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SITUATION ANALYSIS REPORT ON THE CURRENT VET FINANCING SYSTEM IN GEORGIA

Diversified Financing Mechanisms for VET

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Abbreviations

EI	Education Institution
EMIS	LEPL Education Management Information System
ESIDA	LEPL Education and Scientific Infrastructure Development Agency
GGF	Good Governance Fund
GESI	Gender, Equality and Social Inclusion
GoG	Government of Georgia
HEI	Higher Education Institution
MoESCS	Ministry of Education, Science, Culture and Sport of Georgia
NAEC	LEPL National Assessment and Examinations Centre
PwC	PricewaterhouseCoopers
SCEPs	Short-Cycle Education Programmes
TPDC	LEPL National Centre for Teacher Professional Development
UK	United Kingdom
VET	Vocational Education and Training
VETI	Vocational Education and Training Institution
ZSPA	LEPL - Zurab Zhvania School of Public Administration

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1. Executive Summary

The financing of Public VET in Georgia is mainly done by the State (95% with the balance from, student fees and donors. Until recently the private sector provision did not receive any State financial support). The modalities for financing are mainly through Voucher, Programme Funding, Targeted Programme Funding and capital investment, which meet the needs of the current VET system. However, the Universal Education Strategy 2017-2021 outlined the **need for change in VET financing**.

The three fundamental components of any Government intervention in VET are Policy, Legislation, and Finance and all three are interconnected. A good policy is the starting point, without legislation, the policy cannot be implemented and the policy and legal base for government initiatives needs finance for implementation. Targeting finance at good policy measures is the key enabler (trigger) to ensure that policy has the desired impact.

Currently, public VET provision is financed by the State and there is a need to review the current system in detail and at the same time take into consideration international good practices in VET financing to be able to draw conclusions and articulate diversified funding mechanisms for VET to enrol more students and provide better quality provision in Georgia.

The Unified Education Strategy of 2017-2021 speaks of the need for effective VET funding mechanisms under its Second Objective, i.e. ensuring access to VET through Life Long Learning (LLL) principles. The objectives of the unified education strategy state the need for the new funding model should facilitate:

- Expansion of the financing sources
- Generation of the additional financing resources
- Involvement of the private sector
- Ensure effective distribution of financing between institutes, disciplines, and programmes
- Facilitation of the efficient management of vocational education¹.

The new Law of Georgia on VET approved in 2018 also refers to a new funding mechanism².

The declared policy intent of the unified education strategy 2021 **has not yet been implemented in full and implementation is ad-hoc and not necessarily evidence-informed or based**. The situation analysis outlined in this report, and when combined with a review of international good practices in VET financing in other countries will provide sufficient evidence for policy options to be considered for the achievement of the declared policy intent outlined in the Unified Education Strategy 2021.

As a result of the situation analysis is it clear that **resource mobilisation** is too narrow with mainly the state as the key financier. The allocation of resource is mainly through 4 types of programmes as part of programme budgeting, again too narrow and not diversified enough. Besides, there are no mechanisms for resources mobilisation and resources allocation that would comply with term diversified financing mechanisms at the policy level. Finance resources management is regarded as the operational level of the diversified financing mechanisms and somewhat outside the scope of the diversified financing mechanism at the policy level. The situation analysis herein outlines the current scope and scale of resources mobilisation and resource allocation within the current legal framework of Government Resolution No 244.

¹ Unified Education Strategy 2017-2021, MoESCS, 2017

² Law of Georgia on VET of 2018 <https://matsne.gov.ge/en/document/view/4334842>

2. Introduction

The current report has been developed within the Project “Diversified Financing Mechanisms for VET in Georgia” implemented with the support of the UK’s Good Governance Fund (GGF).

The project is being commissioned by the Ministry of Education, Science, Culture and Sport of Georgia (MoESCS). The project will analyse the policy context and strengths and weaknesses of existing VET financing model in Georgia, as well as study international practices with diversified financing system. Informed by the analysis, the project will develop and propose a new funding mechanisms and modalities to ensure more efficient, effective, transparent and fair distribution of public funds for VET provision.

3. The Legal basis for VET Financing

3.1 The legal basis for Vocational Education Financing Mechanisms

Constitution of Georgia defines, that Georgia is a social state and according to the paragraph 6 of article 5, state take cares on development of education in Georgia. According the Constitution of Georgia, paragraph 2 of article 27, citizens of Georgia have right to get vocational education by the financing of state, according to the relevant law.

