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THE EU AGENCY SUPPORTING COUNTRIES TO DEVELOP THROUGH LEARNING

SKILLS INVESTMENTS FOR COMPETITIVENESS AND SUSTAINABILITY

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FOREWORD

Competitiveness at the heart of the EU agenda

In a world marked by geopolitical tensions and increased competition, maintaining Europe's competitiveness is more important than ever. At the centre of this effort are Europe's people—their talents, skills and ability to innovate. This is true both inside the EU Single Market and in how we work with partners around the world, where cooperation on skills helps the EU remain a strong and trusted global actor.

Investing in people's skills is integral to the European social model. By supporting upskilling and reskilling, we open up more opportunities for people and ensure our workforce can meet the demands of strategic sectors. These are investments in our competitiveness and strategic autonomy.

Yet, Europe still faces major challenges. Skills and labour shortages are limiting Europe's capacity to innovate and grow. Today, over 90% of jobs require digital competencies[1], but only about half of adults in Europe have them[2]. Nearly four out of five small and medium-sized enterprises (SMEs) struggle to find workers with the right skillsets[3], and fewer than 40% of adults participate in education or training annually[4], far below the EU's 60% target set for 2030[5]. Closing these skills gaps is essential if Europe wants to remain competitive in a changing world.

To address this, the European Commission is taking strong action to support the up-skilling and re-skilling of the EU's workforce, and to strengthen vocational education and training (VET). The Union of Skills strategy adopted in March 2025 sets out a clear framework to boost skills development across the EU. It links education, training, and employment policies, promotes cooperation among Member States, provides strategic direction, and connects skills policy with industrial policy, as well as the green and digital transitions and external action under Global Europe.

At the crossroads of the EU's internal and external action, the European Training Foundation (ETF) plays a unique role. Working with the European Commission and the International Financial Institutions (IFIs), the ETF helps third countries to align their education and training systems with EU standards, develop integrated value chains, and reduce dependencies on external actors. This approach strengthens Europe's strategic autonomy while promoting inclusive growth and responsible global influence.

By placing people at the heart of Europe's competitiveness, we are safeguarding the sustainability of Europe's social market economy. This approach ensures that economic prosperity goes hand in hand with fairness, opportunity, and social cohesion. Achieving this vision requires close collaboration on skills development between public authorities, industry and social partners, as well as education and training providers. This publication is an important contribution towards that goal.

1 European Commission Joint Research Centre, A closer look at the Digital Skills Index (DSI 2.0), 2025.
2 Eurostat, 56% of EU people have basic digital skills, Eurostat news release, 15 Dec 2023.
3 European Commission, Flash Eurobarometer 529/FL529, SMEs and skills shortages, survey fieldwork May–June 2023
4 European Commission, Education and Training Monitor 2024 – Comparative report
5 European Commission, European Pillar of Social Rights Action Plan

INTRODUCTION

Today, Europe's competitiveness is at a turning point – shaped not only by internal productivity and innovation, but also by how effectively the EU and its partners co-invest in human capital across the globe.

As Mario Draghi states in his Report on the Future of European Competitiveness (2024), "the only way to become more productive is for Europe to radically change". Draghi illustrates the urgency: over two decades, real disposable income in the EU has grown at nearly half the rate of the United States, and Europe's share of global technology revenues shrank from 22% to 18% between 2013 and 2023.

Competitiveness today is less about relative labour costs and more about knowledge and skills embodied in the labour force. Although technology is crucial to protect Europe's social model, without a strong focus on skills it could also undermine it.

The Investing in Education 2025 Report underscores that "spending on education is an investment, not a cost. It produces multiple economic and social benefits over time". Despite this, EU Member States allocate just 4.7 % of GDP – approximately €806 billion – to education, still below pre-pandemic levels. Evidence shows that raising basic skills EU-wide could boost GDP by up to 10 % by 2030, and that each additional year of education translates into a 7 % earnings increase.

Launched in March 2025, the Union of Skills elevates human capital to a strategic axis – integrated alongside green, digital, and industrial priorities. It calls on both EU Member States and partner countries to co-drive structural reforms and investment in education and training, backed by EU channels and IFI instruments, and firmly embeds an external dimension to reinforce Europe's global competitiveness.

Economic competitiveness is also at the heart of the EU enlargement process. Europe has an interest in having strong economies within its borders. EU candidate countries have an interest in finding their competitive niche within an enlarged Europe. The Reform Agendas for the Western Balkans and Moldova play an important role in this. They define the reforms that unlock investment and facilitate EU integration. The pace of these reforms will, to a large extent, depend on the ability of education and training systems to respond to the current and future needs of the labour market. The same is true for Ukraine. The pace of reconstruction and European integration will also be determined by the availability of education and skilled labour. There is a need to create ecosystems of education and skills on the one hand, and the private sector and IFIs on the other.

Launched in October 2025, the Pact for the Mediterranean emphasises enhancing regional competitiveness through deeper economic integration, sustainable growth, and innovation. By promoting higher education, vocational training and lifelong learning, alongside support for startups and sustainable sectors such as the blue economy and transport, the Pact positions the region as a hub for growth and resilience. This integrated approach ensures that economic modernisation and human capital development go hand in hand, driving industrial competitiveness and shared prosperity.

Today's competitiveness is inseparable from ESG-Environmental, Social, and Governance (ESG) considerations. When aligned with sustainability goals, ESG practices help organisations anticipate regulatory shifts, respond to stakeholder expectations, and access new markets, thereby enhancing their strategic positioning. The integration of ESG factors into financial decision-making is increasingly recognised not only as a pathway to sustainability but also as a source of competitive advantage. ESG frameworks enable investors and companies to manage non-financial risks and opportunities that are integral to long-term value creation.

The take-away for International Financial Institutions (IFIs) is that investments can deliver not only economic returns, but also meaningful social impact. Skills development provides:

- **Environmental gains,** by enabling workers to drive the green transition through clean-tech and circular economy sectors;
- **Social returns,** by promoting youth employment, inclusion, gender equity, and community resilience;
- **Governance improvements,** through more transparent, accountable and effective skills systems.

Unlike previous waves of digitalisation, today's drive for competitiveness is going to impact high-skilled jobs more. Increasing productivity and boosting innovation is likely to be accompanied by the need for high level or upper intermediate (technical) skills to support digitalisation, greening and increase Europe's defence readiness. At the same time, Europe and its partners are suffering from brain drain with skilled emigration lowering productivity and their ability to innovate and compete globally. Almost 60% of EU companies report lack of skills as a barrier to investment.

Workers need upskilling and reskilling to operate and leverage new technologies, and yet according to Eurostat only 47 % of working-age adults (25-64) in the EU took part in education and training in 2022. To achieve the target of at least 60% of adults participating in training every year, some 50 million more adults would need to receive training.

Current frameworks like the EU's Strategic Agenda 2024–29, endorsed by the European Council in June 2024, the growth plans for the Western Balkans and Moldova, the Ukraine Plan, and the Global Gateway Investment Package converge around one central truth: skills and social impact are the linchpins of competitiveness and reforms, both domestically and internationally. Through structured investment and policy coherence, Europe reinforces its competitiveness, while enabling partner countries to build resilience, inclusion, and sustainable growth.

