

IS MONEY THE SOLUTION?

International Financial Institutions
investing in the future of skills





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ESKI

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FOREWORD

On 9 May 2023, the European Union officially launched the 'European Year of Skills' with a vision to empower people to have the right skills for quality jobs and support companies in addressing skill shortages in Europe. This initiative emphasises the importance of increased investment, enhanced collaboration, better matching, and attracting talent. The Year of Skills is European at heart but global in its soul. Key issues call for the attention of stakeholders in the EU and beyond to advance towards a fair and just twin transition, and address challenges such as transforming labour market systems, skills shortages, demography, technology and societal needs. These call for an international reflection and synergies to deliver on the UN 2030 sustainable development goals and progress towards economies and societies that are human centric and inclusive.

What does it take to get there? Is money all it takes? Is it about vision and political will? Money alone has not solved the issues at stake. Despite increased attention and investments in education and skills development, there is a significant gap in meeting needs and finding solutions. Recent examples show that unless investments are supported by coherent policies, aligned with a clear vision and framed within well-coordinated processes, they are unlikely to lead to impactful results. Moreover, for these investments to bear fruit, it is essential to identify skills needs early and evaluate their potential for social inclusion and impact.

Bearing in mind the interplay between financing and skills development, the European Training Foundation (ETF) initiated a fruitful dialogue with international financial institutions. Although it was an unconventional move for an organisation dedicated to human capital development, this dialogue evolved into a partnership, showcasing (or demonstrating?) the ETF's role as a global knowledge hub. This collaboration with financial institutions has revealed new possibilities for further cooperation on both a thematic and a geographical basis to increase efficiency and social dimension of investments.

This publication is a key result of our collaboration, combining insights from financial institutions, European Union policies, the ETF's expertise in providing policy advice, and perspectives from the European University Institute. It highlights different

initiatives undertaken by financial institutions to support skills development, encompassing education and training of young people, adults, people in employment, as well as those in fragile contexts.

I am confident that this publication will shed more light on the global commitment to overcome the human capital development challenges, supporting skills development and achieving tangible results through partnerships and cooperation.

As the 'European Year of Skills' concludes in 2024, our work on skills development is far from over. As an EU agency, the European Training Foundation, will continue to apply its unique mandate to ensure that skills development remains centre stage in the transformation of countries and continues to be a powerful asset for individuals, economies and societies. As ETF we are specialised in bridging the offer of the education systems and the needs of labour markets through the holistic skills agenda and related analyses.

The twin transition and the related fundamental needs in re-skilling and up-skilling provide us as humankind a unique position. Unlike with many other development goals we are all in the same boat with similar needs and challenges as countries, regions and individuals. The smart collaboration in green and digital investments recognising the role of skills can therefore be decisive and ground-breaking.

INTRODUCTORY NOTE

Donatella Di Vozzo

Human Capital Development Expert, Coordinator for Cooperation with IFIs
Policy Advice and EU Programming Unit, ETF

At the start of the European Year of Skills, the European Training Foundation (ETF) set an important target: encouraging the European Union to look beyond its borders in its future policies and actions. This broader perspective aimed to enrich EU policies and build bridges outside its borders for mutual benefits.

The reality across EU partner countries is complex and highly diverse. Yet, beyond each unique national context, common global trends are exerting influence on all of them: demographic shifts, a widening gap in global education financing alongside an expected decrease in global public education spending, and escalating fiscal pressures caused by the need to address multiple crises are among the most pressing issues.

In a context of competing priorities and limited resources, there is an urgent need to explore new financing mechanisms in order to maximise the use of existing resources and unlock additional funding for global education and skills development. The Neighbourhood, Development and International Cooperation Instrument (NDICI) and Global Gateway stand as the two principal financial and strategic pillars of the EU's external action. They have introduced innovative tools such as the European Fund for Sustainable Development (EFSD+) and the External Action Guarantee, along with a renewed commitment to operate under a Team Europe approach, bringing together the EU, its Member States, and their financial and development institutions.

All these instruments and organisations share a common goal: making “smart investments” to tackle poverty, advance sustainable development, foster prosperity, and ensure peace and stability. At the core of this collective mission lies the crucial – and challenging – connection between the “smart” and “sustainable” dimensions of each investment. Building and reinforcing this nexus is the key to this task, and to the ETF's broader contribution to achieving these shared goals.

The EU enlargement agenda – alongside challenges such as skills shortages and the internationalisation of education and training, labour mobility and new

forms of work – calls for renewed attention to skills-related issues. These include the needs of individuals, the objectives of emerging economies and societies, along with a global commitment to a fair and just twin transition.

Advising governments and supporting the identification of skills needs and the development of lifelong learning systems is at the core of the ETF's mandate. This role is especially crucial amidst the fast-changing needs of current and future transformations, which are increasingly characterised by technological adaptation, demands for inclusivity and equity, and the challenges faced by communities in turmoil, fragility or conflict.

The issues at stake in ETF partner countries are unprecedented, with escalating needs in highly volatile contexts, including areas affected by conflict and natural disasters. The aftermath of the pandemic on education and training systems – along with labour market accessibility and employability for young people and adults – has yet to stabilise. This instability is leading to declining educational outcomes, heightened dropout risks, and growing disparities in countries where the ETF is active. Despite considerable investments over the past decades, many countries are still struggling to find a harmonised, sustainable and human-centric approach to supporting education and training systems.

In collaboration with various departments and services of the European Commission (EC), the ETF has explored the strategies, priorities and future directions of international financial and development organisations concerning the education, training and skills dimensions of their initiatives in international partnerships. This approach has resulted in the

INTERNATIONAL PARTNERSHIPS

establishment of work programmes with several international financial institutions (IFIs) over the last few years. This collaboration is particularly important in the wake of substantial recovery and reconstruction projects in countries such as Ukraine, where coordinated investment strategies are essential.

IFIs operate within investment frameworks that emphasise policy alignment and responsiveness to client needs, prioritising projects that enhance labour market inclusion, address labour shortages, support the reduction of poverty and wage gaps, and increase access to opportunities for learners of any age, including adult upskilling and reskilling.

Despite a global increase in investments focused on skills development, mere ambition is insufficient. It is imperative for the sustainability of societies and economies to position skills development as a fundamental component of investment strategies aimed at transformation, inclusion and socio-economic development. The challenge lies in devising an integrated investment approach that brings together financial, economic and human development goals.

This publication seeks to bring together all relevant stakeholders to discuss this issue, encouraging contributions that collectively shape a global investment and priority landscape in the area of skills development. A comprehensive analysis of the contributions lays the foundation for a strategic understanding of policy alignment, priority setting, and the potential for collaborative solutions and partnerships worldwide.

The publication begins with a chapter by the European Commission's Directorate General for European Neighbourhood and Enlargement Negotiations (DG NEAR), outlining EU priorities. It is followed by an ETF perspective on the future of skills. The next section, comprising contributions from the IFIs, discusses strategic priorities, tools and case studies, highlighting potential synergies

and complementarities that could help to speed up progress towards the 2030 agenda and beyond. Expert contributions catering to specific reader interests accompany the publication; a forward-looking summary brings it to a close.


As an EU agency working at the intersection of education, training and employability in countries outside the EU, with this publication the ETF aims to enhance its services, and strengthen the links between policy priorities in human capital, skills, education and training systems, and the priorities of financial investments. In turn, this cooperation will support both the European Commission and the IFIs in making investments that are not only sustainable, but that also empower individuals with the necessary skills to ensure that such investments are long-lasting and successful.



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ACKNOWLEDGEMENTS

The ETF would like to thank all the International Financial Institutions, the European Commission's Directorate General for European Neighbourhood and Enlargement Negotiations and the European University Institute for their invaluable contributions and dedicated effort towards this publication. Their insights, open sharing of strategic priorities and calls to action represent a unique opportunity to highlight the importance of skills in the context of global investments.

