

PAPER 5

**DEBATES IN
SKILLS
DEVELOPMENT**

***POVERTY, GROWTH
AND SKILLS DEVELOPMENT:
A FOCUS ON LATIN AMERICA***

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**WORKING GROUP
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IN SKILLS DEVELOPMENT**

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CONTENTS

Introduction	4
Poverty, growth and training development in Latin America	5
Employer-controlled training in Brazil	8
Secondary technical and vocational education in Chile	11
Vocational education and training in Colombia	13
Training unemployed youth in Latin America	16
Emerging World Bank concerns in post-basic education	19
USAID's approach to workforce development and experiences in Latin America	21
Skills development at the Inter-American Development Bank	23
Learning in Latin America; learning from Latin America: the evolution of skills development	26
Appendix one: Japan International Cooperation Agency and skills development	33
Appendix two: Business development services: recent work by the Committee of Donor Agencies for Small Enterprise Development	35
Appendix three: About the Working Group	37
Appendix four: List of participants	40

INTRODUCTION

The sixth meeting of the Working Group for International Cooperation in Skills Development was held during March 2000 in Washington DC. This meeting was hosted jointly by the Inter-American Development Bank (IDB), the United States Agency for International Development (USAID) and the World Bank. As with previous meetings of the Group, it was supported by the Swiss Agency for Development and Cooperation. UNESCO-UNEVOC also sponsored the meeting.

In taking its first opportunity to move outside Europe, the Working Group was concerned to bring a regional focus to its work. The theme of this meeting, therefore, was "Poverty, growth and skills development: a focus on Latin America". The discussion paper reflects the discussions around this theme and groups them into four parts. First, a series of agency and non-agency researchers presented accounts of the history, evolution and current issues surrounding skills development in Latin America. Second, the three host agencies presented a flavour of their current policies and programmes in Latin America, and their links to overall strategies in the two cases where attention is not only on Latin America. Third, arising from two days of lively discussions, a synthesis piece seeks to bring together threads from the papers presented and the discussions that ensued. Fourth, a series of appendices note contributions from JICA and the Committee of Donor Agencies for Small Enterprise Development, as well as an overview of the Working Group's vision and a list of participants.

For the first time, the hard copy and an electronic version of this paper will be published simultaneously. For those reading the hard copy, the electronic version is part of the Working Group's new website. Readers are encouraged to visit it at <http://www.vetnet.ch/wg>. The full version of Pedro Daniel Weinberg's overview piece on Latin American skills development is also available on the website.

The planning and development of the Working Group between meetings has been provided by Michel Carton (IUED / Norrag coordination). The animation of the meetings has been by Kenneth King (University of Edinburgh / Norrag News editor). This paper has been edited by Simon McGrath (University of Edinburgh).

SECTION ONE: NATIONAL AND REGIONAL EXPERIENCES

POVERTY, GROWTH AND TRAINING DEVELOPMENT IN LATIN AMERICA¹

Pedro Daniel Weinberg, Director ILO-CINTERFOR, Montevideo

1. A historical overview

The traditional Latin American public training providers focused on inserting youth into the labour market through formal apprenticeships. Over time they added a compensatory element to this approach, providing basic reading, writing and mathematics skills judged necessary for trainability. Skills development was seen as central to the linking of modern and traditional activities; growth and equity concerns.

With the beginning of the 1990s, came a new chapter for the training system across much of Latin America. Structural adjustment led both to major reforms of the national public training provider system and to a new corrective focus on those losing out under liberalisation.

2. The fate of the national vocational training institutions

These reforms have led to the relative decline of the national systems of vocational training institutions (VTIs). Rather than acting as principal funder, regulator and provider of training, these institutions have been challenged by the appearance of large numbers of providers, both public and private. The new training provision is often linked to new pedagogies and greater concerns with quality and stakeholder involvement. Evaluation has emerged as an important focus of training systems and providers and management systems have been transformed. There are examples at the institutional level of existing providers being able to transform themselves into more student- and employer-friendly institutions with stronger roots in the communities they serve. The national training bodies too, in some cases, have also reformed successfully.

3. New approaches by Ministries of Labour

The vocational training system in Latin America has always been faced with the dual challenges of enhancing production and promoting social integration. New ideas about the role of the state and changes to the role of the national training agencies have resulted in a changed approach to these issues. In this approach, social integration is seen in terms of corrective projects for target populations. These projects should aim at both training for productive work and at social development.

¹ This is a highly summarised account of a detailed overview of Latin American experience, containing a wealth of case study information. The full paper is available on the CINTERFOR web site: <http://www.cinterfor.org.uy>

Whilst the surviving national training agencies have retreated to their principal historical focus on competitiveness, growth and technological transfer, the new projects are typically driven by funds and policy visions from the Ministries of Labour. Some of these programmes have successfully flexibilised approaches and adapted them to the needs of new constituencies. At the heart of this has been a pedagogy that sees the members of the target groups as active subjects who must be participants in their own development. This leads to a shift from the notion of the single instructor to one in which a number of agents facilitate the individual's learning. It also encourages a focus in project orientation on the needs and aspirations of the individual and target population.

Other social actors have been empowered to have a greater involvement in training. A number of programmes have made impressive impacts on the lives of women, the youth, the poor, rural and indigenous peoples. However, the new provision lacks much of the capacity associated with the previous system at its best. There is little investment in curricular development or the training of trainers. The multiplicity of actors tends towards fragmented and uncoordinated provision. Short-termism at institutional and system level becomes the norm.

4. The declining role of Ministries of Education

Alongside the emergence of the Ministries of Labour, there has been a declining role and interest of Ministries of Education in training matters. This has resulted in the growing neglect of matters of education – labour market interactions. However, in a number of cases this has not been accompanied by an abandonment of the large scale technical school sub-systems that have been common in much of Latin America. Rather, these systems often continue, but without much central focus.

5. Key features of the new Latin American approaches

The reforms have clearly led to a number of positive outcomes. The reach of training has in many cases been extended to new target groups. Quality has improved in some examples. New avenues for the more active participation of social players in training matters have emerged. A sophisticated evaluation culture has begun to develop. Institutional management has been transformed.

However, the new institutional arrangements based in Ministries of Labour appear more fragile than the previous structures. Capacity for research, for planning and for curricular and pedagogical development have been weakened. Fragmentation of provision is now the norm and short term horizons predominate. Articulation between education and training remains inadequate and issues of certification are unresolved. Collaboration between providers has yet to develop adequately. Nonetheless, some new providers have been innovative and examples of new public – private partnerships exist. There are good examples of formal sector training that has become more technology and competitiveness oriented.

Programmes for disadvantaged youth have reached many. However, they have been less successful in thinking about systematic issues regarding opportunity and exclusion. They have also been weak at including youth in programme design, management and evaluation.

EMPLOYER-CONTROLLED TRAINING IN BRAZIL

Claudio de Moura Castro, Inter-American Development Bank

1. A possible solution to the mismatch problem

The most stubborn problem in training is the chronic mismatch between supply and demand. This supply-side driven “disease” infects most training systems. One possible cure is to put employers in charge of the system. If they pay the bill and consume the output of training institutions, then it stands to reason that it is in their interest to ensure that training meets their needs. Thus, the gulf between supply and demand can be bridged by giving full control to the end users. The only full example of this in operation is in Brazil.

