

CASE STUDY

# How to Build a Globally Competitive Workforce



A new program supports an enhanced TVET system and increased access to training, particularly for women and the poor. Photo credit: ADB.

*After years of education reforms, Cambodia focuses on preparing workers for higher-level technical roles in a bid to become more globally competitive.*

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## Overview

Cambodia envisions its next generation of industrial workers to equal their global counterparts. By enhancing its technical and vocational education and training (TVET) program, the country aims to transition its economy from a low-skilled, labor-intensive growth model to a skills-driven one.

Supporting Cambodia in building a globally competitive workforce is the partnership between the Asian Development Bank (ADB) and Agence Française de Développement (AFD). They have been working together on enhancing TVET and skills development since 2014, first with the Technical and Vocational Education and Training Sector Development Program (TVETSDP). This was followed by a technical assistance to prepare for an investment project to scale up skills development. And now they are collaborating on the implementation of the Skills for Competitiveness Project.

## Project snapshot

<b>Dates</b>	<ul style="list-style-type: none"><li>• <b>September 2014:</b> TVET Sector Development Program (loan) approved</li><li>• <b>November 2017:</b> Skills for Competitiveness (technical assistance) approved</li><li>• <b>July 2018:</b> TVETSDP Policy-based loan project completed</li><li>• <b>June 2019:</b> Skills for Competitiveness (loan) approved</li><li>• <b>November 2021:</b> Technical assistance project completed</li><li>• <b>September 2022:</b> TVETSDP Investment loan project completion</li><li>• <b>April 2025:</b> Closing of Skills for Competitiveness (loan) project</li></ul>
<b>Cost</b>	<ul style="list-style-type: none"><li>• <b>\$49.26 million:</b> TVET Sector Development Program (loan)</li><li>• <b>\$1.45 million:</b> Skills for Competitiveness (technical assistance)</li><li>• <b>\$88.23 million:</b> Skills for Competitiveness (loan)</li></ul>
<b>Institutions and Stakeholders</b>	<p><b>Financing</b></p> <ul style="list-style-type: none"><li>• <a href="#">Asian Development Bank</a></li><li>• Agence Française de Développement</li><li>• Government of Cambodia</li></ul> <p><b>Executing agency</b></p> <ul style="list-style-type: none"><li>• Ministry of Labor and Vocational Training</li></ul>

## Challenges

In the [Global Competitiveness Report 2019](#), Cambodia ranked 106th out of 141 economies. The country lacks employees that could take on jobs that require more technical skills due to low educational attainment and lack of relevant training. Only 24.1% and 0.4% of the working-age population of 11.5 million have completed lower secondary education and vocational training, respectively. Such skills shortage and skills gap in the market pose barriers for the country to diversify and modernize industries, move up global value chains, and increase competitiveness.

# Context

Cambodia has prioritized reform of its TVET system with the Industrial Development Policy 2015–2025 and National TVET Policy 2017–2025. However, TVET financing has been insufficient and not responsive to labor market needs. In 2021, the budget of the Ministry of Labor and Vocational Training was around 0.01% of the total government expenditure. About 80% of the budget allocated for TVET is used for recurrent expenditures, particularly salaries of trainers and staff. Only a little remains for investment in TVET facilities and training equipment, and in building partnerships with industry for work-based continuous learning programs.

A key strategy under Cambodia's TVET policy is to mobilize private capital to support TVET by piloting a skills development fund to build credibility and confidence among partners and then setting up a national skills development fund.

# Solutions

Cambodia has come a long way in improving its TVET program. ADB has supported education and TVET in the country since 2001 and is the leading development partner in the sector.

**Developing the TVET sector.** Early TVET support in 2009 and 2012 focused on improving nonformal and entry-level short training programs. This contributed to increased employment opportunities for low- and semi-skilled labor, mostly in the agriculture sector.

