

VI

EVALUATION OF RECENT ADB PROJECTS IN SKILLS DEVELOPMENT

Six ADB TEVT projects are reviewed below, including three under implementation, two recently approved, and one in the final stages of formulation. These projects are located mostly in low-income countries: Maldives,²⁰ Marshall Islands,²¹ Nepal,²² Pakistan (Balochistan),²³ Papua New Guinea (PNG),²⁴ and Sri Lanka.²⁵ The following desk review focused on information about the design of these six projects as contained in project documentation produced for approval by the ADB Board of Directors. Project implementation is not evaluated. It is thus possible, even likely, that many of the questions here raised are answered in other project documents. The number of cases examined is too narrow to provide a basis for generalization about all ADB TEVT projects. What follows should thus be viewed as observations, questions, and hypotheses, not as pronouncements.

The projects are reviewed according to the following topics, in sequence: strategic choices; links with employment; training delivery and private training provision; administrative mechanisms; financing and financial mechanisms; sustainability; complexity; and analytical bases.

²⁰ Employment Skills Training Project: project cost \$7.5 million, approved in 2003.

²¹ Skills Training and Vocational Education Project: project cost \$9.1 million, approved in 2000.

²² Skills for Employment Project: project cost \$25 million, approved in 2004.

²³ Restructuring of the Technical Education and Vocational Training System Project: project cost \$22.9 million, approved in 2004.

²⁴ Employment-Oriented Skills Development Project: project cost \$39 million, approved in 1999.

²⁵ Human Resource Investment Project: under formulation.

A. STRATEGIC CHOICES

1. Economic Appropriateness

To what extent are the main thrusts of the projects appropriate to the type of economies in which they are placed? Generally, the projects reviewed are well suited to the stage of economic development and major economic/social priorities of the host countries. Table 5 shows the distribution.

Table 5: Main Economic Emphasis of ADB Training Projects

Mainly Training for Modern-sector (wage) Employment	Mainly Training for the Informal Economy
Maldives	Marshall Islands
Pakistan ^a	Nepal ^b
Sri Lanka	Papua New Guinea

^a Includes some training for livelihood and income generating skills.

^b Includes training for wage employment abroad.

Three of the six projects (Nepal, PNG, and Marshall Islands) aim mainly at training for the informal sector in terms of self-employment, income generation, and livelihood skills. These strategies appear well suited to the largely informal economies of the project countries. In Nepal, for example, 85% of the labor force is in the informal sector (self-employed), as is 75—90% in PNG. The Pakistan project also includes a training component for the informal sector, i.e. development of livelihood skills in rural areas with delivery through NGOs. This makes sense, but the modus operandi does not appear to be well worked out and the scale of assistance is not quantified.

Three of the six projects are essentially training for modern sector employment (Maldives, Pakistan, and Sri Lanka). In the Maldives project, the aims are to attract more people into the labor force and to reduce dependence on foreign workers, particularly

foreign skilled workers. In this context the project includes efforts to make working conditions more attractive. One aspect of the project rationale, however, is puzzling. While seeking increased labor force participation, the project does not seem to concentrate on the main cause of low participation—low female participation, and the fact that this may be culturally determined. Analysis of the constraints and strategies to increased female participation appears to be lacking.

The Pakistan project includes middle-level skills training as well as technician training. Several observations can be made:

- The amount of attention given to polytechnics may be questioned for Baluchistan. An ADB impact evaluation study of ADB TEVT projects noted "...most of the needs based on discussions with industry leaders are for lower-level personnel—operators and skilled workers. This has not been the major area of expertise of the polytechnics (ADB 1999, 22)."
- The poverty reduction objectives²⁶ of the project may be questioned when the clients of the main project institutions tend not to come from the poorest segments of the population.
- The project also has social objectives, including gender development. Some 80% of new polytechnics will be for women, but only 27% of total project beneficiaries are expected to be female.

The Sri Lanka project focuses exclusively on technician level training. This priority seems well justified in view of the country's "relatively fast-growing and modernizing manufacturing sector" and the government's strategy to move into higher value-added products (ADB 1999). On the other hand, the project's avowed poverty-reduction objectives²⁷ appear incompatible with a technician training project.

