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## RESULTS-BASED FINANCING APPROACH IN VOCATIONAL SKILLS DEVELOPMENT

### Experiences from the YES-Project in Tanzania

With high youth unemployment rates in many countries, providing vocational skills training that ensures employment opportunities are key. The Results-Based Financing (RBF) approach shifts the focus of vocational training providers from enrolment numbers to training implementation and completion, as well as employment and income of their graduates. Based on experiences from other Helvetas countries, the vocational skills project YES in Tanzania has adapted and implemented the RBF approach for the first time in the East African country. After a first phase of three years, the project draws learnings from its experiences, which will hopefully help other projects and organizations interested in the approach.

## INTRODUCTION

“Results-based financing (RBF) is one approach to driving greater impact from social spending. By tying the funding of social programs to results rather than to activities and inputs, well-designed RBF introduces performance incentives. Further, it provides implementers with greater flexibility to adjust their programs, empowering them to innovate, learn and adapt their program in pursuit impact.”<sup>1</sup> Results-based financing (RBF), applied in a vocational skills training and employment project, is an innovative approach of paying training providers (TP) based on the number of graduates who successfully complete training, and who are linked to gainful employment after the training completion. The RBF approach has been tested and proven through HELVETAS’ F-SKILL project in Nepal, which was further scaled up to the Employment Fund project, financed by several donors like the Swiss Development Cooperation, UKAID and the World Bank. Furthermore, it is being replicated in various other countries, for example in Ethiopia through the Skills and Knowledge program (SKY), and in Mozambique through the HOJE project. In all these projects, RBF has been implemented with adaptations to the local contexts. Based on the feasibility survey conducted in August 2017 and the HELVETAS Tanzania team’s knowledge, this approach was not yet practiced by any other organization engaged in Technical and Vocational Education Training (TVET) in Tanzania when the Youth Employment through Skills Enhancement (YES) project introduced it in September 2018. More details on how the RBF approach works and how it has been implemented within Helvetas projects are available in the 2020 RBF Manual (Gebeyehu et al, 2020<sup>2</sup>).

### Sharing the experiences

The main objective of this issue sheet is to share experiences in implementing the RBF in the YES-project in Tanzania. Specifically, this experience sheet is tailored to:

- i. International and local organizations that are planning or thinking of implementing an RBF approach in TVET with public and private training providers.
- ii. Training providers, artisans and service providers who want to attract funders/donors and

<sup>1</sup> Instiglio, 2017: A practitioner’s guide to results-based financing. Getting to impact.

investors to finance provision of vocational skills to disadvantaged young males and females.

- iii. Projects that are implementing RBF and would like to learn and capitalize experiences from the Tanzania context.



Motor vehicle mechanics graduate in Dodoma region (Photographer: Stella Oguma)

## ABOUT YES

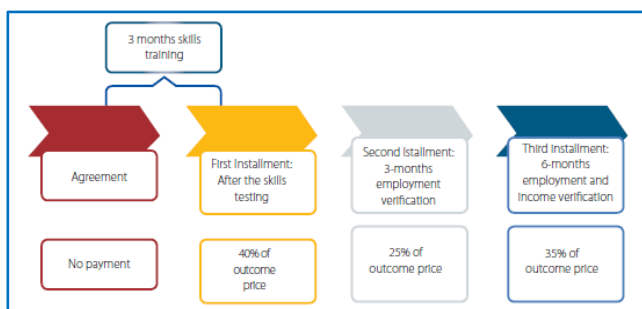
YES is a three-year (2018-2021) skills development project funded and implemented by Helvetas Tanzania. The project operates in the central corridor of Tanzania, in three districts in Dodoma and Singida regions, namely Dodoma urban, Singida Municipal and Singida rural. The main objective of the project is to empower and improve the living conditions of 3000 economically and socially disadvantaged (marginalized) young women and men aged 15-35 years in Tanzania, through short-term vocational skills training courses with a strong practical focus and special measures to link the youth to gainful employment. The project started mid-September 2018 and will complete its first phase in December 2021.

YES partners with the government, regional and district authorities, public and private vocational training providers, artisans and companies, youth minded change agents, business coalition and associations, international & local non-governmental organizations, and community-based and civil society organizations.

