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Paper title: Blurring the Boundaries between Formal and Non-Formal Skill Development in the Pacific: Lessons from Vanuatu

Abstract:
Over the past four years, an innovative model for skill development has been implemented in the small island state of Vanuatu where the majority of the population resides in rural subsistence settings. The model blurs boundaries between formal and non-formal training to support economic growth, particularly within the informal economy, the latter often disregarded by national planners and policy-makers. Through the establishment of provincial ‘TVET Centres’ and an incentive-based funding mechanism, registered training providers are now encouraged to deliver formal demand-driven accredited training in contexts where previously only limited non-formal training was available. Access to quality assured modular training to support informal sector productivity priorities is resulting both in positive economic outcomes as well as improved pathways to employment and further education and training. Formal training is complemented by on-going business development and literacy and numeracy assistance which is proving particularly effective for disadvantaged groups, including women and people with disabilities. This paper examines success factors in the achievement of measurable economic gains in the context of a ‘bottom-up’ sub-national approach to reform of the national skill development system. In light of growing recognition of the role of the informal sector in many developing countries, the model has wider relevance and is proving scalable.

Symposium Title: Skills Development for Productive Lives in the Pacific

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**Vanuatu context**

Vanuatu, formerly known as the New Hebrides, is a Melanesian Pacific Island Country (PIC) with a total population of 245,000\(^1\) living on 83 islands scattered across 12,280 square kilometres. While urbanisation rates are growing, 76% of the population reside in rural areas\(^2\) and are engaged primarily in subsistence or small holder cash crops farming. There are very limited outlets for international migration\(^3\) and Vanuatu has the lowest formal sector employment in the region; of the 24% of people based in urban areas, 13% are engaged in formal sector activities in the private sector and 6% in the public sector. The remainder of the urban workforce is involved in other informal sector activities such as handicrafts, small scale transport and local retailing.\(^4\) The percentage of literate adults is estimated to be less than 30%.\(^5\)

Over recent years, the country has experienced relatively strong economic growth driven by the property and the tertiary services sectors in Port Vila (the capital), but this has had negligible impact on the lives of most ni-Vanuatu; the majority of the population are suffering from what has been termed “poverty of opportunity” – a lack of access to services and income earning opportunities to enable them to improve their standard of living.\(^6\) The inability of rural ni-Vanuatu to participate in economic development, despite a growing need for cash income, was identified as the country’s most pressing development challenge in the seminal 2007 *Unfinished State: Drivers of Change in Vanuatu*, with the almost non-existent interaction between the central state and the provincial population “the most unfinished element of the state-building project in Vanuatu.”\(^7\)

It is widely recognised that economic and social policy in developing countries tends to disregard the informal, mostly rural-based, sector.\(^8\) Traditional conceptions of the informal economy as comprising mostly survival activities, and therefore not a subject for national economic policy, have prevailed.\(^9\) In Vanuatu, consistent with many other countries, formal training provision has been exclusively geared towards preparing trainees for formal sector employment.

While not diminishing the importance of skill development for the formal economy, this sole focus on preparing urban-based trainees for formal sector employment has significant limitations, especially in the small island states of the Pacific. In Vanuatu, this is underscored by the fact that 3,500 students graduate annually from the education system while the formal economy produces less than 700 jobs a year.\(^10\) Perhaps more importantly, the economic and social development opportunities in the informal economy are being missed; there is increasing recognition that, globally, “the informal economy is growing, it is a permanent, not a short-term, phenomenon (...) and that supporting informal enterprises and improving informal jobs are (...) key pathways to promoting growth and reducing poverty.”\(^11\) In Vanuatu, the substantial employment (including self-employment) and income generation potential of the subsistence and informal economy has been widely documented,\(^12\) with a key factor blocking the realisation of this potential being the lack of targeted skills training.\(^13\) The main recommendation of the Asian Development Bank’s comprehensive “Skilling the Pacific” report was that training for the rural and informal sector must be placed at the top of the training agenda, with vast improvement needed in terms of both planning and service delivery.\(^14\)

**A new approach to skill development**

In 2008 the Government of Vanuatu in partnership with AusAID commenced a new approach to support skill development through the Vanuatu TVET Sector Strengthening Program (VTSSP). AusAID had previously provided significant assistance for over ten years to the national government in the
development of the formal TVET sector. This was predominantly focused on institutional capacity building of the country’s major TVET provider, the Vanuatu Institute of Technology, as well as improvements of structures and resources at the national level, including the establishment of the Vanuatu National Training Council (VNCT).

