and skills projects constrains the scope of projects that directly impact a large number of individuals, the need to demonstrate impact where possible and to use this to argue for wider systemic change by national governments and other development partners is a sound strategy when resources are not always available for larger and longer-term interventions.

Whilst in the past EBRD have focussed their work on improving the skills of beneficiaries in priority target groups, they have shifted to a broader view on the associated challenges of workforce management and human capital in general, moving the focus of the ToC from social to economic objectives. This has shifted the focus of investments in skills from corporate social responsibility (CSR) towards ensuring returns to individual enterprises from their investments in skills. This shift has also created a more positive response from their colleagues in the bank who are now able to recognise the demonstration effect from previous projects where work on skills delivered positive results to individual firms.

However, ADB noted that whilst funds are often allocated for training under larger infrastructure or sector development projects, there may be only limited understanding amongst clients on how best to allocate these resources, especially to address system level constraints which are not always well understood.

Whilst system level constraints are recognised, they are not always included in the design of projects or linked to theories of change.

FCDO identified three ‘lenses’ that can be applied to project design: private sector engagement and sectoral development; improving access for specific target groups and addressing constraints in the TVET ecosystem. They noted that whilst programming attempted to address all three, it did not always happen in practice. For example, although the S4P programme is addressing these three perspectives at a global level, it does not necessarily occur in each of the programme countries.

IADB noted that system level reform projects are more difficult to develop in their region because of the lack of coordination amongst government agencies, industrial relations, tensions with teacher unions and political issues. They did observe, however, that growing problems with non-completions and the need to upskill and reskill trainers continued to influence national partners to call for system level activities in project design.

Whilst system level work in VET Toolbox Phase 2 tends to focus on quality issues, shifting control and engagement to the private sector in project design has enabled a greater focus on sectoral approaches. These are seen as a key strategy for bridging the gap between local and national level interventions. The ‘Opportunities’ approach adopted by the EC (DG EMP) and VET Toolbox is not seen as contradictory to system level work but rather a process of ‘reverse engineering’ where systemic issues emerge from sector or value chain interventions. Reference was made to the ILO Skills for Trade and Economic Diversification (STED) approach as an example of how sector level assessments can flag national level systemic issues to be addressed by subsequent project investments. One example of this is the garment & textile sector assessment in Ethiopia which informed the design of future skills investments by the Danish development agency Danida (ILO, 2022a).

Programming for system level change was also reported as being influenced by the sequencing of interventions and tight project timelines which worked against the inclusion local, sectoral and national level activities within the same project.

When considering the theory of change for any project, development partners must be able to articulate ‘what success looks like’.

FCDO observed that whilst measures of project success to improve access, quality and relevance were relatively easier to understand and identify, when it came to system level interventions, the logic was often more nebulous and difficult to measure. As an example, they used the case of a new policy or strategy, and the challenge of understanding the extent to which implementation had occurred and how it was understood and acted upon at different levels in the system.

For the VET Toolbox programme, successful interventions were those where dialogue with the private sector had been strengthened, where new mechanisms for public-private partnerships (PPP) have been introduced and where there is less fragmentation and improved coordination amongst key stakeholders. This picture of success affects the design of project activities and the identification of indicators to measure these outputs and outcomes.

The OECD referred to research from their LEED programme which found that some regions will need to focus on raising both the supply and demand for skills in order to have a chance of competing in today's knowledge economy a challenge that has the potential to radically reshape what success looks like in TVET and skills projects.[9]

Some respondents noted that the theory of change in many TVET and skills projects continued to emphasise supply side interventions without considering how they might actually increase the demand for skills in industry.

Increasing industry engagement in projects and demonstrating the impact that investments in skills can have on firm productivity and competitiveness are key strategies in 'demand led' approaches, but addressing other factors that impact on the utilisation of and demand for skills within enterprises and sectors more broadly, such as HR systems, work organisation and market and business strategies are often not included. Whilst combining actions that address productivity and demand for labour with supply side interventions in the same

[9] LEED noted that some regions exhibit characteristics of 'high-skills equilibrium,' with a strong supply of skills being matched by a strong demand for skills, whilst others experience either an imbalance in skills supply and demand (leading to skills shortages or skills surplus) or a 'low-skills equilibrium' where low skills in the work force are matched by low demand for skills amongst employers (OECD, 2012).

project was noted as challenging, sectoral and market systems approaches were noted as providing a more structured was of doing so.

3.3 Results matrices and indicator frameworks for project design

The M&E of TVET and skills projects and programmes typically involves approaches which outline the ToC or results chain of the intervention; clearly define performance indicators and milestones for activities; set out the data collection strategies and practices and indicate how outputs, outcomes and impact will be measured and what evidence will be generated to do so.

However, the results management systems of many development partners do not effectively measure or report on longer term impact or more complex transformative change. The increasing focus on 'systemic' approaches, where implementing partners and national agencies are expected to understand and address issues affecting entire systems, has also made measurement and evaluation more challenging.

Development partners clearly understand the inter-relatedness of the theory of change, choice of indicators and the business case for investments.

Whilst the use of CBA, ROI assessments and other business and financial tools are not considered mandatory by the majority of those interviewed, the use of quantitative measures in results matrices and indicator frameworks remains a common feature.

Whilst results matrices and indicator frameworks are typically developed on a project-by-project basis, a number of development partners are using them as flexible tools to suit the needs of different types of projects. Some donors and implementing partners have developed agency specific and standardised theories of change and performance indicators for TVET and skills projects, whilst others work with generic guidelines such as the Core Indicators of the European Union (see Annex C) and those of the Donor Committee for Enterprise Development Standard for Results Measurement (OECD, 2011).

Several key and common indicators are also used across different organisations to shape project design and to inform resource allocation in projects. A number of organisations referred to the 2030 Sustainable Development Goals (SDG) as a key reference for indicators and results frameworks in projects as SDG Goals 4 and 8, in particular, highlight the

importance of TVET, skills and lifelong learning (LLL) and the link between skills, employment and economic development.

In addition to the framework of indicators available through the SDGs, development partners tend to use internally developed results matrices and indicator frameworks to shape their investments.

Under its Global Programme on Skills Development[10], the ILO developed a set of standard deliverables with supporting indicators that country offices can use to develop log frames that incorporate the key areas of focus of different projects. Whilst not aligned to an overarching ToC, the indicators were grouped under five building blocks of skill systems. They noted that the indicators were not always selected by country offices due to the measurement challenges involved resulting from limited resources and capacity, including amongst national partners. This has led the ILO to focus more on the use of performance stories, or impact case studies, to showcase results.[11] The ILO also recognise the need to invest more in gathering evidence of the impact of their investments in skills, including measuring the link between skills and productivity which has been raised as a key priority by their employer constituents.

Whilst GIZ have a standard theory of change for TVET and skills projects, they develop results matrices on a case-by-case basis. The Federal Ministry for Economic Cooperation and Development (BMZ) provides the bulk of their funding and encourages projects to integrate one or more of their own sets of standard indicators, although at this stage it is not mandatory to do so. Indicators developed through the Team Europe[12] approach also inform project planning, but their use is also not mandatory.

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[10] See https://www.ilo.org/skills/projects/WCMS_836692/lang--en/index.htm
[11] See here for an example https://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_226508/lang--en/index.htm
[12] Team Europe consists of the European Union, EU Member States and their implementing agencies and public development banks including the European Bank for Reconstruction and Development (EBRD). The 'Team Europe' approach involves joint and coordinated actions and pooling of resources and expertise for greater impact.

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EBRD use a compendium of indicators which provide for outcomes at the individual, enterprise and national levels for each of their key project design criteria. IADB also have indicator checklists for projects that address skills, grouped under several core pillars including quality, relevance and financing.

The EC (DG EMP) also use exemplar theories of change and indicators that allow for 'bottom up' construction of programmes based on opportunities identified by the EC delegations at country level. DFAT use project evaluation criteria based on the OECD Donor Committee for Enterprise Development (DCED) which are used to inform investment decisions and shape the design and modelling of projects.

The shift towards priority economic sectors and value chains has meant that indicators related to social inclusion are less prominent.

Despite this view, the use of robust reporting systems and measurement frameworks for Gender Equality and Social Inclusion (GESI) measures was also noted and linked to shared reporting frameworks within the United Nations and other development partners.

DFAT and FCDO, for example, embed these outcomes and indicators in the theory of change and results framework and substantial resources are allocated to data collection so they can be reported on. The FCDO-funded S4P has GESI indicators embedded within global and country level results frameworks. UNESCO have a results monitoring framework developed specifically for TVET, linked to their wider TVET and Education strategies which include GESI measures, and whilst TVET specific indicators are currently being developed, they are not yet publicly available.

Some development partners noted that the modality of funding and technical assistance determined what disbursement triggers were used and what indicators were agreed.