Donatella Di Vozzo, ETF human capital development expert responsible for cooperation with IFIs, played a central role in bringing this publication to life. The publication falls under the responsibility of the ETF's Policy Advice and EU Programming Unit, with Georgios Zisimos, the Head of Unit, overseeing its coordination.

The ETF also wishes to extend special thanks to Manuela Prina, Head of the Skills Identification and Development Unit, the ETF Communications Team, and in particular Andriy Brashchayko (trainee), for their exceptional support and contributions to this project.

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ABBREVIATIONS AND ACRONYMS

AI – Artificial Intelligence

EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortisation

EIB – European Investment Bank

ESG – Environmental, Social and Governance

ETF – European Training Foundation

EU – European Union

IFI – International Financial Institution

MSME – Micro, Small and Medium Enterprise

NGO – Non-Governmental Organisation

SDG – Sustainable Development Goal

SME – Small and Medium Enterprise

STEM – Science, Technology, Engineering and Mathematics

TVET – Technical and Vocational Education and Training

UN – United Nations

VET – Vocational Education and Training

WEF – World Economic Forum





SECTION 1. EUROPEAN UNION AND SKILLS DEVELOPMENT



Mathieu Bousquet

Director DG NEAR A: thematic support,
coordination of policy and financial instruments



DG NEAR: Directorate General
for European Neighbourhood and
Enlargement Negotiations

Why do skills matter?

Skills and education are an essential part of wellbeing and economic prosperity. We know that good education translates into a skilled and knowledgeable workforce, which is vital for a successful and competitive economy. When faced with external shocks – like pandemics, natural disasters and war – well-educated societies are also better equipped to respond. It's also important to recall the direct correlation between education and various health indicators, including mortality. Education and skills are therefore a very important priority for us. One way in which we foster education and skills development is by bringing countries closer to the EU. The ERASMUS+ programme, for example, has become a real EU trademark. Similarly, we invest substantially in strengthening quality of education, access to education but also green and digital skills.

“If we want to work with the private sector, we need to consider what they want. And what they want – when they see a risky investment – is guarantees”

“Without skills there will be no investments: investments and skills development go hand in hand”

**SKILLS
AGREEN**

What is the role of IFIs in human capital development?

Our programmes will have only a limited impact if they are disconnected from the broader investment framework. For several years already we have had substantial cooperation with IFIs in supporting both capacity building and infrastructure investments in our partner countries. We are now increasingly extending that to innovation and skills. As an example, we currently guarantee €70 million in loans to Serbia for training teachers in digital skills, as well as new digital equipment and digital infrastructure.

One of the priorities for us is to incorporate skills into the design process for all our investments. That's what the "policy first" approach is all about: we want to focus on assisting our partner countries in their reform agendas and bringing them closer to the EU. Without skills there will be no investments: investments and skills development go hand in hand. This is especially vital in the context of our support for the green and digital transitions, where new and enhanced skills are required for countries to adapt successfully.

"It's not about public or private, but about working together to achieve the same objectives and deliver real benefits to people"

How is the EU's investment framework evolving?

We are witnessing a paradigm shift in the way in which the EU deploys its support to partner countries. Traditionally we used a project-based approach, focused on grants. Progressively over the last 20 years – once transparency and good governance were in place – we moved to budget support (i.e. payments into the state budget) which gave partner countries full ownership and put them in the driving seat.

Then, in 2007, we introduced blending. It made no sense for us to have our own programmes, and for a country to be taking loans in parallel from IFIs. With blending, a single programme can contain a loan from IFIs, to which we then add a grant to cover technical assistance or other specific elements (for instance, targeted investments). It's a way of maximising the added value of each programme, and we now have strong platforms for blending in place in every region, including the Western Balkans, Türkiye, and the neighbourhood countries. The idea is to integrate human capital and skills development into all our projects.

But public finance isn't enough: we need to work with the private sector too. To this end, we launched the European Fund for Sustainable Development (EFSD) in 2017. It's our way of leveraging public and private funds to support sustainable development projects. On top of grants and loans to government, we also provide guarantees to attract the private sector.

This transition from grants to guarantees is a paradigm shift. If we want to work with the private sector, we need to consider what they want. And what they want – when they see a risky investment – is guarantees. Therefore, if we think a project is viable, we cover part of the loss in the event of its failure. Often the private sector doesn't actually want a grant; it simply wants to de-risk its investment.

WDA
IN PARTNER
COUNTRIES

How do these guarantees work in practice?

We want to use guarantees in key areas of strategic interest where the market isn't working. When the market conditions have normalised, we can step out and let the market do its thing.

The enhanced firepower from guarantees allows us to broaden our scope of action and address a wider range of policy priorities in partner countries. The EFSD+ programme makes €40 billion available to IFIs with favourable conditions. The IFIs match our guarantees with their own resources, which in turn attracts even more investors. This way, we have the potential to collectively mobilise not just billions, but trillions in support of the SDGs.

The transformative power of this new form of aid is incredible. It's not about public or private, but about working together to achieve the same objectives and deliver real benefits to people. When we apply it today, we also want more and better investments in human capital development. As we have seen, investing in human capital is vital to improve the wellbeing of individuals and societies. We have to act now, to instil it in the economic development agenda of our partner countries.

How do you ensure that the skills dimension is included in investment projects?

We do this in several different ways. One of them is by investing directly in human capital development: EFSD+ includes a human capital investment window, and we have been looking for projects that specifically target that. But we need to do more to attract proposals from IFIs on this, as part of our effort to foster "policy first" projects that specifically focus on human capital development.

We also build human capital development into existing projects. In energy projects, for example, we can think about the skills dimension and developing local skills to boost value chains. Analysing the human capital and skills dimension of any project is becoming very important, because if your project is disconnected from the skills agenda, you're going nowhere.

And that's where the ETF comes in, with over 20 years' experience at the crossroads of education and the labour market. We're actively supporting the partnership between the ETF and the EIB. This alliance will make it possible for the ETF to support the EIB in the preparation of impactful public investment projects to be financed with the support of the EU guarantee. This is part of our effort to design dedicated policy mechanisms to analyse how skills, social inclusion, equality and equity are being taken into account in investment projects. Today, human capital development is at the centre of our activity.



Empowering Skills for the Future

Manuela Prina

Head of Skills Identification and Development Unit, ETF

The EU's commitment to skills development, as outlined in the European Skills Agenda and the European Year of Skills 2023, is a multifaceted approach aimed at enhancing the workforce's capabilities to meet the demands of a rapidly changing economy. This commitment to skills development is more than a policy initiative, it is a recognition of the fundamental role that skills play in driving economic growth, social cohesion, and sustainable development. Skills are integral to economic growth, since they fuel innovation, enhance productivity, and ensure adaptability in a dynamic market. A skilled workforce attracts investment, promotes sectoral development, and drives international competitiveness. Moreover, skills foster equitable growth, narrowing income disparities and empowering individuals through improved employment prospects. Thus, investing in skills development is not just a policy choice, but a strategic imperative for sustainable and inclusive economic and social development.

The demand for skills in the labour market is ever-changing, shaped by factors such as technological advances, environmental sustainability, and global competition. Central to this transformation is the rising importance of digital and green skills, the emerging learning crisis impacting both young generations and adults, and the urgent need for skills required by the labour market. The latter reflects a worldwide shift towards digitisation and sustainability, and the increased demand for addressing social needs within communities impacted by crisis, conflict and fragility.

Drawing insights from the European Training Foundation's cross-country report on the future of skills, the intersection of digital and green skills is reshaping the labour market, creating new job profiles that demand expertise in both areas. Yet investments in sectors such as energy often overlook the need for skills development, and the need to differentiate skills provision for users of services, workers in the sector, and policy shapers who are required to accompany change with adequate policy frameworks.