The European Training Foundation (ETF) stands at the interface between strategy and impact. With decades of expertise in vocational education, employability, and skills intelligence in partner countries, the ETF ensures reforms are contextually attuned and implementation-ready. It connects EU and IFI investment to measurable human capital gains on the ground

This report, drafted by the ETF in collaboration with the European Commission and major IFIs, aims to:

1. **Position skills at the strategic core of competitiveness**, informed by Draghi's insights, Investing in Education 2025, and the Union of Skills;
2. **Contribute to align skills investment with ESG criteria,** delivering social impact alongside economic gain;
3. **Show the power of partnership** – how the EU, IFIs, and the ETF can jointly mobilise reforms and investment in partner countries to secure shared resilience and prosperity.

The first chapter provides an overview of the strategic and political Competitiveness Agenda in the EU and in its external action. Chapter two looks into the role of skills as a major enabling factor for competitiveness and productivity. In doing so, it offers examples of the potential for skills ecosystems to boost partnerships in key strategic sectors. The third chapter is dedicated to stories of social impact and human capital development from IFIs in different countries and regions.

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The work leading to this final product is a tangible proof of the commitment of these various partners to invest on skills as a strategic lever for sustainable impact and competitiveness.

Donatella Di Vozzo, ETF Lead Expert on Skills Investments and Financing, led the development of this publication with support from internal expertise across the organisation. The work was coordinated by the ETF Policy Advice Unit, under the leadership of Georgios Zisimos, with strategic input from Sabina Nari, Team Leader for EU Assistance.

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CONTENTS

EU STRATEGIC POLICY CONTEXT

The European Union is redefining its competitiveness strategy to respond to a rapidly evolving global landscape marked by geopolitical fragmentation, technological disruption, and climate imperatives. The landmark Draghi Report and the Competitiveness Compass jointly articulate a strategic shift: competitiveness is no longer a passive outcome of market forces, but a proactive policy agenda rooted in strategic autonomy, innovation-led growth, and resilient value chains.

The Draghi Report diagnoses Europe's stagnating productivity, rising energy costs, and increasing dependencies, and calls for a Marshall Plan-scale mobilisation of investment to restore dynamism. It identifies three imperatives:

- Closing the innovation gap, especially in frontier technologies;
- Decarbonising the economy without undermining industrial strength;
- Reducing strategic dependencies, particularly in raw materials, semiconductors, and defence capabilities.

The Competitiveness Compass translates these imperatives into actionable policy, setting a roadmap for 2025–2029 that integrates industrial strategy, trade, education, and finance.

Strategic autonomy is central to the EU's competitiveness vision. It reflects the Union's ambition to act independently in critical areas—energy, digital infrastructure, defence, and raw materials—while remaining open to global partnerships. Skills are the enabler of this autonomy. The EU's Clean Industrial Deal, Union of Skills, and Savings and Investment Union are designed to ensure that Europe has the human capital and financial capacity to lead in clean tech, AI, quantum, and advanced manufacturing. The Draghi Report calls for a continent-wide skills strategy aligned with industrial transformation, including:

- Massive investment in vocational education and lifelong learning;
- Mobility and recognition of skills across borders;
- Integration of skills into trade and foreign policy.

The EU is actively reshaping its global production networks through friend shoring and clean trade partnerships, prioritising trusted regions for strategic supply chain integration. Key value chains include:

- **Clean Energy Technologies:** Solar, hydrogen, and wind systems, with strategic partnerships in North Africa and the Western Balkans.
- **Critical Raw Materials:** Processing and refining capacities in Africa and Latin America, supported by raw materials diplomacy and skills cooperation.
- **Digital Infrastructure and Semiconductors:** Collaborations with Asia and the Mediterranean to reduce reliance on single suppliers.
- **Green Mobility and Automotive:** Electric vehicle production and battery recycling, with regional hubs in the Neighbourhood.

The New Growth Plan for the Western Balkans and the EU's raw materials strategy exemplify how skills are embedded in industrial and trade partnerships. These initiatives aim to build regional capabilities, foster inclusive growth, and align neighbourhood economies with EU standards.

Similarly, the EU's partnerships in the Southern Neighbourhood and in Africa are evolving towards co-investment in human capital. Skills are seen as a bridge between industrial policy and development cooperation, enabling partner countries to participate in high-value segments of global supply chains.

The European Commission has developed a comprehensive suite of financial instruments to support its external action and competitiveness agenda. These instruments are designed to mobilise public and private investment in strategic sectors while promoting inclusive growth and resilience in partner countries.

In the enlargement region, the Growth Plans underpinned by Reform and Growth Facilities provide the policy backbone for EU financial support in the Western Balkans (EUR 6 billion of grants and concessional loans) and Moldova (EUR 1.9 billion of grants and concessional loans), linking funding to concrete reform commitments (Reform Agendas) that enhance economic competitiveness. Similarly the Ukraine Plan, backed by the Ukraine Facility providing up to €50 billion for 2024–2027, supports Ukraine's recovery, reconstruction, and modernization while advancing reforms essential for EU accession. These financing frameworks are supplemented by the programmes supported through the Instrument for Pre-Accession Assistance (IPA III) and the Neighbourhood, Development and International Cooperation Instrument (NDICI).

The Neighbourhood, Development and International Cooperation Instrument (NDICI) with a budget of about EUR79,5 billion for the period 2021-2027, is the EU's main external financing tool supporting sustainable development and resilience in partner countries. In the EU neighbourhood, NDICI promotes economic competitiveness and investment by funding reforms that strengthen the business environment, improve infrastructure and connectivity, support digitalisation, and foster trade and industrial partnerships.

The European Fund for Sustainable Development Plus (EFSD+) is the EU investment framework under NDICI (Neighbourhood, Development and International Cooperation Instrument) - Global Europe, designed to mobilise public and private capital in support of the EU's external policy priorities in the EU neighbourhood, enlargement regions and beyond. It is also one of the financing tools of Global Gateway, promoting sustainable investments in the European Union's (EU) partner countries. Through EFSD+, the EU seeks to foster sustainable infrastructure, green and digital transitions, private sector development, and human capital investments in partner countries. The EFSD+ toolbox includes budgetary guarantees, which reduce the risk for lenders and investors, as well as blending which is implemented through blending platforms.

The Neighbourhood Investment Platform (NIP) is a blending facility whose primary objective is to finance - through a mix of grants and loans - key infrastructure projects in the transport, energy, digital, water, social and environment sectors, as well as to support private sector development, in particular SMEs in the Neighbourhood region. It does so by pooling grant resources from the EU budget and using them to leverage loans from International Finance Institutions, as well as other contributions from partner countries and the private sector. The NIP provides both investment grants and technical assistance to prepare and implement high-quality projects that align with EU standards and neighbourhood policy objectives.

For the Western Balkans specifically, the Western Balkans Investment Framework (WBIF) plays a critical coordination and investment facilitation role. Established in 2009, the WBIF brings together the European Commission, EU Member States, international financial institutions (IFIs), and the Western Balkan partner countries to support socio-economic development and EU accession. It combines EU grant financing with loans from IFIs to co-finance infrastructure and private sector projects in areas such as energy, transport, environment, and digital connectivity. The WBIF also provides technical assistance to prepare high-quality projects and strengthen institutional capacity, ensuring that investments are bankable and aligned with EU standards and priorities.


BEYOND EU BORDERS: THE GLOBAL GATEWAY

The Global Gateway is the EU's external investment strategy - aimed at boosting the development of quality infrastructure in partner countries to create sustainable prosperity, jobs and services for their local communities, along with strengthening connections between Europe and its partners. The Global Gateway is about more than just support for hard infrastructure: its 360-degree approach also aims to create an enabling environment for sustainable and quality investments, which promote high social, environmental and governance standards (ESG).

