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Financing for Technical and Vocational Education and Training

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EDITORIAL

We are delighted to present you with the eleventh issue of the *Skills4Dev Knowledge Digest*! This volume highlights literature on TVET financing that is accessible online, with a primary focus on global and regional scales. We invite you to engage with this material and deepen your interest in this critical topic.

Technical and Vocational Education and Training (TVET) is a strategic as well as smart investment. High-quality TVET that delivers practical and market-relevant skills can enhance employability, boost the productivity of the current and future workforce, and consequently raise living standards, especially for the poor. It also serves as a crucial conduit for bridging the gap between innovation and application, playing a key role in technology transfer and diffusion, including efforts for [climate change](#) mitigation and adaptation, and the [energy sector transformation](#). The positive impact of TVET on the poor and vulnerable segments of society, including [refugees](#), is well-documented.

Despite its critical role in economic development and social integration, TVET remains underfunded. The overall proportion of government spending on TVET is considerably various, [ranging from nearly zero to 15 percent](#) of total government education expenditure. Employers often contribute in kind, though there are instances where they contribute through legislated skills levies.

Families and students also bear fees and other direct and indirect costs. Nonetheless, TVET funding remains insufficient overall.

The use of public TVET funding could be more efficient and equitable, too. Governments often allocate limited TVET funds for specific inputs such as trainers, maintenance, or capital investments, including facilities and laboratories, rather than connecting funding to tangible outputs or outcomes. Although many low and middle-income countries have abolished fees for general basic education, TVET fees remain prohibitive for low-income students and families. However, there is a gradual shift towards a results-focused approach, with more countries adopting per-student expenditure allocations for TVET, competitive skills development funds, or Centers of Excellence programs tied to key performance indicators (KPIs). Additionally, there is growing recognition of the need for targeted mechanisms that [support inclusive access](#), including scholarships and fee waivers for females and other vulnerable youth groups.

Adequate and efficient financial strategies are key to maximizing the impact of TVET. The literature and country practices provide insights for augmenting TVET financing levels and improving its efficiency. Governments need to review and clarify TVET targets for access and quality, ensure minimum standards for budget allocation, and adopt performance and equity-based funding models. The potential of skills levies, utilized by [75 countries](#) as of 2020, including 26 in sub-Saharan Africa, with rates ranging from 0.5 to 4 percent of total wage bills, should be further explored. Public-Private Partnerships ([PPPs](#)) are vital for engaging the private sector in TVET, leading to high-quality and economically relevant training programs that benefit both public interests and provide financial returns to the private sector. Beyond financial and material donations, effective PPPs in TVET include industry-certified program delivery by TVET institutions, incorporation of industry and occupation standards into curricula and pedagogy, student internships and apprenticeships, upskilling and reskilling of workers, and joint R&D for technology diffusion. [Blended finance](#) is another approach to consider when expanding educational and training opportunities in TVET.

The challenge of adequately financing TVET and ensuring its efficient and equitable distribution remains an area that warrants further investigation and innovative solutions. Initiatives like the East Africa Skills for Transformation and Regional Integration Project ([EASTRIP](#)) have implemented a combination of technical and financial measures to enhance the capacity of TVET institutions to deliver demand-driven programs. These initiatives are already demonstrating the positive impact of institutional autonomy and industrial linkage, which, when paired with results-based financing mechanisms, have significant potential. Finally, accumulating evidence on

the cost-effectiveness of TVET, akin to efforts in foundational learning such as the Global Education Evidence Advisory Panel ([GEEAP](#)), is necessary for informed investment decisions.

We would like to hear from you! Please send us your ideas, suggestions, questions, or collaboration opportunities at skillsgsg@worldbankgroup.org. Learn more about what the GSG can do for you at the end of this digest.

Happy Reading!

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- 5. Help Desk.** Various resources to keep you up to date and support your skills-related work.

