The Financing of Technical and Vocational Education and Training (TVET): Options and Challenges for Sub-Saharan Africa
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The Financing of Technical and Vocational Education and Training (TVET): Options and Challenges for Sub-Saharan Africa

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1. Background and Introduction

This paper examines the different systems and mechanisms used to finance TVET in Sub-Saharan Africa and the problems and challenges associated with these different systems and mechanisms. After this descriptive analysis, a model for the sustainable financing of TVET is proposed.

The descriptions, evaluations and proposals and recommendations outlined in this paper are based on:

- A review of literature on the financing of TVET in Tanzania, South Africa, Zimbabwe, Namibia, Mauritius, Indonesia, Botswana and other countries.
- Experiences with the establishment and operationalisation of the system of financing TVET in Zimbabwe.
- Consultancies conducted on "The Utility of the Zimbabwe Manpower Development Fund (ZIMDEF)" and "The Operationalisation of the Namibia Training Levy System". During these interventions I had the opportunity to work with the various senior management and political leadership of TVET systems in SADC, particularly Zimbabwe, Namibia, Swaziland and Tanzania.

2. Major Sources of Funding for TVET and Associated Problems/Challenges.

2.1. Budget Appropriations

In general terms, the public funding of TVET is decreasing in real terms. The national fiscus in most countries in sub-Saharan Africa is overstretched by many diverse and ever increasing demands.

Within the TVET sector itself there are no effective concepts, mechanisms and procedures for prioritizing and justifying budgetary appropriations. In many cases this tends to break the small "cake" into too many small fragments thus reducing impact.

The high cost of TVET has been identified as "the financial crisis of education and training systems".

There are different and conflicting interests and perspectives between governments and the private sector on the areas of focus and utility of public funding. The private sector tends to lobby for the focusing of resources on demand-driven formal sector training and the skills upgrading of their employees through short-term specific training. On the other hand, the government's mandate extends beyond these specific requirements of the private sector to include the small scale and informal sectors and other disadvantaged target groups like the pre-employed and the unemployed.
2.2. Market Contributions

There are different contributions by the different clients/stakeholders of the TVET system.

There are in-kind contributions by the private sector, parastatals and other organizations. This includes: donations of equipment and other resources and the secondment of technical expertise to different TVET projects and activities like curriculum development, assessment and examinations. Parents, students and trainees contribute through the payment of different types of fees. Qualification authorities collect fees for the evaluation, accreditation, assessment and certification of qualifications.

Many countries in sub-Saharan Africa have at some stage embarked on the policy on the commercialization of training institutions and the creation of a competitive training market. One of the major tenets of this policy is the encouragement of income generation by training institutions through training with production.

The international economic recession and ever increasing input costs have drastically reduced direct in-kind contributions by the private sector. The low income of many families in developing countries are unable to contribute significantly towards the financing of TVET. The charging of commercial fees would undermine equity and seclude the poor majority from getting quality vocational education and training.

2.3. Dedicated Taxes and Levies

In the countries on whose experiences this report is based, Levy-Grant/Rebate systems have been developed to compliment public funding of TVET. These systems are based on the imposition of a levy on all employers based on the wage bill. Different countries impose different levies.

**South Africa**

- 0.5% of total remuneration between 1 April 2000 and 31 March 2001 and 1% from then onwards.

**Zimbabwe**

- 1% for all employers with a wage bill of over Z$2000,00 per month.

**Tanzania**

- 2% levy on companies with a minimum of 4 employees.

There are many problems and challenges related to the collection, management and disbursement of levy funds.

The private sector views the training levy as just another tax. In some countries, this perspective is exacerbated by highly bureaucratic and centralized levy management structures and systems.

The private sector is apprehensive of the predominance of government control on the management and disbursement of the training levy. As a general principle the private sector would like the levy too be dedicated to formal sector training and workplace training through short-term skills upgrading courses. On the other hand, the government would like the levy to also fund informal sector training and the training of other disadvantaged target groups.

In most countries, there is no adequate strategic planning to facilitate the transparent definition and prioritization of areas for funding. Existing government or quasi-government institutions have no capacity to adequately determine the priorities of industry.

In most cases there are no effective criteria and procedures to monitor the utilization of funds.

2.4. Donors
Different donors fund different aspects and components of TVET dependent on government to government bilateral agreements and other contractual obligations. In very general terms, donors prefer to fund technical development work rather than recurrent costs.

The end of the cold war has resulted in a diversion of a lot of donor resources to Eastern Europe. There is a further tendency by many donors to focus resources on HIV/AIDS and poverty alleviation.

Many donors focus their support on general education. This lobby is championed by the World Bank and others who propound that ensuring that the majority of people get a good basic education is a more equitable investment than investing in TVET.

3. Towards A Transparent And Effective Funding Model

Given this complex background which is characterized by: dwindling resources; unclear roles and obligations in the financing of TVET; and inadequate strategic planning, prioritization and focusing of resources, I would like to propose a sustainable model for the funding of TVET and some guiding concepts and principles which should underlie the financing of TVET.

3.1. The Proposed Model

The model proposes the specific targeted utilization of the different sources of funds for the financing TVET.

The model attempts to clarify the roles and obligations of the different stakeholders.

**BUDGET APPROPRIATION**

Voted public funds should be used predominantly to finance the training of the pre-employed, unemployed and part of the financing of training for the informal and SME sector.

This financing should be channeled through public, NGO and other training institutions who cater for these target groups.

A funding mechanism and formula which bases the financing of institutions on outputs/results and performance should be developed and adapted to the contextual realities of each individual country.

**LEY−GRANT/REBATE SYSTEM**

Training levy funds based on levies imposed of the private sector should be dedicated to the training of employed workers. The levy should focus on the skills training and upgrading of workers to meet the specific needs of industry.

The levy should be used for the direct transfer of skills not for "brick and mortar" issues.

A small part of the levy should be a grant to compliment the funding of the informal and SME sector from voted funds.

**INFORMAL AND SME SECTOR**

As indicated above, training for the informal and SME sector should be financed by grants from the levy and the budget appropriation. Since this sector is not well coordinated, a project-based funding mechanism should be developed and implemented.

**DONORS**

Donor funds should be used to finance investments. This should include investments in infrastructure, equipment and human resources.

3.2. Underlying Concepts and Principles

The following concepts and principles should underlie the management of the funding of TVET.

3.2.1. Flexibility, Decentralization and Partnership
Existing systems of funding should be reformed to promote

- flexibility and decentralization.
- more autonomy for training institutions.
- closer ties with industry and more active participation by industry and other key stakeholders in decision making.
- partnership and dialogue between the state and its key social partners.
- private sector training.

3.2.2. Prioritization of Areas of Funding

The priority areas of funding should be determined through an elaborate and consultative strategic planning process.

Funding should be based on clearly pre-determined criteria and on outputs/results. Funding mechanisms should be based on a performance-based competitive training market.

3.2.3. Information System

The efficient and effective management of systems of the financing of TVET should be supported by consolidating the information system on education, training and employment.

4. Conclusion

I would like to thank the Nordic UNEVOC NETWORK and the organizers of the workshop for affording me this enjoyable learning experience. I hope that some of the ideas in this paper will contribute towards the success of this workshop.

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