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# **Cost-benefit analysis in VSD programs**

Exchange between the SDC and experts in VET in international cooperation

Andrea Inglin, Senior Advisor, IED expert team SDC





inclusive economic development employment + income vocational skills development

# **Options to carry out (mandate) an Economic and Financial Analysis (EFA)**

The SDC can mandate an EFA to any competent institution or person, including:

- the project implementing agency itself
- consultant(s) from a local institution
- consultant(s) from an institution that is internationally active
- consultant(s) from one of the three consortia selected by the SDC's quality assurance unit, based on the tender offer and now working under a frame contract for EFA:
  - Helvetas (incl. KEK-CDC as sub-contractor)
  - ➢ IKAT-HAFL
  - Vivid Economics
- consultant(s) from the VSD backstopping mandate, i.e. a consortia selected by the SDC's Economy and Education unit based on a tender offer and now working under a frame contact (-> only applicable if it is a short-term support of less than 3 days)

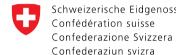


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# The "new" H2N is comprised of two parts

- Part I provides a basic understanding of EFA for all SDC staff.
- Part II provides practical guidance for SDC staff who mandate an EFA.

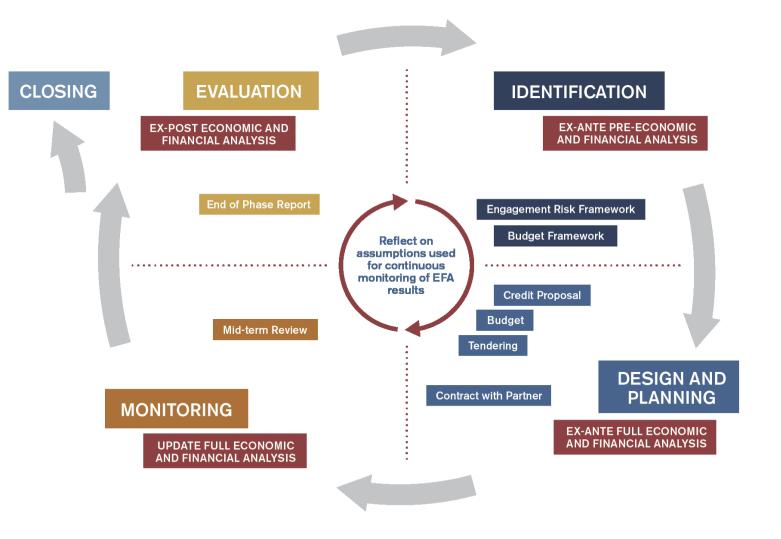
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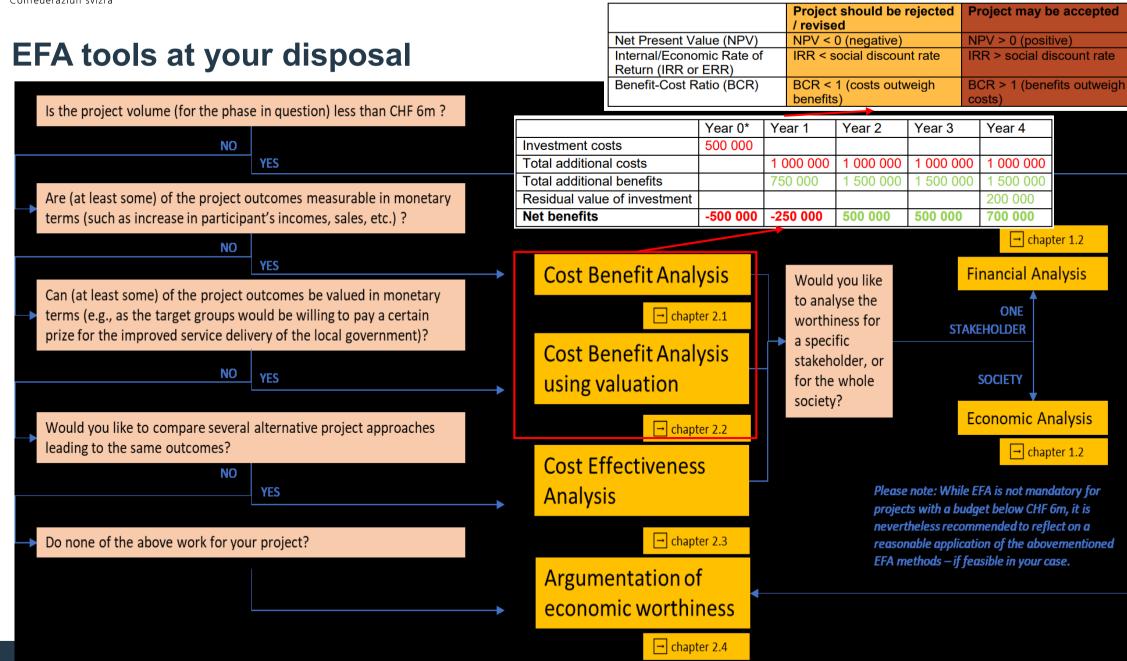
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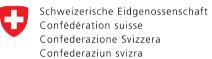
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### EFA as a continuous process









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# Economic VSD CBA



The solution of projects and programme is increasingly in dense have how more toureffectiveness of projects and programme is increasingly in dense and and value of overome has become a buzzword not only among development banks but also in the assessment of credit proposals at 50°Cs headquarters. In April 2015 SDC's Dually Assume thus published and updated How-to-Note, on which this introduction is based. Besides this note, an open access elearning tool has been developed in cooperation with NADEL. For all general (not VSD specific) quartics, please method to break the sources.