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FEATURED WORKS ON TVET FINANCING



[Financing Mechanisms for Promoting Social Inclusion in Skills and Lifelong Learning Systems](#)

ILO | Report | 2023 | Global



[Global Review of Training Funds: Spotlight on Levy-Schemes in 75 Countries](#)

UNESCO | Book | 2022 |

Global



[Guide to Public-Private Partnerships in Basic Education](#)

Arcia, G. et al. | Paper | 2023 |

Global

The report is the first global study that analyses the effectiveness of existing financing instruments targeting individuals, training providers and enterprises in improving social inclusion in access and participation to skills development. It also recommends **how these instruments should be contextualized and better applied in developed and developing countries** to ensure that training reaches those who need it the most.

This global review identifies 75 countries operating training funds in 2020, as well as other countries planning to establish them. Most of these training funds are levy-financed, meaning they are resourced by a levy on employers. It provides a comprehensive overview of **how these schemes function, including governance, effectiveness, fund mobilization and experience as well as disbursement and allocation mechanism.**

This paper provides a review of the evidence on what works in public-private partnerships (PPPs) in basic education. This includes pre-primary, primary, secondary education, and TVET. It provides an evidence-based perspective on **the role PPPs can play in different levels of education**, the varied forms PPPs can take, and the possible impact. Findings and recommendations are based on lessons learned from partnerships in a variety of contexts.

ESSENTIAL READING



[Financing Technical and Vocational Skills Development Reform](#)

Robert Palmer | Chapter | 2018 | Global

This chapter addresses the following key questions: Where does **TVET funding** come from? How are TVET funds spent? How are TVET funds



[Investing in Technical and Vocational Education: a Review of the Evidence](#)

Keith Lewin | Journal Article | 2006 | Global

This paper categorizes rationales used to support **investment in technical and vocational education programmes.** It reviews a range



[Funding Mechanisms for Financing Vocational Training: An Analytical Framework](#)

Adrian Ziderman | Policy Paper | 2016 | Global

The paper provides an account of **innovative financing mechanisms which have been adopted in many national training systems.** These

currently allocated? What roles can financing play in achieving **TVET reform and national policy objectives**? How can countries create the right environment for TVET financing?

of general approaches that have been pursued and comments on the different purposes which can be identified. The penultimate section reviews evidence on the cost-effectiveness of technical and vocational education interventions.

mechanisms aim at correcting shortcomings of conventional training finance systems to better meet labor market needs, improve both the quality and relevance of training provision and to contain training costs.

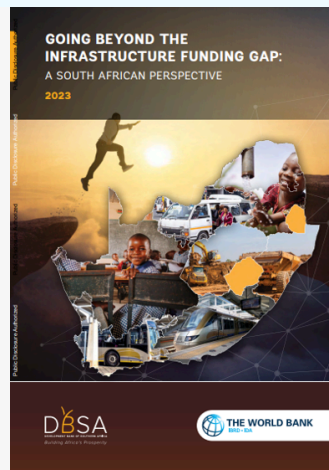
WHAT'S BREWING AT THE WBG?



[Building Better Formal TVET Systems. Principles and Practice in Low- and Middle-Income Countries](#)

Levin, V. et al. | Report | 2023 | Global

This report offers **guidance to policymakers designing and implementing TVET reforms**, emphasizing **core principles and practical considerations for L/MICs**. The report focuses on secondary and post-secondary non-tertiary formal TVET, defined as TVET obtained within the formal education system that leads to diplomas, degrees, or other formal certifications.



[Going Beyond the Infrastructure Funding Gap: A South African Perspective](#)

World Bank | Report | 2023 | South Africa

The report analyzes transport, water and sanitation, basic education, and technical and vocational education and training sectors. It includes a **diagnostic of each sector in relation to the 2030 SDG agenda**, detailing local contexts, policy challenges, and gaps in achieving the SDG targets.



FINANCING TVET IN THE EAST ASIA AND PACIFIC REGION
Current Status, Challenges and Opportunities

By
Robert Palmer

[Financing TVET in the East Asia and Pacific Region: Current Status, Challenges and Opportunities](#)

Robert Palmer | Book | 2017 | East Asia and Pacific

As demand increases in the EAP region, **the need for sustainable financing for TVET becomes more urgent**. It's essential to **ensure predictable funding for training programs and to link financing mechanisms to policy goals** of making TVET systems more accessible, equitable, efficient, demand-driven, responsive, and relevant.