The ADB noted disbursement linked outcomes have a longer history in infrastructure development but were not as widely used in TVET and skills projects. UNESCO highlighted that for technical assistance provided through their own resources, they encouraged national partners to include relevant indicators in their own national M&E frameworks to ensure a link between technical assistance, project investments and national priorities for system

development. The Netherlands Ministry of Foreign Affairs have been using quite broad indicators but recently developed systemic indicators. One challenge is that it is hard to attribute the outcomes and impacts when there are often many other donors and actors operating. This is also difficult because systemic reform is a longer-term proposition.

This approach seeks to address the tension between the interest of national partners in particular activities and the interests of development organisations in measuring outcomes. It also highlights the limitations that arise from the relatively weak M&E capacity and data systems of national partners. Many development partners highlighted the challenges associated with measuring the impact of investments in skills and the choice of indicators to do so, especially on employment, productivity and economic development in aggregate. Cost and operational difficulties were also repeatedly cited as key issues.

The scale of interventions and the number of direct beneficiaries targeted also influences the design of results matrices, indicator frameworks, and supporting M&E systems.

The new ILO Programme & Budget for 2023-25 will, for the first time, introduce a beneficiary level indicator. The organisation will have to adapt to collect data at this level on a more regular basis as country programming outcomes are developed for the new biennium. In response, the ILO developed and piloted a Service Tracker which provides a standardised tracking tool for use by ILO offices and project partners. Available in several languages, Service Tracker allows uploading of beneficiary lists and the design of customised tracer surveys. The Service Tracker uses mobile messaging to collect data on several core questions related to employment, wages and qualitative measures of decent work and is designed for use across large groups of beneficiaries. The questionnaires are sent automatically to beneficiaries through emails or phone messages three months and six months after the relevant activity (ILO, 2023).

The ILO Service Tracker allows participants to complete the surveys offline, with data transmitted to the database once wireless or internet connectivity becomes available. The platform then generates datasets and graphs for analysis. Whilst this tool provides for enhanced data collection and measurement at the country level, it remains constrained by short project cycles that often see activities and services completed towards the end of the project without sufficient time to track and report on beneficiaries after project closure.

Measuring job quality was also identified as an issue when tracking the employment outcomes of beneficiaries.

Given the strong links that exist between skills and economic and social development, skills projects in low- and middle-income countries often seek to measure the employment and wage outcomes for individuals involved in training. However, development partners do not always recognise that all jobs are not of equal value, that job quality is a key factor, and that issues such as precariousness of employment and access to progression opportunities need to be considered. Though starting from a low base, data on outcomes from skills training in low- and middle-income countries is improving. But progress in incorporating this learning into official evaluations is slow, and too often the success of a project or programme depends simply on whether the participant has moved onto further training or employment, regardless of its quality (Norman, 2020).

Many respondents noted that measuring longer term impact and system level change presents a key challenge.

Enabel referred to work commissioned by the VET Toolbox to measure system change based on a maturity index linked to composite indicators, but found it was difficult to operationalise, especially in smaller projects. Due to the timelines and processes outside of their control, GiZ, for example, use indicators that focus on whether project recommendations are included in policy or legislation rather than the ratification of these new instruments. Reference was also made to the Torino Process implemented by the European Training Foundation (ETF) which has developed various indicators to measure system change across a range of key policy areas (ETF, 2022). In relation to the impact of capacity building activities, including those supporting work on policies and systems, DFAT referred to the use of perception matrices and perception mapping tools to measure changes in beneficiary attitudes and understand the potential for longer term change. The British Council incorporate indicators related to stakeholder perceptions and utilise a Net Promoter Score to measure changes in the perceptions of key stakeholders and the likelihood of future behavioural and systemic change.

Particular types of impact evaluation are considered ‘the gold standard’ as they are based on ‘counter-factual’ methodologies and randomised control trials, comparing what has

happened to what would have happened without the programme. Proponents see this as the only objective way to evaluate interventions and consider other methods to be merely collecting ‘opinions’ (Jones, 2023). However, UNESCO and others noted the difficulty of integrating a counterfactual scenario and addressing the question of attribution in many projects which were constrained by limited resources and the highly targeted nature of their technical inputs.

An alternate approach being used by some development partners to measure the value, impact and outcomes of TVET and skills projects is Outcome Harvesting. Unlike other evaluation approaches, outcome harvesting does not necessarily measure progress towards predetermined outcomes or objectives but rather collects evidence of what has been achieved, and works backward to determine whether and how the project or intervention contributed to the change (Wilson-Grau, 2018).

Project timeframes, available resources, the scope of TVET and the capacity of local implementing partners were all major factors impacting on M&E.

DFAT reported a shift in the culture of measurement, and more willingness to accept ‘change stories’ as a way of understanding the results of interventions. These case studies incorporate both quantitative and qualitative data and rely heavily on local or micro level monitoring where evidence is easier to obtain and more readily able to show the impact on beneficiaries, employers, teachers and other project stakeholders. DFAT further noted that project data on change at the local level was used to reinforce overarching assumptions and perceptions of the link between training, skills, employment, enterprise development and inclusive economic growth, even though national data in the aggregate was not necessarily available to prove this.

The OECD also noted that their work tends to use qualitative case studies more than quantitative analysis to highlight the returns from different training practices. The Netherlands Ministry of Foreign Affairs are moving towards longer programme cycles to reflect that systemic change does not happen quickly.

An increased focus on M&E and a greater appreciation of the costs involved does not always translate to increased M&E budgets or investments to drive sustainable systemic change.

Some respondents reported the increasing emphasis on M&E was as much about risk management as it was about reporting and building the business case for future investment. In response to questions about how donors know that change can be attributed to their project, a number of organisations referred to outcome harvesting as guiding their approach to evaluation. Some practice areas of the World Bank and UNESCO's International Institute for Educational Planning (IIEP) for example have adopted this approach as a way to better understand the contributions their programmes make, especially to systemic change.

3.4 Building the evidence base through project design

Despite the interest of development partners to use project design to build the evidence base on the returns to TVET and skills, many referred to the challenge of doing so, especially for system level work. Work at the national level to support systemic change remains, but often as a secondary priority to activities that focus on how skills can directly support economic development and leverage foreign direct investment. In addition to stand alone research on the return to skills, development partners highlighted several aspects of project design and the project development process that clearly provide opportunities to build the evidence base for future investments, although not all development partners see their investments as having a role to do so.

The design of projects should actively counter the widely held belief that investments in TVET and skills are a 'silver bullet' which will deliver a wide range of positive outcomes.

Many development partners observed that there were overly ambitious expectations about the impact of investments in TVET and skills, especially by national governments, and that assumptions about impact and outcomes had to be critically examined so that projects were not set up to fail from the outset.

A core focus of the National Skills Development Corporation (NSDC) in India is to fund a network of training partners through both establishment and operating grants to expand the training market and improve youth employment outcomes. Disbursement based finance linked to key milestones such as enrolments, training and placements are used, with the key measure of success being the employment rate of beneficiaries after training of up to six months. However, whilst this data is used to track the performance of partners, the relatively

low rates of employment have been noted as highlighting the limitations of seeing skills development as the main solution to the more complex challenge of employment (Maitra, 2020).

The capacity of some development partners to measure change and build the evidence base for investments is also constrained by them having to rely on small amounts of money from different funding sources, both internal and external.

This results in a ‘just-in-time’ approach where small amounts of funding are allocated for specific technical interventions as part of an ongoing policy process. Those agencies that have used such resources for policy advice, research and capacity building for example, saw CBA or ROI assessments and other M&E tools irrelevant and not suited. This work, therefore, often concluded without contributing to the documented empirical evidence base. Funding is also often derived from surpluses at the end of donor or internal budgetary cycles, and resources are typically highly targeted, must be spent in a short period of time and do not necessarily build the evidence base for future investments. In that sense, the type of financial support provided also clearly influences the nature and scope of interventions.

DFAT has shifted to longer term engagements in recognition of the fact that shorter projects have limited scope for system level change and longer-term impact. The establishment of The Global Program on Skills Development by the ILO in 2021 was an attempt to use pool funding to support a longer-term vision and programming cycle for investments in TVET and skills and to overcome the limitations of short-term projects. However, despite support from Denmark, Flanders and other smaller contributors, the lack of major funding from donors to date suggests that interest in supporting longer term global programmes may be on the decline as a result of competing priorities and the worsening economic outlook for many countries.

Activities implemented under bilateral cooperation programmes were often part of longer-term projects with programming modules of more than three years. Programmes of this duration were more likely to allow development partners to address the capacity constraints of national partners and strengthen labour market information (LMI) and M&E systems so that longer term outcomes and impact can be more effectively measured.

