

Unpacking Modalities in TVET Financing in the Asia-Pacific Region

**Mobilizing and Allocating Resources
and the Development of Public-Private Partnerships**

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Outline

- Sources of funding
- Fund Allocation
- How to Increase private investments & PPPs
- Role of financing to achieve TVET and national policy objectives



Sources of Funding

Source	
Government Grant	38%
ODA	17%
Student fees	35%
Private resources - Industry contribution	7%
Private resources - other	3%

Source: Australian Department of Foreign Affairs and Trade research project 'Research into the Financing of TVET in the Pacific' - 2015

Example from the Pacific (Fiji, Kiribati, PNG, Samoa, Solomon Islands, Tonga, Vanuatu)



Government Expenditure

1. Recurrent

- Salaries - majority of TVET expenditure

2. Quality improvement

- staff development, training materials, buildings and equipment

Expenditure inefficiencies

- High dropout rates - costs per employed graduate high (Tonga, Bangladesh, Nepal)
- Vocational training institutes underutilized - high cost per trainee (Bhutan, Sri Lanka)



Allocation of Funds

Method 1 - Direct public payments to TVET Institutions

- **historical expenditure** - e.g., grant to cover training materials, equipment, logistics - allocated based on previous year's expenditures; no account of performance
- **inputs** - e.g., grants based on number of enrolled students -> incentive to increase student enrolment
- **outputs** - e.g., grants based on the % students graduating -> incentive to improve graduation rates
- **outcomes** - e.g., % graduates finding work within six months of graduating -> incentives to ensure relevance



How to Increase Private Investments

- **Private resources**, especially those of the private sector, are essential to the **growth and sustainability of quality TVET systems** in the Asia-Pacific.

...not simply about getting more money.

- **Encourage more private sector resources** > strongly linked to policy objectives (demand-driven, responsive, relevant)
 - Employers encouraged to be involved in steering and delivering mechanisms for training and in demanding training relevance and cost-effectiveness.
 - Role to foster innovative delivery models



How to Increase PPPS

Kinds of PPPs in TVET

1. Public support for private training provision

- **Public funds**, including scholarships, vouchers, grants, subsidies, available to private providers (on competitive basis) to supply TVET.
- Governments provide **public facilities** to private providers to supply TVET.

2. Private support for public training provision_

- **In-kind support** from enterprises: Provision of trainee internships and public TVET staff training placements; Provision (or donation) of used equipment or training materials; Enterprise participation in governance, planning, curriculum and assessment (at provider/national level).
- Direct **private financial contributions** to public TVET system or institutions, including as part of CSR (e.g. scholarships, grants).

3. Joint public-private funding and delivery of training_



How to Increase PPPS

How to encourage PPPs in TVET?

- **Reduce “red-tape” for entry and operation** of private providers.
- Make publicly funded **TVET scholarships and grants** available to **quality assured public and private providers on equal terms**, including via a competitive process.
- Provide **tax incentives** for companies - can affect companies' **decision to train workers**
 - International experience: tax incentives are unlikely to work well in countries where formal industry is not well-developed and where administrative or organizational capacity is weak (including tax collection capability)



Role of financing to achieve TVET and national policy objectives

Financing mechanisms can help to:

- use resources more efficiently
- raise relevance
- raise quality
- increase access
- promote equity
- mobilize resources



Create the Right Environment for Sustainable TVET Financing

- Establish national **TVET coordination mechanisms**
- Ensure the **private sector has control of allocating funds** raised from private sector contributions.
- **Decentralize governance** of providers (at least partial devolution)
- Strengthen TVET **quality assurance and accreditation**
- Improve **TVET information systems:**
- know where best to focus such attempts
 - > **effective TVET and LMIS:** private under-investments or public over-investments



Thank You

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