In 2014, ADB approved the Technical and Vocational Education and Training Sector Development Program (TVETSDP) to raise the quality of TVET nationwide in line with Cambodia's TVET Strategic Plan 2014–2018. The program comprises a \$7 million policy-based loan and a \$38 million investment loan, which includes \$15 million equivalent in financing from AFD.

The program supports a new wave of reforms toward a high-quality, relevant, and efficient TVET system in the country and increased access to training, particularly for women and the poor. It will increase the involvement of employers in TVET delivery by establishing sector skills councils, composed of industry associations and large employers from four priority sectors: construction, auto mechanics, electrical works, and manufacturing. These sector skills councils will support the development of centers of excellence that would run training programs in the priority sectors. These sectors would also be the focus of the ADB–AFD partnership in subsequent initiatives.

The \$15 million equivalent financing from AFD in 2015 has allowed the TVETSDP to scale up investments, upgrading learning environment, and providing stipends to more disadvantaged students.

**Upscaling and upskilling.** Plans to further level up the TVET system and improve skills development were formalized in 2017, with ADB's \$1.2 million technical assistance to prepare for an investment project to upskill workers. The ADB-administered Cooperation Fund for Project Preparation in the Greater Mekong Subregion and in Other Specific Asian Countries, funded by the AFD and often referred

to as the AFD Trust Fund, provided \$250,000 supplementary funding.

The technical assistance determined the scope and coverage of the investment project, completed the due diligence requirements, and prepared the implementation arrangements. It reviewed existing TVET policies, systems, performance, and constraints in Cambodia's industrial sector to identify areas for support to public post-secondary skills development. Part of the preparations involved the selection of five technical training institutes to run skills development programs. The sector skills councils serve as a platform for the technical training institutes and industry to jointly identify skills gaps and shortages in each industry and plan skills training.

The technical assistance has provided continued support to piloting a skills development fund.

In 2019, ADB approved the Cambodia: Skills for Competitiveness Project, also cofinanced with AFD, to build on the partnership's previous achievements in TVET and enhance the skills and competitiveness of workers in the industrial sector. The project has three objectives:

**Improve the quality and relevance of post-secondary TVET.** Partnerships among regional education institutes, the Ministry of Labor and Vocational Training, and the technical training institutes will provide continuous support for improving the quality and industry relevance of the TVET system in the long term. The five technical training institutes will deliver diploma-level and industry-responsive skills development programs to produce qualified technicians with advanced technical skills in the four priority sectors.

Training facilities are to be upgraded along with curricula and trainers' capacities in accordance with industry trends. Advanced, industry-grade training equipment and merit-based stipends to selected students will also be provided.

**Promote work-based learning programs with industry partnerships.** The project will enhance the capacity of sector skills councils and technical training institutes in identifying training needs, developing needs-responsive training, and delivering work-based learning programs effectively to upgrade the skills of existing workers. These programs will meet the continuing demand from industries to train workers' soft skills, such as teamwork and communication. The technical training institutes will also develop work-based learning proposals for funding by the pilot skills development fund.

The cofinancing from AFD will support the engagement of the Cambodian Federation of Employers and Business Association (CAMFEBA) in getting the sector skills councils to work. CAMFEBA will mobilize a coordinator and provide financial incentives to industry representatives for providing expertise for the project. This includes providing advice on future industry and market trends and technical expertise to evaluate proposals submitted to the skills development fund.

**Expand innovative TVET financing mechanisms.** The government has allocated \$5 million from the national budget for the pilot skills development fund, with ADB's technical assistance to establish its governance structure, operational mechanism, and financial management system.

The pilot skills development fund, an innovative model to increase and incentivize industry investments

in skills development, will be expanded. The project will finance training proposals to be supported by the fund. This will provide training opportunities to workers, develop the capacity of government agencies to strengthen the management of the fund, and provide support for establishing a new permanent agency, which will be fully operational by 2024.

