



**MILLENNIUM**  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

# Principles into Practice Issue Brief: Training Service Delivery for Jobs & Productivity

## In Principle

The Millennium Challenge Corporation (MCC), along with many other donors, has committed to spurring economic growth in developing countries as a means of reducing poverty and improving livelihoods. Given that the primary asset of the poor is their labor, a growing economy without job growth is by definition not inclusive of the poor. Yet, as the United Nations notes, “in 2018, one fifth of the world’s youth were not in education, employment or training... [and] young women were more than twice as likely as young men to be unemployed or outside the labor force and not in education or training.”<sup>1</sup> In the face of such challenges, it is no surprise that the transition of youth from education systems into the workforce has become a policy priority across the developing world.

Historically, Technical Vocational Education and Training (TVET) systems have been used by governments to provide skills needed for employment. In developing countries however TVET programs have struggled to deliver due to poor quality and weak links to the labor market. When private sector demand is lacking, boosting the availability of TVET skills is unlikely to result in better employment prospects for graduates. However, when TVET programs are implemented in response to tangible skills gaps and with productive links to employers, examples of strong programs do exist.

## In Practice

Since 2007, MCC has committed over \$340 million in support of Technical and Vocational Education and Training (TVET) programming across 11 programs in seven partner countries with the goal of helping their people develop the skills demanded by the labor market to increase employment and, ultimately, spur economic growth.

MCC’s “First Generation” of TVET programs (implemented between 2008 and 2014) included \$148 million of investments in El Salvador, Mongolia, Morocco, and Namibia. The programs included new/rehabilitated training facilities and equipment, student scholarships, training of trainers, and national policy reform. A “Second Generation” of TVET projects began with MCC’s Georgia II Compact in 2014.

The First Generation of TVET investments produced their planned outputs in terms of new or renovated infrastructure, curricula developed, and number of participants trained. However, those projects delivered neither the desired impacts of jobs and income for trainees nor improved productivity for firms. Principles into Practice: Training Service Delivery for Jobs and Productivity presents MCC’s learning from those experiences as well as from developing a Second Generation of TVET programs. That learning

1 United Nations Economic and Social Council. 2019. “[Report of the Secretary General.](#)”

identified accountability relationships, especially between employers and providers, as a fundamental missing link to achieving impact. A new results framework for TVET is presented and maps the critical role of accountability as a feedback mechanism for keeping TVET provision relevant to the private sector.

## The Challenge of Service Delivery in TVET

To understand how services like TVET do or do not respond to the needs of citizens, one must first understand the concept of service delivery. A barber or a food vendor provides a service to the consumers of those services – haircuts and meals. When those services are delivered in a competitive market, the service provider will naturally care about (and be accountable to) the tastes and demands of their clients. Consumers exert client power over the seller when they decide whether or not to purchase a meal or pay for the service of a haircut, and more importantly whether or not to give them repeat business. The 2004 World Development Report (WDR) helpfully contrasts this competitive market client power with non-market services:

*Poor people—as patients in clinics, students in schools, travelers on buses, consumers of water—are the clients of services. They have a relationship with the frontline providers, with schoolteachers, doctors, bus drivers, water companies. [However, for those services...] there is no direct accountability of the provider to the consumer. Why not? For various good reasons, society has decided that the service will be provided not through a market transaction but through the government taking responsibility.<sup>2</sup>*

The WDR lays out an accountability framework which highlights two potential pathways through which public services respond to the needs of citizens, with an eye towards the poorest and most vulnerable. First is the short route of accountability in which service providers (i.e., nurses, teachers, or agricultural extension workers) are responsive to the client power of citizens as consumers of services. The long route of accountability traces how citizens can express their needs (voice) to the State, and the State in turn responds to their needs by creating a Pact<sup>3</sup> with providers. In other words, if service providers are to be responsive, either citizens can leverage their client power over providers or they can find ways to make politicians and policymakers responsive to citizens’ needs through their management and regulation of those providing services.