Donors reported that efforts to improve the evidence base were welcomed but often optional in project design.

IADB for example, emphasised the importance of evidence-based policy and how they use this concept to argue for greater investment in data systems. Other respondents reported they had to struggle to build this type of work into projects and that the idea was not necessarily welcomed by management or clients who were more focussed on the internal efficiencies of programme management and the metrics of lending. The FCDO observed that rather than investing in expensive and time-consuming intervention modelling and impact assessments, they relied on more flexible programming, and adaptive and reactive M&E systems to build the evidence base of what works as projects are being implemented. However, the extent to which this knowledge is captured and used to influence future programming remains an open question.

EC (DG EMP) specifically invest in impact evaluations to build the evidence base on the impact of investment in TVET and skills on youth employment. IADB has also taken steps to establish a multi-donor fund with the support of Germany and Switzerland to build the evidence base for investments in TVET and skills. IADB plans to work with partner countries to prepare proposals that have a focus on innovative pilots and highlight the links between local impact and system level work.

The OECD noted that although their member states promoted private sector engagement and were interested in the topic of financing and investment in TVET and skills, there was less interest in building the evidence base through projects to understand the return on that investment or the value for money of that financing. Despite this, there remains a general view that having information on the return on investment of specific training modalities may influence some of the policy decisions being made by government and development partners, and that development partners should continue to look to build that evidence base as part of their development assistance.

A number of implementing partners however noted they were constrained by low levels of interest amongst doners to support the development of systems that would build the business case over the longer term.

This leads to a 'Catch 22' situation where the lack of evidence is cited as a justification for lower levels of investment at the same time as there being limited interest to invest in activities to build the evidence base to justify further investment.

Reference was also made to the different national structures and mandates surrounding TVET and skills development and how the different perspectives of ministries of labour, education and others resulted in different priorities and project designs. Several respondents observed that many national partners continue to pursue supply-based approaches, are reluctant to allow the private sector to influence project design and are resistant to include links to other line ministries. In these cases, investment priorities often continue to be focussed on improving facilities, upgrading equipment and training trainers, with less interest in enabling institutional autonomy and private sector partnerships where arguably greater evidence of the direct impact of investments could be made.

The approach of ministries of education, compared to ministries of labour and/or industry was also noted as a barrier to the design of more demand driven programmes. In Nigeria, as part of the Skills for Prosperity programme, Palladium reflected on the working relationship between the Industrial Training Fund (ITF) and the National Board for Technical Education (NBTE), noting that whilst ITF looked to respond to the day-to-day pressure from employers concerned with firm growth and worker access to specific jobs and careers, NBTE was more concerned with a better-functioning TVET system.

A lack of a commitment to accountability amongst national partners was cited as a constraint on building the business case, as was the reluctance of donors and development agencies to make additional funding contingent on improved effectiveness and impact measurement.

Some development partners held the view that external partners need to be more committed to using funds to leverage greater accountability amongst national partners and in doing so, improve the evidence base of the value of investments in TVET and skills. However, several organisations noted that since many national systems in developed countries themselves struggle to report on the impact of investments in TVET and skills development, expecting low- and middle-income countries to do so as a condition of development assistance was

unrealistic. Numerous respondents recognised the weakness of national institutions to collect data and suggested that these systems should be developed during the inception phase of projects.

Limited capacity and weak data systems are a key issue, and it was suggested that greater upfront investment in LMI and M&E systems should occur.

These systems, however, are not simple to establish and in many cases require discrete projects to address the complex institutional and capacity challenges that exist. IADB noted that they try to include work on strengthening LMIS and data systems in project design but that this is not always accepted by clients. Enabel observed that whilst strengthening LMI systems was not a major priority, they often sought to build local capacity through labour market assessments done as part of the project inception or preparation phase. Whilst Phase 1 of the VET Toolbox programme did undertake some projects focussed on LMIS, the results of an evaluation of this work are yet to be published. The ILO referred to their work on strengthening data systems in ASEAN under the FCDO-funded S4P programme, but also noted the reluctance of some donors to fund similar work in other regions.

Whilst EBRD recognise the need for better data on the return from skills, they are constrained by short project cycles, limited capacity to handle the extra work, the added cost and a relatively narrow mandate as a financial institution working with the private sector. IADB have invested their own funds to improve the evidence base for the return to skills as a public good, but noted resources were limited. Until now, this work has focussed on improving the understanding of skills shortages in specific countries, especially using technology to harvest vacancy data and analyse skills mismatch using the O*NET and ESCO skills frameworks. Similar work has been done by the ILO and the OECD and some national agencies. To build the evidence base on the returns from skills, IADB also target larger enterprises through co-financing agreements when using their own internal research funds. They use the resulting data on the returns on investments to encourage action from government, especially for sector level work.

Research and analysis by national agencies also clearly has a role to play.

In Malaysia for example, with the assistance of the World Bank, the HRDCorp conducted research on the effectiveness of their programmes which found a 2% productivity premium

for those firms participating in their scheme. This data was used to promote their programmes to industry and will inform development of a national training index. This will include productivity and other measures to allow for cross sector comparisons and ongoing promotion and marketing. However, several respondents, including SECO, noted that system level change is not always possible no matter how much evidence of the value of alternate approaches is provided. The OECD noted that although their member states promoted private sector engagement and were interested in the topic of financing and investment in TVET and skills, there was less interest in building the evidence base through projects to understand the return on that investment or the value for money of that financing.

Despite this, there remains a general view that having information on the return on investment of specific training modalities may influence some of the policy decisions being made by government and development partners, and that development partners should continue to look to build that evidence base as part of their development assistance.

The design of projects should be able to address constraints at the system, sectoral and local levels.

This concept of targeting skills constraints at these three distinct levels though a ‘vertical slice’ was noted by GiZ, the ILO and others. It is also reflected in DFAT’s use of the innovation cycle as a feature of project design, where a prototype is piloted to change behaviour and perceptions at the local level and then scaled up for wider impact at sectoral and national levels. In this way, projects build the business case amongst project stakeholders through local demonstration and the support wider take up through communication and dissemination activities. In addition to providing direct engagement with priority areas of the economy, sectoral level interventions are seen as an effective way of engaging more effectively with key stakeholders and building support for change at the national level. DFAT also noted the importance of linking project activities at the local level with the wider TVET system, such as through formal accreditation, assessment and certification systems, so as to build the business case for firms to participate in the national formal TVET and skills system.

Development partners observed that more funds were being allocated to project communication budgets to showcase behavioural change and microlevel impact through individual stories.

Many development partners recognised the important role of communications and social marketing in project design, but acknowledged this was as much about corporate branding as it was about promoting behavioural change and leveraging further investment. The increasing use of social media as part of project communication strategies was also reported, often highlighting the experience of individual beneficiaries. The performance or change stories were often captured at the enterprise, district, provincial and national levels and where possible used to highlight the link between the benefits obtained by individuals from activities that focussed on the enabling environment and systemic change.

ADB observed that building the evidence base was easiest at the micro level, where returns to individuals and specific enterprises were easier to measure. Whilst robust project M&E systems were seen as key to building the business case at the local level, the tension between building the evidence base and the associated measurement and reporting burden was noted by several respondents.

Many firms, and especially SMEs, continue to face operational and capacity constraints that limit their ability to invest in workforce development and staff training and in doing so, limit the scale of local interventions.

Phase 2 of the VET Toolbox programme has by virtue of its enterprise partnership model, taken greater interest in work-based learning and employment services. Including these components in project design also enables clearer evidence of outcomes to be collected at the local level and provides them with the opportunity to argue for additional investment from government or other development partners to address system wide issues. EBRD use client investments as the base upon which they mobilise additional resources to provide supplementary support for wider activities focussing on system or sector level constraints, such as their support for sector skills councils (SSC) in Jordan.

EBRD noted that including sector or system level work in their projects depended on their private sector clients. The larger lead firms in a sector, or those with forward looking senior management, were more likely to be interested in including this type of work in their projects.

EBRD do cover the cost of some technical assistance to supplement the activities funded through client investment, and this work often addresses system or sectoral level constraints identified by clients that relate to quality or accreditation issues affecting priority occupations.

Another key aspect of project design noted by development partners was the identification and selection of project partners.

EC (DG EMP) noted the importance of analysing opportunities and engaging with key stakeholders and highlighted the need for longer lead times during project inception and design phases to do so. SECO also highlighted the point made by several other respondents that the choice of economic sectors was a key issue, and that due diligence on the selection of partners should be done to ensure that the maximum potential for political influence in their sector and with government can be realised. This aspect of project design was also highlighted by other respondents who noted the importance of identifying the best entry points and key constituents who had the potential to be partners for change and key advocates for stimulating further demand and investment.