## RBF IN YES

<sup>2</sup> Gebeyehu, Chalahew et al., 2020: Results-based financing for youth training and employment in Ethiopia. A practice-oriented Manual. Helvetas

As described in the RBF manual from the SKY-project in Ethiopia, experiences from other countries show that in the beginning only few training providers are ready to be contracted under the RBF modality. YES had the same experience when introducing the project and engaging potential training providers. Most of them hesitated to take up the RBF contract because of fearing to incur loss if the trainees do not secure gainful employment after the training. The RBF metrics that were introduced to training providers at the beginning were the same as those in the Employment Fund project in Nepal (Fig. 1). In this system, there was no payment made



after the signing of the agreement with the training provider. The first instalment, which is 40% of the contract value, was to be made once the training provider completes the three-months training. The second instalment (25%) was to be paid three months since employment after conducting employment verification without paying attention to the income. The third (last) instalment (35%) was to be paid six months after training and after verifying the income that each graduate earns per month over six months.

Figure 1: RBF metrics of the Employment Fund Nepal

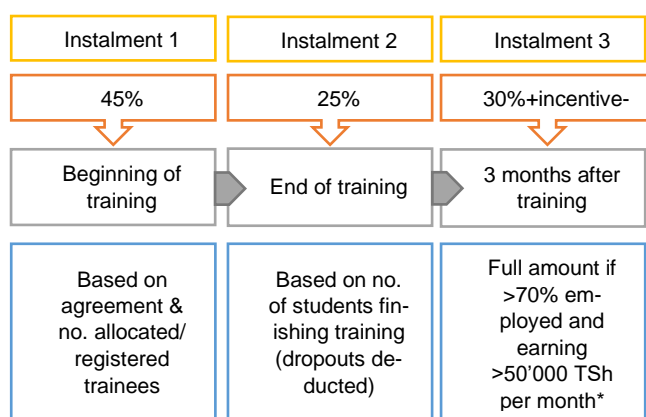
### Challenges with the RBF metrics from Employment Fund

None of the training providers that were asked to enter into an RBF partnership with YES with the EF metrics accepted the contract for two main reasons:

- i. The private training providers do not receive any fund/aid from the government, they only depend on training fees. They do not have any available balances to pre-finance the start of a training.
- ii. The training providers do not have excess consumables that can be used for training the youth while awaiting payment from YES.

### DEVELOPMENT OF FIRST RBF METRICS AND INCENTIVES

YES reviewed the EF RBF metrics to enable training providers to conduct the training smoothly without impairing their financial capacity (see Fig. 2). In addition, a rapid market appraisal (RMA) was conducted by the project in collaboration with TP to identify emerging sectors and occupations on the labor market in order to ensure employment opportunities for the youth once they graduate. For the TP to receive their full amount and incentives from the project, 70% of the graduates need to be employed for at least 3 consecutive months and earn an income of not less than 150,000/= TZS for three months (equivalent of approximately 65 USD over 3 months), which was defined in the original project document.



\*if 70% is not reached, the missing percentage will be deducted from the 30%

Figure 2: Revised RBF metrics of the YES project

### INCENTIVES

The idea behind the provision of incentives is to encourage TP to support especially youth who face difficulties and have special needs (e.g., single mothers with unpaid care work) and women in finding employment.

### Calculations of incentives for a TP

The different categories for incentives were defined as finding gainful employment may prove to be more difficult for certain people for several reasons. Incentives encourage TP to pay special attention to these individuals. The incentives were categorized depending on the trainee selection criteria and level of poverty as given in Table 1.

Category	Criteria	Incentive
A	Women with special needs (dropout, disabled, single mothers)	30%
B	Women	20%
C	Men with special needs (dropout, disabled)	10%
D	All (per definition disadvantaged)	-

Table 1: Incentive categories

The incentive was calculated as an percentage of the training cost per trainee and was paid to the trainer for each employed graduate together with the last instalment.

### Contribution of youth

The trainees were required to contribute 10% of the training fee as a means of motivating them and creating ownership of the training. However, 10% of the training fee appeared to be too high for most trainees, especially for expensive courses, and increased the dropout rates. A fixed amount of 10,000/= TZS (appr. 4 USD) for rural areas and 20,000/= TZS for urban areas was proposed to replace the 10% contribution.