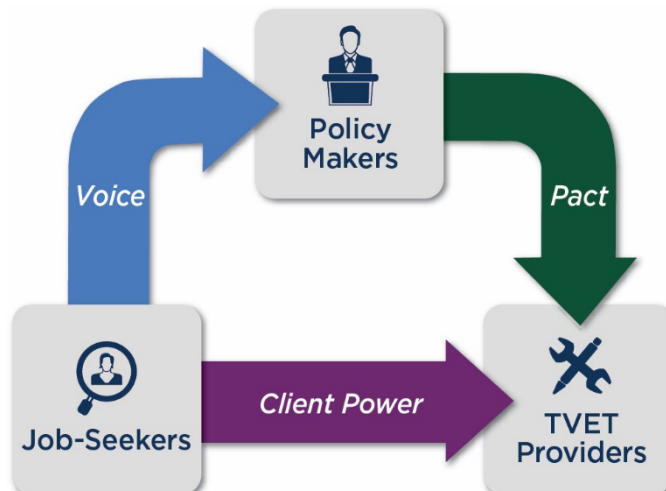
## Accountability in TVET Service Delivery

The long and the short routes of accountability describe two pathways to make TVET providers responsive to the needs of jobseekers. Generally, skills and workforce development programs share some of the attractive textbook features of a market. There is free and fair exchange, enrollment and completion are a visible output of such an exchange, and there is always direct interaction between providers and their clients at the time of this “exchange”. Together, in theory, these features allow “clients” (i.e., jobseekers or others in search of skills) to have a degree of direct, or “short-route,” accountability over TVET providers.

<sup>2</sup> World Bank. “[Making Services Work for the Poor](#).” World Development Report 2004.

<sup>3</sup> The 2004 WDR model uses the term “compact” to describe the relationship between the state and providers. To avoid confusion with MCC’s Compact agreements, the term “Pact” is used instead.

Figure 1: Accountability in TVET



Long route accountability has its own challenges, and in TVET in particular hiring decisions by firms are naturally decentralized “exchanges” between jobseekers and employers, meaning that policymakers overseeing TVET providers are one-step removed from the information necessary to know whether or not those providers are yielding the intended results of helping jobseekers acquire the skills necessary for employment. This last weakness of the “long route” reveals a fundamental insight – that firms are missing from the above model of TVET service delivery. Firms are an additional client of TVET providers –with overlapping but partially divergent interests vis-à-vis jobseekers.

## Five Lessons for improved TVET programming

MCC’s TVET practice has yielded significant learning by bringing together the lessons from the First Generation of TVET programs with those emerging from the design and implementation of the Second Generation. Five key lessons have emerged from MCC’s TVET programming for the design and delivery of improved TVET. MCC will continue revisiting and updating its learning and approach based on new evaluation results as they become available.

