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SDC Working Group on Vocational Skills Development and the Market Systems Development Approach

Synthesis

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Annex 1 Who participated?

1 Why this topic and this working group?

Market systems development (MSD)[1] has become an important instrument in many of SDC's projects in the field of employment and income (e+i), notably in private sector development (PSD). Recently, organisations supporting MSD declared the aim to spill-over the MSD approach into other sectors, such as education and VSD. SDC's Western Balkan Division has pioneered within SDC and launched a series of MSD projects under their overarching topic "youth employment" in Albania, Bosnia and Herzegovina, Kosovo, and Macedonia. However, not all of these projects are addressing VSD directly. More projects applying MSD in VSD contexts are run in Bangladesh and Egypt. Other SDC projects using the MSD approach in the VSD sector are not on the agenda so far or not known to the working group.

Helvetas Swiss Intercooperation offered a MSD training course in December 2013, in which a group of persons from SDC and partners participated and worked on the EYE project Kosovo as an example for a VSD project applying the MSD approach. The group found the discussion on the applicability of MSD to the VSD sector / to VSD projects fruitful, but challenging. It remained open in how far the MSD approach is really promising for VSD projects and how MSD could be best used in such a theme. The group unanimously shared the idea to continue and deepen this discussion within the context of a small SDC working group including some selected strategic partners knowledgeable about and experienced with MSD and VSD.

The working group aimed to:

- offer a forum to deepen the discussions on the use of MSD for VSD
- identify and describe the potential use and the main challenges of applying MSD for VSD projects, including ideas how to work-around
- formulate hypotheses on if, when and how to apply MSD for VSD interventions.

2 How did the working group approach the topic?

The working group was kept small, mainly gathering SDC staff from HQ and some selected strategic partners knowledgeable about MSD and experienced with VSD.

The working group treated the topic based on concrete cases (no. 1 was health worker developed in the context of Katalyst/Bangladesh, no. 2 was Albvet of Albania, no. 3 was EYE / Kosovo, and no. 4 was Enhancing Youth Employment in the Gaza Strip). Based on the cases, the group developed also considerations on a more general level.

The working group met physically and was moderated. Each session was prepared with some selected reading and allowed for a maximum of discussion and exchange time. Each session was documented with a memo.

From the very beginning on, it was planned to have not more than two to maximum five meetings, in order to allow for a lean process. It was planned to close the working group

[1] In this paper, we use the term market systems development approach (MSD) interchangeably with the making markets work for the poor approach (M4P).

in September 2014 at the latest. The fourth and last meeting was held on September 23rd 2014.

3 What are the findings of the working group?

The following results are presented as hypotheses regarding the potential and the challenges of applying an MSD perspective in VSD projects. Evidence on applying MSD in VSD projects is rather limited. Nevertheless, these results claim to be a valid appreciation of the issue at stake and an input into the discussion around the topic.

3.1 The twin objective of VSD and its implications for MSD

Reviewing existing projects using MSD on VSD indicates that MSD approach tends to vision VSD systems merely as a provider for marketable skills, in order to meet a demand in the labour market and improve employability. This is a rather utilitarian and limited vision that conflicts in at least three dimensions with the understanding of VSD present in the working group, especially if it comes to initial vocational training for young people, but also when dealing with continuous training or labour market insertion:

Public provision of initial training: Since MSD is a market-based approach, it strongly tends to opt for market-based solutions. Yet, in many cases around the world, VSD is provided by public actors. This is especially true for initial training. Indeed, here,market self-regulation does usually not take place with acceptable results in relation to poverty reduction, and market-based services are not available to the groups SDC usually targets. For instance, a market-based approach considers that users of a VSD system are informed with at least some freedom of choice, while in SDCs realities, this is usually not the case: Users of educational offers usually have no choice at all – too remote, no funds, no fulfilment of access criteria. Therefore, in VSD provision the state has a different role to play than in typical private sector development. This fact limits the benefit one could expect from applying MSD to VSD in many contexts.