A YES trainee attending sessions on food production. (photographer: Franz Thiel)

### Learning from the first YES RBF metrics

After the implementation of the proposed RBF metrics, the project conducted a review to look at the merits and demerits of how instalments are distributed and how the incentive system works. The following main issues were raised by partners:

- The instalment system of (45%-25%-30%) worked with the private TP but not with public

VTCs, which preferred their last instalment to be paid immediately when the trainees graduate.

- The public training providers were reluctant to implement RBF as they found it difficult to facilitate employment to graduates. Given that these are the well-established TP, well subsidized by the government and strategic partner to the project they were exempted, but the project continued to build their capacities on how to conduct RMA and to strengthen collaboration with the private sector.
- The main challenge encountered was the delay of the last 30% which was to be paid together with incentives three months after training completion. If it happened that the graduates from a certain training provider did not find employment and earn an income within three months, then payment of 30% percent and incentives were further delayed or reduced to the exact number of trainees who have found employment and are earning an income. Apart from incentives, which were additions to the training fee, the 30% was part of the training fees. Holding it seemed to be unfair considering that at this point the TP had already spent it on buying consumables and paying salaries. In case TP succeed to support ore graduates in getting employment, they can claim incentives evens after the first employment verification and payment date.
- It is not only the skills that makes that someone is employed. It depends on many factors like local economic growth and government policies, which a TP cannot influence. Holding their money just because they cannot find employment for graduates seems unfair to them.
- The formula of calculating incentives in relation to the average training fee was also not fair for the TP/courses that were cheap, the lower the fees, the lower the incentives. This formula made the TP offering expensive courses to be as profitable as others.
- The gainful income of 50,000/= TZS per month is below the minimum wage in Tanzania and below the international poverty line.
- The required own contribution of 10,000/= TZS and 20,000/= TZS in rural and urban areas respectively still appeared to be high and unaffordable for most of the marginalized youth.

## ADAPTED YES RBF METRICS

Due to the above-mentioned challenges, the YES-project further adapted the metrics to suit the training providers, YES-project and the beneficiaries, the youth themselves.

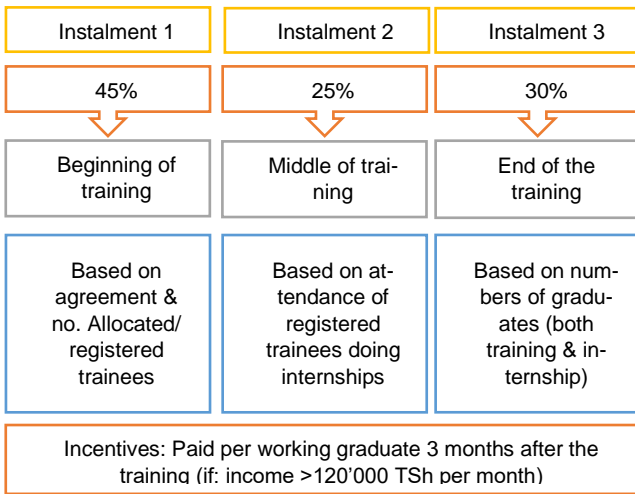


Figure 3: Reviewed RBF metrics

- The flow of instalments remained the same as outlined in Figure 3, except that the last instalment of 30% is provided immediately at the end of field attachment/internship (end of training) without delaying it for three months. By doing this, the training providers get all the costs that they have incurred during the training and field attachment reimbursed.
- The incentive categories were revised from percentages of average training costs to fixed amounts of money. The amount provided as incentives were raised to encourage the TP to provide market-oriented training that will ensure employment opportunities to the youth. This has increased creativity and efforts of inserting the trainees into the labor market (post-training activities).
- The income that defines the gainful employment per month was raised from 50,000/= TZS a month to 120,000/= TSH per month (appr. 55 USD) which is above minimum wage and above the international poverty line of 1.9 USD per day.
- Before the second and last instalment are made, the Monitoring and Evaluation (M&E) personnel will visit the training provider to validate the information that has been submitted during the baseline, attendances, internship and training reports. After verification, the M&E person will write an approval with the amount that the TP

deserves for that instalment. Number of drop-outs is reduced from the full amount.