The Law on VET of 2018 defines the main principles on financing vocational education. Namely, according to the article 30, three types of education may be financed by Central, Local and Autonomous budgets. These are: (i) vocational education; (ii) short cycle educational programmes; and (iii) State Language preparatory programme. The same article allows that other entities and/or organisations also finance such programmes.

Paragraph 2 of the article 30 defines, that financing of such programmes may be done according to the Government regulation for both, state and private educational centres, based on policy and priorities. Colleges established by the state have account in central treasury, albeit regarded as problematic and cumbersome by public VET institutions. Colleges established by the state are allowed to get financing from other sources permitted by the legislation.

Financing of the above-mentioned programmes may be done by legal entities of private law, as well as by physical persons.

According to the article 31 of the Law, public VET providing institutions are allowed to raise funds, execute economic activities and get revenues, only for the purpose of further development of educational activity.

Government Resolution #244 defines specific terms and conditions for financing education institutions providing VET, initially for those established by the state or with the participation of the state, after 2019 amendments private institutions as well. This procedure applies on the financing of vocational education by the Ministry of Education, Science, Culture and Sport. Governments of Autonomous republics and municipalities, other ministries have right to set terms and conditions by their legal acts.

According to the article 4 of Terms and Conditions, there are four types of financing mechanisms:

- a) Voucher financing of programmes;
- b) Voucher financing of modules under module based vocational educational programmes;
- c) Programme based financing;
- d) Targeted Programme financing.

Vouchers may be received by the VET providing institutions under the Ministry or Legal Entities of Private Law vocational educational institutions, if they get students based on Entrance Exams, called Professional Testing, organised by National Assessment and Examinations Centre – NAEC in priority areas defined by the Ministry of Education, Science, Culture and Sport. Voucher financing shall be used for salaries and other costs of related to education and training process. The regulation about salary is approved by the Minister. Voucher financing for modules may be utilised for salary, procurement of teaching materials and for expenses related to needs of special educational need students (SEN). The other costs may be covered for modules only in case there will be savings from vouchers.

The Professional Testing is organised by NAEC or vocational centres. Minimum thresholds for passing the exam is set by NAEC if the exam is organised by NAEC (for first level of vocational education programme) and Minister if an exam is organised by vocational education institutions (for the further levels of vocational education programmes). Voucher is issued to the student if it passes minimum score set by a relevant authority. Also, voucher is issued to the student with special needs.

Vouchers are weighted formula funding calculated per student per programme or module and weighted against number of students per group and per location (mountainous vs non-mountainous). Annex II and Annex III of the regulation # 244 list the per student per programme and per student per module amounts of funding – tuition fees respectively. To calculate real per student funding the amount listed in Annex II and Annex III is multiplied by rates set for the number of students per group. The less students per group, the higher the rate. Namely:

- a) 1.6 – for 5 students;
- b) 1.5 – for 6 students;
- c) 1.4 – for 7 students;
- d) 1.3 – for 8 students;
- e) 1.2 – for 9 students;
- f) 1.1 – for 10 students;
- g) 1 – for more than 10 students

The coefficients further increase if the number of students per group decreases below 5:

- a) 1.7 - for 4 students
- b) 1.8 - for 3 students
- c) 1.9. - for 2 students and
- d) 2.0 – for 1 student

VET institutions in the high mountainous locations (listed on Government regulations) get increased voucher: standard amount multiplied by 1.25.

And, lastly, Higher Education Institutions providing VET are eligible for institutional funding integrated into the voucher formula – they get 50% on top of the value of voucher for each student.

Programme based financing and Targeted Programme financing may be received only by the VET colleges established by or with participation of the Ministry. Targeted Programme financing may be received by any vocational institution, based on priorities set by the Ministry.

Tuition fees (Annex II and III of the regulation) range for programmes at I-III levels between 400-2,250 GEL and 2,250 GEL for IV and V levels. The fees are different by various professions based on costs.

The capital or investment budget is financed through ESIDA based on needs. However, in some instances the Targeted Programme Funding can also be used for the purpose.

3.2 Budget Approval Process

Budget Approval Process include following steps:

- Preparation;
- Submission;
- Review;
- Approval;
- Clarification;
- Performance;
- Reporting;
- Control

Ministry of Finance is responsible for coordination of **Preparation and Submission process**. Any entity submits budget application of next year no later than September 1st. The main parameters of budget are submitted by the Ministry of Finance to the Ministers' Cabinet no later than September 15th. No later than September 25th, Draft Budget for the next year and updated Basic Data and Directions (BDD) document is submitted to the Ministers' Cabinet by Ministry of Finance.