However, the MSD approach might be a valuable fit in those contexts and/or educational levels where the private sector plays a stronger role in VSD – these contexts are growing today – and where this results in acceptable access to education for all, and in acceptable educational outcomes for all. Increasing private actors' involvement often requires government action since VSD is usually quite regulated. Moreover, a strong regulation role is needed to warrant quality for an expanding and diversified VSD supply.

Initial training as part of the basic right to education: improving access to employment, is an important dimension of VSD but its aim goes beyond: As an education process it also includes elements of citizenship and personal development. Access to VSD –initial training in particular- should be considered as part of a basic right. It is therefore about much more than only developing immediately marketable skills. We might face here also a serious clash of VSD traditions and understanding between the dual system, which places a stronger emphasis on the inclusion and collective dimension of VSD, and the Anglo-Saxon Competency based education and training system, with an individualistic vision, where MSD might be a better fit.

VSD as a value rather than a product: by considering VSD as provider of skills in order to fulfil labour market's demand, MSD projects seem to understand skills as a rather uniform product that can be described, defined, developed, and sold. However, educational outcomes are much more than a product and VSD systems an important societal sub-system addressing a complex set of demands, both economic and social.

VSD goes far beyond the perspective often found in MSD projects addressing VSD not as its main domain of intervention but rather as a secondary activity

3.2 Systemic analysis: elements useful for VSD and challenges

MSD suggests consistent systemic analysis in complex multi-stakeholder-settings defined by relationships among key actors and institutions, as VSD usually is. The MSD approach aims at 'thinking things through', consequently questioning unchallenged assumptions – it basically suggests to continue asking the question "why" – and it offers some guidance and instruments for doing it. Systemic analysis as brought forward by the MSD approach is defined by some key elements potentially useful for VSD too:

- it suggests a thorough functional and structural analysis of a VSD system, by using some key instruments like the doughnut or the sustainability matrix (focusing on who does and pays now and who will in the future) among others. By doing so, it calls for looking beyond structural and functional VSD system boundaries (including for instance sector specific economic and social demand, existing formal, non-formal and informal VSD supply), and therefore for understanding the VSD system as an interrelated system that fulfils a context-specific social and economic function;

- it suggests to identify 'trigger points' for action in order to cause lasting effecst with high outreach, based on the idea that changeable key bottlenecks or root causes for the malfunctioning of the system can be identified;

- it calls for continued analysing throughout implementation (constant analysis), and for being constantly alert for changes and for catching opportunities;

- it always focuses on concrete sector specific analysis of demand and supply, in order to identify sectors with growth potential and that offers employment/income perspective for the target group.

This systemic analysis dimension can be beneficial to any project, including VSD projects. However, VSD has specificities that need to be acknowledged and taken into account. Given its singularities, when applying systemic analysis in VSD, one has to consider the following:

- In VSD, the training process should be considered to be the core function, instead of a market; and training processes are not always market driven.

- As indicated earlier, there is a double demand to be met by VSD: the social demand (demand for VSD from persons/target groups) and the economic demand (demand for qualified workers by the labour market). This twin demand has to be included thorough the systemic analysis. For instance, public actors can be considered as the main responsible for paying for VSD considered as a right.

- Education systems belong to the most rigid systems all over the world – in general and in particular compared to market systems. It can take many months and years for changes to take place and to be integrated into the system. Changes therefore have to be seen as processes which need to be accompanied over a certain period of time. Short facilitation inputs aimed at copying and crowding in as foreseen in the MSD approach might therefore not work as effectively as in classical market systems. When applying MSD in VSD projects, one might risk focusing on outreach and fast delivery, and therefore neglecting important functions of VSD because they simply take too much time to develop and deliver.