### Lesson 1: A Demonstrated Skills Gap Should be a Precondition for Investment in TVET

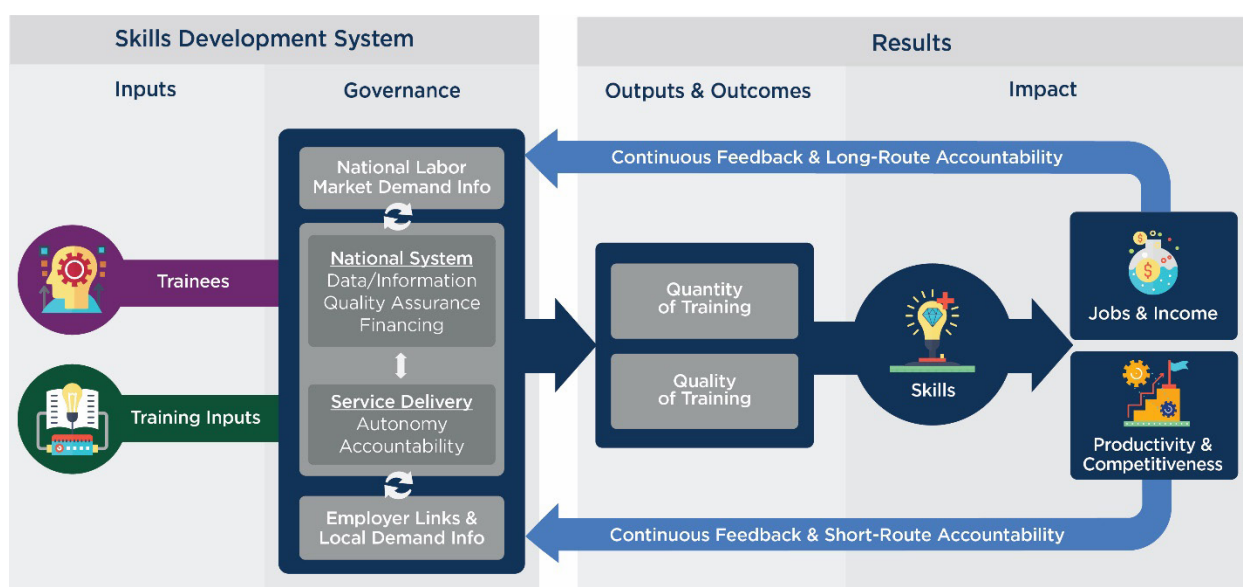
MCC, governments, and other development partners should critically assess whether TVET is the right solution in a given context. MCC is working to ensure TVET investments are growth-enhancing by:

- ★ Continuing to invest in contexts where specific, demonstrable human capital gaps have been identified as a constraint to economic growth; and
- ★ Focusing on areas where data demonstrates that employers have human capital needs that are not currently being produced by the existing system.

## Lesson 2: TVET Should Have Two Primary Goals: Placing Graduates in Jobs with Improved Incomes and Supplying the Private Sector with In-Demand Skills

Governments and donors should begin with these results in mind and then should design reforms and interventions to achieve them. MCC's new results framework (See Figure 2) can provide a road map to achieving impact: keep the end results in mind and focus on governance arrangements that create both short- and long-route accountability. Moreover, those mechanisms need to be flexible to account for the constant pace of technological change and changes in skills demand. Importantly, existing systems for public provision may not be capable of delivering the desired results. Innovative approaches to deliver TVET services are needed.