²⁶ "Contribute to poverty reduction by enhancing competitiveness of TEVT and employability of its graduates in line with emerging market needs...(ADB 2004b)."

²⁷ "Poverty reduction, easing unemployment especially for unemployed youth, by enhancing labor and industrial productivity and competitiveness of the economy...(ADB 2003c)."

2. Quality vs. Equity

An ADB impact evaluation study of ADB TEVT projects in 1999 observed that training quality was being ignored because of undue attention to establishing training opportunities for disadvantaged segments of the population:

The corollary role of providing access to educational opportunities for the economically and intellectually disadvantaged appears to have been given more emphasis. Thus, it was common to see...the TEVT systems turning out a multitude of graduates from a menu of training programs regardless of quality and the demands of industry... Such arrangements cannot continue in the face of the accelerating globalization of trade. The increasingly intense competitive environment in both the domestic and the export markets will require industries to exploit every possible source of competitive advantage. A major one undoubtedly is the quality of technical personnel. TEVT can be a source of competitive advantage for industry. This is not a new role; in fact, it is simply making good the role traditionally assigned to it. But it entails some major adjustments. To be truly a source of competitive advantage for industry, it may be necessary to overhaul the entire delivery system to achieve a minimum level of quality and then invest in a number of key institutions to produce a cadre of highly specialized personnel. A paradigm shift is thus needed; from a predominately "safety net" orientation to a "source of competitive advantage" orientation, but without necessarily discarding the former (ADB 1999, 20—21).

This recommendation accords with the findings of the major World Bank study of skills development in 1990. It concluded that social objectives in training were rarely achieved without a strong economic foundation (Middleton et al. 1993, 51—53).

What is the relative weight given in ADB projects to expansion (for equity purposes) and quality? All six of the projects had increasing access as an objective, mainly for disadvantaged groups. All projects also had quality improvement as an explicit or implicit objective. Two projects, those in Pakistan and Sri Lanka, aim at improving the quality

of skills training as a means toward enhanced global competitiveness. The Pakistan project does not attempt major expansion of enrollments, but emphasizes quality. In this respect, it conforms with recommendations in the ADB impact evaluation study. Not much can be concluded from the analysis here. The important point is that training must be directed at employment possibilities—wage or self-employment—for it to be effective. Training expansion, just to give greater access to vulnerable groups without attention to labor market absorption, is likely to lead to frustration and failure.

B. LINKS WITH INDUSTRY AND EMPLOYERS

The most important requirement for successful systems of skills development is close links with industry and employers. Employers know best what skills are needed in the economy. The ADB impact evaluation study notes this as a major issue in past projects.

This is one of the weakest aspects of the TEVT program in all the developing member countries (DMCs)... The experiences of the DMCs in this study highlight the importance of strong linkages with industry. Operating virtually in isolation from industry, the polytechnics of Pakistan and the TCs of PNG and Sri Lanka have deprived themselves of valuable inputs... These include not only opportunities for industry exposure of students and teachers alike, but also the built-in feedback mechanism on the type, level and quality of personnel needed (ADB 1999, 18, 24).

The ADB Study also notes that

One must...take into consideration the observed reluctance of school management to involve industry in running schools. In most cases, the reason is that the school management... feels "uncomfortable" dealing with industry. Other school officials are simply overzealous in protecting their turf (ADB 1999, 25).

All three projects focused on the modern sector included measures to increase linkages between industry and training. The Maldives project will establish Employment Sector Councils (ESCs) in three priority sectors: tourism, fisheries and agriculture, and transport. The Pakistan project will establish district advisory committees and strengthen the capacity of institutional management committees. The Sri Lanka project will develop industrial advisory councils in key sectors.