However, while important systemic building blocks were being laid through a conventional institutional strengthening approach, the impact of this system on skill development for the majority of the population in the informal economy remained minimal. This situation coincided with the growing acknowledgement that the provision of skills development for the informal economy presents specific challenges to government and donors alike\textsuperscript{15} and that, internationally, formal TVET systems were not being effectively linked to informal settings.\textsuperscript{16} An experimental model was designed to trial new approaches to stimulate reform of the national skill development sector to meet these challenges.

The model in two target provinces is focused around TVET Centres which, in essence, act as brokers facilitating the delivery of formal, quality assured training in response to skill demand in the predominantly informal provincial economies. In line with international development community calls for improved incentive mechanisms for the reorientation of training institutions to service the informal sector,\textsuperscript{17} training is purchased at commercial rates by the TVET Centre from nationally registered training providers; the training providers enter into a contractual arrangement with the TVET Centre to deliver accredited training modules in the provincial communities to support identified income generation, employment and small business growth opportunities.

In this way, the TVET Centres aim not only to meet rural skills gaps, but also to promote a shift from conventional full-time long cycle certificate courses to flexible, modularised course delivery taking place outside of the institutional settings. Training supply reform is also encouraged through TVET Centre funding only being available to those training providers which meet VNCT quality standards for national registration. These include basic standards for trainer qualifications, modular competency-based training plans and assessment tools, and demonstrated understanding of the link between the skills to be transferred and the economic objectives these skills support.

While research has found that formal training delivered outside of the classroom goes hand in hand with higher earnings and productivity increases, this type of training modality has not been accessible to workers in the informal economy.\textsuperscript{18} Now, for the first time in Vanuatu, quality assured, nationally accredited modules are being delivered in contexts where previously only limited non-formal training was available. This is enabling access to contextualised ‘workplace training’ – where skills training to increase productivity is being delivered ‘on-site’ in the farms, fisheries, saw-mills, market houses and tourist bungalows where people work. Critically, the modular, rural-based delivery is also providing a second chance opportunity to re-enter the formal education system and build a full formal qualification over time for people who have had limited, if no, access to formal education and training.

In addition to facilitating delivery of formal training in traditionally non-formal settings, the VTSSP has established mechanisms to ensure that TVET Centre training is demand-driven. One of the primary reasons for the poor employment and productivity outcomes of TVET worldwide is a weak link with the labour market.\textsuperscript{19} This is even more the case in the informal economy where data and processes to identify growth and employment opportunities are often non-existent.
In Vanuatu, in recognition that skill development supply must be tailored to the local context through an assessment of the local economy, Provincial Training Boards have been restructured and reactivated. These Boards bring together representatives of key productive sectors (e.g.: Agriculture, Forestry and Fisheries Extension Officers, Department of Tourism Provincial Officers, Provincial Planners, small business employers, etc.) and function as a skills advisory body for the TVET Centre, identifying and prioritising sectoral skill requirements in support of economic growth. The VTSSP has also facilitated the development of provincial Skill Development Plans - structured research studies based on consultation with provincial and national level productive sector and industry stakeholders to articulate systematically projected growth areas, in both the formal and informal sectors, and their concomitant skill gaps. Consequently, all training purchased through the TVET Centres must, as part of the funding criteria, demonstrate that it is in response to the priority skill demands validated by the Provincial Training Boards and the Skill Development Plans, with a clear link to specific economic development/employability opportunities.

In light of the growing research that training on its own is often insufficient to improve productivity and income levels, particularly in the informal sector, and that combining this with complementary services can yield improved results, the TVET Centres integrate formal training provision with pre and post training Business Development Support in the form of customised coaching and mentoring. This support focuses on promoting improved entrepreneurial practice, providing advice on micro-finance options and strengthening links with markets. Importantly, this allows trainees to embed their technical skill acquisition within a broader small business development framework. Workplace literacy and numeracy training is also provided, given that extremely low literacy levels in Vanuatu are often a major obstacle to the realisation of training benefits.

Finally, in light of the limited formal training resources in Vanuatu, and the geographic constraints in rural training delivery, the VTSSP has facilitated the part-time sub-contracting of local experts in key productive sectors to nationally registered training providers. These field experts (e.g.: Forestry Extension Officers) often have highly relevant and current technical skills but lack pedagogical qualifications and cannot deliver accredited training. The VTSSP has supported these experts to achieve nationally recognised training qualifications to enable them to be affiliated with a registered provider and to both develop and deliver accredited courses.