3.5 Leveraging additional investment though projects

Development partners highlighted the importance of developing strategic partnerships with the private sector as a key project strategy for leveraging additional investment. These partnerships were key to both securing longer term sustainability of project interventions and enhancing the likelihood of additional resource mobilisation.

Encouraging increased investment from employers requires development partners to focus on issues of quality, relevance, and cost in project design as these are pressing concerns in the private sector.

WorldSkills UK also highlighted quality as a key driver of employer investments in skills and noted it was a factor contributing to employers hiring overseas workers rather than working with local providers to train new staff. Other respondents noted that due to the increasing level of industry engagement in the project design process, the importance of work-based learning and the role of workplace trainers were emerging as key drivers of engagement with both firms and wider industry. However, a number of development partners observed that

while increasing the engagement of the private sector was a priority for all projects, increasing private sector investment was not.

SECO have adopted the strategy of including Swiss national chambers and industry associations as key change agents and influencers in projects to encourage greater private sector engagement and investment.

Several national agencies also recognised the need to have industry as key partners, and many have taken steps to expand their membership of key governance structures to encourage buy-in and participation. HRDCorp for example, noted that between 60-70% of their board was now comprised of industry representatives.

It was suggested that some development partners needed to be more selective about the partners they worked with, regardless of the fact that they represented longstanding and traditional constituents.

Several respondents noted the challenge of leveraging greater national investment for TVET was also impacted by which government ministry or department was the lead counterpart. Entities that saw TVET as a low priority were less likely to argue for greater investment. Several respondents noted the difference in attitude between ministries of education and ministries of labour, and whilst the latter might have a greater appreciation of the value of skills, they were often the weaker portfolio in government and less able to secure additional investment, regardless of the data or evidence of impact available.

Others noted that increased domestic investment from national partners is being affected by available resources and the limited fiscal space that many countries have. Ministries of finance and/or economy were highlighted as being key partners in projects as they often reinforce calls for greater transparency on costs, returns and long-term impact from line ministries and have direct interest in the relationship between skills and other systems such as social protection and pensions.

However, several implementing partners also noted that ministries of finance and/or economy were not their traditional partners and that building links with these arms of government were not always encouraged or facilitated by other line ministries such as labour, education or agriculture.

Short project cycles often work against immediate results and were identified as a factor in limiting the potential to leverage additional investment from project partners.

Despite this, several respondents noted that in these situations, the best use of limited resources was to gather data that highlights which areas of national reform future investments should focus on. Some development partners noted that part of their efforts to generate value for money from their investments is to leverage additional resources from other partners. By prototyping and piloting good ideas and presenting the evidence of its cost effectiveness, they aim to leverage investment from other donors. Having a good understanding of the value for money of those pilot interventions was considered crucial to that evidence base.

The NSDC noted it benefitted from income through the national CSR tax which applies to larger firms and has increased direct investment from industry in skills development. Whilst there has been a growing number of direct partnerships with industry, the NSDC has not focussed on using this investment to build an evidence base or business case for wider investment in skills development through research or to reinforce promotional activities targeting employers. For the NSDC, the business case for additional investment is based less on calculating the return on investment and more on stressing the benefits that accrue from national recognition, enhanced credibility and brand awareness for corporates that comes from the partnerships with the NSDC.

Efforts to leverage greater investment from the private sector were often compromised by employer experience of national or sectoral training funds.

Many levy based training funds do not engage social partners to the extent required nor effectively spend the funds collected on industry priorities. The EC noted that whilst firm level data on returns was important, politics had a greater influence on levels of investment, especially in those countries where training funds operated. HRDF noted that the training funded through the levy system was often bundled with other government initiatives to maximise the chance of take-up, especially amongst Small and Medium sized Enterprise (SMEs).

To leverage additional investment through their projects, IADB focus on improving transparency and providing the tools and mechanisms to demonstrate results. DFAT take a modelling approach, carefully selecting project partners, showcasing results at the firm level and building a constituency for wider change that they hope will leverage additional investment. This strategy is similar to that adopted by WorldSkills UK which has demonstrated the improved employment and wage returns to individuals who have participated in ‘competition based training’ compared to those who haven’t. They have used this data to argue for greater investment in continuing professional development of teachers and trainers.

Phase 2 of the VET Toolbox programme seeks to enter into agreements with collaborating firms which include commitments for firms to employ course graduates and often cost share on subsequent rounds of training if targets are met.

The VET Toolbox programme argues they will be able to leverage greater investment if they can show that alternate models can be successful but acknowledged that this approach works more easily with private sector partners than with government, where politics, patronage and networks of influence were seen to have a greater impact on investment priorities than did data and evidence of impact.

FCDO observed that the goal of leveraging further investment was driven by different objectives. Whilst sustainability and efficiency were key factors, attracting different partners to ‘take some of the load’ was also a strategy to minimise risk, especially for system level work. Several respondents however referred to the lack of donor harmonisation as a constraint to enhanced investment. Several examples were cited where some donors were seen to promote certain mechanisms or implementation modalities that were at direct odds to those being implemented by other development partners. Mechanisms for industry engagement and the role of training markets in system development were cited as two areas where the varying ideologies of different development partners were seen to be at odds and a disincentive for more integrated development financing and investment.

This demonstrates that using projects to leverage additional investment can be done but requires effective partnerships, evidence of success and an acute understanding of the political economy that exists in development settings.

4. Key findings, conclusions and suggested actions

This paper has collected the observations and recommendations of various experts in Technical and Vocational Education and Training (TVET) and skills development to consider effective approaches to investing in TVET and discuss what evidence can be shared to demonstrate and ensure that doing so is good value for money.

The paper has paid particular attention to how development partners conceptualise and approach investments in TVET and skills systems, and on the experience and views of stakeholders involved in the reform of TVET and skill systems in development settings.

Taken together, investments in TVET and skills development serve a wide range of economic and social purposes with high expectations placed on expected results. These goals and assumptions about the relationship between skills and economic and social development clearly provide the justification for the vast majority of development projects that seek to address skills issues.

Key findings

Most investment decisions are now driven by a desire to support economic growth by addressing skills constraints in sectors that are best placed to drive development.

The focus of projects and the underpinning theory of change increasingly appears to focus on the economic rationale for skills development and addressing skills constraints to economic development. Skills development is also increasingly seen as part of larger programmes targeting wider infrastructure, employment or sectoral development priorities. Some development partners overlay this logic with assessments of their own national competitive advantage and how development assistance can leverage the expertise and create commercial opportunities for their own firms or industry bodies.

The need to establish effective partnerships with the private sector was accepted by all those interviewed, although the involvement of workers' organisations was seen as a lesser priority despite their key role as labour market actors. The goal of more inclusive growth and greater social inclusion and equity appear to be increasingly considered second level priorities.

Action Points: Development partners must ensure adequate lead times and project due diligence to identify and select priority sectors. Sound economic and labour market analysis is required to analyse sectoral growth potential and the extent to which skills issues are a constraint on growth.

Sectoral and market systems analysis methodologies are well proven tools that should be applied but the choice of sectors should also take into account potential key industry partners, their capacity for leadership in the sector and their potential to influence the wider political economy. These are all key success factors that should be considered.

A consequence of this shift towards skills for economic and enterprise development has been a move away from TVET and skills as a means to improve social inclusion, to make labour markets more equitable and to assist recovery from disasters and conflict.

Development cooperation is increasingly seen as a means to an end rather than an end in itself. Inclusion and human development are more likely to be seen as secondary outcomes rather than key objectives of investments in TVET and skills. Whilst the language of inclusive growth continues to permeate project design, many development partners highlighted declining focus on disadvantaged groups in skills programming.

Whilst there remains interest in reporting on the direct impact of projects on beneficiaries, this appears to be driven as much by a desire to report the impact of investments as it is to address the needs of groups disadvantaged in the labour market. The emphasis on employment as a key indicator of project success also often ignores the issue of job quality and the conditions underpinning Decent Work.

Action Points: Development partners must ensure social and economic returns remain the dual objectives of investments in TVET and skills.

Whilst the mandate of some organisations ensures this dual focus remains on the theories of change and results matrices used for project design, the use of Gender Equity and Social Inclusion (GESI) indicators should be more widely used and organisational targets should be more widely adopted. This works to ensure the social utility of TVET and skills is not crowded out by measures of economic impact in TVET and skills programming.

Development partners clearly take into account a range of economic, political and financial considerations when developing the business case for investments and use a variety of tools and approaches to do so.

Amongst the organisations consulted, a minority use formal Cost Benefit Analysis (CBA) and Return on Investment (ROI) tools, and those that do often have to rely on subjective assumptions surrounding the economic and social returns to skills in development settings. Similar observations were made about the use of 'value for money' or 'best buy' assessments which also place considerable emphasis on the monetisation of project returns. Whilst these approaches are clearly popular amongst donors and development banks in particular, they are often balanced by overarching organisational mandates. These mandates counter the interest in portfolio management with institutional commitments to work on TVET and skills development that arise from the requests of member states and constituents to do so.