Will these measures suffice? It is not likely. Employer advisory councils frequently fail. Business people are busy and may not have time to participate. Representatives of employer associations may themselves occupy essentially bureaucratic posts and be isolated from enterprise developments. The trainers may not accept employer advice, and the employers may therefore lose interest. The project documentation does not present any evidence that alternatives have been considered. One alternative would be to give the employer councils more authority over decisions, even the actual direction of training systems and institutions. Collaboration among the social partners in national training authorities often serves this purpose. More analysis of the experiences (and failures) of previous advisory councils is called for in project preparation. For example, industrial advisory committees have not worked previously in Pakistan, yet the report presents no analysis for these failings or a clear strategy to avoid past problems. What *incentives* do employers have to participate in advising or managing the training institutions? Even if there are incentives, is it feasible (in terms of the opportunity cost of their time) to do so? Are there efficient (time saving) ways to ensure their participation and inputs?

Training for the informal sector presents a different conundrum. No employers' organizations exist since the informal economy overwhelmingly entails self-employment. What to do? First, the existence of any *informal sector associations* (of master craftspeople) might be explored. If they do, it could be determined whether they could contribute to the overall direction of skills training in the sector. Second, considerable time and attention could be devoted to *market analysis*—i.e. identification of occupations likely to generate productive self-employment. This could start with identification of

export markets, and vertical lines of production down to the informal sector producer (Johanson 2002, II, 39). Or it could involve analysis of local markets for products and services likely to be in demand (Johanson and Adams 2004, 60). Establishment of local capabilities to perform such market analyses should be given high priority in informal sector projects. Third, rigorous and systematic *evaluations of the outcomes and impact* of training should be done for the informal sector. Tracer studies are indispensable to proper functioning of training systems in general and for informal sector training, which addresses mainly local markets that can easily become saturated.

Fortunately, there appears to be some attention to these requirements in the projects reviewed. The Marshall Islands project includes the provision for labor market research, including a tracer study on the livelihood skills program. What is not clear is how this research program would be institutionalized and sustained. Rather than conduct one or two tracer studies, most would agree that it is more important to develop the local capacity to do these tracer studies routinely and continuously. The PNG project includes training needs analysis in preparation of competitive proposals. In Nepal, communities would identify project training needs, as well as the national Council for TEVT. These are steps in the right direction, but it cannot be determined from available documentation whether they are sufficient.

For success in entrepreneurship programs, post-training support is essential in such areas as access to credit, marketing services, and continuing business advice. This is illustrated by the Training for Rural Youth for Self-Employment undertaken by the Government of India. The project aimed to provide technical and entrepreneurial skills to rural youth from low-income families for self-employment. It involved training either with an institution or a master craftsman, followed by assistance from the Integrated Rural Development Program to acquire productive income-generating assets. Over 1.5 million youth were trained during 1992—1993, of whom about one third became self-employed, 15% became wage earners, and half remained unemployed. An evaluation concluded that the project had not achieved its objective because of the inappropriateness of the skills imparted and the lack of assistance from the IRDP in setting up businesses (ILO 1998a, 175).

Several of the ADB informal sector projects provide evidence of concern for post-training support services. The Marshall Islands project includes the provision of basic tools and materials for participants "...after training to ensure that skills learned are available for personal or commercial use (ADB 2000)." The same project also provides for some marketing of products from women's training. The PNG project includes post-training support as an integral part of training proposals and training contracts. The Pakistan project alludes to facilitation of access to credit and the introduction of entrepreneurship courses. The important point here is that entrepreneurship training and marketing support should be designed and preferably managed by people with business experience and skills, not by civil servants, bureaucrats, and trainers. It is not clear in these projects whether the design calls for involvement of people with business skills.

C. TRAINING DELIVERY AND PRIVATE TRAINING PROVISION

1. Delivery

An interesting feature of the set of reviewed projects was the *emphasis on short-term training*, as opposed to 2 or 3-year pre-service training programs typical of traditional vocational training. By its nature, training for informal sector occupations must be short term, as the participants cannot afford the opportunity costs of longer-term training. The Nepal and PNG projects stress the short-term nature of the skills to be provided and its immediate application to income generation or self-employment. The livelihood skills training in the Marshall Islands also inevitably will be short in duration. Even the Sri Lanka project, which concentrates on long-term technician training, intends to introduce part-time learning programs for employed workers.