In Sub-Saharan Africa (SSA), countries offer significant investment opportunities across various sectors. Yet one key challenge is matching the employment expectations of large numbers of Africans with the reality of decent jobs available, and for investors to find the relevant skills needed for their investments. In response – and in line with the Global Gateway Strategy – the regional Team Europe Initiative Opportunity-driven Skills and Vocational Training in Africa (TEI OP-VET) was launched in April 2024; it is intended to empower the labour force in SSA countries with the skills required to benefit from investments and emerging job opportunities in their economies. By orienting VET and skills development towards employment opportunities arising from investments and related value chain developments, the programme addresses the skills dimension as an integral component and enabler of investments under the Global Gateway.

One example is the Ignite GH2 project, funded to the tune of €2 million under the TEI OP-VET in Namibia. It addresses a critical skills gap in the country's green hydrogen and Power-to-X sectors by enhancing vocational training for unemployed graduates, aligning educational outcomes with industry needs, and training the trainers. Implemented by a consortium of relevant public and private actors, it aims to upskill some 700 unemployed TVET graduates to increase their employability. In addition, TEI Inclusive Green Growth in Namibia has provided €5 million to the Y4H2 scholarship programme, which supports cooperation in research and higher education to create new or improved training programmes in green hydrogen.

THE ROLE OF SKILLS IN ENHANCING COMPETITIVENESS AND PRODUCTIVITY

The competitiveness debate in Europe is centred around enabling shared prosperity that is environmentally sustainable and resilient, in the face of an increasingly fractured geopolitical context (Draghi, M. 2024). Joint priorities and cooperation with the enlarged EU and its neighbourhood – as well as bilateral cooperation – will be critical in boosting competitiveness. Europe and its partners alike will have to ensure the best use of available skills.

Productivity growth in Europe has been slowing down over the past 20 years. Pressures have intensified since the Russian war in Ukraine, and the resulting energy price shock which has contributed to lowering labour productivity. With new geopolitical realities, some trade and supply chain dependencies have turned into vulnerabilities. In addition to innovation, green energy transformation and technological upgrading, European companies are simultaneously facing both greater international competition and decreased access to foreign markets. In this context, skills development is a key lever to support the resilience and competitiveness of companies in the enlarged EU and its neighbourhood.

Over the last decade, Europe has experienced strong employment growth alongside a slowdown in productivity growth. But while employment growth has supported income-per-capita growth since the pandemic, it is likely that as a result of a declining labour force due to a rapidly aging population and low fertility rates, this mechanism will no longer be sustainable in the future. Productivity growth, therefore, is becoming increasingly critical (idem). Economic theory suggests that there could be a trade-off on aggregate between increased employment and productivity growth (EC, 2024). In practice, this means that employment growth biased towards workers with lower skills will have a negative aggregate impact on productivity. The same is true if employment growth is biased towards sectors with low productivity.

By 2035, more than half of new job openings in the EU will be in highly skilled occupations (EC, 2025a). As Europe faces demographic shifts, labour shortages and rising global competition, the skills required across many sectors will become increasingly hard to find. The importance of specialised professionals with vocational qualifications, as well as the upskilling and reskilling of adults, will become even more acute. Europe and its partners are thus embracing the internationalisation and modernisation of VET, aligning training with global standards, opening opportunities for learners, and supporting businesses to engage in cross-border cooperation within and beyond the EU.

The future of Europe's competitiveness is inextricably linked to the adoption of advanced technologies which are linked to higher labour productivity (Acemoglu, et al, 2022). The EU lags behind the United States both in the creation and adoption of digital technologies. In addition, China has undergone one of the fastest digital transformations in the world in recent years. To date, the adoption of digitalisation in the enlarged EU and its neighbourhood has been heterogeneous across sectors, and relatively few companies benefit from it. Yet higher investment in digital and other technologies by itself is not enough to boost productivity. The actual utilisation of technology is dependent on the skills of the workforce. Research shows that technology adoption does not impact the aggregate demand for labour, but it does impact the type of profiles in-demand; in other words, technology adoption is correlated with increased demand for higher skills (Acemoglu, et al, 2022).

COMPETITIVEN

The EU is already a global leader in renewables when it comes to technology development and deployment. Affordable energy is the foundation of European competitiveness (EC, 2025b), but its position on global renewable energy markets could be further strengthened. Under the European Green Deal, renewable energy is a pillar of the clean energy transition. The rates of job vacancies for clean tech manufacturing in the EU doubled between 2019 and 2023 (Draghi, M. 2024). The shortage of high-skilled workers is a growing and increasingly acute issue. By 2035, labour shortages are expected to be most severe in high-skilled, non-manual occupations that require a high level of education (idem). This is driven by the need to replace retiring workers and the evolving demands of the labour market.

In addition, contemporary policy and academic discourse increasingly recognise that integrating green skills within organisational structures is a critical – if not foundational – dimension of sustainable competitiveness (European Commission, 2023; Draghi et al., 2024). Embedding green skills – defined as the knowledge, abilities, values, and attitudes needed to live in, develop, and support a sustainable and resource-efficient society (Cedefop, 2021) – within SMEs is not merely a matter of compliance. It is a strategic lever for risk management, cost reduction, and market differentiation. Moreover, green skills enable SMEs to anticipate and respond to regulatory changes, such as those arising from the European Green Deal and the Fit for 55 package, and to participate in emerging value chains that prioritise environmental and social governance (ESG) criteria.

Importantly, firms with strong ESG credentials are increasingly attractive to young workers, a demographic whose retention and engagement is a well-documented challenge across many sectors. For instance, in the energy sector, energy auditing has become indispensable for identifying efficiency gains and reducing operational costs. Demand is projected to require over 130,000 additional specialists by 2030, reflecting its centrality to compliance and competitiveness. Similarly, retrofitting techniques in construction are now critical, yet only about a quarter of construction workers currently possess these skills. In manufacturing, expertise in Life Cycle Assessment (LCA) is increasingly sought after to ensure products meet eco-design standards and align with EU taxonomy requirements.

The digital economy is not exempt from this trend. Green software engineering, which focuses on reducing the energy footprint of code and digital services, is gaining traction as data centres and ICT infrastructure account for a growing share of emissions, with job postings for such roles surging by 40% in just six months. Finally, cross-sectoral competencies such as carbon accounting and reporting are now essential for SMEs operating under the EU's Corporate Sustainability Reporting Directive (CSRD), which will soon cover nearly 50,000 companies. The ability to attract and retain talent is thus directly linked to the visibility and credibility of a company's sustainability commitments.

The Union of Skills, as articulated in the European Commission's 2024 Skills and Education Package, positions skills development, especially in green and digital domains, as a cornerstone of Europe's competitiveness and strategic autonomy (European Commission, 2024). The Draghi report further highlights that the upskilling and reskilling of the workforce, with a strong emphasis on SMEs, is essential for closing the competitiveness gap with global peers and for ensuring that the green transition is both just and inclusive (Draghi et al., 2024).

In summary, while the competitiveness of European SMEs is shaped by a constellation of economic, regulatory, and social factors, the embedding of green skills within organisational practices emerges as a key enabler of sustainable growth. This approach not only aligns with EU policy priorities but also operationalises the multiple benefits of sustainability, ranging from regulatory compliance and risk mitigation to innovation, cost savings, market access, and talent retention. It thus positions SMEs to thrive in the evolving European and global landscape.