Government of Georgia submits draft budget to the Parliament of Georgia no later than October 1st. After review and discussions in the Parliament of Georgia, including getting opinion from Finance-Budget Committee of the Parliament, revised draft of the Budget is submitted to the Parliament no later than November 30th. Voting of the budget shall be done no later than third Friday of the December, but in case it is not supported, revised or the same version shall be voted no later than December 31st.

Since the Approval of the budget by the Parliament, each entity sends to the MoF predictions about breakdown of their assignments by quarters and months. Such submission is made within 5 working days since adoption of the budget by

the Parliament. Within 15 working days after adoption of the budget and based on the information received, MoF approves by the order quarterly and monthly breakdown of the budget.

MoF supervises **performance process of the budget, as regulated by the** Budget Code of Georgia.

After completion of each quarter, MoF submits to the Parliament a report about performance of the Budget. Besides, within 5 months of the completion of each year, MoF submits to the Parliament annual report on performance of the Budget. Besides, the report is sent to State Audit Office, which prepares its conclusion within 50 days after submission of the annual report. Conclusion on the annual report of the performance of the budget is submitted to the Parliament by State Audit Office. After getting annual report and conclusion of State Audit Office on that report, Parliament approves or rejects an annual report of the budget before completion of the Spring Session.

State Audit Office checks the compliance of costs from State, Local and/or Autonomous republic budgets under the special Organic Law on State Audit Office (being an organic law it has precedence over ordinary laws and by-laws. The status of State Audit Office is defined by the Constitution of Georgia.

There are the following types of Audit:

- a) Financial Audit – During Financial Audit, State Audit Office checks the compliance of financial reporting, management of public finances of any entity and Government.
- b) Compliance Audit – During Compliance Audit, State Audit Office checks compliance of entity's activities to the legislation and purposes of that entity.
- c) Efficiency Audit – Efficiency Audit Process includes checking the Efficiency, Productivity of programmes and projects.

State Audit Office has authority to perform audit process at State, Local, Autonomous entities, also, for Legal Entities of Public Law, National Bank of Georgia, State Owned Enterprises, where state owns more than 50% and other organisations.

State Audit Office independently approves annual plans for Audit. Audit can be also implemented without prior plan in case requested from Parliament and/or temporary investigation commission of the Parliament.

State Audit Office has right to send the documentation and evidences received during the Audit process to the prosecutor and/or investigation office in case there are signs of criminal offences.

State Audit Office uses International Audit Standards for Public Sector during audit.

4. VET Provision

VET provision in Georgia is a broad term referring to all types of formal vocational education, higher vocational education and adult training. Namely:

- Basic vocational education;
- Secondary vocational education (with or without integrated general education component);
- Higher Vocational Education;
- Short-Cycle Education Programmes (SCEPs, Associate Degree Programmes);
- Training and retraining programmes

Besides, all full qualification programmes can be delivered through dual mode – more than 50% of learning outcomes can be implemented as an in-company work-based modality.

The qualifications listed above were introduced by the Law on VET of 2018 to be enforced within the following 2 years. However, the recent history of vocational education saw several sets of VET qualifications:

- Primary and Secondary Vocational Education and training and retraining (up to 2007) under the Law on Education of 1998;
- Vocational training (სახელობო განათლება) and higher vocational education (უმღალესი პროფესიული განათლება) 2007-2010
- Vocational education of I, II, III, IV, V levels (1-5 საფეხურების პროფესიული განათლება) 2010-current

Delivery of VET Programmes needs authorisation of education institutions or, in some cases, registration of organisations. Specifically:

- Basic, secondary and higher VET and SCEPs can be delivered by public or private VET colleges or higher education institutions;
- Basic VET – by public or private general education institutions (HEIs);
- Training and retraining programmes - by public or private VET colleges, higher education institutions and/or general education institutions authorised to provide any programmes in the same field of study and/or organisations registered by NCEQE

The Table 1 and Table 2 below summarise the statistics of VET delivery in Georgia. Altogether 104 institutions, including public and private, vocational colleges, general education schools and higher education institutions offer VET programmes at different levels to between approx. 16,000 to 12,000 of students (2014-2018). Additionally, in 2019 adult training courses were launched. Financing the short-term training and retraining courses is a novelty introduced by the VET law of 2018. At present 696 students are already enrolled.

