Annex C: Performance-based funding model

The model works on a two-step process

First step

Only vocational education providers, which have <u>authorised to full compliance (at least more than 50% of standards assessed as fully compliant)</u> with standards <u>are eligible</u> to receive performance-based funding.

Justification

Authorisation forms threshold (minimum) level of vocational education and training (VET) quality. Therefore, authorisation on level of full compliance should be understand as prerequisite to provide quality training. And it's essential that only VET providers, which have fulfilled all minimum requirements are eligible to become awarded via performance-based funding.

Second step

VET providers authorised as fully compliant to authorization standards (at least <u>more than 50% of standards assessed as fully compliant)</u> became eligible to Performance Based Funding (PBF) premium. PBF is built on VET providers' performance on the five policy priority areas in line with the following 5 criteria:
    1) capacity utilisation;
    2) graduation of studies;
    3) implementation of work-based learning;
    4) graduates' employment;
    5) equal opportunities for studies.

Performance in the five areas above of each eligible provider is measured centrally once a year. To ensure equity in performance measurements and make VET providers' results comparable and calculable, two principles shall be applied:
- Firstly, the VET provider's scores for each criterium shall be reduced to the same basis as otherwise the scores of criteria are not comparable in between;
- Secondly, VET provider's PBF multiplier is calculated as a sum of reduced scores for each criterium taking account theirs proportion.

For reducing scores to the same basis, the reference values (rates) should be set to each criterium. There are two main options of setting reference values:
    1) Reference for reducing is the <u>average of all providers' scores</u> of each criterium and particular VET provider's scores are compared to that;
    2) Reference for reducing is the <u>national target rate</u> set to each criterium and VET provider's scores are compared to that.
Modelling shows that national target rates are most probably higher than VET providers' average score. Therefore, the PBF premium (actual amount of funds VET provider receives) will be smaller when using national target rates (see the tables in Excel).
The formula for VET provider's reduced PBF multiplier is as follows:

$$M_{red} = (N_1/R_1 \times P_1 + N_2/R_2 \times P_2 + N_3/R_3 \times P_3 + N_4/R_4 \times P_4 + N_5/R_5 \times P_5)$$

M_{red} – VET provider's reduced PBF multiplier [%]
N_x – criterium's score (nr. 1-5) [%]
R_x – criterium's reference value (nr. 1-5) [%]
P_x – criterium's proportion [%]

To take account the size of each VET provider the PBF multiplier is multiplied with provider's annual voucher financing part of the budget.
The formula for PBF premium for a VET provider is as follows:

$$PBF_{VEI} = M_{red} \times K \times VF_{VEI}$$

PBF_{VEI} – VET provider's PBF premium [GEL]
M_{red} – VET provider's reduced PBF multiplier [%]
K – PBF budget coefficient. If budget for PBF forms 20% of total VET financing, the coefficient is 0,2
VF_{VEI} – VET provider's annual voucher financing budget [GEL]

Depending on actual challenges of VET policy the proportion of single criterium is a subject to change (recommendable that it remains unchanged for 3 years period). Threat, the principle shall be followed that proportions of criteria always sum to 100%.

1. **Capacity utilisation. Proportion 20% (alternative – 30%)**

   $$N_1 = STUD_{actual} / STUD_{auth} \times 100\%$$

N_1	– VET provider's score for Capacity utilisation [%]
$STUD_{actual}$	– actual number of students per year reduced (recalculated) to full-time annual student equivalent (1 student listed in students' roll for 12 months forms 1 student equivalent; 2 students listed in students' roll for 6 months forms 1 student equivalent)
$STUD_{auth}$	– number of student equivalent stipulated via authorisation

2. **Graduation. Proportion 20% (alternative – 30%)**

   $$N_2 = STUD_{grad} / STUD_{enroll} \times 100\%$$

N_2	– VET provider's score for Graduation of students within nominal duration of study programme in particular year [%]
$STUD_{grad}$	– number of students graduated study programme within nominal duration of that programme in particular year
$STUD_{enroll}$	– number of students enrolled to that study programme

3. **Work-Based Learning. Proportion 20% (alternative – 15%)**

   $$N_3 = STUD_{WBL} / STUD_{actual} \times 100\%$$

N_3	– VET provider's score for Implementation of work-based learning [%]
$STUD_{WBL}$	– number of student equivalent studying in work-based learning in particular year
$STUD_{actual}$	– actual number of students per year reduced (recalculated) to full-time annual student equivalent (1 student listed in students' roll for 12 months forms 1 student equivalent; 2 students listed in students' roll for 6 months forms 1 student equivalent)

4. **Placement in employment. Proportion 20% (alternative – 15%)**

   $$N_4 = STUD_{empl} / STUD_{grad} \times 100\%$$

N_4	– VET provider's score for Graduates employment in same year of graduation [%]
$STUD_{empl}$	– number of graduates in employment in particular year
$STUD_{grad}$	– number of graduates in particular year

As employment prospect differ regionally, there may arise a need for levelling VET provider's results regard to that criterium. One option to do that is to use regional coefficient in the formula. E.g. for Tbilisi 1,0; for regional centres 1,2; for rural areas 1,4.

5. **Equity (GESI) 20%. Proportion (alternative – 10%)**

   $$N_5 = STUD_{vuln.groups} / STUD_{actual} \times 100\%$$

N_5	– VET provider's score for Equal study opportunities created for students of vulnerable groups (particularly SEN, minorities and NEET) [%]
$STUD_{vuln.groups}$	– number of student equivalent of vulnerable groups (SEN, minorities and NEET) in particular year
$STUD_{actual}$	– actual number of students per year reduced (recalculated) to full-time annual student equivalent (1 student listed in students' roll for 12 months forms 1 student equivalent; 2 students listed in students' roll for 6 months forms 1 student equivalent)