#### → CBA in VSD – some basics

The purposes mentioned above do also apply to VSD. In the application and assessment of a new project idea as well as in monitoring and project evaluations we would like to know if the expected benefits from this intervention are greater than its costs (is the investment work if '2) – and if here might be cheaper alternatives producing equal outcomes. The tangible benefits of VSD consist primarily of employment and thus of higher incomes for graduates, while costs are mainly bound builds sector, relating to training express such as investments into school buildings, equipment and trainers' salaries. However, there are a few other points that need to be taken into account when considering the rather complex context of VSD projects.

Therefore, this introductory note and the accompanying Excel workbook [Link to Shareweb] have been developed. Their aim is to support SDC program officers, project implementars, consultants and other stakeholders in assessing costs and benefits of VSD interventions, be it in the planning stage of a project (ex. aris), for monitoring purposes (ex. inter) or as part of a mid-term or end of phase evaluation (ex. poul).

In focusing on costs and benefits for a large range of stakeholders (e.g. traineesigraduates and their families, training providers and prospective employers), we adopt an approach known as 'economic analysis'. An economic analysis is concerned with all the costs and benefits of

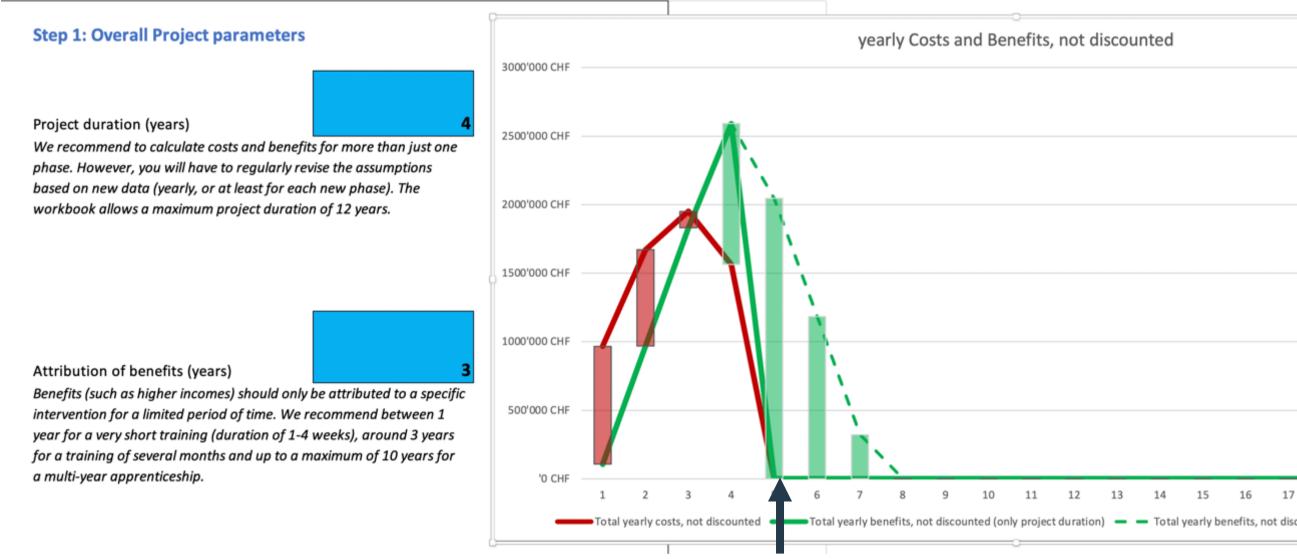
Please have a look at the above mentioned How-to-Note of SDC's Quality Assurance for a better understanding of the differences between an economic and a financial CBA.

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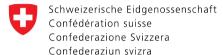


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#### End of project phase



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### **Financial VSD CBA**

#### Example for a Financial Analysis in Vocational Skills Development (VSD)

The Germany-Pakistan Training Initiative (GPATI), implemented by GIZ, piloted the applicability of a cooperative Vocational Education and Training approach according to the Pakistani context. In this pilot, leading Pakistani and multinational companies like Suzuki, General Tyre and Siemens provided work-based training for different occupations. In order to bring additional companies on board and respond to the often-voiced assumption that participating in Vocational Education and Training results is a loss for private companies, the project in 2019 mandated a **financial Cost Benefit Analysis**.

The analysis compared the monthly training costs incurred by the firms (direct costs) with the productive output generated by the trainees (direct benefits) and the savings on hiring and induction costs when a trainee stays with the company (downstream benefits). The CBA concluded that the five interviewed companies on average saved PKR 462,000 on recruitment costs and thus achieved a net benefit.<sup>1</sup>

More resource and information available on the DCdVET's website: Cost-Benefit Considerations for Companies Engaging in Dual VET (<u>https://www.dcdualvet.org/en/newsletter/dc-dvet-newsletter-august-2021-focus-cost-benefit-</u> considerations-for-companies-in-dual-vet/)

1: Return on investment or an investment without return? A cost-benefit ration analysis of in-company training in Pakistan (https://www.dcdualvet.org/wp-content/uploads/2019\_GIZ\_Return-on-investment-Build4skills-Pakistan\_short.pdf)

# **Questions up for discussion:**

What are your experiences conducting CBAs or other Economic / Financial Analyses (EFAs) for VSD projects?

Do such analyses have an impact on project results? What is needed to ensure that they are useful (and don't just end up in a drawer)?

Have you been using some of the tools presented (new or old SDC How-to-Note on EFA, working aid and excel template for VSD CBAs)? Have they been useful?

- Is there need for more guidance, more standardization?What would you recommend?





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Thank you!



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#### Document details

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24 August 2022

#### Authors

Andrea Inglin, SDC Roman Troxler, KEK – CDC

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