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**2016 ADB
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Innovative Practices in
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19–21 September 2016 • ADB Headquarters, Manila, Philippines

Skills Financing Forecasting
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UNESCO / UNEVOC International Centre for TVET
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Skills Financing Forecasting

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UNESCO

*Session 8: Emerging Challenges and
Opportunities for Inclusive Growth*



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Financing skills for work

- Findings of the study will
 - ✓ Understand the methodology that can be used to anticipate revenue potential of training levy over a time period;
 - ✓ Inform how revenue anticipation can support countries in enhancing strategic planning and governance;
 - ✓ Guide resource mobilization efforts from the private sector;
 - ✓ Establish the importance of funds to finance training of the disadvantaged groups and women.



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Financing skills for work: Milestones of the study

- Literature review on training levies and the potential effects associated with the implementation of a training levy.
- A **methodology** to forecast the amount of revenue that could be raised by means of training levy for the investment in TVET schemes.
- An estimate of the amount of resources that could be mobilized from the private sector for training purposes in 3 pilot countries (**Dominican Republic, Cyprus, Senegal**).
- Based on the findings, develop guidelines that a country or institution managing a training fund could follow in order to produce its own estimates.



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Financing skills for work: Milestones of the study

- Literature review : observations
 - A means for extending training to the under-educated members of the society; informal sector
 - Spillover of benefits for the economy
 - Potential distortion



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Overview of training funds by type of levy base

Levy base	Country
Company profit tax	Jordan, Egypt (suspended)
Levy on foreign workers	Bahrain, Marshall Islands
Payroll	Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Italy, Ireland, Netherland, Poland, Romania, Spain, United Kingdom, Algeria, Morocco, Tunisia, Singapore, Barbados, Bolivia, Brazil (for SENAI, SENAC and SENAT), Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Paraguay, Peru, Uruguay, Venezuela, Benin, Burkina Faso, Central Africa, Chad, Côte d'Ivoire, Guinea, Malawi, Mali, Mauritania, Mauritius, Namibia, Nigeria, Senegal, South Africa, Tanzania, Togo, Zimbabwe
Fixed amount per worker	Slovenia
Value product	Brazil (SENAR), South Africa Agricultural Training Fund (SETA)
Social security fund	Panama



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Examples of levy rates

Country	Rate (%)	Revenue generating	Payroll tax exemption	Levy grant	Training cost reimbursement
Brazil	1.0 – 1.5	x			
Hungary	1.5			x	
Ireland	0.7	x			x
Jordan	1.0				x
Korea	0.5		x		
Malaysia	0.5 – 1.0				x
Morocco	1.6	x			
Singapore	1.0				x
South Africa	1.0			x	
Tanzania	2.0	x		x	



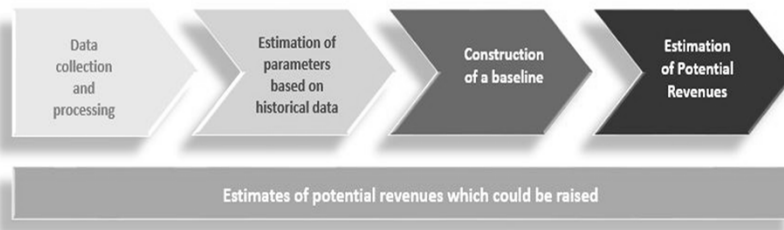
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Methodology to estimate potential revenue raised

A conceptual framework is developed to show how the amount of revenue raised depends on the levy base and the rate at which the levy is set.



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Observations from 3 countries

Country	TVET system	Key stakeholders	Main issues
Dominican Republic	1% tax on payroll 0.5% tax on employee bonuses	INFOTEP, trade unions and employer federation	Size of the informal economy – it accounts for more than half of total employment
Cyprus	Human Resource Development Levy (0.5% of employees emoluments subject to a cap)	HRDA, trade unions and employer federation	Rapid rise in external (EU) training funds
Senegal	Fixed contribution (3% of eligible payroll)	FFFPT, ONFP, Others	Rapid increase in available funding

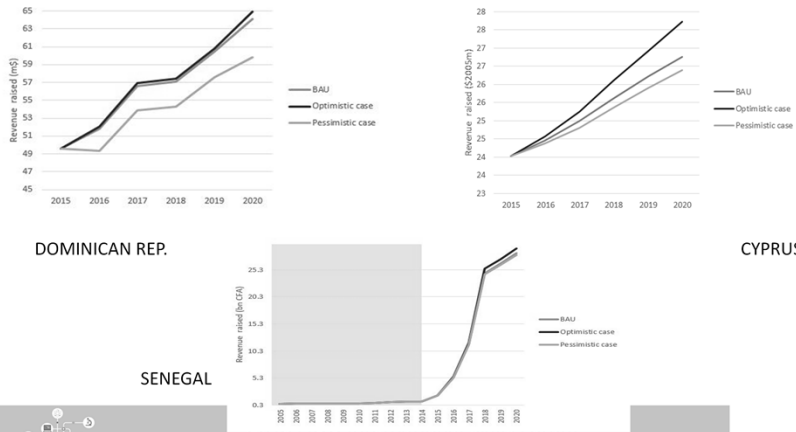


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Forecasted revenue from a training levy: Dominican Republic, Cyprus, Senegal



Lessons learned

1. Raising training funds from the private sector is vital in meeting training needs and skills demands.
2. Revenue-generating scheme is most reliable.
3. The size of the informal economy can be a threat (to sustainability and coverage).
4. The benefit to the informal economy is well-established (DR, Cy).
5. Trends are optimistic: *Skills Funds, TVET access and affordability, elimination of disparity and decent work.*
6. Forecasting model relies on data availability; institutional stability.
7. A 'decision tree' is needed to apply appropriate methods.
8. Different functioning of economies could affect global revenue anticipation.



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Thank You

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