Figure 2: MCC's New Results Framework for TVET

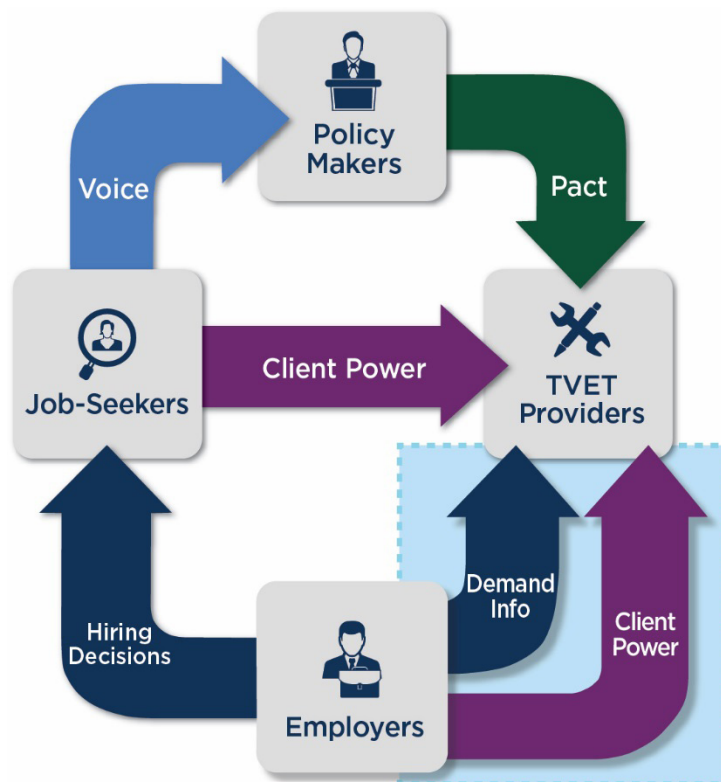


## Lesson 3: Focus First on Short-Route Accountability – Especially between Employers and Service Providers

The most direct way of increasing the accountability of service providers is via the short route – where providers receive direct feedback from firms (as their clients) on whether the training being provided is adequate and what new or evolving skills will be needed in the near future. This ensures that clients have voice and influence over providers. Achieving employer-provider accountability may require governments (and donors) to reassess traditional models of publicly delivered TVET.

Public-private governance is one example of how to create short-route accountability to employers. Figure 3 shows how this can be achieved through the close alignment of firms and TVET providers. In one model in Morocco and Senegal, the actors are united by making the provider a subsidiary of an industry association. This creates direct client power between those associations and the training providers.

Figure 3: Creating Employer Client Power



Firm-provided training can be an alternative to the traditional provider approach. For example, Australia has a history of recognizing firms as Registered Training Organizations. Those firms can obtain training funding from the government and employees receive transferable and recognized national certifications and qualifications. Strengthening jobseeker client power can be impactful as well. While MCC has not funded this type of intervention – one way to do this is through vouchers which allow jobseekers to choose which providers to use, strengthening their client power.

#### Lesson 4, Part 1: Don't Forget to Strengthen Long-Route Accountability...

Measures can be taken to reform or enhance national sector governance to establish the systems necessary for long-route accountability. This may require a shift in government emphasis from direct service provision to setting strategy, regulating provision, and financing. Not all national reform efforts will stick, but the potential for improved governance can justify the investment. Key areas highlighted in the new results framework include data for decision making and procedures for quality assurance.

#### Lesson 4, Part 2: ...Especially When You Can't Address the Short Route

Introducing results-contingent payments can act as an incentive for providers to take into account the interests of employers. Such arrangements should be integrated into the pact between policy makers and service providers. Instead of simply paying providers, year after year regardless of performance – they only get paid for actual results achieved on behalf of clients, in this case both jobseekers and employers. When properly implemented, results-contingent payments help create client power for both employers and jobseekers.

## **Lesson 5: TVET Interventions Alone are Unlikely to Resolve Pre-existing Inequalities in the Labor Force, but TVET Has a Role to Play**

Access to and success in TVET cannot solve all labor force challenges. For example, factors affecting women's labor market participation, career choices, and wage levels extend beyond TVET programming success. Governments and donors should conduct detailed analyses to understand the constraints facing women's participation in each context and design interventions targeted to those constraints. This will likely include supporting TVET providers to develop equity-focused enrollment strategies and supplemental preparatory courses. TVET programs can also work with partners in the private sector to improve the work environment for women – for example through mentoring, implementing sexual harassment policies, and providing services like child care.

### **Applying Lessons to the Next Generation of TVET**

Under the right conditions, TVET can be a powerful tool to provide youth with necessary skills, while providing firms with the human capital needed to grow and compete. MCC's Second Generation projects are promising – they have taken steps to address both the long and short routes of accountability to support our partner countries, the over 70,000 estimated trainee beneficiaries, and the employers that will hire them as part of MCC's singular mission to reduce poverty through economic growth. Evaluations of MCC's current projects will determine whether those projects have succeeded in targeting TVET to relevant, in-demand private sector needs. In the meantime, MCC will continue developing its TVET toolkit and will use the lessons laid out in this edition of Principles into Practice when developing the Third Generation of TVET. MCC will continue to learn from new evaluations to update lessons learned and adapt the design and implementation of future projects.