Another feature of the delivery systems is the development of modular training and CBT. CBT stresses the outcomes of training in knowledge and skills acquired, rather than time spent in training. Three projects included the development of CBT: those in Pakistan,

Maldives, and the Marshall Islands. What is not clear from the documents is whether the requirements for successful application of CBT have been analyzed fully and taken into account in the project design. Trainees, parents, and employers familiar with traditional paper qualifications may resist the shift to CBT. Moreover, CBT puts instructors under intense pressure to perform. CBT exposes instructor performance through more frequent examinations (at the end of each module, instead of the end of each year or course of instruction). Sufficient resources must be set aside for instructor re-training. Moreover, CBT—with its stress on acquisition of skill competencies—typically requires the provision of additional essential equipment. It is difficult to see how the Maldives project can finance these requirements when only 3% of the project budget is allocated to equipment, and only US\$330,000 to the development of the CBT modules themselves. One also wonders about converting some, but not all, courses to CBT, an approach adopted in the Pakistan project. This could lead to an unstable tension between tradition time-based courses and the modular CBT.

One of the features of skills development is that government is simply not able to undertake all necessary tasks. Most training takes place in the private sector, within the workplace, precisely where it is difficult for national systems of skills development to stimulate more and better training. Unfortunately, not many of the ADB projects attempted to increase or improve EBT, perhaps because this is a difficult challenge. Similarly, none supported the introduction or expansion of training levies. However, there were exceptions. The Sri Lanka project makes a serious effort to upgrade training for workers in industry, and includes a corporate program for in-industry technician graduate training and employee upgrading. The Marshall Island project allows for some upgrading of worker skills in project-supported centers. Other projects appear to do little in this regard, including that in Pakistan. Providing training services and upgrading for employees would be a concrete way to strengthen employer interest and participation in skills development.

2. Private Training Providers²⁸

From the results of the study...the private TEVT institutions appear to be the more efficient providers. Would it not be cheaper for the Government to meet most of the excess social demand by simply encouraging private sector institutions to increase their share in the provision of TEVT (ADB 1999, 23).

Four of the six projects reviewed support private training providers (PTPs). In the Maldives, PTPs are eligible for support in building training capacity (programs, management, instructors) and to deliver training financed by the project. Similarly, in Nepal, PTPs would be eligible to compete for contracts to deliver training, and are allowed to participate in the design of programs. The PNG project shows extensive and exemplary analysis of nongovernment training provision, including categorization and evaluation of the strengths and weakness of different types of nongovernment provision. Training financed by the project will be delivered not only by government vocational training centers (VTCs), but by church organizations, NGOs, and for-profit training providers. The proposed Sri Lanka project explicitly provides for the expansion and improvement of training capacity among private providers. In no case, however, was there any evidence of analysis of the main regulatory and other constraints faced by PTPs. Such analysis is essential in designing effective strategies for intervention. Some government regulation of PTPs is necessary, but regulation can go to extremes and stifle growth of this important means of training provision (see James 1991, and Johanson and Adams 2004, Chapter 4). It was particularly disappointing to see little attention to the role of PTPs in the Pakistan project. If government is to reduce its role in training—which could be desirable on both effectiveness and efficiency grounds, ways must be found to stimulate the development of PTPs. A major opportunity may have been deferred or missed.

²⁸ The term “private training providers” is used here in its broadest sense, i.e. all training outside the government. It includes for-profit training providers, church, NGO, and CBO-sponsored training. It does not include EBT.

D. ADMINISTRATIVE MECHANISMS

The ADB projects employ a wide array of administrative mechanisms. In this regard the available documentation was not clear about how and by whom the training programs will actually be developed (Marshall Islands, Nepal), the criteria and procedures by which funds will be allocated to competing proposals for training delivery (livelihood training in Pakistan), or the development of necessary administrative capacities (the Maldivian Network of Employment Training; capacity to manage the Skills Development Trust Fund in PNG).

None of the projects supports the development of an overall training authority, even though such organizations have proved effective elsewhere. Nepal comes the closest, with the strengthening of the National Council for TEVT, but this Council would not have executive authority over policy or the direction of skills development.