2. SENAI

SENAI (National Service of Industrial Training) was established in the 1940s on the initiative of local industrialists. They persuaded the state to create a national training system, fund it with a 1% levy, and hand the system over to the Federation of Industries. This system still exists, with SENAI present in all states. Although the SENAI model provided the inspiration for those of many others Latin American countries, none took the same line regarding employer control.

SENAI was established when there were very few training providers. Consequently, it built up its own system of provision. Today this amounts to about 500 institutions. It developed its own instructional materials and pioneered training of trainers programmes. Today, the system trains over two million workers a year, from basic skills levels up to technology PhDs. SENAI has a strong research, technology and competitiveness focus. Crucially for its future, it is strongly supported by employers, and by significant elements within the trade union movement.

3. Proliferation of the SENAI model

SENAI was soon joined by SENAC (National Service of Commercial Training). This had a service sector focus and was put under the Federations of Commerce. Later on, SENAR was founded to have a rural focus (National Service of Rural Training). More recently, SEBRAE (Brazilian Enterprise Service) was established for the small enterprise sector and SENAT (National Service of Transport Training) for the transport industry.

3.1. Common features; different features

All five structures have the 1% levy in common. They are aimed at providing the training that employers need. They see such training as being concerned with enhancing productivity. Social and equity issues are only tangentially important. Given the common origins and basic structure, it might be expected that the five institutions would be very similar. However, there are some interesting differences.

3.2 SENAC

SENAC was originally a clone of SENAI. However, due to the lower levels of commitment to training shown by the service sector, it has evolved in a different way. This has led to it focusing on training for private candidates rather than for sponsored employees. This has been accompanied by a shift from free training to charging fees. This is seen as important in case the 1% levy should be discontinued, as has been threatened at times. SENAC thus has a different market in mind for its training, being concerned to offer training that has enough public demand.

3.3 SENAR

When establishing SENAR the state appeared to have less faith in the capacity of the rural sector to manage its own training system. Therefore, SENAR was placed under the control of the Ministry of Labour. This led it to be more bureaucratic and less efficient than SENAI or SENAC. In the early 1990s, the decision was taken to disband it and it was reformed under the association of rural employers. In the different economic and ideological climate of the 1990s, it inevitably diverged from the earlier employer-driven models. Finding an established provider market, it sought to contract training from other providers, particularly within the SENAI system.

3.4 SEBRAE

SEBRAE too was conceived of as a state system. Its reform took place at the same time as SENAR's. Like SENAR, it has not become a provider. However, given the weakness of training for small enterprises, it has taken a significant role in research and development in pedagogy and curriculum.

3.5 SENAT

SENAT was a sectoral element of SENAI that broke away as a result of dissatisfaction with SENAI's commitment to transport issues. It maintains the same rules and legal framework as SENAI. However, it has adopted a radically different approach to training. It has not built institutions nor bought training services from conventional providers. Rather, it has adopted a distance education approach, based on satellite transmissions. These are beamed to firms and to some service stations.

4. Possible lessons from Brazil

The basic Brazilian formula of levy and employer control is a successful one in international terms. Employers turn out to be better than the state or private provides in running training systems for their workers. However, each of the five forms reflects sectoral and historical

factors. Although the levy system continues to be under threat, the popularity and success of the overall model serves to limit the danger of its abolition. In trying to survive, it seems that the Brazilian institutions will even further emphasise a high technology and growth focus. They will not be major agents in social equity approaches to training.

SECONDARY TECHNICAL AND VOCATIONAL EDUCATION IN CHILE

William Experton. World Bank

1. Continuity of Reforms in Education

One of the main characteristics of the Chilean education transformation process has been the incremental and continuous process of change. In the 1980s market-oriented reforms were designed to transfer schools to the municipal and private sectors; to finance schools through a capitation grant system; deregulate the teacher labour market; and develop an achievement evaluation culture.

With the coming of democracy in the 1990s, the focus shifted to increase equitable access; improve quality, focusing on the classrooms, using a bottom-up approach and targeting programmes; increase funding, strengthening evaluation and involving teachers in the reform process. During this period, efforts concentrated in basic education, expanding gradually to secondary. As a result, efficiency, quality and equity indicators show improvements, such as reduction of drop out and repetition rates, better learning achievement results and the narrower gap between the better and worse performing schools.

In 1996, the Government launched a deeper education reform, based on four pillars: extension of schools hours, curriculum reform for secondary education, the Montegrando Project (involving 51 secondary schools to promote excellence and innovation) and the renovation of teaching practices.

2. The potential of the technical secondary education route

One of the significant elements of the current Chilean situation is that access to secondary education has improved substantially (from 50% in the 1970s to 83% in 1998). More remarkable is that enrolment in technical secondary education is growing more rapidly than general secondary education. Technical education attracts more students from low income families. It seems likely that the greater employability of technical secondary graduates over those in general education is significant in the decision of the families. Integration into the labour market during the first six months after graduation for VET graduates is twice (54%) the rate of general secondary graduates (24%) and salaries for the first group are 16% higher than the salaries for the second one. However, with the recent impact of the Asian crisis, youth unemployment rose substantially in Chile (to around 22% in 1999, versus 12% in 1995), widening the gap with the rest of the population. Besides, unemployment affects more significantly the lowest income groups of the Chilean population of age group 15-24 (over 40% unemployment for the lowest quintile of income).

3. Challenges ahead for Chilean technical secondary education

In this context, the Government started a consultation process to develop a strategy to improve secondary technical education, involving all relevant actors. The Government has identified the main issues affecting secondary technical education: (i) lack of an effective institutional framework to provide a long-term vision and coordinate amongst the Ministry of Education, Ministry of Labour, the private sector and providers; (ii) the inability of labour market information to retrofit the education system in terms of orientation; (iii) weak articulation with higher education; (iv) lack of incentives for quality improvements; and (v) absence of efficient vocational pathways for learning. The Government has defined a strategy for addressing such key issues.

3.1 Stressing employability and lifelong learning

To foster employability and lifelong learning, the Government is proposing: (i) the development of pathways that better articulate between the different levels and parts of the education and training system; (ii) the development of new certification systems; (iii) the participation of schools in employment programmes; (iv) a greater interaction between technical secondary schools and small and medium enterprises; and (v) the improvement of the apprenticeship systems.

3.2 Developing institutional mechanisms for orientation and regulation

To achieve this objective, the Government envisages: (i) developing a strategic vision for youth and adult education, in a framework of broad based institutionalised dialogue; (ii) reorganising the Ministry of Education; (iii) developing and disseminating a system of labour market information.

3.3 Promoting quality

Promoting quality improvement will be key in addressing technological changes and the social demand. This will require: (i) establishing accreditation and supervision mechanisms for overseeing the expansion of supply; (ii) investing in pedagogical equipment; (iii) promoting initial and in-service teacher training for teachers in technical education; and (iv) fostering autonomy of and competition among technical schools.

VOCATIONAL EDUCATION AND TRAINING IN COLOMBIA

Jaime Ramirez-Guerrero, Independent Consultant and Researcher, Member of the Latin American Network for Education and Work

1. The Colombian context

Colombia is undergoing a profound political and economic crisis. The economy is in recession. Unemployment is high. Income distribution is highly unequal. Levels of violence are severe. The political system has broken down. As a result, there is a crisis of national identity.