Traditional roles are adapting, with jobs like farming and agronomy integrating new technologies. Emerging roles such as 'technology translators' and industry-specific engineers show the growing intersection of disciplines, requiring a workforce skilled not only in their primary area but also capable of collaborating across various fields. The concept of the "T-shaped" professional is becoming increasingly relevant, indicating individuals with deep expertise in a specific area and a broad understanding of related fields. This shift emphasises the need for adaptability and versatility in the modern workforce. A skilled workforce is essential to effectively implement, manage, and innovate within any sector, making human capital development a key component of investment strategies to ensure long-term growth and competitive advantage.

The rapid green transition reshapes skills demands, impacting sectors and skill levels universally. Innovations in sustainability and resource management, such as efficient water use in agriculture and energy-efficient systems in various industries, are driving the need for new technical and managerial skills. The European Skills Agenda underscores the urgency of adapting skills for the

digital and green transitions. The success of this transition hinges on equipping individuals with the necessary skills. As industries adopt green technologies and practices, education systems must adapt, promoting multidisciplinary skills and lifelong learning to meet the evolving demands of the green economy and ensure a sustainable, skilled workforce.

However, transitioning to this future of skilled labour presents challenges. Gaps exist in aligning education with industry needs, and in applying theoretical knowledge in practical settings. Addressing these gaps requires coordinated efforts from governments, educational institutions, and industries to ensure the workforce is equipped for the demands of tomorrow's economy.

Addressing new skills demands calls for modernising education – and particularly vocational training – to align with the technological evolution of industry. Bridging the gap between academic knowledge and practical industry skills is vital, highlighting the role of work-based learning and collaboration between educational institutions and industries. Additionally, empowering educators to leverage technology in teaching and establishing strong partnerships among stakeholders are vital in adapting to labour market changes.

Integrating skills at all levels of sectoral investment is crucial for sustainable development and economic growth. However, the effectiveness of such investments is often limited by the lack of a skilled workforce to implement and maintain these technologies. Hence, incorporating a skills and employment component in sectoral investments ensures not only the adoption of technology, but also its effective utilisation and maintenance, thereby fostering long-term economic growth and sustainability.

SECTION 2.

EUROPEAN INVESTMENT BANK (EIB)



Markus Berndt

Deputy Managing Director
EIB Global



The European Investment Bank is the lending arm of the European Union. It is one of the biggest multilateral financial institutions in the world and one of the largest providers of climate finance. In 2023, the EIB signed a total of €75.14 billion and EIF signed a total of €14.91 billion of financing.

Foundation Year: 1958
Corporate Headquarters (HQ):
Luxembourg
Member Countries: 27

What is different about the EIB?

We're an AAA-rated institution backed by mandates of the European Union. That translates into low funding costs and attractive rates, allowing us to invest in projects with late pay-offs and long-term objectives. In education projects, for example, you need to be patient before you see the socio-economic returns.

We also have a lot of technical expertise. We have a wealth of sector specialists, so we come into an investment with a profusion of ideas alongside the financing. Because those experts are used to working in various regions and countries – both inside and outside the EU – it's a unique opportunity to share know-how and expertise.

And we offer a broad range of products. We provide finance to the public, private and sub-sovereign sectors alike. Those sectors are often treated separately. But we say: this is the objective, what's the best way to reach it?

Why should a bank care about skills?

For the EIB, there are two answers.

First of all, because we are the European Union's bank and we support its strategy. The core of the EU's external policy is the Global Gateway strategy, which aims to boost investment in key areas including education. So skills are an important element in the EU's foreign relations ambition, in order to offer economic opportunities for all, wherever they are.

But investing in skills also makes a lot of sense. Education and skills are closely linked to other parts of our agenda, like the energy transition. If you want a just transition, they're a core enabler. If you're serious about not leaving anyone behind in the transition, it's very important to foster the skills that go along with it. A strategy that didn't have skills as its central pillar would be very incomplete.

What key trends do you see impacting skills policies and investments over the next decade?

It's becoming more important for investments to have a direct and rapid impact on labour market dynamics. As a result of the societal challenges that countries are facing – a young population, for example – we're under pressure in a lot of countries to deliver fast. So we need to be very focused in the decisions we make on vocational training.

Investing in education and vocational training is a risky trend, but it's still very important. Right now the focus is on getting people off the street and into the official labour market, or on accompanying economic transitions – by creating new green jobs for coal miners, for example. It's driven by the urgent need to reduce social inequality. But as with all trends, we shouldn't lose sight of the big picture. Education is a system, and you need primary education along with all the rest. And within education, a lot of the value is contributed by infrastructure, whether that's school infrastructure, research labs or digitalisation.

How does the EIB contribute to skills development?

Our investments in education and VET target all drivers of better educational outcomes: educational facilities and equipment that are fit for purpose, better training for teachers and trainers, increasing the efficiency and effectiveness of investments, and supporting inclusion and gender equality. These criteria apply to all dimensions of our investments. So when we provide support to the private sector, we closely monitor the impact on skills development and sustainable jobs as an integral part of our action.

Our focus on inclusion in the labour market extends to the most vulnerable too, including young people, women, and refugees. For example, our support to microfinance in Jordan through the Microfund for Women (MFW) offers both financial and non-financial support to develop income-generating activities for women.

"It's becoming more important for investments to have a direct and rapid impact on labour market dynamics"

"If you're serious about not leaving anyone behind in the transition, it's very important to foster the skills that go along with it"

**REENOVATION
TRANSITION IN
LABOUR MARKET**



Innovative products

The Digital for Development (D4D) Hub is a strategic platform promoting a human-centric approach to closing the digital divide in EU partner countries.

As a partner in the D4D initiative, the EIB is making use of its “blending” facilities (which incorporate EIB loans with financing from the European Commission) to de-risk investments, attract private sector investors and support a digital transformation that works for ordinary people.

To increase domestic capacities and resources available to invest in green transition and infrastructure, the EIB has jointly developed the Global Green Bond Initiative (GGBI), which works with strategic partners to develop credible and coherent green bond frameworks. The GGBI will facilitate the flow of private capital from institutional investors into climate and environmental projects in EU partner countries, thereby increasing their access to capital.

The GGBI functions by providing technical assistance to green bond issuers in emerging markets and developing economies, and crowding-in private investors via a dedicated de-risked fund, which will act as an anchor investor in these economies’ green bonds. The fund’s impact could spur green investments totalling €15-20 billion.



Targeting skills

The EIB’s investments in education target all drivers of better educational outcomes – including educational facilities and pedagogical equipment that are fit for purpose, and better training for teachers and professors –while increasing the efficiency and effectiveness of investments, and supporting inclusion and gender equality.

The EIB works closely with relevant authorities and education institutions to ensure that assets financed by the bank contribute to improving pedagogical methods, and providing relevant content during this period of profound change.

Investments are guided by the principle that quality education should fit local demands and local needs, and be aligned with well-designed regional or national investment priorities.



Working for tomorrow

To support the Global Gateway initiative, the EIB’s new arm EIB Global fosters focused partnerships within Team Europe. EIB Global’s priority is to improve lives around the world by promoting skills, innovation and sustainable growth, and by reducing poverty and inequality – all fields in which education has a key role to play.

All EIB-supported projects are designed to have positive socio-economic impact and be financially sustainable. Their impact is measured by gathering a detailed set of output and outcome data for each project.

A mapping methodology defines the relationship between these project-level indicators and the SDGs. This approach takes the full range of interactions and interlinkages among SDGs into account.



CASE STUDY

Digital education in Serbia: Investing in good teachers

Students need good teachers to learn properly. So when Serbia decided to increase its digital education resources – including computer-assisted learning – training teachers to use them emerged as a clear priority.