Several of the projects (Maldives, Marshall Islands, Pakistan) call for establishment of labor market information (LMI) systems of various types, and educational management information systems—a commonly called for measure. However, one wonders whether the difficulties of establishing effective labor market information systems have been analyzed and appreciated. The World Bank review of TEVT projects in Africa concluded that while LMI systems were a good idea, they hardly ever worked in practice (Johanson 2002, Johanson and Adams 2004, 57—59). Several reasons account for this: the difficulties of institution building, recruiting trained analysts, and collaborating across organizational lines. It is also unclear whether there was any analysis of the experiences with the substantial assistance provided by ADB and other donors to create EMISs. What are the specific obstacles and constraints to be overcome? Presumably if these interventions had been successful, continued financing for their establishment in new projects would not be necessary.

Decentralization, or more precisely, devolution of authority to training institutions, can be an important means of increasing accountability, mobilizing resources, and linking training with local labor markets. Two of the reviewed projects seek to do this. The Sri Lanka project seeks to devolve authority to ten selected Colleges of

Technology, and provides substantial assistance for management development. The Pakistan project also includes gradual devolution toward autonomy of TEVT institutions. Capacity for this transition is to be developed through management staff development programs. Other than this, however, the Pakistan project presents no evidence of analysis of the requirements of devolution in terms of legislation, regulations, government and provincial policies, re-definition of job descriptions, parental views, and the development of new financial accounting systems.

One outstanding innovation being proposed in the Sri Lanka project is the establishment of a voluntary National Association of Training Providers. The government would devolve authority for registration and accreditation of technician training to this Association. However, it is not stated what administrative capacity the Association would need to build in order to carry out its functions, or how it will be established.

E. FINANCING AND FINANCIAL MECHANISMS

1. Financing and Cost Recovery

A cursory look at the financing plans for the projects shows several novel approaches. The projects in the Maldives, PNG, and Nepal all allocate funds mainly for training, not for physical infrastructure. Project funds thus pay for the delivery of skills directly, rather than indirectly through capacity-building measures. The PNG project is exemplary for its attention to cost recovery and financial issues.

Still, one wonders whether allocations in some projects are adequate to finance implementation of various improvements and reforms. Mention has already been made of the cost implications for equipment and development of CBT in the Maldives project. Are sufficient funds allocated to the all-important functions of industry linkages and labor market analysis (including tracer studies)? The establishment of the Human Resource Endowment Fund (HREF) in Sri Lanka is a major undertaking, and the allocation for technical assistance for such a complex enterprise may be inadequate.

2. Financial Mechanisms

Financial transfer mechanisms can have a powerful impact on training relevance, effectiveness, and efficiency. Several innovations in this direction are included in these projects.

- Two projects (PNG and Sri Lanka) employ *training funds* as the mechanism for mobilizing and allocating funds. The World Bank review found that training funds generally were effective in stimulating cost-effectiveness in training provision (Johanson 2002). Training funds allocate finance to different priorities across wide areas, and help to stimulate grass roots interest through preparation of competitive proposals. Establishment and operation of funds is not a simple matter, however, and may need to be supported by a series of projects in order for institutionalization to take root.
- Several projects (Nepal, PNG, Sri Lanka) include *competition* as a basis for allocation of funds. Competition, especially if PTPs are allowed to participate, can have a beneficial impact on the quality and cost of services.
- Two projects also attempt to move to *performance-based budgeting*. The Pakistan project will provide incentives to institutions that produce the best results, and will support a move to an incentive-based budget system. However, there appears to have been no analysis of problems with current financial management of TEVT institutions, and the feasibility—overcoming obstacles and constraints—of moving to a new budgeting system, including its compatibility with existing government regulations and procedures. The Sri Lanka project also proposes to move to an incentive-based budgeting system, without apparent analysis of existing budget systems. The allocated three months of international technical assistance may be inadequate to design such a system.
- Normative financing is another financial transfer mechanism that can be used to realize efficiencies and

better use of resources. None of the projects under review utilize this mechanism.