However, this crisis hides seeds of hope. Recent decades have seen significant economic growth. The economy has achieved a degree of sectoral and geographical diversification. Entrepreneurship has developed.

Notwithstanding chronic levels of poverty, social indicators also show some positive signs. Education and health levels have improved. Modernisation has progressed. Civil society has strengthened and local political autonomy increased.

2. The national challenge

Colombia needs to build on its present strengths, even if they are imperfect. It also needs to recuperate its national pride and restrengthen its sense of national purpose. This will be accomplished through the building of a more democratic political system; the construction of a more competitive economy; and the incorporation of excluded social sectors and individuals. All these require an intensive institutional reform and building effort.

3. The existing training system

3.1 SENA

SENA (National Training Service) is one of the most famous national training providers internationally. It has a powerful reputation, which limits the possibility of criticism. It is wealthy, as a result of its 2% levy. It has considerable research and technological resources. Its imposing size dominates the Colombian training system and makes it difficult to think of other providers and other ways of doing.

3.2 The formal education institutions

Colombia has a wide range of formal education institutions with vocational and technical elements. These include technical and technological institutions at the post-secondary level, as well as technical secondary schools and “comprehensive” schools offering significant amounts of technical provision alongside general education courses. Notwithstanding their mixed performance record, these institutions have a good deal of public support. However, they are neglected in policy and administrative terms by the Ministry of Education. They tend towards technological obsolescence and are also too weak in their articulation with the productive world.

3.3 Non-state providers

There are a number of important sub-systems of private training providers. There is a wide range of non-formal private-for-profit provision, typically in commercial areas. There is a significant, even if still relatively fragile, NGO sub-system of provision, oriented to poor populations, which has shown considerable potential for playing a role as bridge between public resources, employers and target groups, as well as supporting their clientele in job-seeking and self-employment initiatives. There is also a growing amount of enterprise-based training, even if it tends to be concentrated in the larger, modern sector businesses.

3.4 Beyond tripartism

The three traditional partners in formal sector training all appear to have weaknesses as core stakeholders in training oversight and reform. The state remains the predominant actor but shows more rhetoric than action regarding training. It is also highly inefficient and somewhat inconsistent in its actions. The employer sector is highly heterogeneous. It is largely unorganised with regard to training and lacks much sense of sectoral or national interests. Organised labour has political clout but lacks a concentrated focus on the needs of the training sector.

Nonetheless, they will continue to be three key actors in training. The government has the potential to bring considerable resources to bear. There are also signs that all three are concerned to develop new partnerships in this sector and examples of new public - private partnerships show promise.

New actors are also emerging. At the state level, attention is beginning to shift to the local level. This allows the possibility of new local alliances for development. Unorganised business and labour are also becoming more recognised for the considerable role they play in practice in training, be it informally conducted and/or privately paid for.

4. The future of VET in Colombia

4.1 Challenges

The Colombian VET system is faced with the challenge of returning more closely to its essential purpose of promoting economic competitiveness. At the same time, it is essential that it increase its coverage. This means better integration of excluded populations. This dual challenge requires a diversification of offerings and a better use of current resources. As the central provider, SENA will have a core role in responding to these challenges. Moreover, more effort will need to be put into articulating SENA's efforts with those of the education system and of technology and innovation services.

4.2 A possible strategy for reformed VET

A reformed VET system must focus first on sectors engaged in competitiveness-oriented activities. This means engaging with local productive clusters and dynamic production chains. It also requires better collaboration between public and private investment in education and training. Reformed VET must also support local socio-economic development initiatives. Public – private alliances will also be key here. Reforms need to focus on alliance-building and networking. Institutions must be built stressing innovative approaches and organisational learning.

SENA will need to stop trying to be a universal provider. Instead, it should act more as a financial and technical resource centre. In thinking of the role of SENA and other providers, it is important to distinguish between appropriate approaches at three levels:

- Initial training
- In-service training
- Compensatory training.

The role of SENA or other providers will not be the same in each of these three cases.

4.3 The role of international cooperation

International cooperation can play a useful role in the Colombian reform process. It can help to identify and strengthen new trends and actors contributing to change. It can promote the better use of existing resources. It can focus on innovative public – private alliances. It can seek to ensure necessary continuity in public policy and institution building.

TRAINING UNEMPLOYED YOUTH IN LATIN AMERICA²

1. Disadvantaged youth - a missing target group

There are large numbers of poor youth across Latin America who lack access to the kinds of training programmes discussed in the previous section. Poor youth are less likely than their wealthier counterparts to be in school and have less total years of schooling. Most of them that are working are in the small and micro enterprise sector or as casual or temporary employees of larger enterprises. There have been a number of small projects within the Latin American mainstream tradition of national vocational training institutions that have focused on preparation for the informal sector. With the possible exception of INA (National Training Institute) in Costa Rica, however, these attempts have been limited in size and success.

2. The range of responses

Partly as a result of the effects of structural adjustment, the 1990s saw an explosion of training interventions designed to reach the disadvantaged youth target group. Working through a range of implementing agencies, programmes funded by Ministries of Labour (supported primarily by the Inter-American Development Bank, and also by the World Bank) have reached considerable numbers of youth at relatively low costs. In Chile, the Chile Joven project has reached about 130 000 trainees, whilst Proyecto Joven in Argentina has figures of approximately 110 000. National training agencies, churches, foundations and NGOs have also been responsible for other, smaller schemes in other countries. Whilst the larger schemes have focused on insertion into the formal sector, some of these projects have had a more explicit self-employment orientation. The three largest efforts are worth exploring briefly.

2.1 Chile Joven

Chile Joven was established in 1992 with support from the IDB. It neither sought to reorient old institutions or create new ones. Rather, it sought to create a market for training services targeted at the poor. The programme provided marketable skills, acquired through 200 – 250 hours of classroom instruction and three months of enterprise placement.

Training services were contracted out through processes of public bidding, structured and overseen by the state. All facets of delivery were the responsibility of the contractors. Thus, execution and funding were separated. Providers were empowered to respond to community and labour market needs with targeted training offerings and were responsible for ensuring placements for their trainees. Letters from employers promising internships were part of the documentation required by the state.

² This account is based upon presentations by Maria Antonia Gallart, Claudio de Moura Castro and Françoise Caillods.

A mixture of public and private providers was successful in the bidding process and received state funding for their programmes. Penalties were imposed on them for any drop outs from the programme.

The programme exceeded its target of 100 000 trained youth and overwhelmingly reached its target population. Costs were low and the programme resulted in social profits, the majority of trainees entering the labour market or returning to education. Wages and employment rates compared favourably with those of a control group.

The programme also stimulated training demand from micro, small and medium enterprises. More than 90% of enterprises reported favourably on the programme. The programme also helped the reorganisation of INACAP (National Training Institute), the historical monopolistic provider.

However, there was little emphasis on quality. Institutional capacity, and its development, was not targeted. In spite of the opportunities to develop innovative approaches and foci, the vast majority of training was in traditional areas.