3.3 The flexibility principle

Flexibility is an important principle for projects that follow a MSD logic. Flexibility means a culture of constant analysis, being alert on how the project and its context develop, which requires high levels of analytical skills. It also means being open for changing what you do in order to achieve your goal. It is basically a strong statement against strictly implementing a given LogFrame based on a planning done years before. This brings potentials as well as challenges for VSD interventions:

Potential: Projects possibly get less hung-up with their pilot ideas that possibly never materialize. They allow themselves to remain critical on what they do and how they do and to change strategy if necessary.

Challenge: Projects might rather opt for the 'easy way' instead of insisting, or in other words: projects risk to get rid of something too early. Especially in VSD-contexts, where many things take time to unfold and impact, impatience might be a major risk, while patience is an important virtue in educational contexts.

3.4 The facilitation principle

Facilitation refers to the principle that no development project should assume any role or function that belongs to a local actor, and if it does, it should have a clear strategy on how to sustainably hand over that function to an existing or to be established actor.

Potential: If consequently followed and well adapted to the logic of the system(s), a facilitative approach might strongly support sustainability.

Challenge: The challenge VSD projects face here is that VSD systems are very often very poorly developed and sourced. This means that important functions are simply inoperable and actors are often not available. The strategy of facilitation-only might sometimes limit projects design and implementation options. In addition, with MSD, thanks to various different activities for limited time, a lot of results appear to be achieved, but the attribution gap may be often higher compared to "more traditional" approaches.

3.5 The sustainability vision

MSD calls for consequently applying a sustainability vision from the very beginning on. This vision results in projects that facilitate, provide expertise and analysis. Projects provide less direct provision and try to avoid assuming roles and functions local actors should fill in. This goes closely together with the above mentioned facilitation principle.

Potential: The sustainability principle does not conflict with the VSD topic in any way. The sustainability matrix of the MSD approach could be a useful tool also for VSD projects.

Challenge: One should add the question "Who is responsible for?" to the set of key questions and grid of the functional analysis suggested by MSD. In VSD, responsibility or ownership for a certain profession or job profile is a key function and dimension next to implementing and financing. It often differs from the other two and is subject to project initiatives. Furthermore, sustainability in VSD has multiple layers including sustainability at the level of the learner, the training content, the training provider, the financing of the VSD offers/system and the regulations. Not all of these layers can be addressed simultaneously and often also not by a single project.

3.6 Outreach

Outreach and growth potential are important dimensions of MSD thinking. MSD stresses the basic idea in development that any intervention should finally reach out to as many poor people as possible and make their lives better.

Potential: In many countries the state does not have the necessary resources and governing structures to increase outreach in VSD (e.g. in many African and Latin American partner countries of SDC). In such cases, only the private sector can mobilize the funds needed. MSD, with its private sector language and its inclination to look beyond current systems' boundaries makes it a useful tool to deal with the private sector.

Challenge: In VSD outreach should be critically assessed. On the one hand, beyond increasing the numbers of VSD participants, the quality dimension should also be addressed. On the other hand, indirect outreach has to be considered as well: people benefiting from pilot interventions and national policy dialogue through improved VSD for instance. Also, VSD represents a strategic investment into innovation, competitiveness and productivity, and therefore as a contribution to economic development and job creation that should - finally but indirectly - also benefit the poor. Quality and indirect outreach are compatible with the MSD approach, as long as the project intervention has a clear and plausible plan on how quality outreach and indirect outreach finally unfolds into bigger outreach in the end. The challenge then is to measure indirect outreach as it often only materialises after the project has already ended (e.g. when graduates have taken over a management position or opened their own company with employees). Such long time horizons are not always accepted by donors.

Challenge: In VSD we have to deal with a delicate public service that often belongs to the few public offers reaching everybody (or at least supposed to do so). VSD is education and therefore a highly political issue, comparable to other basic state services such as water, electricity, security or health. At the same time, VSD has a status similar to a social safety net in many of SDCs partner countries, dealing with the poor performing students only. The interest of the private sector in (formal) VSD is often extremely limited.