ETF CASE STUDY:

European Training Foundation

Upskilling Agri-food in the Western Balkans

The agri-food sector is a major contributor to innovation, trade and competitiveness in the Western Balkans region. The sector is rapidly modernising, and facing challenges that range from labour shortages to changing consumer preferences with regard to transparency and sustainable farming practices. Innovative small and medium sized companies (SMEs) and start-ups are providing new solutions and ideas for modernisation, competitiveness and sustainability of agriculture. With this in mind, the ETF launched the *Skilling-up the Western Balkans Agri-food Sector* project with twin aims:

- strengthening skills development for innovation and competitiveness;
- identifying opportunities to enhance regional cooperation among Western Balkans stakeholders and their European peers.

The project started in 2022 and will last until 2025 with ETF support.

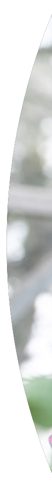
Focus on SMEs

With this project, a network of around 150 stakeholders was established. The ETF wanted to bring together key stakeholders within the sector to discuss the importance of investing in human capital and upskilling and reskilling for innovation and productivity. Looking at skills from the point of view of SMEs was an important element of the project. Following an open call, a core group of around 20 companies (SMEs) were selected, from small producers of berries or animal feed to high level digital companies producing IT solutions for the agri-food sector (such as drones, Internet of Things (IoT) and artificial intelligence (AI) solutions for smart farming).

Apart from SMEs, other skills ecosystem stakeholders were invited to take part in the network to exchange on common challenges and seek shared solutions. They include:

- **Innovative SMEs** in agri-tech, green and digital transition of the agri-food sector
- **SMEs looking to make an innovation shift**
- **Business associations and industry clusters** supporting SME internationalisation
- **VET institutions and higher education institutions** in agri-food
- **Research institutions** in agri-food
- **Policymakers:** representatives of ministries and smart specialisation working groups

In addition, experts from universities, vocational schools, innovation centres and clusters from EU Member States (Austria, Belgium, Finland, Ireland, the Netherlands and Portugal) were selected to act as peer learning partners.



Evidence-based cooperation

The project and network builds on the results of the different studies that identified future skills needs and technology adoption pathways, and provides guidance for curriculum development and investment priorities. The following research has been carried out within the project:

- **Technological changes and skills needs:** identifying current and emerging technological changes and skills needs in the three niches of the agri-food chain: digitalisation in agri-food, biochemical and microbial products for agri-food, and organic and functional foods.
- **Skills for technology transfer:** understanding systems of technology transfer, the provision of services to support the development of company skills for technology transfer, and the main gaps and improvement actions.
- **Participatory foresight study:** identifying key drivers of change, mapping emerging skills needs and examining the extent to which current education and training systems are equipped to respond to the demands of the sector.

ETF NETWORK:

Skilling up the Western Balkans Agri-Food Sector

The overall goal was always about creating a network that generates long-lasting connections and joint actions to address skills challenges. This network was set up in 2022 to help strengthen skills development for innovation, growth, and competitiveness in the Western Balkans agri-food sector, supporting its economic contribution and transition to a greener, more digital future.

The Process Journey

Before we started, we had a clear aim: creating a network. We set out our approach and methodologies to look at skills from the standpoint of innovation-driven companies. The idea was that while projects can end, a movement of people is more resilient and does not depend on policy cycles or political changes.

The Organic Growth of the Network

Our companies are at the core of the project, alongside a focus on technology, innovation, competitiveness, skills, growth, and connection.

STAGE 1
POLICY

We started from the policy angle. This was important because the national policies would need to fall under the broader EU policies.

STAGE 2
THE CALL

We selected a number of innovation-driven companies (not farmers) and business support organisations and invited them to take part in the project. We chose companies that are driving change by developing completely new agri-food products.

A significant barrier is that many Western Balkans farmers are not adopting new technology.

All the research was done to bring the right people together.

STAGE 3
THE STAKEHOLDER

We identified other project stakeholders to support the businesses. These included:

- Business support services
- Research institutions and universities
- EU Delegations
- Smart Specialisation teams

THE JOURNEY FROM A PROJECT TO A NETWORK

STAGE 4 **THE NETWORK**

This stage focused on building a living network and connecting the dots.

Joint initiatives were developed.

We found we had many shared issues, which led to exchanging ideas, joint initiatives, and shared support.

STAGE 5 **TRANSITION**

This was a progressive transition from a project to a network. This was our goal from the start and a conscious choice to hold onto throughout.

STAGE 6 **IMPACT**

We assessed the biggest areas of impact.

Our companies have committed to giving back. The true impact comes from the connections, which will last much longer than any single project.

Handpicking the right people to be in the room is critical.

The impact is in getting the wheels in motion. There are, and will be many positive impacts that we don't even know about yet.

STAGE 7 **HANDOVER**

The plan is to hand over the network to BioSense in 2025.

When we designed the project, it was our dream that someone would take it over and carry it forward.

In 2025, our role will switch to providing support.

For more information on the project and research

BUILDING SKILLS ECOSYSTEMS: VOCATIONAL EXCELLENCE AS A DRIVER OF INNOVATION AND COMPETITIVENESS

The nexus between skills and competitiveness is a tough nut to crack for many countries seeking to tackle issues of innovation and productivity through skilling, reskilling, upskilling, and future skills anticipation

Skills provision alone does not guarantee competitiveness. Outcomes improve when skills demand (anticipation, enterprise needs, transitions) and skills provision (VET, lifelong learning, quality and governance) are aligned with sector priorities and investment. Yet competitiveness is ultimately a system property. It depends on the quality of interactions among education, research, business and policy actors. When these links function well, they generate creative spillovers, strengthen absorptive capacity, accelerate technology diffusion and innovation uptake, and lead to targeted policy measures in a structured and participatory way. Evidence shows that financing, policy dialogue and implementation are most effective when coordinated so that every Euro invested in innovation also strengthens people and institutions, ensuring that investment not only creates assets but enhances the system's ability to learn, adapt and grow.

Vocational Excellence as a connector

Even well-established VET systems today recognise the need to strive for vocational excellence, and open up to new models and structures. Vocational excellence is seen in many countries globally as a promising policy option for strengthening skills development and VET systems, and improving VET performance, along with its image and attractiveness. Perhaps the most dominant model for such change is that of Centres of Vocational Excellence (CoVEs): skills ecosystems in which VET providers work together with employers, research institutes, local authorities and other actors.

Centres of Vocational Excellence (CoVEs) illustrate how VET providers, employers and research actors co-create high-quality, work-relevant learning; support SMEs with technology adoption; and contribute to regional development, inclusion, and internationalisation. Acting as innovation intermediaries, CoVEs connect talent pipelines with the economic transformation priorities identified through evidence-based policy processes, such as skills intelligence and Smart Specialisation. They operate across multiple domains, helping regions invest in the capabilities that most effectively nurture competitiveness and resilience. At the same time, CoVEs make excellence inclusive by enabling diverse learners, including disadvantaged groups and SMEs, to participate in innovation ecosystems and benefit from emerging opportunities. In this way, CoVEs make skills not just a response to change, but a strategic lever shaping the direction of sustainable growth and competitiveness.

What are Centres of Vocational Excellence?