- Contribution of youth to the training were revised and now youth has to register for the Community Health Fund (CHF), a government scheme that will allow them and their families to have access to the health services and provides relief in case of accidents at work.

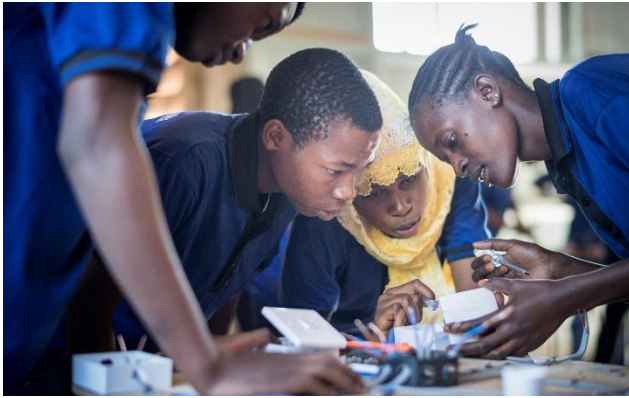
Category	Criteria	Incentive (TZS)
A	Women with special needs (dropout, disabled, single mothers)	80,000/=
B	Women	60,000/=
C	All (per definition they are disadvantaged)	45,000/=

Table 2: Current incentive categories

## EXPERIENCE WITH LOCAL ARTISANS

After working with training providers for two batches, the project engaged local artisans (small and medium enterprises) and companies in facilitating skills provision to the YES trainees. Local artisans were brought onboard to reduce the dropout rate, which was caused by long distance between the training centers and residences of trainees. Additionally, trainees get more hands-on skills and updated skills based on market demands when working with artisans. The model of working with professional TP meanwhile continued.

The flow of instalments with artisans differs from those of training providers. As with TP, the instalments were discussed and collectively agreed upon in exchange with artisans. For local artisans, 30% is paid at the beginning of the training after signing the training agreement, 40% is paid in the middle of the training, and the final 30% is paid after training completion. During second and last instalment, the M&E team verifies the data submitted by or together with artisans to cut the costs of those trainees who dropped out before effecting the payment. Percentage of training fee for each dropout is reduced from the full amount.



YES trainees doing a practical training in Electrical Installation  
(Photographer: Simon Opladen)

## STEPS OF THE YES RBF SYSTEM

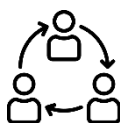
In the following sections, the steps to a successful implementation of RBF are described.



1. **Introducing the project to the respective stakeholders and partners.** As the project was new it was necessary to introduce it to the government on all levels from ministerial level, region and district level. During these visits an overview of the project including the goal, target beneficiary, approaches, partners, outcomes and coverage was shared.



2. **Mapping / identification of partners.** Mapping and identification of potential partners to work with was conducted through head hunting and references from government, connections, international and local Non-Governmental Organizations.



3. **Inception (Orientation on RBF).** The RBF approach in Vocational Skills Development (VSD) is still new to the Tanzanian context and to

introduce it: The organizer/project needs to set up an inception meeting to orient potential stakeholders and partners on how it operates in detail.



4. **One to one with potential partners.** The fact that RBF is risky, it takes time for the potential stakeholders to “buy” it, one to one follow up meetings between the project and the potential stakeholders are necessary in clarifying things and showcase practical examples on how RBF has been successful in promoting market led training. The benefits of RBF are explained to the partners: What do they gain from it, Visiting the training providers will also help the project to see the available machinery, equipment and premises that will be used in training the youth.



5. **Expression of interest.** Issue an expression of interest whereby all the potential training providers will competitively bid to become partners in implementing vocational skills through the use of the RBF approach. After screening the good bids, select the potential partners based on criteria such as experience in provision of VSD, legality, availability of tools and qualified tutors and do the RMA training to them.



6. **Due diligence/Pre-contracting assessment:** Successful and unsuccessful bidders are notified of the results and for those who succeed due diligence is conducted to assess their capacity to provide training, fund management and statutory requirement.