4 Conclusion

Several distinctive features of VSD have consequences when analyzing when and how to use MSD. First, VSD has a twin objective: On the one hand, provide skills that are demanded by the labor market and secure the labor force volume and quality needed for the well-being and development of societies. On the other hand, equip people with the skills needed for (self-)employment and integrate into society. These include technical skills as well as those needed for active citizenship. In addition, in many countries VSD has a status similar to a social safety net, ensuring inclusion of students who won't pursue their educational trajectory into the highest levels of the educational system. In this sense VSD is a means for social participation and social cohesion.

Second, VSD encompasses a number of sub-systems for different groups and different targets, ranging from initial training for youth to continuous training for professionals, with varying levels of basic competences and different expectations regarding training. In initial training, the social function VSD tends to be stronger whereas the economic aspect tends to be more important in continuous training. Simultaneously, the role of public actors in VSD tends to have a higher importance in initial training than in continuous training, where private actors and mechanisms tend to be more active. Nonetheless the involvement of public and private actors varies strongly in different

contexts and in some countries public actors may be weakly or event absent even in initial VSD. The twin function of VSD, its intrinsic diversity and the context are factors that strongly influence the potential of MSD and ways of applying it.

Throughout the working group's discussion there has been a tension between two understandings of what is MSD: on the one hand, a set of good development practices seeking sustainability and outreach, on the other hand, an approach promoting market-based solutions for development initiatives.

If we understand MSD as a collection of good development practices, then MSD is rather about 'how we do things' than about 'what we do'. Important key principles of MSD are valuable for VSD projects too, like the flexibility-principle, the facilitation-principle, the strict focus on sustainability and an emphasis on outreach. Those principles are not new to SDC's VSD projects, though. A distinctive characteristic of VSD is that, as all education process, changes take time to happen. Processes may need to be accompanied over a longer period of time and a facilitation-only approach can be limitative. In addition, outreach, especially indirect outreach, often materializes when trainees have graduated and are inserted in the labor market, which requires a longer time horizon.

MSD offers tool that are useful for VSD, such as the doughnut and the sustainability matrix: The doughnut looks at VSD together with interrelated systems and subsystems and helps identifying trigger points for action. The sustainability matrix helps addressing from the very beginning the questions of who is and will be doing now and in the future, once the project ends, and who is/will be paying. Taking into account the social dimension of VSD and the involvement of public actors can be easily included in these tools.

In order to reach sustainability and outreach, MSD tends to promote market-based solutions and a stronger inclusion of private actors and market mechanisms. This requires caution in a theme like VSD where the social dimension is significant and where public actors are often prominent and may warrant training access and quality for all. Increasing private actors' involvement often requires a change in the role played by the state, with greater regulation power.

In VSD the potential of involving private actors and including market mechanism is uneven. Generally speaking, it is stronger in the highest levels of the VSD system than in its initial levels. When the potential exists and when there is an interest from the the private sector to getting involved, the MSD approach may help understanding the private sector perspective and therefore support cooperation with the private sector.

The nature and complexity of VSD implies that thematic knowledge is needed when envisaging applying a MSD lens to VSD. The predominant MSD-discourse gives the impression that projects are MSD-projects rather than thematic projects. On the contrary, thematic knowledge and experience on VSD remain inevitable preconditions for developing meaningful analysis on VSD. MSD does not replace or challenge thematic knowledge, but it might reasonably support it by offering some well-thought instruments to it.

5 How will this go on?

The working group favours deepening the work done so far by adding a field perspective and key partners perspectives to it, e.g. by discussing this paper at a face-to-face event or by discussing it online.

SDCs e+i network understands this paper also as an adding to the discussions on the topic of MSD and VSD. A decision on how to take this further is not yet taken.

Annex 1 Who participated?

The working group was convening at SDC HQ in Bern and open to SDC HQ staff interested in the topic. SDC invited key partners applying MSD in VSD projects, namely representatives of Swisscontact and Helvetas Swiss Intercooperation. The following persons participated in at least one of the meetings and have been asked for feedback to a first draft of this synthesis paper:

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