2.2 Projecto Joven

Projecto Joven in Argentina was modelled closely on Chile Joven. It aimed at reaching 170 000 trainees. Like Chile Joven, its targeting has been successful and outcomes largely positive. However, employment rates were disappointing for female participants. The project was almost twice as expensive as Chile Joven per trainee and significantly more than general or technological education.

As with Chile, there are significant quality weaknesses. It also undermines the institutional architecture of training, encouraging the emergence of entrepreneurial individuals who are better at selling than providing quality provision. Rather than operating as a compensatory mechanism for excluded youth, Projecto Joven has become the effective mainstream due to the collapse of the existing national training system. Given its short-termist, tightly market-driven focus, there is little possibility of Projecto Joven providing the long-term research and development role that has been at the heart of successful Latin American training systems.

2.3 PLANFOR

In Brazil, the conventional training system remains strong (see above). Therefore, the PLANFOR (National Plan for the Further Development of Workers) approach is somewhat different from those seen in Chile and Argentina. PLANFOR is funded through an unemployment fund. With a budget of more than US\$300 million per year, it can train on a huge scale. In 1996, the first year of operation, it trained around 1,3 million workers through a variety of projects. One of these is focused primarily on the same target group as the Joven projects, using the same bidding approach, but in a system of highly developed providers.

It is less concerned with employment outcomes, however, and more focused on reaching the poorest. As a result, it is less targeted and achieves lower levels of employment post-training than in Chile and Argentina. Nonetheless, the training provided is of higher quality than in those countries. It is also important to note that it draws in youth from the informal sector. As the outcome figures reflect formal employment, it is likely that many other graduates are re-entering into the informal sector with higher levels of skills.

PLANFOR seems to be weaker than the Jovens in reaching far down the scale of disadvantage. Its trainees are typically the better educated elements of disadvantaged populations. It is also weaker on employment outcomes. Yet, by reaching a more highly educated group, the approach is able to provide a better quality training experience.

2.4 Does the approach work?

These and other programmes across Latin America have reached very large numbers of youth, although still only a small percentage of the total target population. The Joven programmes in particular have promoted employment of large numbers of trainees. Some of the small NGO projects, such as those of the Salesians, have also had high levels of employment insertion. The PLANFOR programme and some of those of NGOs seem also to have had positive impacts on technical confidence and competence in the informal sector. Crucially, there is a general focus on combining training with placement. These projects show impressive signs of success in an area that has seen a large number of failures.

However, quality is highly uneven and more effort needs to be put into quality control. Trainer and materials quality have not been seen as important in most cases. Capacity building of staff and institutions have also been neglected. Moreover, the collapse of the national training systems in Chile and Argentina have meant that there are no longer other institutions where these are being given priority. Where traditional VTI systems exist, the new programmes often fail to articulate with them, although there are many examples of individual VTIs winning contracts under these programmes. Not enough consideration has taken place as to the market locations that trainees will enter. As a result, there has been inadequate focus either on the informal sector or on growth niches.

A number of important issues remain unanswered, as with any approach. What level of education is required prior to a quality training experience, especially if it is to be of short duration? How can such programmes be linked to institutional strengthening and long term training needs? How can outcomes be measured, and over what time span? How can such programmes articulate successfully with other training systems and with broader intersectoral development issues? How can training successfully balance social and economic needs?

SECTION TWO: AGENCY APPROACHES

EMERGING WORLD BANK CONCERNS IN POST-BASIC EDUCATION

John Middleton

1. Towards a new flexible strategy

The new World Bank sectoral strategy for education commits it to treating education comprehensively, whilst working selectively across all areas of education depending upon country priorities. This allows for considerable flexibility in future activities, but it is clear that some prioritisation is necessary.³

2. Priorities within this new approach.

Basic education will continue to be a major priority of the World Bank's work in education. In this area, a particular focus will continue to be on the needs of the poorest and of girls. It is expected that interventions will increase at the early childhood level. The Bank will seek to place particular emphasis in all its interventions in promoting innovative delivery. It will also continue to focus on the importance of systemic reform particularly in the areas of public and private formal post-basic education and training, and skills development more widely throughout the economy.

3. New instruments

The Bank's involvement in the education sector increasingly will be aligned with the Comprehensive Development Framework (CDF) approach as this continues to be constructed. The CDF emphasis on partnerships will be central to the philosophy of education lending and advice. Global solutions are in the process of being replaced by regional and national level strategies. These are far better at reflecting contextual issues and country concerns.

Analytical sector work will continue to feed into an expanded array of knowledge services. As this continues to mature as an approach, a new way of working with others and sharing knowledge has been put in place. The World Bank has also developed a new set of lending instruments that will also impact upon education sector activities.

Learning and innovation loans are smaller than typical Bank loans (less than US\$5 million) and provide a better risk environment for countries to experiment with innovative delivery mechanisms. Adjustable programme loans allow for longer term funding commitments but with benchmarking points at which funds can be released dependent upon acceptable performance on

³ World Bank 1999. *Education Sector Strategy*. Human Development Network. Washington D.C.

agreed indicators. The Highly Indebted Poor Countries initiative will also be linked to new funding sources, although its impacts on the education sector are not yet clear.

4. Implications for skills development

The new World Bank approach offers greater room for manoeuvre in funding skills development where commitment for reform is clearly demonstrated. Nonetheless, strong economic evidence will still be required before the Bank can commit itself to such investments. Skills development will be seen as part of this focus, alongside general secondary education and other elements of non-advanced provision. The Bank has also signalled its renewed commitment to higher education. Where the Bank may get involved in skills development, it is more likely to be where there is an emphasis on institutional change.

Productivity enhancement is likely to be of greater importance than training per se. Training will need to be better articulated with the skills profiles desired by employers. This implies a greater focus on promoting basic educational competencies and inculcating positive attitudes. Training's proven links to demand will remain crucial and this is likely to ensure a continuing preference for enterprise-based approaches and external training provision that is closely linked to skills demand.

USAID'S APPROACH TO WORKFORCE DEVELOPMENT AND EXPERIENCES IN LATIN AMERICA

Emily Vargas-Baron and Robert McClusky

1. The history of USAID's involvement in Latin American skills development

In the 1960s USAID sought to support Latin American countries' shifts into non-traditional exports. Support was given to the creation of skilled labour, particularly in Brazil, Chile and Colombia. Expenditure in explicit skills development programmes totalled up to US\$25 million per year, with the total amount of skills development expenditure across all programmes and projects reaching over US\$100 million at its height.

However, the 1990s have seen a major decline in funding of skills development, largely as a result of the post-Jomtien consensus on basic education. With budget cuts in 1994, the skills development budget for Latin America declined to US\$2 million.

2. A new focus

The significant budgetary decline experienced has been a catalyst in refocusing USAID's approach to skills development, both in Latin America and globally. There has been a growing concern with private sector development, with quality and with reaching the poor through NGO programmes.

A major investment in research has led to new programmes. These stress the need for alliance building; for information sharing and for comprehensive workforce planning systems. USAID operates and benefits from a cross sectoral approach to skills development that incorporates staff with expertise in governance, economics and gender analysis. North – South partnerships between American providers and counterparts in partner countries are also emphasised.