F. SUSTAINABILITY

Apart from industry linkages, sustainability probably constitutes the most significant issue for ADB TEVT projects. In the projects under review, the most attention to financial sustainability was given in the PNG project. Considerable thought was given to making the training fund sustainable by mobilizing additional resources from government and non-government sources, and by limiting the annual outlay to 10% of the fund's capital plus returns on investment. The Nepal and Sri Lanka projects do not appear to have addressed yet the issue of sustainability. The Marshall Islands project found the project interventions to be sustainable largely because of expected continuing financial support from the US. The issue of financial sustainability was deferred in the Maldives project, until completion of a study on financing mechanisms. The Pakistan project was especially weak on this issue, even though sustainability was identified as a problem in past ADB projects in that country. A loan covenant has merely been added:

The provincial government was requested to earmark adequate recurrent budgets to support project activities and provide assurance to give highest priorities to provide adequate recurrent budgets to the project institutions and facilities (ADB 2004b, p.27).

It is not clear how this differs from previous (failed) project assurances on financing. There appears to be no strategy here to wean public institutions off public financing. As stated in the ADB study, "Based on experience, loan covenants requiring the DMC to provide adequate funding after project completion were not enough to ensure sustainability (ADB 1999, 24)." The projects should give more serious attention to the various alternatives contributing to financial sustainability.

G. COMPLEXITY

The feasibility of any project depends on the relationship between its complexity and implementation capacity. According to this criterion, some of the projects here reviewed may be in for trouble. The Pakistan project, in particular, is highly ambitious in scope. It deals with formal sector training, informal sector training, public training, nongovernment training, competency based training, reform of budget systems, introduction of training-cum-production, and even more. It attempts to reform the examination system, which is highly conflicted in Pakistan, without apparent analysis of likely obstacles and constraints. In addition, it attempts to install an equivalency and certification system, such as those found in Organisation for Economic Co-operation and Development countries. In short, it adopts many good ideas and innovations, but simply tries to do too much. Its coverage is too broad. No priorities are apparent. As a result, it probably exceeds available implementation capacity. The Sri Lanka project suffers from some of the same problems, but to a much lesser extent, and has the advantage of being focused on one level of training (for technicians).

H. ANALYTICAL BASIS

Several references were made above to inadequate analysis of proposed project interventions. One shortcoming found common in the projects was the lack of analysis of regulatory and other constraints to development of nongovernment training provision. This suggests that the analytical basis of several of the projects was incomplete. Additional analytical shortcomings in four of the projects are outlined below.

- (i) **Marshall Islands project.** Why did the earlier successful skills training courses provided by the Women's Division in the Department of Vocational Training fail to be maintained? What lessons can be drawn from this experience for the community outreach programs?

(ii) **Pakistan project.**

- The rationale is rooted in government plans for industrialization and TEVT expansion, but presents no analysis of past performance in these two areas.
- There is inadequate analysis of the different problems of polytechnics, technical training centers (TTCs), and VTCs. No consideration is given to merging TTCs and VTCs under an independent organization.
- No evidence is provided for the effectiveness of local Learning Resource Centers found in libraries or apprentice shops, or how they would ensure productive usage.
- The concept of “production-cum-service centers” may be questioned. The private sector is supposed to help, but with what incentives? Often these centers compete with private business. Also, who is supposed to manage them independently as business units? Public sector bureaucrats cannot do this.

(iii) **PNG project.** No analysis is provided of why coordination mechanisms have failed in the past, and how current proposals address the reasons for those failures.

(iv) **Sri Lanka project.**

- No background is provided on precursors to the proposed Human Resource Endowment Fund (HREF) in Sri Lanka. Is the Fund already established under Sri Lankan law? Are other similar funds in operation, and if so, how do they relate to the proposal? The project preparation report notes that most employers are not yet committed to workforce upgrading for productivity enhancement, and the current Skills Development Fund is not effective. One may question whether the structure, operation, and financing of this latter Fund has been analyzed for lessons for the proposed HREF.
- The description of the HREF Employee Training Programs, under Corporate Programs, refers to the

corporate tax levy, but no prior explanation is given of the levy, its purposes, operations, and implementation.

- Establishment of Industry Sector Councils is probably a good idea, but the membership, functions, and relationships would need to be developed carefully. Study tours to other countries (e.g. South Africa, Australia and New Zealand) would be useful. Also, failures in other countries should be studied (e.g. in the United Kingdom). The key questions are: what authority would the Councils have and what incentives would industry members have to join and participate over the long run?