In these cases, the initiative to invest in TVET and skills comes from national counterparts and commissioning partners who have decided through their own assessments that specific activities are a priority for technical assistance or development project funding. Regardless of the processes involved, it is clear that specialists working on TVET and skills continue to face challenges in convincing many of their institutional colleagues or other agencies of the value of investing in TVET and skills.

Action Points: Development partners should continue to 'refresh' the business case for investment to account for emerging priorities and draw on the growing body of evidence that investments in TVET and skills do deliver a range of economic and social returns. Intelligent and systematic analysis should also include the benchmarking of different national systems, models and approaches to demonstrate how they impact on results and build our understanding of what works in different development settings.

Steps should also be taken to ensure ministries of finance are key project partners so that the business case for investment can be developed with their inputs.

Finally, TVET and skills development is a specific domain of expertise and development partners can do more to recognise and cultivate this expertise to ensure they have adequate capacity to make informed decisions about investments in this field.

Regardless of the justifications for investments in TVET and skills, data and measurement issues continue to influence investment decisions.

TVET and skills systems are complex and encapsulate a wide range of services, programmes, modalities, beneficiaries and country contexts. By its very nature, it is difficult to measure and value. Much of the data available on the effectiveness of different approaches to TVET and skills development reflect findings from high income countries. Whilst the evidence base is growing, similar data from low- and middle-income countries is not as readily available. The measurement challenges that exist are exacerbated by cost and timeliness issues, especially for aggregate data at the national or system level.

As a result, investment decisions by donors and implementing agencies often rely on the commonly accepted orthodoxy of the positive link between investments in skills and the economic and social returns based on data from higher income countries. Several development partners stated there would be more investment in TVET and skills development if there was more robust data on social and economic impact. However, the lack of enthusiasm for investing in national data systems and capacity results in a 'Catch 22', where the lack of evidence is cited as a justification for lower levels of investment at the same time as limited interest to invest in activities to build the evidence base that could be used to justify further investment.

Action Points: More coordinated action amongst development partners could develop a more integrated and coherent evidence base for investments in TVET and skills. Further investment in data systems and capacity is also required and project design and inception phases should provide sufficient lead times to identify and address constraints in local data systems and capacity.

More data on how to improve the buy-in of employers and leverage additional private sector investment is also required. Whilst better targeted investments are part of the solution, supplementary capacity building efforts can also be explored such as the UK PACT Skills Shares and Secondments model which can enable enhanced triangular and south-south cooperation.

Whilst the importance of project Monitoring and Evaluation (M&E) systems is increasingly recognised, a shift in the culture of measurement is also apparent, with

increasing adoption of ‘change’ or ‘performance’ stories as a way of understanding the results of interventions.

Individual, enterprise and agency case studies can incorporate both quantitative and qualitative indicators and make the best use of local or microlevel monitoring systems where data is easier to obtain and more readily available to show the impact on project stakeholders. Outcome harvesting and the use of perception matrices and perception mapping also enable a fuller understanding of behavioural change and project results.

Such measures of change at the local level can be used to reinforce overarching assumptions and perceptions of the link between training, skills, employment, enterprise development and inclusive economic growth, enabling projects to use these examples to build the business case for further investment through demonstration and communication activities.

There is also evidence of more sophisticated and integrated social media strategies being used to communicate project success and taken together, these trends are leading to increased M&E and communication budgets within projects. As the limited financing available for TVET and skills projects constrains the scope of projects to directly impact on large numbers of individuals, the need to demonstrate impact where possible and use this to argue for wider systemic change by national governments and other development partners is a sound strategy when resources are not available for larger and longer-term interventions.

Action Points: Development partners should continue to explore more innovative approaches to M&E and continue to invest in the capacity of projects and national partners to deploy and adopt a wider range of tools and techniques to measure project success and ultimately the value of TVET and skills investments. Sufficient funding is required for M&E during projects but also to enable follow-up evaluations after projects have finished to capture longer terms impacts, including those at the system level.

It is clear that most development partners pay great attention to private sector engagement and enterprise partnerships, both to ensure project investments deliver direct economic returns, but also as a strategy to potentially leverage additional investment.

The participation of industry partners is key, but development partners can do more to ensure that engaging with industry moves beyond representation in the governance of

projects and systems. Industry engagement should involve representatives of both employers and workers and engagement should be promoted at the national, sectoral and local levels to ensure that investments are truly demand driven. However, the tension between supply and demand led approaches remains as projects continue to grapple with the challenge of how to actually build the demand for skills.

Demonstrating the impact that investments in skills can have on firm productivity and competitiveness are key strategies in 'demand led' approaches. However, addressing other factors that impact on the utilisation of and demand for skills within enterprises and sectors more broadly, such as HR systems, work organisation and market and business strategies should also be addressed.

Action Points: Development partners can do more to address skills related constraints that affect enterprise performance. Investments in skills are not a 'silver bullet' and more holistic approaches are required. The focus on work-based learning needs to remain a key focus of skills development in industry, and whilst the choice of industry partners is key, more support for sector stakeholder platforms and other intermediaries is required to facilitate wider impact. Longer project lead times and inception phases also need to become more commonplace to ensure projects address the factors that influence skills utilisation and that will ultimately increase the demand for skills.

Sectoral and market systems approaches are key to ensuring investments in skills respond to national contexts and target constraints on development, but more flexible programming and project design approaches are required.

The use of flexible results matrices and indicator frameworks linked to a range of intervention options is providing enhanced flexibility in project design. Whilst presenting its own challenges, the tailoring of indicator frameworks does enable more responsive programming. Longer lead times and extended inception phases also increase the likelihood of co-construction and bottom-up project design.

Effective sectoral analysis remains a key condition of success and successful methodologies exist that provide a structured and comprehensive approach for sectoral and market assessments.

Action Point: Whilst sectoral approaches provide a unique bridge between national and local development, development partners can do more to engage with the wider pool of sector

stakeholders beyond leading firms. Sectoral skills ecosystems typically involve stakeholders outside the formal TVET system and development organisations need to do more to convince national partners to involve universities, Research and Development (R&D) bodies and other line ministries to ensure more holistic sectoral approaches and improved investment targeting. Longer project inception phases should be adopted and supported by flexible results matrices and indicator frameworks based on a range of intervention options to provide enhanced flexibility in project design.

However, the greater focus on skills issues affecting economic sectors and value chains has reduced the interest in and scope for projects and activities that address systemic issues in TVET and skills development. Despite this shift, projects should and can be designed to address constraints at the system, sectoral and local levels in an integrated and effective manner.

The declining interest in system wide interventions also appears to be fuelled by ongoing doubts about the longer-term impact of system level interventions and the difficulties of measuring the impact of them. As such, investment in new policies, legislation, qualification and quality assurance systems, teacher training systems and other building blocks of effective skill systems are increasingly seen as secondary priorities. When they are addressed as issues that impact on the skills ecosystem of economic sectors, they typically revolve around cost, quality and relevance as the major concerns of employers.

Such approaches often fail to take a more strategic perspective that considers the effectiveness of systems as a whole, including their role in providing wide access to skills development and opportunities for lifelong learning. Additionally, more use should be made of project designs that build on the concept of a ‘vertical slice’ to enable action at the local, sectoral and national levels and which also incorporate the ‘innovation cycle’ to model or pilot new approaches, change perceptions and behaviour of stakeholders and then scale up for wider impact across the system.

Action Points: While systems level work can be funded through projects targeting priority economic sectors and value chains, development partners should also recognise that over time, transformative and strategic national level reforms can have a positive and significant impact on a large number of beneficiaries.

More coordinated action is required to build the evidence base and appetite for such interventions and ensure that adequate financial resources are available to fund them. This

includes supplementary allocations and grants for technical assistance that support larger sector specific investments to ensure binding systemic issues are addressed in a more strategic manner.

Whilst many donors and development agencies consistently highlighted the key roles played by national partners, implementation issues continue to limit the effectiveness of investments.

The investment priorities of development partners and the priorities for system development by national partners are not always well aligned. Many national partners continue to rely on supply-based approaches, are reluctant to allow the private sector to influence project design and are resistant to include links to other line ministries.

Capital investment in facilities and equipment, training of trainers and stipends for students remain priorities, often for domestic political purposes. This is instead of investments in changing systems and models such as developing institutional autonomy and private sector partnerships at the local level where arguably greater evidence of the impact of investments could be made.

A myriad of issues impacts project success and extend to a mismatch between the interests of national partners in particular activities and the interests of development partners in measuring the outcomes and impact of their investments. The challenge of leveraging greater national investment for TVET continues to be influenced by which government ministry or department is the lead counterpart. There is growing interest in involving ministries of finance as key project partners in place of or alongside more traditional partners such as the ministries of education, labour and agriculture.