As part of its ongoing support for education in Serbia, the EIB has provided a €70 million loan to back teacher training in digital skills, alongside upgrading digital infrastructure and digital teaching materials.

With the help of the EIB, all schools in Serbia have now gone digital, ensuring equal access to education for all Serbian children.

SECTION 3. EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)



Barbara Rambousek

Director for Gender and Economic Inclusion
European Bank for Reconstruction and
Development



European Bank

for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was established to help build a new, post-Cold War era in Central and Eastern Europe. It has since played a historic role and gained unique expertise in fostering change in the region - and beyond - investing more than €180 billion in over 6,800 projects.

Foundation Year: 1991
Corporate Headquarters (HQ): London
Member Countries: 71

What makes the EBRD different?

The EBRD is primarily a private sector investment bank with a public mandate. We invest in the private and public sector in order to create more sustainable, inclusive and green economies. As an institution, we have three interlinked corporate priorities: investing in climate action and the green transition, investing in people (human capital and gender equality), and investing in digitisation and new technology.

We use the leverage we have with our clients to achieve systemic change at company and sectoral level. In addition, we amplify the voice of the private sector to inform vocational education and skills standards reforms so that these are in line with the needs of employers and labour markets. We are investing in order to address skills mismatches and enhance cooperation between employers, education and training institutions, and public authorities.

Our partnership with the ETF is an essential way for us to achieve maximum impact. The EBRD and the ETF are complementary: they have a longstanding involvement with the public sector, and we bring the private sector on board. It's probably the most important partnership we have at the policy level, and we have recently strengthened our commitment by signing a new memorandum of understanding.

INCLUSION AND

**"We invest in order to shift the market
and make it behave differently"**

Why should a bank care about skills?

Our private sector focus is at the centre of our work on promoting human capital development. Companies invest in human capital to grow, to develop new products, and succeed in the market. There is therefore a solid business case for the private sector to invest in the skills and capacity of its workforce.

We engage with our clients as employers. So the questions we ask are: where are the skills gaps? What are this company's skills needs? What new technology is coming in? How can a company optimise its human capital in order to perform better? This is not a question of Corporate Social Responsibility, this is a clear business rationale.

We then work with our clients to build their capacity to change how they map skills gaps, forge partnerships with schools or TVET providers, or establish in-house training programmes to close these gaps.

Because if you invest in people across the workforce, you're actually investing in the business.

“All of our investments in Ukraine directly support human capital resilience. Rebuilding Ukraine has to go beyond bricks and mortar. It's about ensuring the country has the people and skills it needs now, as well as for a longer-term recovery”

What key trends do you see impacting skills policies and investments over the next decade?

Climate change is one of the major challenges of our time. It's threatening livelihoods and making the existing skills of many workers redundant, but it's also creating new opportunities. It requires us to retrain and reskill workers, and deploy new technologies. The challenge stretches from greening skills and jobs to integrating a focus on people – especially women – into climate finance. For instance, we've produced a gender-smart investment guide that helps clients to include gender equality in their green investments. We're also supporting our clients on providing access for women to STEM education, to open up careers for them in renewable energy.

War and fragility are another issue. The war in Ukraine is still raging in the heart of the EBRD region. We have invested €4 billion into Ukraine since the start of the war and are committed to scaling up our activities there going forward. All of our investments in Ukraine directly support human capital resilience. Rebuilding Ukraine has to go beyond bricks and mortar. It's about ensuring the country has the people and skills it needs now, as well as for a longer-term recovery.

And finally, there's digitisation and the impact of new technologies on labour markets. This is creating a new challenge as well as opportunities for companies, requiring upgraded skills across a broad range of different types of occupations and sectors. There is therefore an urgent need to develop the skills base, in order for companies to be able to apply these new technologies responsibly and effectively.

WAR
FRAGILITY



Innovative products

EBRD is working closely with partners to open up access to high-quality training, reskilling and upskilling for women and men, creating direct routes into high value-added employment in the renewable energy sector.

In Turkey, EBRD's energy client Borusan Enerji has designed the "Young Women in the Wind" initiative offering scholarships and mentorship opportunities to selected female students, and launched a series of career guidance events and job fairs for young women.

In Serbia, EBRD client MK Group is developing a new in-house training institution, and introducing new training courses focused on digital technologies in agribusiness.

EBRD is helping MK Group to collaborate with local universities and education authorities to integrate digital skills into national curricula and develop new skills standards for agrifood occupations.



Targeting skills

EBRD is supporting private sector clients in developing new accredited dual-learning programmes for market relevant skills. In Jordan, EBRD has helped the National Electric Power Company (NEPCO) to partner with Al Hussein Technical University to create a new apprenticeship programme focused on green and digital skills.

EBRD's inclusive procurement approach was implemented as part of North Macedonia's Regional Solid Waste Programme, which is opening up opportunities for women, youth and the Roma population to be trained in sector-relevant skills accompanied by internship opportunities.

EBRD actively fosters partnerships between employers, training providers, and education and labour authorities often through support to Sector Skills Councils.

EBRD supports the introduction of occupational skill standards, which enable companies to recruit based on transparent skills frameworks, and support training institutions in providing the skills employers need.



Working for tomorrow

EBRD's Just Transition Initiative will continue to ensure that investment in the low carbon economy also strengthens human capital, through reskilling and upskilling programmes and inclusive regional development.

EBRD will maintain support for clients and governments in the face of shocks, by introducing workforce crisis management measures, putting in place reintegration programmes, and enhancing operational processes to deploy the workforce most effectively.

EBRD remains fully committed to enhancing gender equality in its countries of operation. Through its operations and policy support, it will continue to integrate women as key economic actors and decision-makers.



CASE STUDY

Addressing skills needs in Egypt: Skills development post-COVID

EBRD has been supporting Egypt's Ministry of Education and Technical Education and Ministry of State for Emigration and Expatriate Affairs to decide on strategic directions for skills development in the post-COVID world.

Reports commissioned by the EBRD have helped the Egyptian government to better understand how training provision can be tailored to address the skills needs of the country's economy.

The project has also supported authorities in promoting well-managed outward migration, by building synergies with major destination countries for Egyptian migrant workers in Europe and beyond.

SECTION 4. DEVELOPMENT FINANCE INSTITUTIONS AND SKILLS



Laure Blanchard Brunac
Director of Policy & Partnerships EDFI

What makes the EDFI different?

First of all, we are not a bank! We represent our members, 15 government-backed development finance institutions (DFIs) which invest in private-sector projects in low- and middle-income countries, and we support them on strategy and advocacy. As such, we are specifically focussed on private-sector investments and developing countries. European DFIs constitute a major group of sustainable investors in LMICs, with a shared mandate of contributing to the UN SDGs and aligning with Paris Agreement, and with an aggregate portfolio amounting to EUR 50bn of investments and loans in 2022.

Also, EDFI plays a major role for its members and partners in building expertise and sharing knowledge on blended finance, which is the use of concessional finance blended with DFI and private finance. Currently, our members altogether deploy circa EUR 1bn of blended finance every year. Blended finance can be deployed in several ways, typically for technical assistance and investment de-risking, and across different objectives: one typical way DFIs use blended finance is to address the challenges of market creation and origination of projects.

EDFI

The Association of Bilateral European Development Finance Institutions, or EDFI, represents 15 member institutions. In addition to supporting members to implement their vision, EDFI serves to inform the public and government stakeholders about their role and contribution to development.

Foundation Year: 1992
Corporate Headquarters (HQ): Brussels
Member Countries: 14

“Skills-related policies and investments are facing challenges everywhere. But we are focussed on the places where those challenges are the most acute”

NETWORKING AND

COOP

Supporting human capital development is a crucial part of this market creation agenda: DFIs support sustainable growth and jobs via their investments, but also aim at developing the markets they operate in, and upgrading the workforce skills is a crucial aspect of this market environment.