Table 1. Number of Public and Private Institutions providing VET in Georgia (2019)

Type	Private	Public	Sum
School	8	1	9
College	50	25	75
University	7	13	20
Sum	65	39	104

Table 2. Number of students in full time vocational education in public and private institutions by programme level (1-5 levels) for 2014-2018

Level	Number of Students											
	2014		2015		2016		2017		2018		2014-2018 - %	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
1	5	3		22		10		35		10	-100%	233%
2	269	785	210	805	110	970	222	1,027	190	686	-29%	-13%
3	3,890	7,812	3,368	8,020	2,763	7,804	2,645	8,221	2,598	4,223	-33%	-46%
4	860	1,221	719	1,570	622	1,700	622	1,467	357	1,471	-58%	20%
5	1,405	533	1,357	803	1,457	1,331	1,522	759	1,576	1,268	12%	138%
Sum	6,429	10,354	5,654	11,220	4,952	11,815	5,011	11,509	4,721	7,658	-27%	-26%

5. Resource Mobilisation

5.1. Public VET Provision

5.1.1. State Budget

Major source of VET funding is the central budget. Vocational education, short-cycle education programmes and official language training programmes shall be financed in accordance with the legislation of Georgia by the bodies of the authority of Georgia, the ministries of the Autonomous Republic of Abkhazia and the Autonomous Republic of Adjara authorised in the field of education, and municipalities. Vocational education, short-cycle education programmes and state language training programmes may also be carried out by other agencies and organisations in accordance with the legislation of Georgia

The Ministry of Education, Science, Culture and Sport is the major source of funding for public VET institutions (Resolution of the GoG #244 of 19 September 2013 on Approving Rule of VET Financing), despite the fact that Georgian legislation allows for income-generation, VET institutions rarely practice it because of the complicated bureaucratic mechanisms leading to challenges with accountability for public financing.

5.1.2 Other Sources

Alternative sources to VET financing include targeted financing from other ministries and local self-governance institutions, income generating activities by VET institutions, funding from learners through VET fees, employers, donors and philanthropy. Altogether, approximately 10 mln GEL are generated through other sources (see tables 3 and 4), apart from big investments within donor led projects (see figure 1).

Table 3: VET funding from state budgets beyond the MoESCS

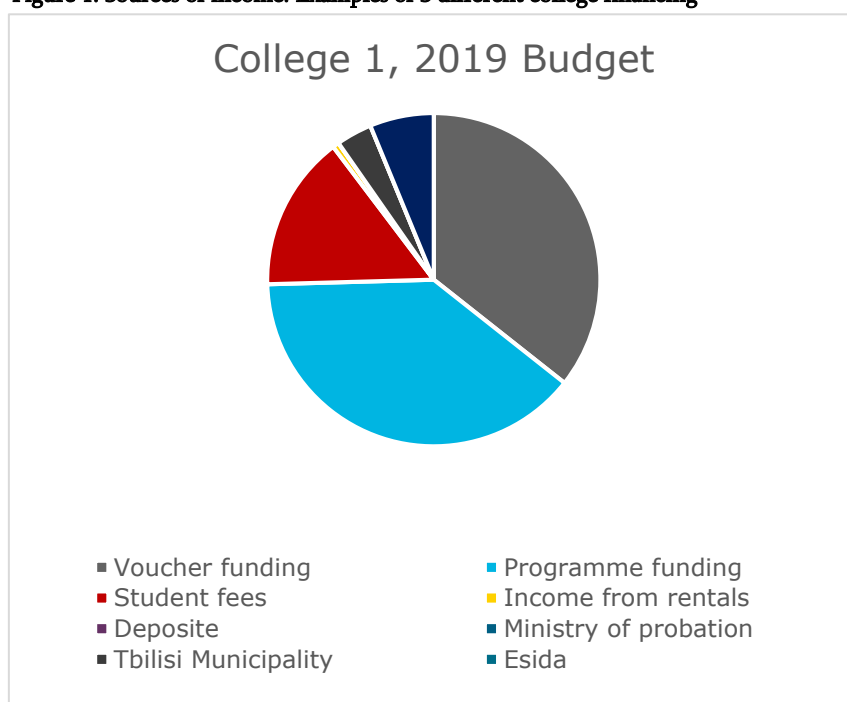
Ministry / Municipality	Programme Code	Line name	2019 (Gel)
Tbilisi City Hall		Professional short-term programmes	116,651
Ministry of internally displaced persons from the occupied territories, labour, health and social affairs of Georgia	27 05 03	Job Seekers Training Retraining	2,090,000