Centres of Vocational Excellence (CoVEs) are collaborative networks of vocational education and training providers, employers, research centres, universities of applied sciences, development agencies, and other stakeholders. Though CoVEs often appear to have different names around the world, they are defined as ecosystems that:

- Deliver high-quality skills and key competences that meet labour market and societal needs to young people and adults using a learner-centred approach;
- Contribute to regional development, industrial clusters, smart specialisation strategies, and social inclusion;
- Act as entrepreneurial incubators, engaging in applied research and supporting innovation and business development, especially targeting SMEs;
- Invest in the professional development of training personnel, innovative teaching methods, infrastructures, learner and staff mobility, and VET internationalisation.

CoVEs go far beyond simply providing qualifications – they integrate activities across sectors, build enduring partnerships, align with regional innovation strategies, and actively contribute to skills ecosystems to maximise impact. Above all, CoVEs are perceived as drivers for VET reforms, and have an international appeal that enables them to forge partnerships beyond regional or national borders. CoVEs are able to respond quickly to critical challenges such as the green and digital transitions, ageing workforces, migration and socio-economic inequalities.

How partnerships enhance competitiveness

One example of how CoVEs work in practice comes from Egypt, and the collaboration between Ta'heal and Nahdet Misr Applied Technology School. Ta'heal is a private-sector organisation in Egypt that plays a key role in transforming vocational education by promoting collaboration between public institutions and private industry. Rather than delivering education directly, Ta'heal focuses on establishing and managing Applied Technology Schools, with the aim of aligning education with labour market needs. One of these schools is the Nahdet Misr Applied Technology School for Sustainable Tourism. Ta'heal brings together stakeholders from across sectors and champions a vision of vocational excellence that embraces themes such as digitalisation, innovation, and sustainability. Positioned as a bridge between policy and practice, Ta'heal supports a learner-centred, forward-looking approach to vocational training, helping to advance technical education in Egypt. Its approach offers a replicable model for industry-driven technical education, ensuring long-term benefits for students, employers, and the broader economy.

Another example comes from Greece, where the AKMI Vocational Training School is a private VET institution providing VET programmes in sectors ranging from tourism, IT & new technologies through to arts and design. Since 2022, AKMI International – the school's international department – has coordinated the four-year TourX project.

Co-funded through the European Commission's Erasmus+ Programme, TourX envisions creating CoVEs in tourism using a bottom-up approach, in which the education providers in the partnership enhance their ability to adapt skills provision to ever-changing economic and social needs via the model of knowledge triangles. These knowledge triangles bring together VET providers, business sector representatives and public authorities to collaborate better and contribute to regional development. By enhancing training quality and aligning skills with industry needs better, TourX seeks to make VET a key driver for a more competent, competitive, and sustainable tourism sector.

These initiatives illustrate the key characteristics of the CoVE model:

- **Responsive Skills Development:** Industry partnerships enable VET systems to respond quickly to changing skills demands, reducing mismatches and ensuring graduates are ready to take up their jobs.
- **Innovation and Applied Research:** Joint projects with employers (including SMEs), universities and research centres drive innovation, support new product and service development, and foster entrepreneurship within local economies. Applied research is a strong tool to provide SMEs easier access to research capacities.
- **Regional Economic Impact:** Working with local authorities, employers and other stakeholders, CoVEs aim to contribute to regional development strategies, smart specialisation, and the creation of industrial clusters, thereby directly supporting competitiveness.
- **International Benchmarking:** Participation in international networks allows CoVEs to benchmark against global best practices, adopt innovative methodologies, and continuously improve quality and relevance.
- **Inclusive Excellence:** Inclusion is a founding principle, ensuring equity and attractiveness. Partnerships with social partners and community organisations ensure vocational excellence is accessible to all, enhancing employability, social cohesion, and workforce competitiveness.

- **Catalysts for Investment:** CoVEs act as entrepreneurial incubators and catalysts for investment, attracting resources and supporting business development, especially among SMEs.

Strategic Implications for International Financial Institutions (IFIs)

For financial institutions, investing in vocational excellence means investing in resilient, inclusive, and innovation-driven economies. CoVEs offer a scalable model for skills development which is responsive to labour market needs, and aligned with smart specialisation and regional growth strategies. IFIs can support CoVEs through targeted funding, policy dialogue and capacity building, and by emphasising long-term partnerships and shared governance to ensure sustainability and impact. Today, there is growing recognition in the international investment community that financing alone is not enough. For financing to be effective, the relevant skills also need to be in place. With the agility that comes from their open ecosystem model, CoVEs are an ideal means of ensuring that necessary skills are available exactly where and when they are needed.

SECTOR SKILLS COUNCILS (SSCs): INDUSTRY-LED PLATFORMS FOR ALIGNING SKILLS INTELLIGENCE WITH LABOUR MARKET NEEDS

Sector Skills Councils (SSCs) are multi-stakeholder mechanisms that bring together employers, education providers, government, and social partners to align skills supply with labour-market demand.

SSCs strengthen the responsiveness and legitimacy of Technical and Vocational Education and Training systems by anchoring social dialogue at sector level. Their value lies in bridging the skills mismatch, improving productivity, fostering innovation, and supporting inclusive, lifelong learning.

The ETF's comparative experience, including lessons from Azerbaijan, Croatia, and Georgia, demonstrates that SSCs thrive when supported by a clear legal mandate, structured social dialogue, and dedicated technical secretariats. The ETF workshop in Cairo (May 2025) highlighted the critical role of labour-market intelligence, sector reports, and coordination across ministries and industry. These governance mechanisms ensure SSCs function as dynamic platforms connecting training with countries' economic transformation.

The ETF's regional analysis showcases SSC models in South Africa, the Netherlands, and India. South Africa's Energy and Water Sector Education and Training Authority integrates skills roadmaps into national strategies; the Netherlands' SBB maintains real-time labour-market dashboards; and India's Green Jobs SSC supports clean-energy workforce planning. Egypt's Renewable Energy SSC, backed by ETF and EBRD, draws from these examples to build a forward-looking, demand-driven skills ecosystem supporting green and digital transitions.

Box/Case study:
Building Sector Partnerships in Egypt

Egypt's skills reform agenda, under the Ministry of Planning and Economic Development's Umbrella SSC Decree No. 115 (2023), positions SSCs as key instruments to enhance workforce relevance and competitiveness. The ETF and the European Bank for Reconstruction and Development (EBRD) have supported SSC creation through sector pilots and institutional capacity development. Notable examples include the SSC (2022) established through an EBRD–Government partnership, and the Electrical Equipment and Cables Sector Skills Platform (2019) that identified skills gaps and strengthened certification systems.
The ETF's ongoing support for the Renewable Energy SSC (2024–25) focuses on labour-market intelligence, occupational standards, and sector strategies, directly addressing key TVET–industry linkage gaps.

SSCs are pivotal to building competitiveness through skills relevance, innovation, and inclusion. Egypt's emerging SSC system (anchored in the ETF's policy dialogue and EBRD's private-sector engagement) demonstrates how targeted collaboration can translate economic vision into human capital results. Scaling SSCs across strategic sectors will help Egypt and partner economies position themselves for sustainable, skills-based growth

ZOOM IN: LEVERAGING PRIVATE CAPITAL FOR A SUSTAINABLE COMPETITIVE ADVANTAGE

Karl H Richter, Director of EngagedX Ltd and part-time lecturer at the Frankfurt School of Finance and Management

Aligning private capital with policy priorities requires us, firstly, to understand the different strategies investors use when they claim to be impact investors, or to integrate environmental, social, and governance (ESG) factors within decision-making. The terms "impact", "environmental", "social", and "governance" all imply goals beyond financial objectives alone. In other words, positive contributions towards people and the planet - which can be true, but not always.

