

From Stopgap to System: Rethinking TVET Financing for Long-Term Impact

Tara Bétaille, Lead Economist and Program
Leader, World Bank



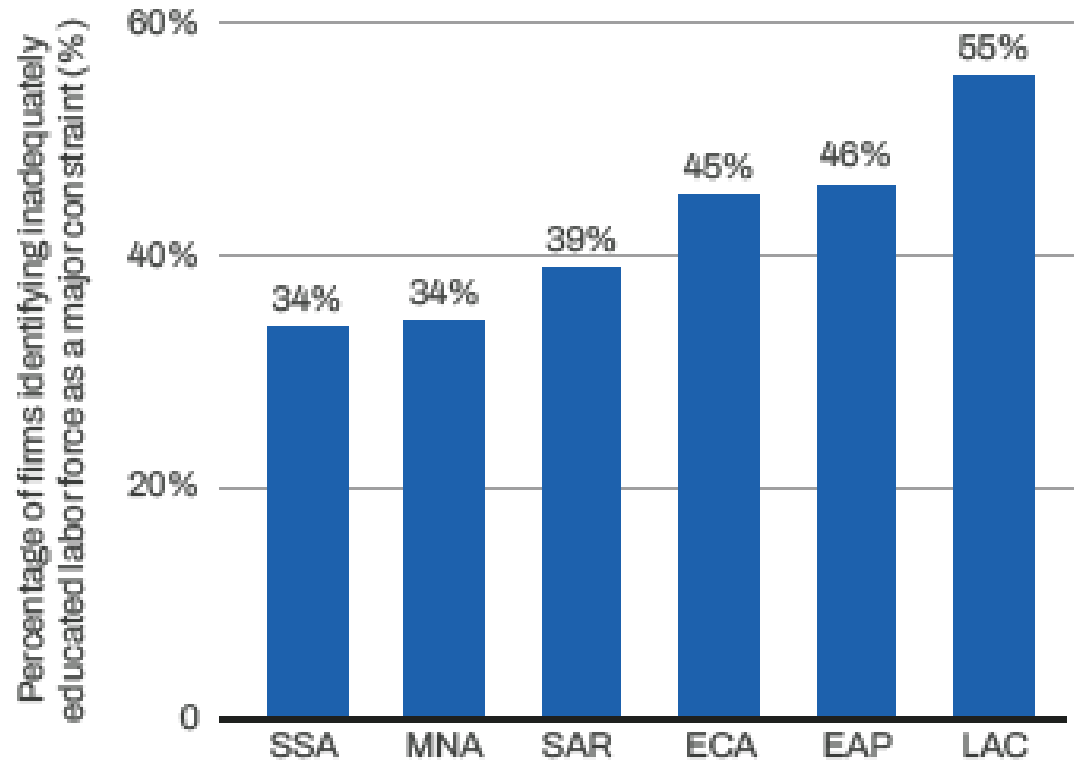
Empowering ASEAN's Future: Investing in Skills
for Inclusive Growth and Sustainable Development

What's happening with Skills and TVET?



A Global Skills Crisis

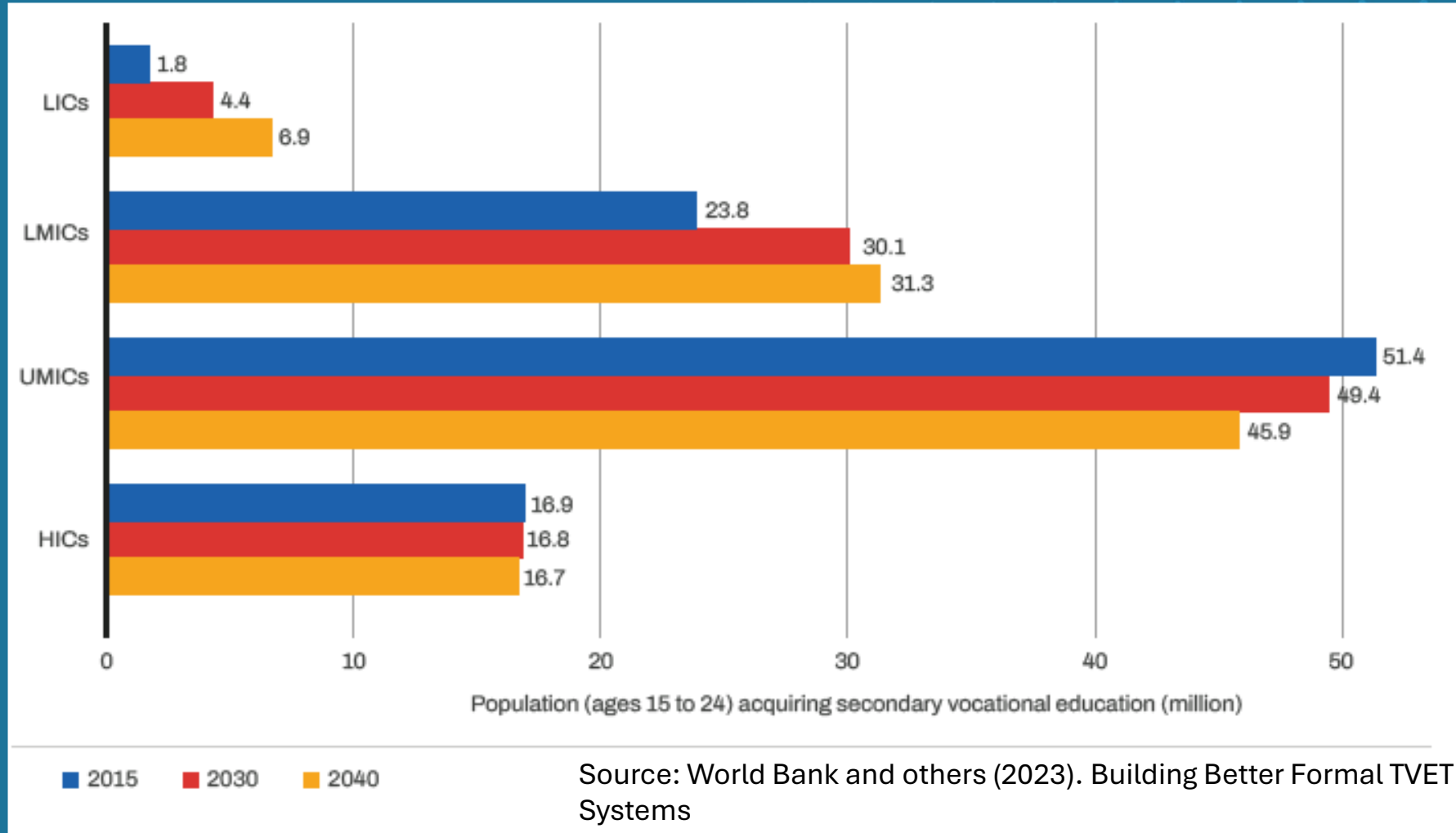
Employers globally identify skills as a major constraint