Action Points: Building the evidence base for investments in TVET and skills needs to remain a central concern for development partners. Development partners should cooperate more effectively to benchmark systems and improve understanding of what works in different national contexts, and policy learning rather than policy borrowing should be the goal.

Using projects to leverage additional investment can be done but it requires effective partnerships, evidence of success and an acute understanding of the political economy that exists in development settings.

Despite these limitations, the development partners consulted for this paper all expressed the view that they expected the demand for investment in TVET and skills to grow.

There seems to be a shared expectation that there is likely to be ongoing and increasing investment in TVET and skills development and that it is likely to remain a key priority for development partners in the future. There was also evidence that TVET and skills is considered a higher priority by some development partners than other education sectors, reinforcing the strong interest for ongoing investment in this field.

This ongoing interest is clearly linked to a number of key developments: the accelerated post pandemic industrial transformation, growing concerns about the pace of the transition to a low carbon economy and ongoing social and economic transformation driven by digitalisation, migration, demographics and other factors influencing the future of work. Given the priority that many development partners place on skills, the growing evidence base on the returns to skills are expected to drive increased investment, despite the limited fiscal space that exists in many countries.

Action Points: As investments in TVET and skills continue, development partners must ensure that economic imperatives for development do not completely subsume the important social outcomes that can and must be achieved by investing in skills development. This paper has highlighted numerous models, approaches and tools that can be used to increase the impact of investments in TVET and skills and ensure that skills issues can be addressed in a coordinated way at national, sectoral and local levels.

More effective partnerships and enhanced support to national partners must remain a priority, and investments must continue to address systemic issues and build system capacity at the same time as addressing priority economic sectors and value chains.

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6. Annexes

a. Defining VET, TVET & Skills Development
b. Project Interview framework
c. Definition and Sources of Core Indicators - European Union
d. Sample Theories of Change
e. Project Economic Analyses - Asian Development Bank
f. Value for Money Principles

Annex A: Defining VET, TVET & Skills Development

Whilst the terms TVET, VET and skills development are often used interchangeably they can be understood as discrete yet overlapping concepts.

Vocational Education & Training **(VET)** is defined by the European Centre for the Development of Vocational Training as 'education and training that aims to equip people with knowledge, knowhow, skills and/or competences required in particular occupations or more broadly in the labour market' (CEDEFOP, 2014).

Technical & Vocational Education & Training **(TVET)**, as defined by UNESCO, refers to 'education, training and skills development for a wide range of occupational fields, production sectors, services and livelihoods which can take place at secondary, post-secondary and tertiary levels and includes work based learning and continuing training and professional development that may lead to qualifications' (UNESCO, 2022). TVET is also understood by UNESCO to include 'a wide range of skills development opportunities in national and local contexts. Learning to learn, the development of literacy and numeracy skills, transversal skills and citizenship skills are integral components of TVET' (UNESCO, 2022). On that basis, TVET can be considered as broader than VET as well as covering more levels of learning, including higher technical education.

The term **skills development** has been defined by the ILO to include 'the full range of formal and non-formal vocational, technical and skills-based education and training for employment or self-employment, including pre-employment and livelihood education and training; TVET and apprenticeships in both secondary and tertiary education; training for employed workers, including in the workplace; and employment-oriented and labour market-oriented short courses for those seeking employment' (ILO, 2022). Whilst skills development has often been understood to be narrower than TVET or VET, linked to short course training for work through active labour market programmes (ALMOs), the term has more recently been interrelated as having a broader and more encompassing scope than TVET and VET.

These definitions overlap and align in numerous ways, highlighting the broad purposes and approaches of this form of educational.

Annex B: Investing in TVET Research Interview Framework

The S4P Hub initiated a research project under the broad heading of 'Investing in TVET' with the following overarching research question: *What evidence can be shared to demonstrate and ensure that investing in TVET is good value for money?* Interviews with a range of development partners sought to address this question through semi-structured interviews which were guided by the following questions:

1. How do investments in TVET and skills development by your organisation compare to other investments in education development?
2. Why does your organisation invest in TVET and skills development, and what data if any do you use to inform and justify this investment, including for national level reform programmes?
3. Do you think your organisation would invest more in TVET and skills development if there was a more robust business case and data on the return on investment or quantifiable impact of such projects?
4. To what extent do you think decisions to invest in TVET and skills development projects are made on the basis of data about how such projects can deliver improved economic and prosperity outcomes?
5. What tools and data does your organisation use to assess the business case, the return on investment or the impact from TVET and skills development projects and how is this measured?
6. What do you think are the factors and conditions critical to maximising TVET programme impact, sustainability and return on investment, especially when supporting system level reform?
7. How does your organisation know that its investments are worthwhile, particularly when supporting system level reform?
8. What is the role of donors, funders and other stakeholders (i.e. governments, industry, multilateral organisations, development banks, foundations) in improving the value for money of investments in TVET?
9. How can investment in TVET and skills development lead to more sustainable funding/co-funding models, including how employers can be incentivised to fund TVET and other skills development programmes?
10. Are there any analytical frameworks, tools or guiding documents used by your organisation to assess the business case, the return on investment or quantifiable impact when developing project proposals or evaluating project outcomes?

Annex C: Definition and Sources of Core Indicators – European Union

The material presented in this Annex is drawn from https://europa.eu/capacity4dev/core-indicators-design-and-monitoring-eu-funded-interventions

Core indicators are predefined good practice indicators. Core indicators draw on the Sustainable Development Goals (SDGs), Gender Action Plan (GAP III), the Global Europe Results Framework (GERF), Results and Indicators Guidance, NDICI Regulation, FPI Performance Framework, IPA Performance Framework among other relevant documents. Different core indicators exist, including:

- Core indicators used for corporate monitoring and reporting such as: all 17 SDG (Tier I), FPI PF, GERF level 1, GERF level 2, GAP III and IPA PF indicators;
- Sector-specific indicators, grouped by the European Commission priorities including:
  - Green Deal: Climate Change, Energy, Green Economy, Sustainable Cities, Sustainable Aquatic and Agri-Food Systems, Sustainable Transport and Oceans;
  - Jobs & Sustainable Growth, Education, Employment & VET, Private Sector and Trade.

Jobs and Sustainable Growth indicators include:

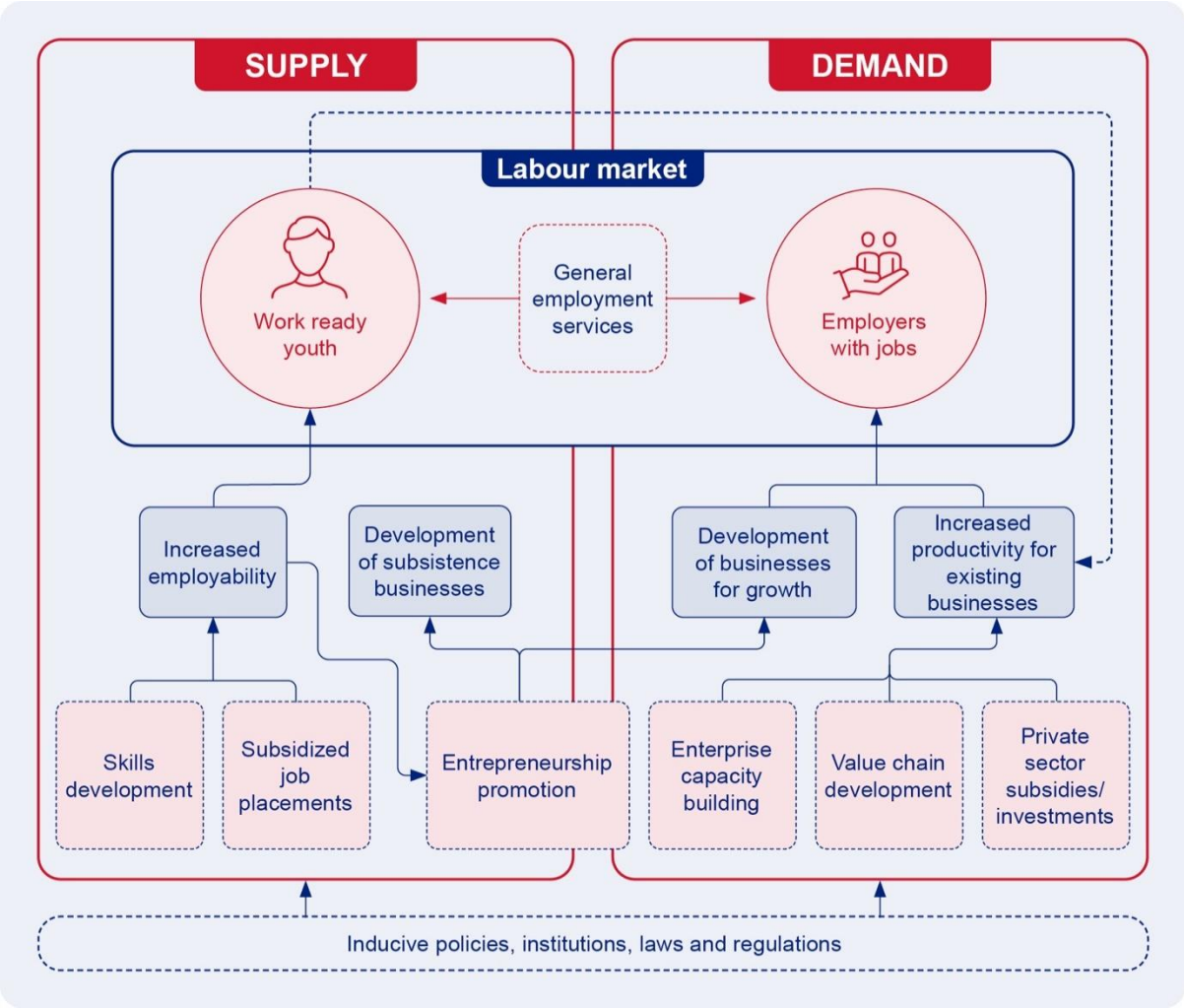
- Number of people who have benefited from institution or workplace-based VET/skills development interventions supported by the EU including:
  - VET/skills development for digitalisation
  - Number of (a) jobs supported/sustained by the EU
  - Number of (b) green jobs supported/sustained by the EU
  - Number of students enrolled in education with EU support: (c) tertiary education
  - Unemployment rate, by sex, age and persons with disabilities
  - Proportion of youth (aged 15–24 years) not in education, employment or training