Skills-related policies and investments are facing challenges everywhere. But we are focussed on the places where those challenges are the most acute. Half of our overall portfolio is invested in Africa, and one-third of it in sub-Saharan Africa. Between 10 and 12 million young Africans come onto the labour market each year, with only 3 million formal jobs available. And the skills they have are not the ones that the market requires.

What key trends do you see impacting skills policies and investments over the next decade?

Overall, the two big global trends are the rise of green and digital transformations. The developing countries where our members operate in offer very good opportunities for digital skills investments. By equipping their workforces with digital skills, they can develop new jobs and leapfrog their economic development. At the same time, digitalisation raises unprecedented risk on privacy, data protection, etc. and new policies are needed. For example, the

“You need to have basic social security and welfare policies in place before you can even talk about skills”

“We live in a world where finance is driven by the needs of capital”

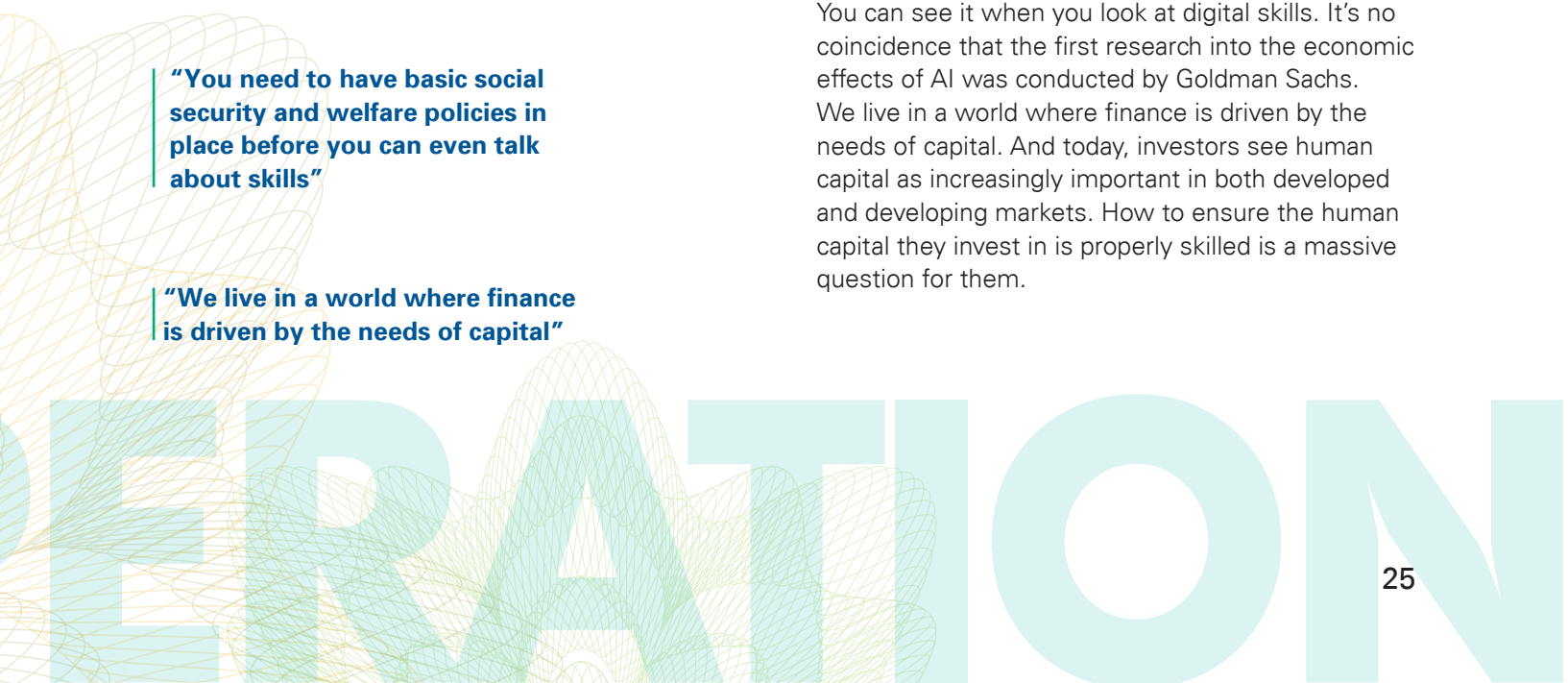
health sector in Africa is being transformed by AI. It’s no longer about training doctors, but training people to access the technology that can help cure patients. It’s much easier to roll out online tools to scale than it is to put people through medical school, but it also requires that the right digital policies are in place.

If you look at the green aspect, the situation is more challenging. Right now, Africa is not a primary investment destination for green projects. We’re currently investing in technical assistance programmes, because today you simply don’t expect local clients to be equipped with ESG skills. And bear in mind that we are focussed on the private sector, which is not the most challenging area of the market in developing countries. The broader challenge is that the public sector is often not playing a strong enough role: you need to have basic social security and welfare policies in place before you can even talk about skills.

Why should a bank care about skills?

Banks care about EBITDA. They care about the cash generated by their clients. That depends a lot on productivity, and skills are all about productivity. Therefore, banks absolutely need to care about skills.

You can see it when you look at digital skills. It’s no coincidence that the first research into the economic effects of AI was conducted by Goldman Sachs. We live in a world where finance is driven by the needs of capital. And today, investors see human capital as increasingly important in both developed and developing markets. How to ensure the human capital they invest in is properly skilled is a massive question for them.



Emerging Sustainable Finance Practices: insights from School of Transnational Governance



PROF. AMAESHI

Kenneth Amaeshi is a professor of sustainable finance at the Florence School of Transnational Governance of the European University Institute, Florence, Italy. He has policymaking experience and is currently the chief economic advisor to the Imo State Government, Nigeria. He is also member of the European Commission High-Level Expert Group on sustainable finance (HLEG).



The Florence School of Transnational Governance was founded in 2017 as part of the European University Institute. Its mission is to teach, train and learn by providing a platform where transnational policy actors from politics, business, civil society, media and academia meet.

Foundation Year: 1972
Corporate Headquarters (HQ): Florence
Member Countries: 23

Should development finance institutions care about skills?

Development Finance Institutions (DFIs) and International Financial Institutions (IFIs) have continued to play an active role in driving sustainable finance and investment in developing economies and emerging markets. The investment flows from DFIs and IFIs are largely focused on project-based financing, climate investment, MSME financing (especially women-led MSMEs) and the technology sector. Some of these investments flow through the commercial banks, local DFIs, government agencies and NGOs.

Developing economies and emerging markets are what they are because of some gaps in their systems. These gaps can range from absence of reliable market and governance institutions to inadequate skills to build and sustain market and governance institutions. Many finance institutions today are beginning to refocus on market creation and market development as solutions to development. However, market creation and development will require commensurate skills.

As such, some DFIs and IFIs now invest in skills development in developing economies. They do this in a variety of ways, which can be summarised as **portfolio- or project-based approaches**. A portfolio-based approach is where a DFI has specific products on education, employment, and skills development, for instance. In 2019, for example, it was reported that “Emerging Capital Partners (ECP) partnered with three development finance institutions, Proparco (France), Finnfund (Finland), and IFU (Denmark), to support growth and development of higher education institutions on the African continent”¹. There are also similar interventions targeted at other aspects of education, employment creation, and skills development. These products usually constitute a portfolio of interventions for the DFIs.

A project-based approach is where a DFI includes skills development as a component of its project finance intervention.