The way investors pursue these supra-financial goals depends upon the constraints and freedoms in their mandates.

Institutional investors - typically those large funds that manage your pension savings or the capital of insurance companies - have a mandate to achieve competitive market-rate financial returns. You would be disappointed if they did not! Imagine if your pension fund could not afford to pay you a decent income in retirement, or if your insurance company could not pay out against an insurance claim when you needed it.

In other words, these investors are constrained by financial goals that have little flexibility, and rightly so. Within this context, when they consider supra-financial factors, they must evaluate primarily how these external factors are likely to affect the financial performance of their funds. This is known as "outside-in" analysis. For example, whether the companies they invest in might be exposed to increased flooding or fire risk due to climate change, or whether those companies have poor employment conditions that might result in low productivity because of labour strikes, or if consumers might boycott a company's products because they do not want to be associated with human rights abuses.

This is not the same as considering how those investments make meaningful contributions towards people and the planet: for example whether companies pollute and therefore aggravate climate change in the first place, or whether they explicitly promote gender balance in the workforce, or pay a fair wage.

Assessing these broader effects requires analysis beyond the boundaries of the company being invested in. It demands an understanding of how the operations of that company affect society or the environment at large, this is known as "inside-out" analysis. Such analysis is familiar to development finance institutions (DFIs), social banks, and philanthropists because their core mandates require them to prioritise supra-financial factors. However, these broader "inside-out" effects will simply not be prioritised if they are not intrinsically part of the investor's mandate.

It is tempting to prescribe regulations that require "inside-out" disclosure. But if the mandate does not seek the sincere insights associated with this analysis, then organisations will be tempted to take shortcuts or be vague — or, even worse, they may have perverse incentives to take rational actions that obscure the true picture.

Investors with longer time horizons will probably include some supra-financial objectives as part of their goals, particularly about issues that are likely to drive commercial value over the longer term. This is not new, even 19th century industrialists realised this - workforces are more productive if labour conditions are not abysmal, employees that live in good homes are less likely to take sick leave, and so on. Funding these issues equates to good business over time because the commercial benefits can be realised, even if only far in the future. But beyond that, supra-financial issues may not be considered if the connection to the business is unclear or if the costs are borne by others: the latter is what economists refer to as externalities.

In recent years, some investors have increasingly chosen to identify as "impact investors". They use this label to signal that they do consider a broader set of supra-financial goals in their mandate. They want their investment capital to create positive results for people and the planet beyond the self-interest of 19th century industrialists. Indeed, they argue that there is no theoretical conflict between achieving financial returns (doing well) whilst also achieving positive supra-financial results (doing good). This can be true, but not always, and not for all investors.

The key point of this short essay is simply the following: that supra-financial goals and financial goals are compatible with each other, but the degree to which investors combine them is constrained by their mandates. This dilemma can be resolved, but it needs the fundamental alignment of mandates that cannot be achieved with disclosure requirements alone.

European regulations use the term "double materiality" when requiring organisations to disclose material effects both "outside-in" and "inside-out". This is helpful to structure how reporting must be done, but it does not align the motivations within mandates for why it is important in the first place. It is imperative that policy makers look beyond the compliance requirements imposed upon investors (and the voluntary labels they assign themselves) to understand how both "outside-in" and "inside-out" concerns can be embedded naturally and fundamentally within all mandates.

Ultimately, markets are imperfect societal constructs. "Inside-out" factors, especially negative impacts on people and the planet more broadly, are not always reflected in the price of goods and services, nor investment returns. However, when materially relevant externalities are correctly priced in the first place, then these "inside-out" issues automatically become "outside-in" concerns for all investors, especially those that have mandates to maximise financial returns.

Creating a level playing field like this, which prices externalities so that all investor mandates are naturally aligned, could unleash the competitive nature of commercial markets so that all capital contributes meaningfully towards sustainability goals.

CASE STUDIES: INTEGRATING SKILLS INTO INTERNATIONAL FINANCIAL INSTITUTIONS' INVESTMENTS IN STRATEGIC SECTORS

This section presents selected IFI investments in strategic sectors.

International Financial Institutions (IFIs) are the principal implementing partners of the EFSD+ initiative and play a central role in delivering the EU investment agenda.

They co-finance strategic infrastructure and projects with high potential for impact, blend EU grants with concessional and commercial resources, and leverage EU guarantees to mobilise private investment in priority sectors such as green transition, digital connectivity, sustainable transport, and human capital. They also provide technical assistance, policy dialogue, and institutional-capacity support in areas including education, employment, and labour-market reform, ensuring that investments translate into lasting development outcomes.

As the lending arm of the European Union, the European Investment Bank is one of the biggest multilateral finance institutions in the world, and one of the largest providers of climate finance. Knowledge and skills are key drivers of long-term prosperity and boost economic competitiveness and global development, as well as accelerating the green transition.

Mher Grigoryan
Deputy Prime Minister of Armenia

"The expanding partnership agenda between the Armenian government and the EIB is based on shared values of sustainable development, economic growth, and enhancing the resilience of the region."

SKILLS FOR PROSPERITY

In Armenia, its Resilient Syunik programme has focused on strategic public investment in social and environmental infrastructure.

Promoting sustainable development
Launched in 2023, the programme aims to address critical service gaps in health, education and drinking water supply in an isolated and vulnerable border area. Aligned with the Resilient Syunik Team Europe Initiative and the EU's Eastern Partnership priorities of recovery, resilience and reform, the project promotes sustainable development in line with key EIB mandates.

Skills for economic resilience
The programme is centred on investing in inclusive skills development as a pathway to long-term economic resilience. Targeted investment in TVET provides a cornerstone for rebuilding livelihoods, while addressing gender-specific barriers to skills training enhances the initiative's overall impact. Training is adapted to local labour market needs, in order to reduce dependency on aid and support inclusive growth.

EIB investment: €55 million

CONNECTING EDUCATION AND BUSINESS IN MOROCCO

Since 2023, the EIB has been supporting the sustainable extension and environmental upgrading of eight existing technology parks in Morocco, as well as the establishment of two new sites.

The 10 parks will provide well-structured, connected and sustainable activity zones. The project aims to promote regional development through integrated clusters that bring together education, research centres and businesses, with a strong emphasis on sustainability, innovation and job creation.

EIB investment: €150 million

European Bank
for Reconstruction and Development

For the EBRD, expanding access to skills and decent job opportunities that are open to all within society can be most effectively achieved by matching the skills supply of existing and prospective workers with the skills demand of employers, especially those in the private sector. To this end, the EBRD acts as a catalyst to create strategic partnerships between the private sector and key policy makers, to promote skills policy reforms and develop training programmes (through partnerships with education providers) that better reflect the needs of employers as well as national development priorities.

Natalya Zhukova
EBRD's Agribusiness Sector Team Director

"We must work with producers who prioritise healthy, sustainable modes of production in the food sector, and we believe Tat Gida is a perfect example of that."

PRIVATE SECTOR FOCUS IN TÜRKIYE

In Türkiye, it has supported the establishment of a new TVET programme aimed at equipping young people with the skills needed to adopt new agricultural technologies.