## Results

TVETSDP has supported secondary-level TVET and reforms. As of mid-2021, TVET has upgraded and modernized TVET facilities at 18 out of 38 technical training institutes across the country, while the construction of a multi-storied TVET headquarters in the capital Phnom Penh is ongoing. Other project achievements include

- Competencies of more than 600 Cambodians in the priority sectors were assessed and certified at five assessment centers established under the program.
- A total of 5,000 (32% female) trainees received stipends for priority skill courses at certificate level.
- More than 800 (20% female) instructors were trained to deliver competency-based training programs, of which 256 (14% female) completed a return-to-industry program.
- Four sector skills councils for civil construction, auto-mechanic, manufacturing, and electrical works and four centers of excellence were established to increase the involvement of employers in TVET.
- More than 52,000 (59% female) trainees and 9,982 students (43% female) completed voucher skills training program and skills bridging program, respectively.
- Capacity of staff of the department of labor market information, department of policy and planning, and department of quality assurance was strengthened to manage and operate TVET management information system, carry out regular quality assurance, develop social marketing, and implement TVET policies and planning.

Some activities of the Skills for Development Project have taken off the ground, but project implementation in general was affected by the COVID-19 pandemic. Expected project results include the following:

- Multi-storied classrooms, workshops, and dorm buildings built at the five technical training institutes.
- At least a 10% increase in diploma graduates from the five technical training institutes have found initial employment within 6 months of graduation.
- By 2024, at least 3,700 trainees from the technical training institutes graduate from 2-year diploma programs designed with industry partners and aligned with industry standards.
- At least 18 pilot work-based learning programs are implemented and partnership agreements between selected technical training institutes and industries signed.
- At least 20 work-based learning proposals from the technical training institutes are submitted to the skills development fund, with said proposals being jointly developed with industries and compliant with all eligibility criteria.
- At least 3,500 persons trained under the skills development fund.

# Lessons

Both the TVETSDP and Skills for Competitiveness project aim to strengthen Cambodia's TVET system and to enhance the skills and competitiveness of the industrial sector labor force. They aim to develop human resources for four priority sectors, namely manufacturing, construction, electricity, and electronics. Both offer lessons on developing and strengthening TVET programs.

**Build a solid TVET foundation.** The Skills for Competitiveness project complements the TVETSDP in supporting reforms in close coordination with sector skills councils, industry associations, and development partners. It has benefitted much from the still ongoing TVETSDP, which has laid a strong foundation for Cambodia's TVET system.

**Cofinancing and continuity are key.** The financing partnership between ADB and AFD has provided a continuous flow of financing from the TVETSDP to project preparation to the Skills for Competitiveness Project itself. This unbroken fund flow ensures that activities are mainstreamed, duplication is avoided, and desired outcomes are achieved.

**Shared vision, shared progress.** AFD is a trusted partner who shares ADB's vision to support Cambodia's TVET system strengthening and workforce development in priority sectors where the country possesses comparative advantages in global value chains.

# Resources

Asian Development Bank. [Cambodia: Skills for Competitiveness Project](#). 2019

ADB. [Cambodia: Skills for Competitiveness Project](#). 2017. 2017

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**Sophea Mar**

Senior Social Sector Officer, Southeast Asia Department, Asian Development Bank

Sophea Mar joined ADB in 2003 and serves as a project officer and co-mission leader for projects and programs in education and skills development. He has also worked for the International Labor Organization in Cambodia and Bangladesh and Cambodia's Ministry of Social Affairs, Labor and Veteran Affairs. He has a Master of Business Administration, specializing in Human Resource Management from Charles Sturt University, Australia.



**Yumiko Yamakawa**

Senior Education Specialist, Southeast Asia Department, Asian Development Bank

Yumiko Yamakawa is senior education specialist at ADB's Southeast Asia Department. Her areas of expertise include education and skills development sector

planning, education system strengthening, and education financing. She obtained a Master of Education and Development from the University of East Anglia, United Kingdom. She has worked for Japan International Cooperation Agency, UNICEF, World Bank, and the Ministry of Foreign Affairs in Japan.



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