Source: World Bank and others (2023). Building Better Formal TVET Systems

Globally 70 percent of students in Grade 5 cannot read and comprehend an age-appropriate text

The Size of the TVET System is Likely to Increase in LICs and LMICs



Mixed Returns

	Impact evaluations		Observational studies		
	 Positive impacts	 No impacts	 Better than general	 Similar to general/ mixed	 Worse than general
Employment	3 (MNG, NPL, BRA-women)	4 (NMB, SLV, TUR, BRA-men)	—	—	—
Earnings	4 (NPL, BRA-women, MNG-women, KEN-wage earners)	6 (NMB, SLV, TUR, BRA-men, MNG-men, KEN-nonwage earners)	6 (BRA, CHN, EGY, LKA, THA, TUR)	5 (IDN, IND, PHL, ROU, TZA)	4 (EGY, PAK, RWA, SUR)

Source: World Bank and others (2023). Building Better Formal TVET Systems

Core Challenges Faced by TVET Systems in Middle-income ASEAN

Weak
learner
readiness

Input-based
budgeting

Limited
employer
engagement

Little
tracking of
outcomes



What's happening with Financing?



Why Financing Right Matters

- Incentivize reform and performance
- Fill critical funding gaps
- Enable innovation and experimentation
- Link autonomy with accountability

Challenges in TVET Financing in middle-income ASEAN

- Fragmented and project-based funding
- Input based, disconnect from labor market outcomes
- Low employer investment

TVET Financing Modalities

Training Levy
Models

Performance-
Based Models

Social Impact
Bonds

Tax Incentives

Cost-Sharing
Models



Training Levy Models

Key considerations for success

- Ensure **Employer** Voice and Governance Autonomy (Brazil)
- Use Dedicated Funding Windows and **Transparent** Allocation (Singapore)
- Combine employer incentives with **equity** objectives (South Africa)

Source: UNESCO (2022). Global Review of Training Funds: Spotlight on Levy Schemes in 75 Countries

Performance-based Models

Key considerations for success

- Define clear, measurable performance indicators: Bangladesh
- Invest in robust monitoring and data systems: Malaysia
- Link financing to reform incentives and continuous improvement: Italy

Source: World Bank and others (2023). Building Better Formal TVET Systems

Social Impact Bonds

Key considerations for success

- Define outcomes precisely and tie payments clearly to results
- Build strong coordination among government, investors, and implementers
- Use third-party evaluators to ensure trust and track effectiveness

Source. OECD (undated). Social Impact Bonds: Innovative Policy Design of Active Labor Market Programs

Tax Incentives

Key considerations for success

- Target tax incentives at priority groups or sectors (e.g., youth, digital skills).
- Ensure simple, transparent claiming processes especially for SMEs.
- Complement with audits or evaluations to ensure training quality.

Source: World Bank and others (2023). Building Better Formal TVET Systems

Cost-sharing Models

Key considerations for success

- Ensure proportional contributions from all stakeholders: South Africa
- Use pooled schemes to support SMEs and priority sectors: Netherlands
- Ensure timely and transparent disbursement: Germany

Source: World Bank and others (2023). Building Better Formal TVET Systems

Core Principles of Sustainable TVET Financing

1. Long-term, predictable, and results-focused
2. Integrated into national budgets
3. Outcome-based financing
4. Employers co-invest

Let's Stop Financing TVET Like a Pilot Project

- What if funding was stable?
- What if outcomes drove spending?
- What if employers co-invested?

Thanks