2.1 Community college partnerships

USAID supports a peer reviewed bidding process by which American community colleges can bid for US\$50 000 seed money to support partnerships with institutions in programme countries. These partnerships are articulated with national and agency priorities in the partner country and with the activities of other donors and national organisations where possible. They are also encouraged to look for other partners, both public and private, in both countries that can support the link programme. Thus, the money provided by USAID serves as leverage for far larger development efforts and has far larger impacts than its size would suggest.

2.2 The comprehensive workforce development approach

The Workforce Development Diagnostic, which has been implemented in Peru - in addition to some countries elsewhere in the world, is designed to ensure a cross-sectoral focus. It is outcomes oriented, seeking to involve stakeholders in a process that will result in an action plan. It focuses on the strengthening of linkages contributing to competitiveness. This leads it to highlight the role of industrial clusters.

This views sectors as dynamic entities that evolve over time. It seeks to identify clusters with potential for competitiveness development. It explores production chains. It identifies their skills gaps. It brings together providers and promotes new methodologies. It facilitates public – private partnerships. The focus of workforce development includes global and local market potential. It also embraces all sizes of enterprise and seeks to work across the formal – informal divide. It equally can be used in labour-intensive, basic infrastructure initiatives.

It is expected that USAID Missions increasingly will be concerned with jobs, income and skill development. Current concern with the fact that the participatory process slows down delivery can be overcome by developing ways of increasing local engagement in the process of selecting among options.

SKILLS DEVELOPMENT AT THE INTER-AMERICAN DEVELOPMENT BANK

Claudio de Moura Castro

1. The history of IDB involvement in skills development

The IDB has a long history of involvement in skills development programmes across Latin America and has a wealth of experience of what does and does not work. For much of its history, the IDB has been involved in the support of the national vocational training institution systems and the technical secondary schools. However, this pattern of support changed in the 1990s as part of the broader transformation of Latin American technical and vocational education and training. The IDB now focuses on youth employment programmes, supporting the new national training systems and assisting the transformation of academic technical schools.

2. Experiences with the new approaches

Youth employment programmes supported by the IDB have largely been successful (see above). They have trained large numbers, mobilised new funds and promoted outcome focused training. The evolving TVET system has seen the emergence of new post-secondary technical provision, the emergence of stronger tracks within secondary schooling and a narrowing of the excessive range of secondary technical programmes in favour of broader pre-occupational courses. Institutional change programmes with the existing national providers are still developing but show signs of promise.

3. The IDB way of working

At the heart of the IDB's way of working is its very strong connections to its member countries. All programmes must be agreed with the relevant government. Staff working with countries typically have a very rich understanding of the context of the country and long-established relations with important stakeholders. This gives the IDB's work a special rootedness. However, the IDB is concerned to improve its work. It is trying to strengthen its analytical capacity and to focus its interventions far more on knowledge gained prior to programmes. It is also seeking to work in partnerships with other donors.

4. The conceptual basis for IDB programmes

The IDB does not seek to enforce strong conditionalities. Nonetheless, it does view a series of positions to be important. It argues that training requires an enabling environment, without which it will not be effective. It views training and education as complementary, with education being somewhat more important. Good training also has educational value and should be seen as

broader than technical competence. Training when well targeted and well constructed is a sound investment. However, where there is no demand, training should not take place. However, this should be seen as including a role for training providers to proactively generate demand. A demand focus should not blind programme designers to equity issues. Some element of cost recovery should be included in all provision but needs to be treated flexibly. In particular, it must be remembered that training creates hard to quantify externalities. This suggests that total cost recovery is not necessary or desirable. The state will always have an important role in training, but this will often not be in provision.

5. Priorities for future IDB programmes

These understandings shape the IDB's view regarding future priorities.

6. Institutional reform

The effectiveness of conventional Latin American training systems has declined over time. Efforts need to be made to redress this. In all cases this will include promotion of better market responsiveness. Links to internships; moves away from a state provider role; and greater employer control are possible approaches. However, there is not a single blueprint that can be used in each country.

6.1 New modes of apprenticeship

The idea of using the workplace as a learning place remains valid. However, attempts to reproduce the dual system have had very mixed results. The approach appears particularly worth continuation in sophisticated segments of the labour market that are judged to be strategically important to national development. Traditional on-the-job training is also in need of cognitive upgrading. Self-learning needs also to be supported.

6.2 Promotion of lifelong learning

Lifelong learning will be increasingly important to individuals, enterprises and societies in the emerging global economy. Encouragement should be given to the expansion of such provision, most of which is not state-provided. However, the public should be protected from exploitative provision in ways that do not undermine the overall levels of provision.

6.3 New forms of delivery to forgotten clienteles

Latin America has a good record in provision of training to conventional clientele. However, its record in reaching below this has been poor. Existing training providers will only be able to reach such populations if they can develop lower cost methodologies, including franchising and distance learning. It is more likely that other providers will be more successful and the Joven type projects offer potential in this area. A greater focus is required on promoting self-employment. Often unemployed youth are unpromising clienteles for such courses. Instead, best results typically come from focusing on the needs of existing enterprises.

6.4 Upgrading training for the modern economy

Economic modernisation requires increasingly complex forms of training. Therefore, providers must seek to respond to the needs for technological upgrading. There is a need for better articulation with the education system to promote this. Links with enterprises are also essential.

6.5 Materials production and training instructors

The provision of training requires prior investment in trainers, methods and materials. This requires institutions capable of making such investments. This provision requires a longer term planning horizon than is the case for training provision. Ensuring that trainers have technical skills, workplace experience and conceptual knowledge is a prerequisite for high quality training.

6.6 Training as a social policy

Training has increasingly been used as a social policy tool. However, equity focused training can only be effective if it results in jobs or increased incomes. There is a need to balance the desire to reach the poorest and the need to provide them with good enough training to access (self) employment on completion of training.

SECTION THREE: SYNTHESIS

LEARNING IN LATIN AMERICA; LEARNING FROM LATIN AMERICA: THE EVOLUTION OF SKILLS DEVELOPMENT

Simon McGrath

1. A meta view of skills development

The 1990s were a lost decade for skills development as a result of the Neo-liberal and basic education orthodoxies. However, at the start of the new century, skills development is increasingly being seen as crucial to the overall development challenge. It has been identified as a central tool for linking social and economic agendas. It is seen as a way of ensuring that globalisation is infused with a social inclusion focus. For poor countries responding to globalisation, the challenge of creating an educated and skilled workforce is crucial. Skills development appears to be a possible way out of the apparent tension between poverty and growth accounts of development.

2. The Latin American skills development tradition

Latin America has a history of skills development provision that compares favourably with any other region globally. It has developed powerful institutions with a form unlike others and its recent reforms have also followed a unique trajectory. The challenges it faces often resonate powerfully with those of other regions.

2.1 History

As we saw in earlier accounts in this discussion paper, Latin America developed a strong system of public training provision over a period from before World War Two until the end of the 1980s. This primarily focused on inserting youth into the labour market through formal apprenticeships, which included elements of general education. Where these systems were at their strongest, such as in Brazil, the system was employer-driven. Levy funds brought in large sums of money and large national systems of provider institutions emerged as part of this national public-private alliance.

With the beginning of the 1990s, international economic trends encouraged the major reformation of national public training systems and a new focus on those losing out under liberalisation, particularly youth.