STATEMENTS

“Capacity building and skills development should be seen by the DFIs and the IFIs as fundamental to economic development”

“Developing economies and emerging markets are what they are because of some gaps in their systems”

“A project-based approach is where a DFI includes skills development as a component of its project finance intervention”

In this case, it does not necessarily focus directly on education, employment, and skills development, but rather pursues these indirectly and tangentially through the projects they finance. For example, a commercial bank in Nigeria recently secured a US\$75 million facility from a Japanese DFI for financing climate change mitigation and adaptation projects such as renewable energy projects, energy saving projects, and climate smart agriculture projects. Another commercial bank in Nigeria entered into a US\$25 million and US\$50 million loan agreement with a British DFI and French DFI, respectively.

The facility from the British DFI is focused on improving the commercial bank’s women’s portfolio, accompanied by technical assistance for a gender market strategy and training for some of the bank’s employees. The facility from the French DFI is also accompanied by technical assistance to develop the capabilities and capacity of the bank and its employees on climate change, climate finance opportunities and the reduction of its financed and operational emissions. There are also other similar agreements between commercial banks and DFIs littered across developing economies and emerging markets.

But should development financial institutions pay for skills development? Is it their responsibility, and should they care?

Given that the developing economies and emerging markets may not have the requisite institutional capability to produce the skills required for sustainability transition, it makes sense for the DFIs to pay for skills in the short-term provided that the DFIs and IFIs are supporting the developing economies and emerging markets to strengthen and improve their knowledge institutions. This is necessary to avoid the inadvertent outcome of crowding out such knowledge institutions by their interventions, and creating long term dependencies. In other words, while prioritising skills development directly through their financial interventions, the DFIs and the IFIs need to simultaneously empower the relevant knowledge and skills development institutions in the countries they invest in.

While it is important that the finance institutions incorporate skills development in their mandates and financing, it is tacitly assumed that the DFIs and IFIs are experts in skills development. This assumption needs to be relaxed because the DFIs in particular may not necessarily have expertise in this area.

Even where the expertise exists, there is a tendency for the finance institutions to focus only on skills that matter to them and their projects, instead of having a holistic view of skills and their value in society. As such, it is equally important that the DFIs and IFIs partner with relevant stakeholders and experts in this area to nurture adequate and meaningful skills development. That way they can focus on creating and sustaining an enabling ecosystem for skills development in the societies they invest in.

Skills are important for sustainability transition. As such, it is imperative for the DFIs to rethink their financing approach. For example, financing or investing in renewable energy technology without focusing on the skills required to scale such technology and ensure that the right capabilities are built, could undermine such investment.

Capacity building and skills development should be seen by the DFIs and the IFIs as fundamental to economic development. This means that the finance institutions should not approach skills development from an ad hoc or add-on basis, but as a significant value required to enhance sustainable development. This will entail that in financing opportunities, technical assistance for capacity building is factored in as a compulsory requirement. This will require putting in place monitoring mechanisms and measurable metrics for capacity building. There should be a focus on the quality of training, and on how such trainings meet their intended objectives.

Finally, the DFIs and IFIs should continue to develop funding and facilities focused on skills development. This portfolio-based approach will help businesses and countries develop the right skills necessary for sustainability transition.

SECTION 5. AFRICAN DEVELOPMENT BANK (AFDB)



Hendrina Chalwe Doroba

Division Manager, Education and Skills Development
African Development Bank (AfDB)



The African Development Bank is a multilateral institution whose objective is to contribute to the sustainable economic development and social progress of the African countries. Over the period spanning from 1967 to 2022, the total cumulative approvals amounted to 6,575 operations, collectively totalling UA 125.461 billion.

Foundation Year: 1964
Corporate Headquarters (HQ): Abidjan
Member Countries: 81

What makes the AfDB different?

The AfDB is very unique on several fronts. Firstly, we are the premier pan-African development institution, promoting economic growth and social progress across the continent. Thus, we were established to support the economic growth of the African continent and we are based there. We therefore intervene from an informed position, and that makes us unique.

The second uniqueness is our governing structure which includes representatives from member countries that we are serving. So, the policies we pursue are directly informed by the needs of our member countries.

Lastly, our approach with governments is based on the priorities of the countries concerned. The overriding drive for us is to see how we can best help countries to meet their economic agenda.

“One key question for us is: once young people in Africa have access to digital infrastructure, how can we deliver the skills that will enable them to explore AI and other innovations comfortably? ”

IT SKILLS
FOR
YOU
PEOPLE

How is the international investment sector evolving with regard to skills?

Over the last decade, we have seen increased investment in the skills sector. Before then, very few international development partners were investing in skills: their focus was concentrated in primary education and foundational learning. In view of the need to be more selective and the fact that there have been more development partners supporting basic education, the emphasis has essentially been on post-basic education, TVET and higher education.

This shift has been accompanied by the development of the Higher Education Science and Technology Strategy in 2008, that of the Human Capital Strategy in 2014, and the Skills for Employability and Productivity in Africa Action Plan in 2022. Today we're seeing an increase in the number of partners investing in vocational training, so that's a good trend for us.

In Africa, we need more mid- and high-end skills. And skills needs are evolving, in response to the changes taking place in the industrial sector. Often, the skills available today are not aligned with the needs of the industry. We are seeing a push to engage with the private sector and industry and encourage them to be part of the conversation. The private sector is increasingly involved in shaping curricula.

The Fourth Industrial Revolution is also influencing investments. The question is: are we preparing our youth with the skills they need for the future? Information and Communications Technology (ICT) is a big part of that. In Africa, huge numbers of young people haven't received the education and skills they need in that area. Let's use the new industrial revolution to ensure that everyone gets the skills they require. Making sure that Africa's youth is equipped with digital skills is going to call for investments in ICT infrastructure too.

What key trends will impact skills policies and investments over the next decade?

One of the key trends is the whole issue of financial innovation. As a result of current events and the COVID pandemic, governments are facing constraints in the resources they have available to support skills development. That creates an opportunity to explore innovative forms of financing, to cushion what governments themselves are doing. We are currently working to develop an instrument that can support our member countries in fostering innovative ways of mobilizing resources for skills development, both locally and elsewhere.

Another trend linked to limited government resources is the increased involvement of the private sector. Over the last five or ten years, we expected governments to finance education. Now, in the context of shortages, governments are opening up the policy space for more involvement from the private sector too.

And as I have said, the Fourth Industrial Revolution is the other big trend. One key question for us is: once young people in Africa have access to digital infrastructure, how can we deliver the skills that will enable them to explore AI and other innovations comfortably? Investments in infrastructure are vital so no one gets left behind, but we are also thinking about jobs for the future.

Therefore skilling in IT is crucial. We need to build the skills capacity of our young people. We are supporting the creation of innovation hubs at universities, to foster the solutions that can help the entire continent. We are also supporting spaces of innovation as a Bank. We have already seen how innovative ideas are bringing bold new solutions to issues in the medical sphere. We need to encourage young people to think outside the box and deliver the solutions that we need as a continent.



Innovative products

The Coding for Employment (CfE) programme aims to equip the continent's young workforce with the skills needed to secure ICT, ICT-enabled and ICT services employment. Over 240,000 young people have been trained in ICT and soft skills. Forty percent of participants are women.

Launched with the Federal Government of Nigeria, I-DICE is a programme to promote investment in ICT and creative industries. By January 2027, the programme aims to create 849,970 direct and indirect jobs; help 77,110 young women and men to secure employment or create their own business; make US\$216.7 million available to start-ups, high-impact technology and technology-enabled ventures, and creative businesses; make US\$10.4 million available to investee companies whose actions reduce greenhouse gas emissions or reduce vulnerability to climate change.



Targeting skills

AfDB's Jobs for Youth in Africa Strategy aims to create 25 million jobs and positively impact 50 million young people in Africa by 2025. A recent mid-term review showed that it has so far created 12 million jobs (3 million direct and 9 million indirect).

In July 2023, the AfDB board approved US\$16 million to support youth-led micro small and medium enterprises in Liberia's burgeoning agribusiness and allied sectors.