‘TVET Centre’ model outcome logic

The TVET Centre model rests on the assumption that effective skill development reform in Vanuatu requires an intentional blurring of ‘formal’ and ‘non-formal’ training boundaries in order to support equitable economic growth opportunities across formal and informal economies.

On the ‘demand’ side:

i) by facilitating access to quality assured, accredited training, workers in the informal economy will not only acquire relevant skills but will also gain access (some for the first time) to the formal national training system with its improved employment and further educational pathways opportunities.

ii) by formalising the identification of informal economy skill development needs through strengthened local productive sector coordination mechanisms, training supply can be directed more accurately to meet real skill demand.

iii) through complementary business development support, boundaries will also be blurred between the formal and informal economies with small business owners and entrepreneurs
formalising their business operations (e.g.: business registration, participation in formal market networks).

On the ‘supply’ side:

i) by limiting TVET Centre fund access only to nationally registered training providers delivering accredited courses, providers who hitherto operated outside of the formal training system without quality assurance standards or course recognition, will be encouraged to operate within a national quality framework thereby expanding the national training market and improving competition for contestable funds.

ii) by facilitating nationally recognised trainer qualifications and affiliation to registered training providers, local technical experts can deliver formally recognised training that is part of the national quality training system.

iii) by linking formal, urban-based training providers with the informal rural sector; training methodology and curriculum can be influenced and adapted to more effectively meet provincial skill development needs.

The demonstration of the benefits of an integrated approach to skills development within a quality training framework at the sub-national level is expected to inform national policy and the reform of key governance structures, as well as provide a successful model for decentralised service delivery within a national system.

Evidence of impact
The VTSSP and the operations of the TVET Centres have been underpinned by a robust monitoring and evaluation system. Six-month and twelve-month tracer studies have been conducted on significant samples of TVET Centre training clients as well as in-depth case studies in key productive sectors. In the six-month tracer study, 70% of sampled participants (n=444) reported increased income and production levels. In the twelve-month tracer study 92% of sampled trainees (n = 154) reported making a profit in their small business operations with 82% reporting ‘some’ or ‘large’ business improvements. Median income and hiring of workers had both doubled, and the change was highly significant (p<0.001). For trainees who had improved income levels through finding a new job - both in Vanuatu and in other PICs - or receiving a promotion, a key reason given was the employer’s recognition of the trainee’s nationally certified statement of skill competency. Further tracer analysis to statistically validate the importance of the award of national certification as a key means to improved income and employment levels – as opposed to simply receipt of quality training - would be a welcome research contribution.24

As one of the main drivers of both the formal and informal economies, the Tourism industry has been a primary focus of TVET Centre investment and the impact of the Centres in this sector has been substantial. The combination of accredited formal training, follow-up business focus coaching and mentoring services, and the inter-related building of coordination structures around communications and marketing has seen a veritable flourishing of tourism growth in the two TVET Centre provinces. Quantitative data findings such as increases in total tourist numbers to the province, increases of numbers of nationally and internationally accredited local operators, and increases in local business revenue levels have all been directly attributed to local entrepreneurs’ and small business owners’ participation in TVET Centre activity.25 These participants, who were all previously operating exclusively in the informal economy, are now transitioning to greater formal economy involvement; many are opening bank accounts for the first time, acquiring business
registration, and benefiting from their formal tourism operator accreditation status which provides access to international marketing opportunities. Flow-on effects to growth in other related productive sector areas, including furniture-making and the transport industry have been reported.\textsuperscript{26}

More broadly, an independent comparative analysis of the 2006 and 2010 Vanuatu Household Income and Expenditure Surveys (HIES) sought indications of provincial-level economic impact that could be attributed to VTSSP activity. This analysis identified statistically significant economic gains in areas where TVET Centre activity had occurred vis-à-vis elsewhere in the target provinces or in other provinces where no TVET Centre activity had occurred.\textsuperscript{27} Further research to confirm these initial economic impact assessment findings is planned to be undertaken using the HIES scheduled for 2014, as this will provide a more comprehensive comparative analysis over the time period of TVET Centre operations.

The VTSSP has demonstrated noteworthy outcomes for disadvantaged groups, including women and people with disabilities. Scheduling and location of training have been identified elsewhere as crucial factors in determining women’s ability to participate in training programs\textsuperscript{28} and the fact that TVET Centre trainings are delivered flexibly, most often in a village or community location has been confirmed as a key reason for females’ successful involvement with over 46% of all participants being female.