2.2 Reforms to the vocational training institution (VTI) system

The national systems of VTIs typically no longer enjoy the status of principal funder, regulator and provider of training. Instead, these institutions have been challenged by the appearance of large numbers of providers, both public and private. In some cases, such as Argentina and Chile, the national level structure and its network of VTIs has been destroyed. In others, such as Brazil and Colombia, the old structures have so far been able to adapt to the new approach and remain the heart of the skills development system. Both new and old providers have developed new pedagogies and greater concerns with quality and stakeholder involvement. Evaluation and management systems have been developed strongly. Where the old institutions have continued to prosper, their closeness to employers appears crucial. Equally, their strong investments in systems development, whether in curriculum, pedagogy or staff areas, have remained important resources for some new national systems. New public – private partnerships have flourished and new sources of investment in skills development have been tapped.

However, there are also cases of privatisation leading to fragmentation. The systems development functions of the old VTI systems have been undermined by the short term market horizons of some new funding regimes. Quality control over some of the new private provision is inadequate and collaboration between providers has yet to develop adequately.

2.3 The growing role of Ministries of Labour

Whilst the existing national systems have retreated even further into their core emphasis on competitiveness, growth and technological transfer, a series of new projects have emerged. These are funded and structured by Ministries of Labour. Some of these programmes have successfully adopted flexible approaches and have met the needs of new constituencies.

2.4 The focus on disadvantaged youth

The most visible new focus has been on disadvantaged youth. This focus responds to the huge extent of youth poverty. Poor youth are likely to be poorly educated and, therefore, unlikely to be able to access conventional training provision, even where it is not tied to apprenticeships.

In response to this challenge, Latin America has seen a large number of projects aimed at this constituency. The IDB-supported Joven projects in Chile and Argentina have reached over 100 000 clients each. National training agencies, churches, foundations and NGOs have also been responsible for other, smaller schemes in a range of countries.

The impact of many of these programmes in terms of numbers trained and levels of employment post-training are impressive. They have used vouchers successfully to promote new training providers and have often remained well focused on their target groups. They have rightly placed considerable emphasis on the guarantee of a work experience placement and have focused on short training interventions and clearly defined outcomes. In several cases, rural training has been provided. Some projects are good examples of public – private partnerships in action.

However, the new provision lacks much of the capacity associated with the historical national systems. There is little investment in curricular development or the training of trainers. The multiplicity of actors tends towards fragmented and uncoordinated provision. Short-termism at institutional and system level becomes the norm. The poor focus on institution building seems to threaten the future sustainability of the approach. These programmes appear to have a tension between reaching lower down the socio-economic ladder and risking lower standards.

It is important to consider whether youth programmes can be improved upon. Moreover, do large, Joven-style projects require a strong formal sector for their success or can they be adapted to the challenge of countries where the informal sector dominates? In the case of large, externally-supported projects, what is their long term sustainability?

2.5 The future of technical schools

Latin America has also had a tradition of large technical components within secondary education. This has included technical subjects within academically oriented schools, technical streams within comprehensive schools and stand-alone technical secondary schools. Technical education has become unfashionable, at least in donor agency thinking, in the last 15 years as a result of a powerful critique of its effectiveness and efficiency. Nonetheless, technical schools have remained in place in many countries. Even where governments were reluctant to heed the anti-vocational message, however, the 1990s' emphasis on basic education has meant that the surviving institutions have slid further down the priorities of Ministries of Education.

In this light, the evidence provided for Chile in this discussion paper seems significant. The large technical school sub-system is not an apparent priority of the Chilean state. Nonetheless, the privatisation of education provision has led to a rapid growth in technical provision that outstrips expansion in general education. Thus, it appears that parental support is present for a vocational option. In analysing the broader significance of this finding, it is important to consider whether Chile is unique, whether its experience is closely related to levels of economic and educational development, or whether such preferences are widely replicable. It is worth noting that in the Chilean case, the growing access of poorer families to secondary education does appear to be closely linked to the growing popularity of technical schooling.

In Chile and elsewhere, there is also evidence of curricular reform in technical and vocational education. There is a strong trend towards broader pre-occupational offerings in school based programmes. This contrasts with the past proliferation of a large number of very occupation-specific programmes.

There are important issues to consider here. Technical education may not be popular with policymakers. However, its apparent continued popular support means that it cannot simply be ignored. Will demand for technical secondary education tend to rise as secondary provision expands? Can technical education be made more cost effective through a focus on broader preparation for the world of work? How can technical education take account of emerging arguments about the nature of skills in a knowledge economy?

2.6 Issues arising from Latin American experiences

It is apparent that there is still much to learn within Latin America about the delivery of skills development. Nonetheless, there are a wide range of issues that do arise from experiences to date that are worth noting.

Recent trends, such as in SENAT in Brazil, point to the possibilities for distance learning being extended as a mainstream mode of delivery. This has potentially positive implications for costs and clientele. Latin American training experiences are also generally positive examples of combining skills development with general education. Given the growing emphasis on knowledge workers in the global economy, this combination is likely to become increasingly important to competitiveness.

Latin America has a strong tradition of employer involvement in skills development. Indeed, the strength of the employer role seems to be closely linked to the overall strength of national systems. Industry-level oversight of quality appears to be crucial in this regard. The region also has had some positive experiences with the growing range of providers in the skills arena. In particular, business foundations, churches and NGOs have played important roles in a range of countries.

Nonetheless, there are concerns that training is becoming too short-term focused and that too little is being done to ensure institutional development. The necessity of having good instructors, good curriculum and good institutions, in some cases, is being undermined by the privatisation of training. Concerns remain about the quality of much of the new private training that has emerged. The issue of what to do with the historic public providers is one where Latin American experiences have been very mixed.

As training becomes more demand-driven, so it is necessary to think very clearly about the nature of demand and from whom. Employer demand is very different from student demand in its economic implications, although both can be core revenue sources for providers. Where employment opportunities and employer demand are low, a careful focus on training for real labour market opportunities becomes especially important. Better labour market data and outcomes indicators would be valuable here.

Projects are having some success in reaching poor youth but, overall, equity-focused approaches remain challenging. Whilst these programmes often have been good at reaching girls, they have not been able to translate training into sustainable employment. Whilst there are examples of good practices in respect of training for self-employment, this remains an undeveloped segment of the skills development field in Latin America.

Inevitably, a lot of small enterprises are providing their own training. As with other regions globally, the issue for policymakers is whether this training can meet the needs of such enterprises in a globally competitive context. If not, then there is the very difficult challenge of supporting skills development without undermining autonomous structures. Collaboration with

informal sector associations will be vital in such a scenario but is an underdeveloped area of development policy and practice.

A series of further issues arose in the discussions of this meeting for which there is little in the way of Latin American good practices to draw upon. How can skills development successfully combine poverty and growth perspectives? Can tensions between a focus on high technology niches and training for the disadvantaged be resolved? How can training better link its provision with the skills profiles desired by employers, both in the formal and informal sectors? Do short courses necessarily mean lower quality? Can providers reach multiple groups?

