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**REPORT ON ASIAN DEVELOPMENT BANK REGIONAL SKILLS
DEVELOPMENT TECHNICAL ASSISTANCE STUDY**

This paper was prepared by the Forum Secretariat.

**REPORT ON THE ASIAN DEVELOPMENT BANK REGIONAL SKILLS
DEVELOPMENT TECHNICAL ASSISTANCE PROJECT**

Purpose

The purpose of this paper is to provide a report on the regional study of skills development in the Pacific.

Background and objectives of the study

2. In 2005 the Asian Development Bank (ADB) agreed to finance technical assistance for a comprehensive study of technical-vocational skills development in the Pacific Region in collaboration with the Pacific Islands Forum Secretariat (PIFS) as the executing agency for the project. This was endorsed by Forum Education Ministers at their meeting in 2005 in Apia, Samoa.

3. The Pacific TVET Study was designed to do three things: (i) analyse issues of supply and demand for vocational skills, (ii) develop responsive and effective country and regional strategies for skills development, and (iii) identify investments necessary to implement the strategies.

4. More specifically, the Study sought to achieve the following:

- i. An assessment of the relationship between skills development and economic development, labour market demand and outward migration within the sample countries
- ii. Policy options for skill development that governments of Pacific Developing Member Countries (PMDCs)¹ may wish to consider based on an in-depth analysis of issues and alternatives.
- iii. National level recommendations on pre-employment training, skills up-grading, adult re-training and income generation.
- iv. An integrated, prioritized and initially costed project design for regional skills development

5. In addition to the regional synthesis report, in-depth country reports were written on Fiji, Kiribati, Papua New Guinea, Republic of the Marshall Islands Tuvalu and Vanuatu. Reports were also written as sources of information for the regional study on Cook Islands, Federated States of Micronesia, Nauru, Palau, Solomon Islands, Samoa and Tonga. All of these reports are available on the Forum Secretariat and the ADB websites².

¹ Pacific Member Developing Countries of the ADB that are also members of the Pacific Islands Forum are participating in the study: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

² www.forumsec.org ; www.adb.org

Key findings

7. Most PICs have limited jobs in the formal economy for their expanding populations. Growth of the labor market far exceeds growth in wage jobs in most PICs. This means that most new entrants will have to work in the informal sector. The informal sector in the Pacific is largely limited to the processing and merchandising of primary produce, the provision of services such as carpentry and mechanical repair, transport and small scale vending and the production and sale of handicrafts and sewn materials. Skill gaps occur in all of these activities. Small scale fishing and other primary production provide the only real opportunities in the vulnerable island states, and greater agricultural production in the land-rich states.

8. Ironically, formal sector jobs are limited, but skill shortages nevertheless are widespread across the PICs. Three main factors are responsible: (i) Growth in the mining sector in PNG and tourism in Fiji, Vanuatu, Samoa, Cook Islands and Tonga has created a rising demand for skilled labor especially in hospitality and construction related occupations. These countries lack sufficient people with the skills in management/supervision and trades occupations capable of working to international standards. (ii) Emigration has positive aspects, including remittances to the source country and opening jobs locally. However, emigration exacerbates skill shortages as many with skills leave for better paid jobs elsewhere. (iii) The supply chain of TVET is insufficient in key fields and the performance of TVET graduates falls below expectations in the workplace.

The report analyses Pacific TVET systems according to five criteria:

9. **Economic relevance:** Most countries report skills shortages, in part because of growth and emigration. However, surplus of rural labor in the informal sector is the main challenge. Lack of information about labor market demands keep most Pacific training systems operating in the dark. Employer involvement is essential to steer training supply in the right direction, but employers are not consulted sufficiently. Pacific training systems have had difficulties in making their programs flexible, up to date and responsive to changing demands.

10. **Quality:** Quality is increasingly important in TVET systems in the Pacific. Various systems of quality assurance are operating or being developed in the region, including the development of national qualification frameworks that incorporate employer-defined occupational standards. Pre-vocational courses in secondary education are being tried in most PICs, but there is little evidence that they work well. Such courses tend to lack qualified instructors and sufficient budgets for equipment, supplies and maintenance. TVET systems usually fail to monitor or evaluate the quality outcomes of training in terms of competencies achieved. Vocational training systems vary markedly in quality, particularly those in rural areas. Informal sector training has been successful in places, but it is difficult to maintain consistent quality. Post-secondary technical training, in contrast, tends to reach reasonable standards because resources can be concentrated in fewer institutions.