AfDB has approved a US\$129 million project to promote – among others – youth-led start-ups in Nigeria's digital and creative industries, thus supporting the government's job creation efforts.

In June 2023, the AfDB board approved a €120 million Result-Based Financing Programme for inclusive access to health infrastructure in Morocco.



Working for tomorrow

Given AfDB's focus on the High 5s development priorities (Light Up and Power Africa, Feed Africa, industrialise Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa), all its products contribute significantly to achieving the UN's SDGs.

AfDB's leading role in harnessing quality human capital is a crucial means to deliver on all the SDGs.

AfDB is committed to contributing to the achievement of at least one SDG in all its operations.



CASE STUDY

Computer science in Rwanda: Driving inclusive technological innovation

AfDB financed the US\$12 million Regional Centre of Excellence based in Rwanda, which provides graduate computer science programs in collaboration with Carnegie Mellon University.

The program has reached over 152,000 young people, training generations of young computer scientists and IT specialists – including women, who are driving technological innovations all over Africa.

Victoria Munguti, a female graduate from the programme, has created Hepta Analytics, a start-up registered in Kenya and Rwanda that focuses on big data analytics and software development. Its clients include Amazon Webservices, Microsoft Partner, WatchGuard, Barracuda, and Digital Ocean Partner.

SECTION 6. ASIAN DEVELOPMENT BANK (ADB)



Ramesh Subramaniam
Director General
Asian Development Bank



The Asian Development Bank (ADB) envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty in the region. Despite the region's many successes, it remains home to a large share of the world's poor: 263 million living on less than \$1.90 a day and 1.1 billion on less than \$3.20 a day.

Foundation Year: 1966
Corporate Headquarters (HQ):
Mandaluyong
Member Countries: 68

What are the ADB's key priorities as regards skills and human capital development?

As the leading multilateral development bank (MDB) for the Asia and the Pacific region, the ADB has always attached top priority to skills and human capital development for now and the future. In the post-Pandemic environment, ADB is focused on expanding its human capital development operations to reach about 10% of our overall commitments in order to help sustain and enhance the competitiveness of economies in the region, and to make them "future proof". This will be supported by the historic Capital Adequacy Framework (CAF) update approved by ADB's Board in October 2023 which provides ADB with \$10 billion more every year – or 40% additional resources, to help finance the development financing requirements in the region in various sectors.

Helping the region cope effectively with the adverse impacts of climate change, through solid mitigation as well as adaptation and resilience measures will be a key priority for ADB. We are now giving top attention to skills for greening our economies. In parallel, the region has always been a vibrant growth engine with private sector playing a dominant role. The economies need to further strengthen their position by continuously evolving new skills development paradigms.

"There's only one question that matters: what is the best solution to solve the specific problems a country faces?"

**SKILLS
FOR LABOUR
MOBILITY**

ADB's "One Roof" business model with a single consolidated balance sheet covering both public and private sector operations enables us to create the overall enabling policy, institutional and legal environments, while mobilizing public and private sector resources for investments.

Another key institutional priority is to grow our private sector skills and human capital development portfolio. The private sector can be a very useful provider of new skills, and the important thing is to bring the public and private sectors together. That's an essential requirement for ensuring that skills supply matches demand. So the key priority for us is being product agnostic. There's only one question that matters: what is the best solution to solve the specific problems a country faces?

What key trends do you see impacting skills policies in Asia over the next decade?

I think there are four key trends, which each represent both challenges and opportunities.

The first is demographic. Countries where the population is aging need to optimize their skills programmes. Where social security provisions are not strong enough to protect the livelihoods of older workers, we need to ensure that lifelong learning programmes are in place. At the same time, we have other countries with huge populations of young people who have no access to good jobs or training – the so-called NEETs (Not in Education, Employment or Training). So in both cases, effective human capital development policies are an important priority.

The second trend is the impact of climate change. The vulnerability of populations to climate change depends very much on where they live, and the type of occupations they're engaged in. In general, populations doing physical work are more vulnerable to extreme weather conditions. The potential outcomes range from migration and seeking new jobs to upskilling and reskilling. Also, as countries transition to green economies, a need for alternative employment arises. So once again, reskilling and upskilling policies are essential.

The third trend concerns the rise of AI and the tech-based economy. This has been accelerated by the impact of the COVID-19 pandemic, and it's changing the nature of both the jobs available and the skills required. This partly implies that people need to acquire more digital skills, but it also means that people need to acquire the skills that can be better performed by humans rather than AI.

Lastly, we see the impact of fragility and conflicts in the region and in the world. It generates labour migration, and raises the question of how we protect employment possibilities for displaced people. For example, one aspect concerns the need for skills recognition in higher education, in the situation where refugees find themselves in other countries.

How is the ADB responding to economic diversification through skills-related investment?

First of all, the scope and speed of industrial transformation differs from country to country, so we need to be context- and country-specific. In Bangladesh, for instance, we are supporting skills development in sectors that are transforming – such as the readymade garment industry. In Indonesia, we have supported skills development complemented by policy reforms for boosting the economy's competitiveness. We are adapting this approach in other developing member countries.

As for the finance, the ADB is supporting two types of interventions. In some countries, skills development funds are available to help industries invest in training their employees, or to modify skills training curricula. In parallel, we're tapping into the growth of universities and tertiary education institutions to match industry's needs for high-level skills. Universities have three important mandates in that field: supplying teaching that addresses the needs of industry, promoting R&D and boosting innovation, and contributing to job creation by supporting start-ups and SMEs.



Innovative products

ADB has mobilised resources internally and externally for knowledge products, technical assistance, and co-financing for the digital and green transitions.

Climate change has become an integral factor in ADB support for member countries. We have developed a comprehensive skills and human capital development action plan to deal with climate change.

ADB's High-Level Technology and e-Asia trust funds are exemplary products for backing digital transitions.

ADB actively leverages various climate change and clean energy trust funds in its work, along with member countries' contributions to the Asian Development Fund.



Targeting skills

ADB actively promotes TVET for youth, focusing on skills development and workforce reskilling. ADB project support is underpinned by sound skills gap analysis, in line with member countries' national development strategies. Close consultation with government bodies, industries, private sectors, skills development institutions and other stakeholders is embedded in project design.

ADB prioritises knowledge work to anticipate future skills needs. Two regional technical assistance reports have assessed the implications of Industry 4.0 on skills and jobs in selected sectors. Another technical assistance report on green skills is being prepared for the Central and West Asia region.

ADB adopts a systematic approach to strengthening STEM education, laying a robust foundation for youth skills development.

ADB actively promotes public-private partnerships to enhance the availability, quality and efficiency of education services.



Working for tomorrow

Under its Strategy 2030, ADB is increasing its emphasis on human development and social inclusion to address the non-income dimensions of poverty.

ADB is supporting development member countries to improve education and training outcomes for human capital development, as well as scaling up support for tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.

ADB's New Operating Model leverages our unique institutional setup and talent flows to improve responsiveness and service innovations for our clients.



CASE STUDY

Supporting skills in Pakistan: Improving employability for youth and vulnerable groups

The ADB's Improving Workforce Readiness in Punjab Project aims to boost employability by providing market-relevant skills training and industry collaborations.

Approved in 2022, the project is active in three key areas:

- targeting support for participation by women and girls in skills training, especially in non-traditional sectors
- using high-level technology to equip young people with skills relevant to Industry 4.0, including digital and analytical skills, creative thinking and design, and complex problem solving
- building centres of excellence providing training in resilience, to equip young people with skills in disaster readiness and response.

SECTION 7. WORLD BANK (WB)



Luis Benveniste

Global Director for Education
World Bank



The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development. Since 1947, the World Bank has funded over 12,000 development projects, via traditional loans, interest-free credits, and grants.