- 7. Rapid Market Appraisal.** By using the RMA guideline, orient the potential partners on how to set up and conduct a Rapid Market Appraisal to identify emerging sectors and occupations, as well as skills within the occupations they offer that are of high demand in the labor market. The RMA orientation training includes Community Development Officers as it is important for them to learn how to identify various economic opportunities available in their areas that could provide possible employment to youth. This creates a blueprint of collaboration between training providers and extension workers/councils who will continue providing support to the youth after graduation in villages.



- 8. Curriculum consolidation workshop.** A workshop to discuss the RMA findings is organized for the purpose of incorporating the findings into existing curriculum to provide clearer, accurate and market led content to the trainees. The workshop is facilitated by Vocational Education Training Authority (VETA), the government authority in Tanzania with the mandate to oversee and coordinate vocational training provision in the country.



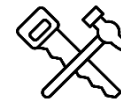
- 9. Training plan/goals.** After identifying the high demand occupations, let the interested partner share their training plan which shows duration of a course by breaking it down into months and weeks. The plan also shows the objective of each session and the assessment criteria for it. At this stage, the training providers are also required to share CVs of the trainers and the training materials.



- 10. Contract signing.** Enter agreements with the training providers that comply with all the requirements of conducting training to disadvantaged youth using the RBF approach.



- 11. Trainee selection and professional orientation.** Share the trainee selection criteria and the selection form available on [KoboToolbox](#) with the training provider for them to identify disadvantaged youth who are motivated to take up the training. TP should orient potential trainees on the available courses for them to get a glimpse of interesting subjects.



- 12. Technical and soft skills training.** Provide the technical, soft and business skills training to the selected youth by using the agreed manuals, e.g. the YES soft skills manual ([The manual can be found on the YES website](#)). Support the trainees by giving them exposures like learning visits and career advice from successful people in similar industries.



- 13. Support with labor market insertion.** TP are encouraged to support youth in finding (self-) employment, and they will receive incentives for successful job insertion. TP have different strategies on how to do this; some directly link trainees to employment opportunities or invite potential employers to speak to the trainees during their training.



**14. Results monitoring.** One of the most important things on applying RBF is a strong M&E system. At YES, results are measured both, at output and outcome level. At output level, quality of training, trainee attendance, field attachment/internship attendance and training completion are validated with the M&E team once submitted by partners. At outcome level, the M&E team verifies employment and income of the graduates. All these are key in triggering payments and incentives. After one year, the project conducts a tracer study to find out the employment status of the youth.



A YES trainee pursuing a beekeeping course in Singida. (photographer: Simon Opladen)

## CONCLUSION

After two years of project implementation, the YES-project has reached 1600 young males and females (854 M 746 F) whereby 770 (296 F 474 M) had self-employment and 103 (64 F 39 M) had wage employment in a variety of occupations such as carpentry, masonry, horticulture, poultry, welding, motorcycle repair, hairdressing and beautification, phone repair, tailoring, food production, soap and sanitizer making. The project is also building capacities of TP and Government Community Development Officers in soft skills and business skills to enhance labor market insertion and smooth post training activities. The project also conducts job fairs and business plan competitions to create linkages between graduates, government, training providers, private sector and viable businesses.

The project has revealed that RBF is a good approach in vocational training provision but needs to be adjusted to the local context for better

implementation and to bring the desired impact to the beneficiaries. It provides a win-win situation for both parties; for the trainees it ensures high quality market led training and increased chances of being employed; for the training provider it improves accountability and strengthens collaboration with prospective employers/private sector, and for the funder / donor it ensures value for money as payment is based on agreed milestones.

In contrast to the original RBF metrics, where the major part of the training costs is covered when graduates are in successful employment, the final YES RBF metrics covers the full training costs by the end of the training. This makes it an output-based payment system with a low risk for TP, who are paid based on the graduation rate and not the employment rate. Overall, the risk for TP is strongly reduced with this stronger output-based orientation. However, the incentive, which makes the training more attractive financially for the TP, remains as an outcome-based element, as it is only paid in the case of successful employment.

## ABBREVIATIONS

M&E	Monitoring and Evaluation
RBF	Results-Based Financing
RMA	Rapid Market Assessment
TP	Training Providers
TVET	Technical & Vocational Education Training
YES	Youth Employment through Skills enhancement project



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