Future of food
In 2022, the EBRD provided a €20 million loan to Tat Gida – one of Türkiye's leading food producers for canned food and tomato products. As part of the package, Tat Gida has committed to implementing a range of ambitious commitments, including a dedicated TVET programme focused on innovative food processing solutions. The programme targets young people currently not in employment, education or training, and has been designed in collaboration with the Ministries of National Education, Agriculture, and Labour & Social Security, along with the Turkish Employment Agency.

High participation
The training programme was successfully conducted in İzmir and Bursa, in collaboration with the youth agronomy clubs of Uludağ and Ege Universities. A total of 210 participants attended the sessions, exceeding the project's target of 150. In addition, to tackle the current challenges faced in tomato farming, Tat Gida has committed to provide training on emerging digital agriculture technologies to farmers, suppliers and distributors. The first round of this programme has already been delivered to 100 participants, and is currently being rolled out to additional participants.

EBRD investment: €20 million

PREPARING THE AI REVOLUTION IN SERBIA

In 2025, the EBRD provided a €55 million loan to HTEC – a global consulting, engineering, and digital product development company based in Serbia – to launch its AI Enablement Programme: a company-wide initiative to build foundational AI literacy across all teams. HTEC has recognised the need to train its employees in specific advanced technical expertise in AI application as a key strategic initiative supporting its market positioning. In total, around 800 employees will be directly impacted by this strategic upskilling initiative under the EBRD project, reflecting the significant role of this partnership in driving HTEC's AI transformation agenda.

EBRD investment: €55 million

EDFI

The Association of European Development Finance Institutions was set up in 1992 to support and promote the work of 15 bilateral Development Finance Institutions (DFIs). Its members currently manage a combined portfolio of some €60 billion.

COMBINED PORTFOLIO FOR GROWTH IN MOLDOVA AND UKRAINE

The EDFI is currently supporting the Horizon Capital Growth Fund IV (HCGF IV), a private equity fund providing capital to fast-growing IT and export-oriented companies in Ukraine and Moldova.

Supporting innovation
HCGF IV is a private equity fund managed by Horizon Capital, focusing on high-growth, export-oriented SMEs in Ukraine and Moldova. The fund targets sectors such as IT services, fintech, light manufacturing, and food processing. It aims to provide growth capital to companies that demonstrate strong potential for innovation and international expansion.

Enhancing skills
The programme is focused on enhancing the skills of the workforce through training and exposure to international markets. It exemplifies how DFIs can support the development of strategic sectors by providing capital to SMEs that are pivotal in job creation and skills development. A focus on gender-smart investing further aligns with the goal of promoting inclusive economic growth and enhancing employability in the region.

Available equity target: US$300 million

PROMOTING ENTREPRENEURSHIP IN JORDAN

Via the Netherlands Development Finance Company, the EDFI is engaged in providing microfinance support to Tamweelcom, the third-largest microfinance institution in Jordan. The initiative focuses on enabling access to finance for micro and small enterprises, particularly those led by young people and women. By supporting entrepreneurial activities, the project aims to promote economic empowerment, create jobs, and strengthen financial and business skills among underserved populations.

AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

The African Development Bank is committed to promoting a prosperous, inclusive, resilient and integrated Africa by addressing the continent's core development needs. Its work focuses on overarching priorities which include improving gender equality, investing in youth, and addressing and mitigating climate change.

Francis Gatare
Chief Executive Officer of the Rwanda Development Board

"By establishing a cutting-edge centre of excellence, we are not only building infrastructure; we are nurturing talent, fostering innovation, and charting a course towards sustainable development."

ADDRESSING AFRICA'S AVIATION NEEDS IN RWANDA

In 2024 – in partnership with the Rwanda Development Board – it launched the Centre of Excellence for Aviation Skills (CEAS) project, intended to build a skilled workforce and transform the country into a regional aviation training hub.

Investing in skills
Equipped with an academic block, laboratories, simulators and an aircraft hangar, the CEAS will partially open in 2025 – positioning Rwanda as a continental leader in aviation capacity building. The institution will train Africa's next generation of aviation professionals, create jobs, save training costs and encourage the dissemination of aviation skills and safety.

State-of-the-art training
Using state-of-the-art training facilities and accredited programmes, CEAS will train pilots, aircraft engineers, drone operators, cabin crew and aviation managers to international standards. While reducing reliance on costly overseas programmes, it will enhance aviation safety and compliance while simultaneously expanding young people and women's participation in technical aviation careers.

AfDB investment: US$23.6 million

500 students trained annually

30% enrolment for women in technical fields

CENTRES OF EXCELLENCE IN HEALTH IN EAST AFRICA

The AfDB is currently implementing a network of Centres of Excellence (CoEs) in health / biomedical sciences across East Africa, including in Kenya, Uganda, Tanzania, Rwanda, and Burundi. The goal is to develop highly skilled human resources by training medical professionals, academic staff, and technical personnel in biomedical health sciences, including cardiology, urology, oncology, biomedical engineering, and eHealth. In parallel, these CoEs will improve health infrastructure by creating a network of state-of-the-art specialty hospitals and teaching hospitals, labs and diagnostic facilities.

AfDB investment: US$75 million

45% of trainees are women

ADB ASIAN DEVELOPMENT BANK

The ADB has long been a trusted partner for nationwide skills development programmes, with an innovative approach in public-private training partnerships.

PARTNER FOR SKILLS IN BANGLADESH

It is currently accompanying the government of Bangladesh with a Results Based Lending (RBL) initiative, which supports the government's skills development programme by financing selective interventions in building a technology-oriented workforce for priority and emerging industries.

Sector-focused initiatives
The RBL programme supports sector-focused skills initiatives in the public and private sectors by harnessing partnerships with industries. In addition to priority sectors, it will incorporate skills for emerging sectors such as automotive, electronics and pharmaceuticals. It also promotes socially inclusive training and employment opportunities for women and disadvantaged groups.

Future-proofing the workforce
The initiative will create a technology-ready workforce developed for a diversified and innovation-driven economy. It aims to train skilled workers across all skill levels, while providing women and socially disadvantaged groups with employable and/or life skills via specially targeted programmes. The programme is expected to benefit some 220,000 new and existing workers over its six-year implementation period.

ADB investment: US$300 million

SKILLS FOR INDUSTRY IN CAMBODIA

The ADB's Skills for Competitiveness programme aims to enhance the skills and competitiveness of Cambodia's industrial sector labour force. It focuses on human capital development in four priority sectors: manufacturing, construction, electricity, and electronics. By leveraging innovative TVET systems and work-based learning programmes, the initiative aims to produce a total of 18,000 qualified technicians, 28% of them women.

Total project cost: US$88.23 million

Recognising the importance of skills in the global economy, the World Bank supports skills development through financing, policy advice, technical support, and partnership activities at the country, regional, and global levels. The World Bank is the most significant external financier of tertiary education and skills, with a close to $7 billion active lending portfolio invested in over 50 developing countries.

Dr Masudi Senzia
ATC Acting Rector

"The World Bank has agreed to support us in the efforts to turn the Kikuletwa Training Centre into a Centre of Excellence in Renewable Energy in the coming five years, a move that will make it a centre of excellence in hydropower-related training in the East African region."

SUPPORTING SKILLS DEVELOPMENT IN TANZANIA

Since 2019, the World Bank has supported the establishment and operation of a Regional Flagship TVET Institute (RFTI) focused on renewable energy skills training in Tanzania.