Foundation Year: 1944
Corporate Headquarters (HQ): Washington
Member Countries: 189 (IBRD), 174 (IDA)

How is the international investment sector evolving with regard to human capital development?

There's an increasing realisation that investing in human capital – and in education and training in particular – is crucial for long-term growth and competitiveness. These investments have high economic returns, and they're especially effective in driving innovation and productivity.

Research by the WEF has highlighted the huge economic returns to be obtained by skilling and reskilling young people across the world. It's going to require some US\$6.5 trillion over the next seven to ten years to close the skills gaps in the world economy. As technology develops and reshapes industries, the demand for investment in skills is going to increase. There's growing recognition that these investments are essential for countries to remain competitive in the global economy.

“As technology develops and reshapes industries, the demand for investment in skills is going to increase. There's growing recognition that these investments are essential for countries to remain competitive in the global economy”

ADAPTABILITY AND AUTO

What key trends do you see impacting skills policies over the next decade?

We can all see the rapid transformations that are taking place due to automation, climate action, digitisation, and rapidly evolving labour markets. Over one billion workers will need to be retrained over the next decade, so skills policies are going to be crucial. Workers will experience frequent transitions between jobs as a result of creative destruction in the labour market. They are going to need to constantly reinvent themselves in their career paths, and that will require adaptable systems.

We're at a time when the workforce is going to have to develop many more sets, in order to adapt to a labour market that is very different to the one we have today. That transformation is growing strongly in the high- and middle-income economies. It creates an opportunity for lower-income economies to leapfrog, but only if they can get their next generation of workers ready to operate in this new context. So investment in education and training can bring big rewards.

But automation can increase inequality. It is going to impact middle-income countries before they reach the high-income level. So it's important to invest in training systems, to ensure that workers are able to adapt. That's the key to survival, and it's going to challenge the basis of most global training systems.

The high- and middle-income economies are aging quickly, creating a need to boost productivity and labour supply. In parallel, lower-income countries will have a bigger share of the population that's young and active in the labour market. That demographic shift is going to create huge opportunities for lower-income countries. The high-income economies are going to need younger workers, and the lower-income countries will have the labour supply to step into those jobs.

What are your key priorities in terms of human capital development?

The World Bank has been stressing that we are experiencing a crisis. In the developing world, seven out of ten children do not acquire foundational skills like basic reading comprehension. Yet those foundational skills are essential for people to become independent. In parallel, workers now require transversal skills like critical thinking and collaboration, to become active labour market participants who can reinvent themselves.

So what we're asking from systems today is much more sophisticated and demanding than what we did in the past. Skills acquisition channels need to stay attuned to a rapidly changing job market. If they become decoupled, they run the risk of becoming irrelevant. Aligning systems with the needs of employers and local job markets is a way of ensuring that people develop the skills that will foster employment, economic growth and regional development, while reducing the skills gap.

“Skills acquisition channels need to stay attuned to a rapidly changing job market. If they become decoupled, they run the risk of becoming irrelevant”



Innovative products

The World Bank recently launched its Tertiary Education and Skills (TES) programme, a multi-donor trust fund to reframe, reform and rebuild tertiary education and skills for the digital and green transformation.

TES aims to strengthen the policy framework, and increase the capacity of skills and workforce development systems and institutions to expand access to inclusive, resilient, quality and equitable post-secondary education and training services, aligned to labour market and societal needs.

The World Bank draws on its evidence-based country experience and its Skills and Workforce Development, Youth and Adult Learning, and Higher Education activity streams to bring new insights and innovative approaches to mitigate the global skills and learning crisis.



Targeting skills

The World Bank is increasing investment in skills development. The Bank is the largest financier of skills and workforce development globally, with an active lending portfolio of over US\$3 billion invested in developing countries and over 30 skills-related projects. The Bank's lending portfolio on skills development has tripled over the last 10 years.

The World Bank is fostering skills for lifelong and independent learning. Given the rapid transformation of labour markets and the need for lifelong reskilling, the Bank is supporting the provision of the digital and transversal skills that can ensure that individuals become independent learners throughout their careers.

The World Bank is helping skills systems support learners, to achieve smoother labour market transitions. Global skills systems will need to provide other services to learners beyond training provision. The Bank supports training systems globally to more effectively support learners' transition into the labour market, through career guidance, employment counseling, and entrepreneurship programmes.



Working for tomorrow

In the dynamic landscape of the modern global labour market, the workforce will experience an extended working lifespan.

This extended professional journey will be characterised by frequent transitions between jobs and occupations, a need to embrace emerging technologies, and a perpetual commitment to self-reinvention.

In response, the World Bank's strategy for the next decade is to support skills and workforce development systems to become more personalised, accessible (allowing for remote and hybrid learning), and continuous throughout workers' careers.



CASE STUDY

Supporting TVET in East Africa: Investing in skills to catalyse economic development

The World Bank's East Africa Skills for Transformation and Regional Integration (EASTRIP) project is a US\$293 million credit and grant to support developing and delivering demand-driven TVET programmes in Kenya, Ethiopia and Tanzania.

Focused on the agriculture, transport, energy, manufacturing, tourism and ICT sectors, EASTRIP aims to support countries in developing mid-level level specialised skills that can catalyse economic

development, regional trade and integration. Youth from vulnerable socio-economic backgrounds and women have been the primary beneficiaries of EASTRIP initiatives.

As a result, student enrolment in formal certificate, diploma and degree programmes has surged to 24,172 from a baseline of 6,971. Enrolment in short-cycle industry-demanded programmes has reached 10,000, doubling the baseline value of 3,770. The average graduate employment rate within six months of graduation has risen from 47% to 67%, with the target set at 77%.

CONCLUSIONS AND WAY FORWARD

Georgios Zisimos

Head of Policy Advice and EU Programming Unit, ETF

Education and training are evolving. Without doubt, the transformation of societies, individuals and economies is at the heart of this evolution. Consequently, investing in this area represents a critical and strategic choice, going beyond purely financial considerations. It requires a thoughtful approach to prioritisation, based on evidence and on knowledge, and it must be timely and supported by the right policies. This publication, capturing the complexity of such decisions, demonstrates that the basic ingredients are there and that the commitment and knowledge exist.

Today there is no place for “solo” performances. We need alliances. The notion of knowledge partnerships within and across skills ecosystems can play a central role in growth and development. This emerges clearly when we see the richness and diversity of the needs identified and policies prioritised at the heart of IFI investments and EU external action.

Despite the distinct nature of each of the financial institutions, there is a shared acknowledgement of the multiplying value of investing in education and training. Addressing the so-called “learning crisis”, supporting sustainability through the development of green and digital skills among young people and adults, ensuring fairness and inclusion in labour market systems are a few of the priorities highlighted by IFIs’ investment strategies.

The European Training Foundation, with its 30 years of experience in working closely with countries outside the EU, stands as a testament to the EU’s long-term commitment to skills, human capital development and lifelong learning. Through the delivery of its three main services – knowledge creation, monitoring and assessment, and policy advice – the ETF can be an even more valuable resource for the EU, the partner countries, and the global community focused on human capital development.

Maintaining the policy dialogue with partner countries, especially during times of fragility, brings results. Ukraine’s experience is a prime example. After more than two decades of collaboration with the ETF, and in the light of the ongoing conflict with Russia and the pressing need for recovery and reconstruction, Ukraine stands out as a critical test case. The ETF has seen positive change through providing timely, informed policy advice supporting those involved in reforms, including policy shapers, stakeholders and international organisations.

As the demand for skills development grows, the ETF is committed to facilitating progress and ensuring swift impact. The urgency is clear: people cannot afford to wait. With the necessary elements in place, a brighter future is achievable. For all stakeholders involved in human capital development, the status quo is no longer an option. From now on, every year should be considered the Year of Skills!





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