3. What is the relevance of Latin American experiences for the rest of world?

The debates above are clearly of interest for those interested in skills development outside Latin America. Targeting of training towards real demand is clearly an issue everywhere, including the challenge of defining and determining demand. Providing real work experience as part of skills development appears a generalisable concern. Equally, reaching marginalised youth is a theme that has global resonance. Latin American experience in funding training may also be interesting. Innovations in modes and pedagogies of delivery are likely to be of interest in other regions. The role of some NGOs in facilitating the development of others also appears worth exploration elsewhere.

However, answers and programmes from Latin America cannot simply be exported. Whilst questions may be similar elsewhere, answers will probably be different. It is important to acknowledge that too much of the best data presented in this paper comes from larger, richer countries in the region. These may have more resonance for systems in East and South-East Asia than for Africa, but even then cultural contexts are very different. The strong formal sectors of parts of Latin America and the numbers of large employers are found only in a small number of African countries (primarily at the Northern and Southern extremes of the continent) and are absent from many Pacific and Asian contexts too.

4. Skills development beyond Jomtien and Copenhagen

As was noted above, the development discourse of the 1990s gave little emphasis to the role of skills development. As participants in this meeting noted, 2000 sees two review processes that could open a new window of opportunity for an agenda of skills for development. The end of the education for all decade sees a World Education Forum meeting in Dakar, Senegal. The five year point after the Copenhagen Social Development summit is reflected in a United Nations General Assembly Special Session in Geneva, Switzerland. It would be going too far to suggest that these meetings will give skills development a central role in development thinking. However, there are possibilities for a shift in emphasis.

In reassessing education for all, there may be some scope for returning attention to the neglected challenge of basic skills for all. Commitments to lifelong learning and to youth may also shift

more attention to the issue of skills. In so far as basic education has been broadly achieved in some countries and regions, there may be an emerging focus on post basic education and training (as illustrated in the case of the World Bank above). Given the strong argument, rehearsed above, about skills development as a way of marrying the social and economic development agendas, it may be that the Geneva meeting will raise the profile of skills development.

There is a continuing hesitation about the rate of return to technical education (but see the Chilean case). However, if the future focus is on poverty and secondary education, then technical provision will be more important. Any re-emphasis of skills is likely to stress broader notions than in conventional skills development programmes. It may also be related to a focus on values and attitudes for the world of work.

5. The knowledge economy and skills development⁴

Skills development as conventionally understood was closely related to a particular phase of economic organisation. In thinking about the future of skills development, it is essential to consider the implications of current debates about a new mode of economic organisation.

It is argued that we have entered the "knowledge economy" in which acquisition, transfer and application of knowledge are now at the heart of competitive advantage. Allied to arguments about globalisation and recent trends in production, this thesis has profound implications for skills development.

In this new vision, there are no dynamic sectors, just firms with dynamic potential. Training, therefore, needs to expand its vision to encompass the challenge of promoting such dynamism, for instance among groupings of non-traditional exporters. In this new vision, outcomes such as productivity, technological transfer and competitiveness become more important as a focus than the input of training itself. Equally, skills development as knowledge development emerges as a challenge. In this light, training is about developing and maintaining the enterprise as a learning organisation. Training takes on a more explicit problem-solving dimension and emphasises the importance of networking and alliances, both as delivery mechanisms and as outcomes. As the USAID policy focus illustrates, an interest in training and networking leads to a concentration on enterprise clusters as engines of competitiveness.

Thinking about the knowledge economy is relatively new and there has been little attention to its implications for skills development. In keeping with another trend noted in this paper, towards skills development for small and micro enterprises, it seems that a major conceptual and practical challenge lies ahead in building linkages between the informal economy and the knowledge economy.

⁴ This discussion has led to the change in the Working Group's name, which no longer refers to "technical and vocational" as a descriptor of "skills development".

6. Skills development and small enterprise development

Latin American skills development shows a growing sense of the importance of the informal economy. However, there is as yet little in the way of well developed programmes in this area. The challenges appear similar to those in other regions of the world, such as Africa. To involve the established VTIs will be difficult as this is far from their areas of expertise. There are likely to be merits in involving informal sector associations in the planning and certification of training. In the light of the arguments above about the knowledge economy, it is important also to think of their role in terms of knowledge generation and dissemination.

As elsewhere, there is a need to better integrate skills development and small enterprise development thinking. There are lessons that skills development can pass on to enterprise development. These include the importance of addressing the future role of existing institutions and the importance of avoiding short-termism. There are lessons too for skills development. Steel's brief account of the work of this Group's parallel in the small enterprise world (see appendix two) highlights a number of lessons that potentially can be learnt from the microfinance revolution. Amongst these are the careful use of the right institution for a particular job; the difficulty of formal structures reaching the poorest; the challenge of finding good indicators to measure outcomes of interventions; and the recent specialisation of support to the learning of specific skills.

7. Skills development and development cooperation

This discussion of Latin American skills development is striking for its limited reference to donor assistance. Though influenced heavily by the dual system, the Latin American training system did not emerge because of aid. Nor did its spread from its origins in Brazil owe much to aid, save the modest facilitation of regional cooperation by the ILO. Nonetheless, it is clear that bilateral and multilateral agencies have a potential role to play in the further evolution of Latin American systems. Current agency concerns with human and institutional development (see discussion paper four in this series) both within their own staff and in partner organisations resonate with one of Latin America's core challenges in skills development. The once proud Latin American research capacity in analysing skills development has been undermined by the decline of higher education and the reforms to national training providers. Development cooperation agencies could play a role in trying to reverse this decline, which is closely linked to their policy preferences of the 1990s. The experience of USAID points to the role that institutional partnerships can play in promoting skills development. Given the current agency interest in partnerships, such programmes may have the potential for expansion. Perhaps most crucially, development agencies need to acknowledge more clearly the importance given to skills development in Latin America and its developmental value. This could then provide the basis for revitalised cooperation in this field.

APPENDICES

APPENDIX ONE: JAPAN INTERNATIONAL COOPERATION AGENCY AND SKILLS DEVELOPMENT

Toru Taguchi

1. The skills development effort of JICA

JICA sees skills development as lying at the heart of its activities. JICA is committed to capacity building in all its development cooperation activities and seeks to build up the skills set of partners in each activity.

In training as more conventionally understood, JICA is particularly active in Asia. JICA's involvement can be seen to have five elements. First, it is involved in the training of personnel from partner countries in Japan; in training in partner countries; and in regional training for partners. Second, it provides technical assistance through the placement of Japanese expert counterparts in partner countries. Third, it provides equipment that can support skills development. Fourth, it runs comprehensive projects that combine the first three elements. Fifth, it can support and operate development surveys that can assist in the identification of skills availability and needs in partner countries. JICA also manages the Japan Overseas Cooperation Volunteers programme, which helps to provide support to skills development. Although stand-alone technical vocational projects are currently few, the above shows clearly that JICA is actively involved in skills development.

2. JICA's vision for skills development

Japan's official development assistance programme seeks to support south-south cooperation and JICA's approach to all its activities reflects this basic goal. In particular, its regional training programme is designed to spread the skills and knowledge developed with its partners in one country to others in the region and to help build sustainable learning networks. Through this programme, countries with cultural and linguistic similarities can share their knowledge and with JICA's help identify their areas of comparative advantage. Japan may at a later date support the development of these areas through its assistance.