Industry-driven curricula
Launched in partnership with Arusha Technical College (ATC) and the Tanzania Renewable Energy Association (TAREA), the project aims to develop industry-driven curricula, facilitate staff exchanges and capacity development, promote workplace-based practical learning, and engage in applied research and development. TAREA has played a pivotal role in connecting ATC with a range of renewable energy stakeholders, including private companies, government institutions, and industries both domestically and internationally.

Skills in tune with national priorities
The collaboration has resulted in the development of curricula for long-term programmes in renewable energy, including a bachelor's degree and ordinary diplomas. Vocational training programmes have been introduced in solar energy, bioenergy and wind energy, thereby supporting the skill development necessary for Tanzania's priority sectors. Enrolment has reached 1,406, and the number of demand-driven programmes developed has risen to 27 from a baseline of three.

Annual income generated by the RFTI: US$550,000

Graduate employment rate: 68.2%

MODERNISING MARINE ENGINEERING IN KENYA

The World Bank has supported a partnership between the Kenya Coast National Polytechnic and the African Marine and General Engineering Company to bridge the gap between academic training and industry needs in marine engineering. The initiative includes industry-driven curricula, dual training models, and staff and student attachments. Recognised as a model for public-private collaboration, the partnership has modernised marine engineering training, improved employment outcomes, and promoted regional and gender inclusion in the maritime sector.

Graduate employment rate: over 75%

The CEB is a multilateral development bank with an exclusive social mandate. Its goal is promoting social cohesion and inclusive growth, by supporting enabling environments for skills development with a special focus on vulnerable groups. It contributes directly to the development of skills needed by workers to adapt to rapidly changing labour markets.

Witold Willak
Head of Unit, Directorate General for Economic and Financial Affairs, European Commission

"Against the backdrop of Europe's increasing housing affordability challenges, HERO aspired to pave the way for an innovative approach to empowerment of Roma, striving for better housing conditions and greater inclusion."

PROMOTING SOCIAL COHESION

With funding from the European Union, the HERO - the Housing and Empowerment for Roma - project implemented by the CEB between 2021 and 2025 aimed to test new ways of improving housing and financial inclusion for vulnerable Roma communities in Bulgaria, Romania and Slovakia.

Blueprint for inclusion
The HERO project adopted an innovative and integrated approach to Roma inclusion by combining capacity building activities for Roma families with a risk mitigation mechanism for financial intermediaries providing housing micro-loans. By linking housing, financial services and training, HERO offered a practical blueprint for inclusive policy design, demonstrating that financial inclusion and capacity building are powerful, complementary tools for the long-term empowerment of marginalised communities.

Cross sector collaboration
HERO engaged with a diverse group of stakeholders, promoting cross-sectoral partnerships between civil society organisations (CSOs), financial intermediaries, public authorities, the private sector, and both Roma and non-Roma communities, each playing a complementary role.

More than 550 people benefited from financial literacy sessions, 360 received employment support, and 120 Roma participants in Romania gained financial and construction skills that improved their access to jobs and adequate housing. Small social innovation micro-grants were also introduced across the three participating countries to complement the core activities. These grants funded targeted local initiatives that fostered inclusive development and community-driven solutions tailored to the specific needs of marginalised Roma communities.

Total EU contribution: €2.8 million

BUILDING SKILLS AND INCLUSION THROUGH MICROFINANCE: THE SIS CREDIT EXPERIENCE

The CEB granted a €3 million loan to SIS Credit, Bulgaria's largest private non-banking microfinance institution, in 2024 under the InvestEU Guarantee instrument. Established in 2006, SIS Credit has become a pioneer in promoting social entrepreneurship and supporting financially underserved groups, including women, youth and start-ups. Known for its tailor-made approach, SIS Credit's loan officers work closely with each client, providing personalised advice and guidance that go beyond traditional lending. The InvestEU-backed financing has strengthened SIS Credit's ability to reach vulnerable clients and was complemented by an InvestEU Advisory Hub grant that funded Bulgaria's first-ever social impact study in the microfinance sector. The study found that each Euro lent generated between €2.2 and €2.8 in additional sales, with 45% of clients being women, 25% from vulnerable groups and 95% previously non-bankable, demonstrating the transformative potential of inclusive finance.

Building on these achievements, a forthcoming blending grant co-financed under the European Social Fund Plus (ESF+) will launch the project "Empowering vulnerable entrepreneurs in Bulgaria through tailor-made support." This new initiative will take SIS Credit's advisory model a step further by offering continuous coaching, mentoring and business development services to disadvantaged entrepreneurs. It will target migrants, refugees, Roma and other ethnic minorities, as well as youth, women, seniors over 65 and rural entrepreneurs. By integrating skills development and capacity building with financial inclusion, the project aims to foster sustainable business growth and long-term self-sufficiency. Enabled through the cooperation between CEB and InvestEU, this comprehensive approach demonstrates how finance, advisory support and skills development can jointly advance social and economic inclusion in Bulgaria.

CEB investment: €3 million

CONCLUDING REMARKS:

Today, skills are recognised as a fundamental enabling factor for value creation. Indeed, this reality underpins the European Commission's Union of Skills initiative: a roadmap for high-quality education, training and lifelong learning to attract, develop and retain top talent in Europe. Skills determine the readiness of people, businesses and economies to stay ahead of the curve, and negotiate the transitions of our time without getting left behind.

But for the European Union, skills also have an external dimension. Innovation does not respect national boundaries but rather the opposite: innovation takes place when ideas, people and businesses move and mutually influence one another. This affects EU neighbouring countries and beyond, just as much as the countries of the EU itself, and it is here that the ETF has a crucial role to play. As the only EU agency working at the crossroads of the Union's internal and external policy, we support third countries in developing human capital development systems that are aligned with EU priorities and guidelines.

By enabling third countries to integrate seamlessly within EU value chains, we are helping to promote the competitiveness and innovation of the EU itself. At the same time, by reducing their dependency on more unstable regions, we are engaged in a skills diplomacy that reinforces the EU's geopolitical and geoeconomic influence as a strong soft power, with potential long-term impact.

Within this context, the contribution of International Financial Institutions (IFIs) is key to scaling up quickly and effectively. The paradox of today lies in the fact that the need for radical skilling and reskilling has never been greater, while the capacities of public budgets have perhaps never been more challenged. The private sector and IFIs are thus essential actors for future-proof skills systems. By supplying capital, blended finance and risk-sharing instruments, IFIs have a major contribution to make in accelerating reforms and building the infrastructure for skills ecosystems.

The ETF is here to support IFIs as they take on this vital new role. Our 30-year+ experience in bringing diverse stakeholders together in specific local contexts makes us uniquely well-placed to provide the policy intelligence, system diagnostics and capacity-building that make IFI investments more effective. We bring an understanding of the skills and education continuum, and how ecosystems work to provide people with basic skills, core competences and specialised expertise throughout their lives. Our accumulated expertise can ensure that financing is not just about buildings and infrastructure, but about the skills that can deliver competitiveness, innovation and resilience too.

This publication marks a step in a journey, whereby the ETF and IFIs are acquiring an ever-clearer understanding of how they can work in concert to increase the effectiveness and impact of investments. As we travel further down that road, I hope that skills development initiatives will be integrated systematically into strategic investment decisions and large scale investment strategies. For skills are not just an addition to finance; they are the key to ensuring that finance delivers positive and sustainable social and economic impact and strengthens competitiveness.

Dr Pilvi Torsti
Director European Training Foundation

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