11. **Equity:** Access to TVET is low in total and highly imbalanced by geographical area, income group and especially by gender with many fewer opportunities available to females.

12. **Organisational and management effectiveness:** TVET is arguably the most difficult sub-sector to manage in the whole spectrum of education and training. Strengths exist in the organisation and management of TVET systems in the region and several promising developments have occurred. However, weaknesses include unclear mandates, lack of coordination among TVET providers, fragmentation or excessive centralisation, supply orientation and insufficient resources to perform stipulated functions. TVET plans are necessary for strategic direction, but most existing plans have not been costed, budgeted or implemented. The standard of TVET management varies because of inadequate standards, accountability and opportunities for in-service training. Finally, lack of data and research on TVET performance are universal obstacles to progress.

13. **Finance and Internal Efficiency:** Public/donor financing for TVET is limited and, in some cases, declining. Countries inevitably will have to find ways to reduce dependence on government financing by mobilizing non-government financing for TVET. Limited public resources require greater attention to increased internal efficiency. To date, insufficient use has been made of financial transfer mechanisms, i.e. payment for results, such as through training funds.

Recommendations and Conclusions

14. The informal sector is the dominant segment of the labour market in most PICs where most school leavers will have to find employment. Training for the informal sector has to become the top priority. This means that sufficient new resources should be allocated for informal sector training, training strategies designed, and capacity built to support the rural and informal sectors, in part by boosting the technical expertise and delivery capacity of non-government organizations (NGOs).

15. Many of the issues in TVET derive from inappropriate and unclear organizational structures. Getting the structure right is therefore the first step to more effective TVET systems. Where possible TVET systems should be governed by apex organizations such as national training authorities. These apex organizations should be based on partnerships among stakeholders and be driven by those who represent demand for skills (employers). These apex organizations should have executive authority to link training supply with demand, coordinate providers, set priorities, policies and directions and to allocate resources.

16. Choices about where to invest in skills development should be based on evidence of cost-effectiveness. Enterprise-based training should be expanded, e.g. apprenticeships, and institutional training needs to be closely linked with the labour market. However, rather than investing in integrating TVET into general secondary or primary schools, which is expensive and difficult to do well, resources should be allocated to intensive training programs that are well grounded in the labour market and target those who are in, or about to enter, the labour market.

17. Quality in skills development requires two things: standards and measurement of outputs against those standards. The development of occupational standards should be pursued through the design of national qualification frameworks (NQFs), provided that the NQFs focus on outputs (competencies) rather than inputs (courses required)

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and avoid complexity. Minimum standards should be set for public TVET institutions and they should be subject to accreditation and periodic quality audits. Second, output indicators should be defined and measured against the standards. Information on the impact of training should be developed, e.g. tracer studies of graduates, and factored into training policies and resource allocations.

18. Current incentives in PIC TVET systems result in inertia. Budgets are given year after year regardless of performance. The Review recommends that incentives be changed for those managing skills development. Managers of training institutions should be given authority through devolution, along with accountability for results. Results should be compared against targets and budgets should be allocated according to performance. At the same time, managers should be enabled to develop their capacities through in-service management development programs.

Project proposals

19. The study proposes five regional projects that respond to the conclusions and recommendations: three for formal TVET and two for informal sector training. The underlying rationale is that priority activities, too small and unfeasible on a country level, could be better undertaken on a regional level. The Forum Secretariat is currently negotiating funding for these projects. The five projects focus on interventions likely to make a wide impact on skills development in the region at reasonable cost, and include:

- i. Strengthening organizational and management development in Pacific TVET – developing strategic information, apex organizations, and management expertise;
- ii. Creation of a capital development/innovation fund (with the regional organization, PATVET, implementing the first two of these regional projects as part of its capacity building);
- iii. Expansion of TVET service delivery by open and distance learning;
- iv. Strengthening national and NGO capacities to design and deliver TVET programs for the informal sector in rural areas; and
- v. Developing sustainable outreach training in atoll economies.

Recommendation

20. Ministers are invited to:

- (a) Note the contents of the Regional Skills Development report and direct the Forum Secretariat to continue to seek funding for the proposed regional projects.