People with disabilities have particularly benefitted from the integrated nature of the TVET Centre services. Skill training, customised to meet the needs of participants in terms of longer training times and phased delivery, has been complemented by basic literacy and numeracy training as well as coaching support in accessing markets – a multi-dimensional approach resulting in measurable income increases. For the first time, people with disabilities who were previously denied access to formal education are now able to enter (or re-enter) the formal system through participating in accredited, tailored, TVET Centre funded courses.

With respect to the role of complementary workplace literacy and numeracy support in TVET Centre activity more broadly, the evaluations conducted by the VTSSP provide evidence of the effectiveness of an integrated skills development model to maximise economic outcomes for trainees. Additionally, there would be significant value in testing the effectiveness of using a skills training/income generation context to improve explicitly literacy and numeracy levels of trainees as this could yield more generally applicable results.\textsuperscript{30}

On the supply side, the formal training market has been dramatically expanded. Prior to Program implementation there were only 3 nationally registered training providers and no provincially-based affiliated trainers; this has now increased to 19 registered training providers delivering nationally accredited modules and 154 new provincially based trainers having acquired national and internationally recognised training certifications.\textsuperscript{31} Registration of previously non-formal Rural Training Centres is now enabling mutual recognition and articulation between these smaller provincial-based providers and the larger urban-based providers, including the Vanuatu Institute of Technology.

Importantly, the policies and practices of established formal institutions, including the Vanuatu National Training Council (VNTC), have been influenced by the priorities of the rural informal sector. Training demand in new growth areas in the informal economy – e.g.: freshwater prawn farming – has led the VNTC to support the development and accreditation of formal curriculum. Trainers from formal providers delivering training in rural settings for the first time have described their
experiences as “mind broadening”, assisting them to deliver courses more flexibly and appropriate to context. Similarly, the injection of ‘new blood’ into these providers through the affiliation of local technical experts has provided a form of closer ‘industry involvement’ in traditional training supply.

In relation to their long-term sustainability, the TVET Centres have now been formally established as the provincial service delivery coordination arms of the newly created TVET Division of the Ministry of Youth Development, Sports and Training. While funding of TVET Centre operations will require donor support for the foreseeable future, the model has been institutionalised within the national government structures to ensure on-going coordinated access to demand-driven, quality-assured skill development services in line with provincial economic priorities.

**Conclusion**

In 2007 in *Unfinished State: Drivers for Change in Vanuatu* it was asserted that there was no interaction between local communities and the state and “the provinces have few opportunities to participate in the formulation of national policy.”

In August 2011, the first national TVET Policy was launched with the following goal: “a coordinated and quality assured TVET system that will provide nationally and internationally recognised training through flexible delivery mechanisms and will lead to maximum employment and social development opportunities for all”.

The Policy, its goal and associated implementation plan is a direct reflection of the models and systems that have been demonstrated through the provincial TVET Centres, and were developed through intensive and extensive consultation with provincial level skill development sector stakeholders. From a perspective of broader application of lessons learned, the implementation of the TVET Centre model has shown the effectiveness of small-scale practical demonstration as a means to build and inform the ‘conceptual infrastructure’ necessary for meaningful political and bureaucratic engagement in the development of effective national systems. Monitoring and evaluation of the models being implemented has been critical, specifically the participatory analysis and reporting of outcome/impact level data. This data, combined with citizen feedback, has provided an advocacy tool for system reform and has been influential with political decision-makers. In particular, the use of video-based ‘real life’ case-studies of significant change has dramatically shifted understanding of, and commitment to, the reform process. This strategy should be considered in other contexts where there is substantial disconnection between the plans and policies of the urban centres and the realities of rural communities.

Supported by these sound monitoring and evaluation processes, a dynamic inter-relationship between provincial service delivery and the development of national policy and governance frameworks has developed. Lessons from other regions have underscored the need for “skills development systems (that) grow organically from below while being coordinated and fostered from above”. The experience of the Vanuatu TVET Sector Strengthening Program provides further evidence for this claim.


10 Samson, M et al. (2012), AusAID Pacific Social Protection Series: Poverty, Vulnerability and Social Protection in the Pacific, Canberra, AusAID.


23 Certification has been shown to be a key factor in enabling participants to re-entering the education system or getting good jobs – UNESCO (2012), p.285.

24 This would provide further substantiation of the claims made by UNESCO (2012) in relation to the value of certification.


26 VTSSP (2012), TVET for Tourism – A Skills Development Model for Economic Growth (DVO).


32 VTSSP (2012).


34 Government of Vanuatu (2011), National TVET Policy, Port Vila, Department of Youth, Development, Sports and Training.

35 World Bank (2012), p 177.
References