ADDITIONAL PUBLICATIONS

[Financing Apprenticeships in the EU](#)

Cedefop | Information series | 2020 | Europe

It is a first-time effort in systematically collecting and analyzing information on financing arrangements for apprenticeship schemes in EU countries and the UK. The study looks at **the main costs of apprenticeship and how they are shared between employers, apprentices, State, schools and other training providers**. It examines the mechanisms for collection and redistribution of financial resources (focusing on incentives for employers and apprentices) and the volumes of funding involved.

[Financing TVET: A Comparative Analysis in Six Asian Countries](#)

Christine Uher Goncalves | Technical Report | 2019 | Asia

The French Development Agency and UNESCO launched **a regional comparative study on TVET financing approaches**. Looking into six Asian countries (Laos, Malaysia, the Philippines, Republic of Korea, Thailand and Viet Nam) and benchmarking them against international practices in Europe, Latin America, Africa and other Asian countries, **this study raises issues and explores ways to respond to the challenge of TVET funding**.

[Public-Private Partnerships for Skills Development: A Governance Perspective.](#)

[Volume I. Thematic Overview](#)

ETF | Report | 2020 | Global

Public-private partnerships that focus on skills development are one form of collaboration in the provision of vocational education. Building on evidence from 23 case studies, **this report provides an overview of these public-private partnerships**; it clarifies what they are and how they function and examines **the conditions necessary for their formation and sustainability**, as well as the risks they entail and their potential for success.

[A Framework to Better Measure the Return on Investment from TVET](#)

Schueler, J. et al. | Research Report | 2017 | Global

This report is the result of research collaboration between NCVET and the UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training (TVET) in Bonn, Germany and presents **a conceptual framework for understanding the return on investment (ROI) equation in TVET** from different stakeholder perspectives.

[Financing of Education and Technical and Vocational Education and Training \(TVET\) in Latin America and the Caribbean](#)

Michael Hanni | Information Series | 2019 | Latin America and the Caribbean

The focus of this paper is to review **initial financing for education and TVET in Latin America and the Caribbean**, which is defined as those resources that derive directly from

governments, households and firms, with the aim **to support the formulation of a TVET financing framework for the region.**

[Funding Skills Development: The Private Sector Contribution](#)

UNESCO | Book | 2018 | Global

The objective of this project is to develop a **methodology to forecast the amount of revenue that could be raised by means of a training levy.** The aim of this report is to present the main findings of the literature review that has been carried out for the purpose of this project, along with a methodology to evaluate the potential of private sector resources to invest in technical and vocational education and training schemes.

[Understanding the Return on Investment from TVET: A Practical Guide](#)

UNESCO | Guide | 2020 | Global

This Guide is designed to help improve our **understanding of the return on investment (ROI) from technical and vocational education and training.** The primary aims are 1) to identify the main issues and key elements to measure the ROI; 2) to present a framework that encompasses different stakeholder groups and identifies key ROI indicators 3) to provide fundamental guidelines and tools for ROI planning and data collection.

[Financing Technical and Vocational Education: Modalities and Experiences](#)

UNEVOC | Paper | 1996 | Global

This paper was developed for vocational training courses conducted by the Industrial Occupations Promotion Centre of the German Foundation for International Development in Mannheim. It aims to create in participants adequate awareness of **how vocational education and training systems are financed.** It leans heavily on the works of Dennis Herschbach and Maria Ducci and draws upon the ideas and country experiences contained in books and articles on the subject written by other eminent educators and trainers.

[Exploring International Aid for Tertiary Education: Recent Developments and Current Trends](#)

Galán-Muros, V. et al. | Report | 2022 | Global

This report aims to fill the critical **gap in evidence around international aid targeting tertiary education (TE).** It does it by providing, for the first time, a holistic overview regarding the current trends and characteristics of international aid directed to TE through a literature review, **the analysis of aid flows from the Creditor Reporting System** and the use of additional indicators.



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