JICA recognises the importance of public – private partnerships. JICA is very aware that dialogue among all stakeholders (the private and public sector and civil society) is crucial in identifying the training needs of a country. JICA's training programme is geared towards providing those skills that have been identified by the partner country as necessary to contribute to its economic growth. In general, JICA's training and training of trainers is aimed at high to mid-level professionals (government employees). Although, these activities do not target youth or the poor, the work of the JOCV or JICA's youth invitation programme can.

JICA also emphasises the importance of improved articulation between skills development and general education. In designing its training, JICA takes into account the links (or gaps) between

general education and technical training. For example, in a country where certificates are important proof of having successfully completed a course in training, JICA is careful to ensure that that this issue is considered and that the necessary general education groundwork is there. In emphasising improved articulation, JICA highlights the need for a holistic notion of skills that acknowledges not only the technical but the social, spiritual and intellectual elements of skill and training.

APPENDIX TWO: BUSINESS DEVELOPMENT SERVICES: RECENT WORK BY THE COMMITTEE OF DONOR AGENCIES FOR SMALL ENTERPRISE DEVELOPMENT

William Steel

1. The need to shift to a market development focus

Traditional donor interventions have not performed well in terms of current criteria of outreach, sustainability, cost effectiveness and impact. They may have failed to deal with the underlying causes of insufficient demand and supply of services. They may have crowded out local providers.

2. Assumptions of the Business Development Services approach

The approach assumes that micro, small and medium enterprises are rational consumers. If they are well informed about services, they are willing to invest to improve their performance. Mechanisms can be developed to reach even the smallest and poorest enterprises. BDS providers do not need permanent subsidies to be commercially viable. Market development can be accelerated by well-targeted interventions.

3. Elements of the new approach

The new approach focuses on encouraging others to develop quality provision. It focuses on facilitating agents that can help develop private providers. It sees involvement as temporary, with withdrawal taking place when markets are developed. Subsidies are justifiable if it will lead to a positive overall impact. In the long run, subsidies can only be contemplated for equity or public good reasons. The approach is influenced by the lessons of the microfinance revolution, although BDS markets are more complex because of the greater diversity of services and delivery mechanisms. Some services will have public good characteristics and existing markets are more highly distorted than in credit.

4. Market assessment issues

BDS market development is a new and evolving approach. There are outstanding issues regarding the ways of segmenting the market. Identification of the range of providers and delivery mechanisms is challenging. Practical and cost effective indicators are only beginning to evolve.

5. Performance measurement

Performance of BDS providers can take place according to criteria of outreach, cost effectiveness, sustainability and impact at the micro (firm), meso (institutional) and macro (market) levels. Impact on client performance needs to be evaluated, along with the performance of the providers that serve them. Progress in market development needs to be monitored, as well as the wider social and economic impact.

A number of issues have to be resolved here. As with market assessment, indicators are in need of further development. Attention must be paid to ensuring that such indicators do not place too heavy a reporting burden on providers. The key challenge is in drawing causal inference between BDS and enterprise performance.

6. Outstanding issues

The issue of subsidies remains a difficult one. There is still disagreement over which types of services can justify permanent subsidies. Government interventions cannot simply be wished away. Rather, practical strategies need to be developed for reducing and rationalising government interventions. The challenge of preventing commercial providers “drifting up” to focus on medium enterprises needs to be tackled. Finally, the key elements of an enabling policy environment for BDS market development need further consideration.

APPENDIX THREE: ABOUT THE WORKING GROUP

1. Launching the working group

The Working Group was launched in April 1996 with the following goals:

- to increase the impact of development assistance
- to reduce duplication and fragmentation of effort
- to provide a forum for the discussion and dissemination of new ideas and good practice.

2. Cooperation: old myth or new challenge?

Cooperation among agencies involved in development assistance is a long standing and commonly agreed objective. However, its attainment has been compromised by a range of factors, not least the rapidly changing global context within which development and assistance are taking place. The notion of cooperation has, thus, to be revisited and a number of questions addressed:

- what is the future of cooperation at a time when competition appears the dominant form of relations?
- what does cooperation mean in a context of many "norths" and multiple "souths"?
- what becomes of cooperation when agencies are decentralising operations and the emphasis is shifting towards the development of southern capacities?
- what effect do attempts to impose intra-sectoral coherence across aid policies have for policies in sectors such as skills development?
- what is the implication of the cross-sectoral nature of skills development for cooperation between agencies?
- what lessons can be learnt from other for a dedicated to agency cooperation?

3. Skills development: a bridge between education, training and production?

The Group has chosen to use the notion of vocational and technical skills development rather than technical and vocational education and training. This reflects a concern to take notice of the move away from a focus on the large, homogenising institutions of the state in favour of more varied modalities of skills development which prevail in many countries. The decision taken at

the Washington meeting (March 2000) to enlarge the scope to skills development as a whole reflects the rapid development of the concept of the knowledge economy.

The concept places the emphasis on the exploration of skills development across a range of institutional locations, in education, training and production systems. The process of coming to terms with this is an on-going one, both in the north and in the south. As far as agencies are concerned, it has led to a variety of responses. Some have chosen to merge their vocational training concerns with their small enterprise programmes while others have come to view skills development in both sectoral and instrumental ways.

4. International cooperation: between states or societies?

The focus of skills development is part of a wider realisation that development cooperation is not simply an affair of states. A variety of other actors are increasingly involved, both north and south. Agency policies are increasingly coming to reflect the need to include new constituencies in policy dialogues.

However, dialogue, coordination and cooperation within countries is by no means easy. The behaviour of agencies can serve to worsen rather than better the situation. Central to the concerns of the Group is the examination of strategies that donors can promote and utilise in order to strengthen the voices of stakeholders and the mechanisms by which they can be heard.

5. The working group: towards professional and institutional development?

This Group is intended to enhance the capacity of its members to improve the efficiency, effectiveness and impact of international assistance to skills development.

In order for this to be achieved, a stable presence of core staff from participating agencies will be required over the initial period of two to three years. The personal commitment of these individuals will be important as their representative roles.

In order to take account of decentralisation within agencies and the imperative for broader dialogues with wider constituencies, the Working Group will focus on the dissemination of information to relevant constituencies and individuals. However, dissemination of information in the first instance should have the objective of developing relationships within the Group and ensuring its future viability.

6. Inter-network cooperation

By viewing skills development broadly and acknowledging its intersections with other fields, the Group is highlighting an awareness of the need to develop relationships with other groupings. In particular, linkages will be explored with the Committee of Donors for Small Enterprise

Development, the Association for the Development of African Education and the International Working Group on Education. The Group intends to explore mechanisms for information sharing across these different networks.

7. Mechanisms for cooperation

The groups referred to above each have different modalities of organisation. They exist on a continuum between an informal club and a fully structured organisation. This Working Group is concerned to establish a mechanism for light but effective steering of its activities.

An important consideration when looking at the possible modality of the Group's operations is the potential financial base for these operations. Until now, a small sum of money has been set aside for coordination, with hosts of each meeting taking responsibility for the costs of preparation and delivery of that meeting. The secretariat are pleased that the Washington meeting has marked a step in the development of the Group in this regard.

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