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IMPLICATIONS FOR ADB AND DMCS

A. LESSONS FROM ADB PROJECTS

In view of the fact that *linkages with industry* is the single most important factor in training success, ADB should devote increased attention to (a) analysis of the causes of past failures in establishing linkages between industry and skill provision; (b) incentives for employers to participate in advising or directing TEVT; and (c) consideration of transferring authority to employers for the direction and management of skills training.

Labor market analysis and tracer studies are indispensable for proper direction and feedback to training systems in general, but are especially vital for informal sector training, which addresses mainly local markets that can easily become saturated. Special attention should be given to needs analysis and follow-up evaluation of the impact in ADB informal sector training projects. This should be stressed particularly in skills development projects—i.e. the “ovals” in Figure 2 should receive more emphasis in order to better balance the attention given to the “inputs” box.

Entrepreneurship training, marketing, and business support should be designed and, preferably, managed by people with successful business experience and skills, not by civil servants or bureaucrats, or even trainers without business experience. This seems to be a neglected aspect of ADB projects.

Competency-based training promises several advantages over time-based qualifications, and CBT has been included in several Bank projects. However, care should be taken to analyze and address the requirements for success, including sufficient development, instructor training, revision of examinations, equipment, and public awareness campaigns for trainees and employers.

Stimulation of *enterprise-based training* is important, but also difficult. Not many ADB projects have tackled this challenging task. Consequently, an important means of skills development is being neglected.

Private training provision is important—in some countries more important than public training. Most ADB projects reviewed supported development of nongovernment provision. However, none analyzed the constraints and obstacles to growth and improvement of private training provision, including regulatory constraints.

The establishment or strengthening of *national (or sectoral) training authorities* should be given more attention in ADB projects. When based on partnership with social partners, these have proved effective in some countries in involving employers more deeply in steering training systems, and in linking supply better with emerging labor market demands (ILO 2000, para. 19).

Labor market information systems can be instrumental in revealing labor market trends and helping training systems to adjust to changing needs. However, care should be taken in supporting establishment of LMI systems. They have proved very difficult to make successful. Design of and investments in LMI systems should be preceded by a careful analysis of their operational problems and constraints in third world countries.

The *devolution of authority* from centralized control to skill training institutions frees the latter to respond more quickly to local market demands, and promises benefits in terms of resource mobilization and self-sufficiency. Two of the reviewed projects support administrative devolution. However, such devolution must be designed carefully based on considerable prior analysis of the prevailing administrative and regulatory framework, and of the requirements for success.

The use of innovative *financial transfer mechanisms* should be and has been incorporated in several ADB projects. The innovations, such as performance-based budgeting, should be based on an analysis of the full requirements for success. Training funds can be a powerful means to stimulate relevance, equity, flexibility, and efficiency in training systems. The use of *training funds* can spur flexible reallocation of training resources to high priority economic

activities and clientele, and stimulate competition between public and private training providers. Successful institutionalization may require support over a series of projects. ADB should consider greater use of training funds in its projects. The fund established in the PNG project should be evaluated; if found to be successful, it may provide a model for adaptation and application elsewhere.

Financial sustainability is a difficult challenge for training projects. Except for the PNG project, analysis of sustainability appears to have been superficial in the projects reviewed. More emphasis should be given to analyses of sustainability. At the same time, it is important to be realistic. Publicly supported training projects with equity objectives that cater to disadvantaged groups will not be able to achieve full cost recovery. Instead, partial recovery may be achieved through some cost sharing (in cash or in kind), and sale of goods and services produced by training centers. A higher level of cost recovery may be realized in training provision in urban settings. Full cost recovery is usually reserved for two types of training: EBT, where costs can be borne in full by enterprises, and private training, where tuition and other fees usually cover most if not all costs. Support for these two types of training, therefore, can help support financial sustainability for skills provision overall.

Projects that attempt to do too much, or introduce too many sweeping reforms, such as the project in Pakistan, are likely to exceed national implementation capacity.

When proposing measures where similar actions failed previously, ADB should analyze carefully the causes of failure and generate alternative possible solutions for evaluation. This is in keeping with a broad theme of this review, that adequate in-depth analysis of past experience and of the requirements for successful implementation of innovations is an essential basis for informed project design.

B. REFORM OF TRAINING SYSTEMS

Investment in reform can make public training systems more responsive to the changing economic requirements in countries

resulting from openness and globalization. Some priorities for such reforms are outlined below.

The *role of government* in skills provision should be more sharply defined. Governments in East Asia (Singapore, Republic of Korea) succeeded not only in stimulating the supply of skills, but also in anticipating and generating demand for skills. This requires extraordinary foresight and collaboration between economic planners and skills providers. These conditions do not obtain in other countries, where unwieldy, supply-led systems predominate. The role of government should become *more strategic*, moving away from a preoccupation with training provision to concentrate on the following priorities:

- (i) fostering the growth and development of nongovernment training providers through partnerships;
- (ii) promoting social equity in training markets;
- (iii) filling gaps where nongovernment providers fail to respond—e.g. reaching the informal sector, and promoting strategic growth areas and skills; and
- (iv) facilitating market functions not ordinarily performed by the private sector, such as policy development, setting standards, training instructors, development and dissemination of market information, and monitoring and evaluation of outcomes.

The introduction of *normative financing* in training can accomplish greater accountability and output productivity.

Establishment of *national qualification frameworks and CBT*, where possible, will facilitate labor mobility and cost-effective use of training resources.

Nongovernment training institutions and enterprises probably account for the main part of regional capacity for skills development, and should be part of any reform dialogue. Efforts must be made to:

- (i) recognize and encourage nongovernment training provision, fostering a “level playing field” to stimulate greater competitiveness with the public sector;

- (ii) facilitate the contributions of formal sector enterprises to worker training through provision of financial and material (e.g. instructor training) incentives;
- (iii) encourage employer associations and trade unions to provide training for their members (ILO 2000, para. 18); and
- (iv) increase worker productivity through training services for upscale informal sector enterprises, especially those engaged in manufacturing for niche markets, such as export markets.

Reforms of training systems, as with educational expansion, necessarily take time. As Brown pointed out, "skill formation policies cannot be delivered just-in-time (Brown et al. 2001, 237)." In many countries the reform process has taken a decade or more to reach full implementation.

C. CONCLUSION

The analysis and recommendations of the ADB technical education and vocational training projects lead back full circle to the original issues mentioned at the beginning of the paper. Governments, firms, and individuals must plan strategies to fill emerging gaps between existing education and skills levels of the populations and the need for new skills and training arising from advances in technology, capital accumulation and expansion of the labor market. This is especially true for countries entering middle-income status where stocks of human capital must keep up with capital investments in new technologies linked especially to manufacturing and service sectors. Countries that fail to develop action plans to implement cost effective education and training for citizens will risk jeopardizing long term effectiveness in successfully competing in the global economy. Most countries cannot afford to lose out to neighboring countries and their citizens are not likely to take kindly to such inaction. Reasonable social investments borrowed through loans today are not likely to be squandered, if they help the next generation successfully compete in the global economy.