The results chain links job creation and employment to the support for a better-skilled workforce, linking skills development to the needs and demands of emerging economic sectors and harnessing the support provided for VET to foster the green and digital transitions. The results chain diagram for Employment and VET promotes synergies with the guidance defined for the sectors of Social Protection, Jobs and Growth (Business

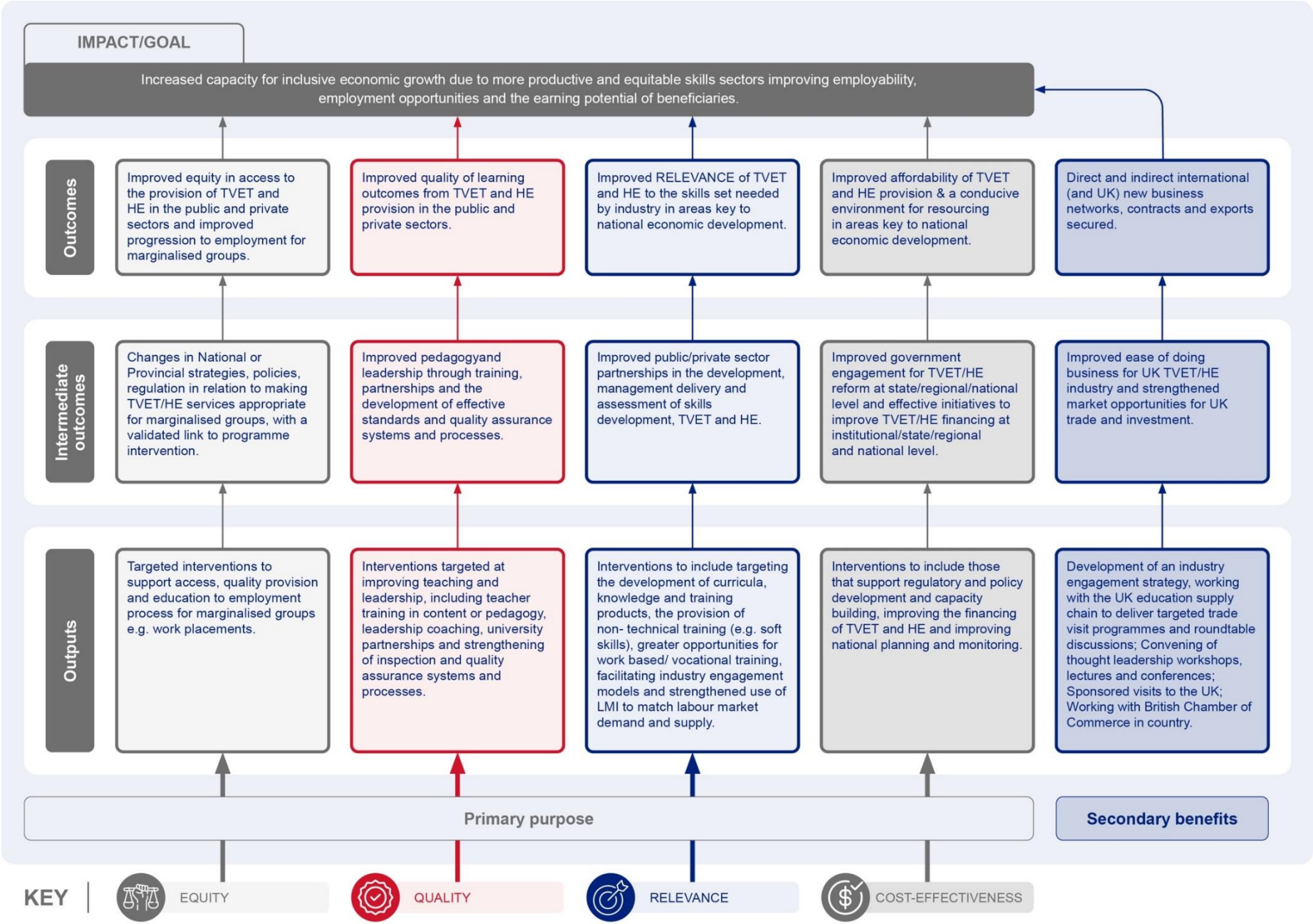
Environment Reform and Education), Green Deal (Circular Economy and Green Economy), Digital Transition (Digitalisation) and Gender Equality.

Annex D: Sample Theories of Change

The figure below is a graphic representation of the theory of change underpinning Enabel investments in skills for youth employment.



Overleaf is the theory of change for the [UK Skills for Prosperity Programme](#).

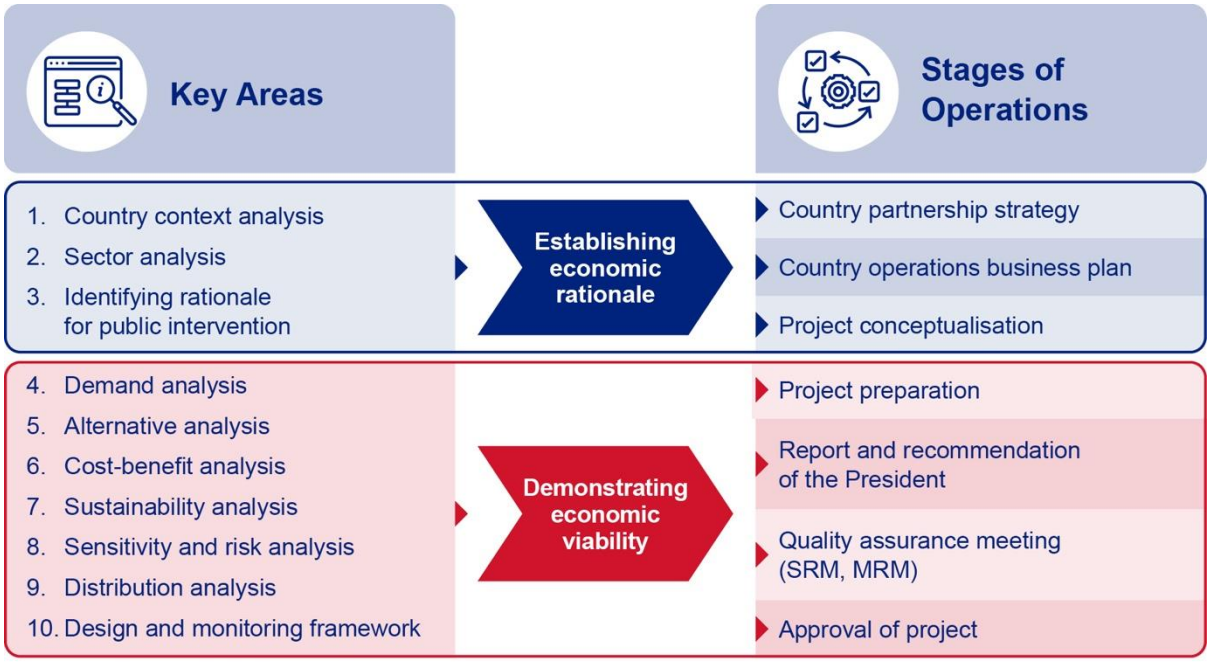

IMPACT/GOAL
Increased capacity for inclusive economic growth due to more productive and equitable skills sectors improving employability, employment opportunities and the earning potential of beneficiaries.
Outcomes
Improved equity in access to the provision of TVET and HE in the public and private sectors and improved progression to employment for marginalised groups.
Improved quality of learning outcomes from TVET and HE provision in the public and private sectors.
Improved RELEVANCE of TVET and HE to the skills set needed by industry in areas key to national economic development.
Improved affordability of TVET and HE provision & a conducive environment for resourcing in areas key to national economic development.
Direct and indirect international (and UK) new business networks, contracts and exports secured.
Intermediate outcomes
Changes in National or Provincial strategies, policies, regulation in relation to making TVET/HE services appropriate for marginalised groups, with a validated link to programme intervention.
Improved pedagogyand leadership through training, partnerships and the development of effective standards and quality assurance systems and processes.
Improved public/private sector partnerships in the development, management delivery and assessment of skills development, TVET and HE.
Improved government engagement for TVET/HE reform at state/regional/national level and effective initiatives to improve TVET/HE financing at institutional/state/regional and national level.
Improved ease of doing business for UK TVET/HE industry and strengthened market opportunities for UK trade and investment.
Outputs
Targeted interventions to support access, quality provision and education to employment process for marginalised groups e.g. work placements.
Interventions targeted at improving teaching and leadership, including teacher training in content or pedagogy, leadership coaching, university partnerships and strengthening of inspection and quality assurance systems and processes.
Interventions to include targeting the development of curricula, knowledge and training products, the provision of non- technical training (e.g. soft skills), greater opportunities for work based/ vocational training, facilitating industry engagement models and strengthened use of LMI to match labour market demand and supply.
Interventions to include those that support regulatory and policy development and capacity building, improving the financing of TVET and HE and improving national planning and monitoring.
Development of an industry engagement strategy, working with the UK education supply chain to deliver targeted trade visit programmes and roundtable discussions; Convening of thought leadership workshops, lectures and conferences; Sponsored visits to the UK; Working with British Chamber of Commerce in country.
Primary purpose
Secondary benefits
KEY
EQUITY
QUALITY
RELEVANCE
COST-EFFECTIVENESS

Annex E: Project Economic Analyses – Asian Development Bank

The material presented in this Annex is drawn from:
https://www.adb.org/documents/guidelines-economic-analysis-projects

ADB projects are financed under various modalities such as investment projects, sector projects, a multi-tranche financing facility (MFF), financial intermediation loans (FILs), sector development programmes, emergency assistance loans (EALs), and results-based lending. Regardless of funding modality, where tangible and measurable outputs and associated cost streams can be identified and attributed to a specific project, project economic analysis should be carried out. The economic analysis can be applied to the entire project, or a specific component of the project. However, the guidelines do not apply to ADB's policy-based lending that focuses on policy and institutional reforms, and the countercyclical support facility that provides budget support.

ADB Project Economic Analysis – Key Areas and Operational Cycle



MRM = Management Review Meeting, SRM = Staff Review Meeting
Source: ADB Economic Research and Regional Cooperation Department

The following is an extract from the economic analyses for an ADB TVET reform project in Tajikistan (ADB, 2015). Strengthening Technical and Vocational Education and Training Project (RRP TAJ 46535-001), Economic And Financial Analysis,
https://www.adb.org/projects/documents/taj-strengthening-tvet-project-rrp

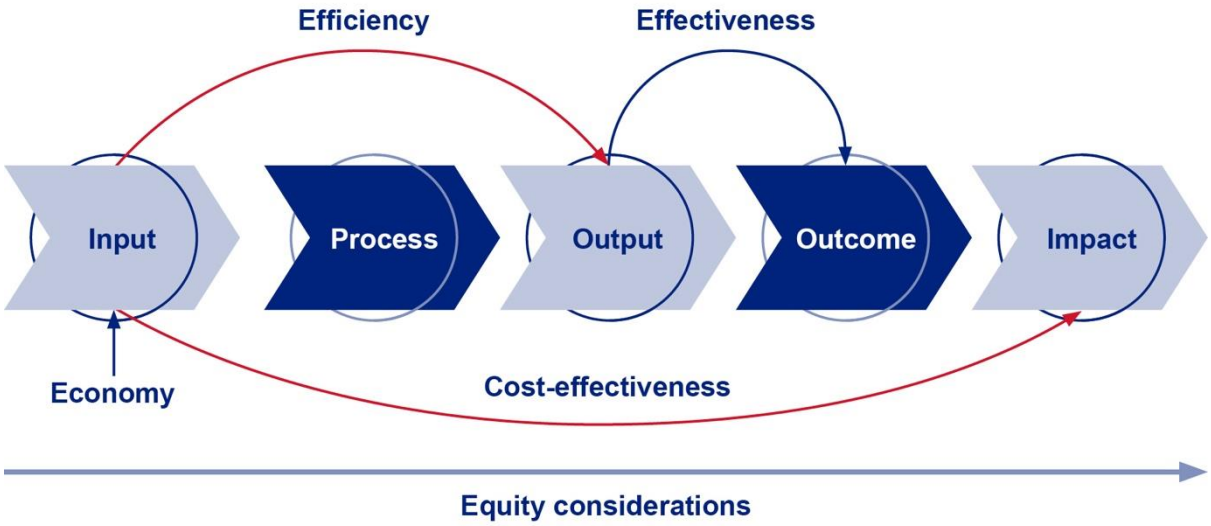
‘Assumptions used in the analysis: (i) the domestic price numeraire is employed, in which domestic financial prices of local currency cost and benefit items are assumed to reflect their economic values; (ii) the financial prices of foreign currency cost and benefit items are converted to economic values by adjusting for transfer payments and the costs of tradable inputs are adjusted upward by a shadow exchange rate factor of 1.11;2 (iii) the current wages of untrained and unskilled labour have been adjusted downward by a shadow wage rate factor of 0.8 (footnote 2); (iv) the project will be implemented over 5 years, while the period of analysis is 25 years, in line with the convention for analysis of TVET projects; (v) about TJS2.42 million per year (1.5% of the total investment cost) will be required for operation and maintenance of the improved physical facilities; and (vi) the training output will start in year 4, while the output for the MRITP and GEMP will start in year 1 and be terminated in year 5, unless it is continued beyond year 5.

The analysis monetises the likely benefit from the improved TVET system. It estimates a without-project scenario using the current generated premium, given the existing intake, quality of training, and employment rate. The with-project scenario likely increase in the premium is estimated assuming the expected trainee intake and the likely increase in labor absorption rate, to be achieved from the improved quality of training and physical resources in the selected institutions. The difference between the with- and without-project estimates represents the incremental benefit stream expected to be generated from the investment. The incremental cash flow stream commensurate with the with-project scenario reflects a likely increase in the intake of trainees, an increase in the employment rate, and the wage rate premium generated from the investment.’ (ADB, 2015, p. 12)

Annex F: Value for Money Approaches

The UK government, initially through the Department for International Development (DfID) and more recently the Foreign & Commonwealth Development Office (FCDO), has been working to build value for money considerations into its management processes and its relationships with implementers and multilateral partners, establishing itself as a global champion on value for money (ICIA, 2018).

At the core of this approach is understanding and maximising the effectiveness, efficiency and economy for each intervention (DfID, 2011).
https://www.gov.uk/government/publications/dfids-approach-to-value-for-money-vfm



Each programme begins with a business case that includes an appraisal of alternative options for achieving the intended objectives, with the costs and benefits clearly identified (in qualitative or narrative form, if they cannot be expressed in financial terms).

The business case must set out a value for money case for the programme and how value for money will be monitored over its life. Value for money is assessed in the business case for each new programme, using a mixture of quantified cost-benefit analysis and narrative justification (ICIA, 2018).

This approach has been adopted and extended by other development partners including the Australian Department of Foreign Affairs & Trade (DFAT). DFAT has developed eight Value for Money Principles to guide decision making and maximise the impact of its investments.

They expect all our delivery partners to give effect to the principles and value for money performance is measured in the DFAT Aid Performance Framework.

Economy	Efficiency	Effectiveness	Ethics
1. Cost consciousness 2. Encouraging competition	3. Evidence based decision making 4. Proportionality	5. Performance and Risk Management 6. Results Focus 7. Experimentation and innovation	8. Accountability and transparency

For further information on the DFAT approach see https://www.dfat.gov.au/aid/who-we-work-with/value-for-money-principles/Pages/value-for-money-principles