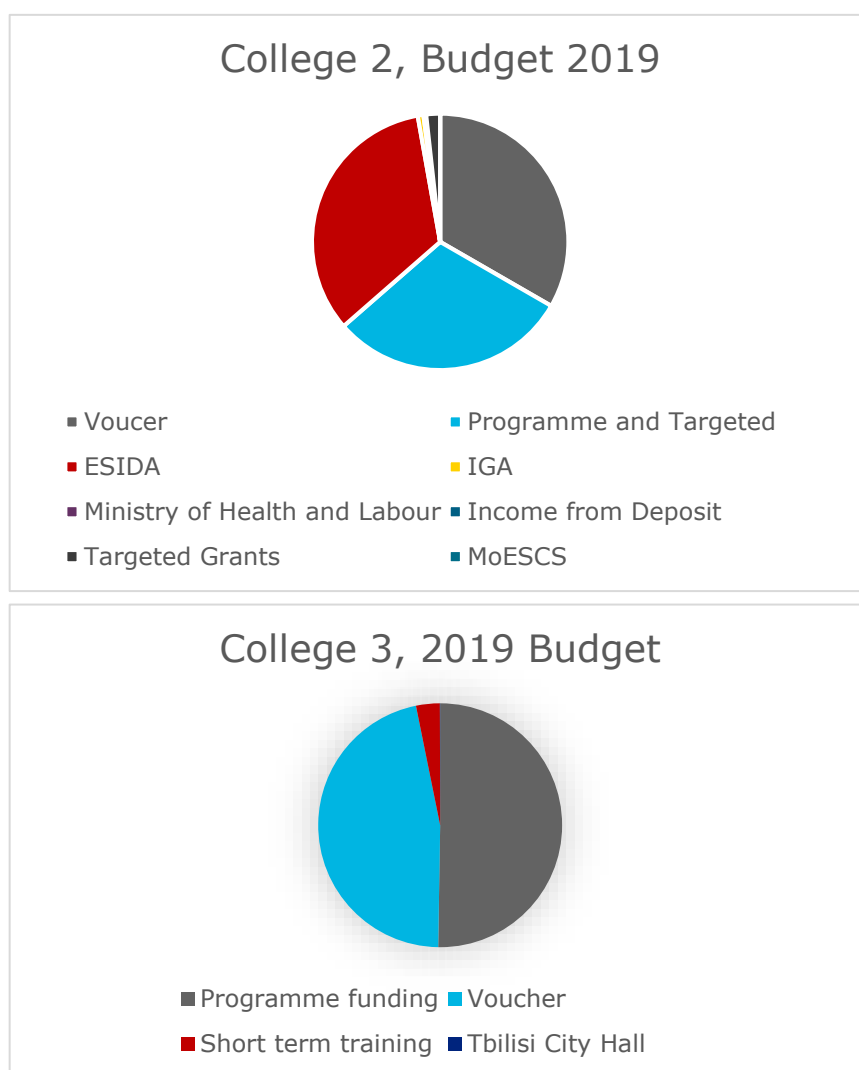
Table 4: Tuition Fees generated by Private Vocational Education Institutions:

Education Programmes	# of Education Institutions	# of Student 2018	Fee (GEL)	Sum (GEL)
Pharmaceutical Assistant	13	700	1,700 - 2,000	1,295,000
Dentistry Assistant	9	150	1,700 - 2,000	277,500
Tourism	N/A	100	1,700 - 2,000	185,000
Administration	12	250	1,700	425,000
IT	10	220	1,700	374,000
Accounting	9	230	1,700 - 2,000	425,500
Maritime	N/A	424	1,800 - 2,000	805,600
Sum				7,587,600

Below there are 3 examples of College Budgets for 2018 and/or 2019 by sources of income. Though proportion of budget through non-state sources are still very limited, the sources seem to be diversified and range between income from sales of products and services, property rentals, tuition fees from students, targeted grants from other government institutions.

Figure 1: Sources of income: Examples of 3 different college financing





6. Resource Allocation

6.1 Allocation by Ministry of Education, Science, Culture and Sport

Allocation of resources within VET system in Georgia was subject to many changes during the last years due to different government policies and objectives, varying from programme / contract-based funding, to mono-vouchers and later to diversified vouchers.

The amount of the mono-voucher per student introduced between 2010-2012 was GEL 1,000 (one thousand) and could be used in state-founded vocational education institutions established or accredited by the state implementing priority vocational education programmes, in the first three levels of vocational education institutions (Resolution of the GoG #96 of 15 March 2012). Based on the results of the national examinations for the academic years, tuition fees for IV or V levels should not exceed GEL 2,250 (two thousand two hundred and fifty).

Diversified voucher replaced the mono-voucher on September 19th, 2013 with the resolution of the GoG #244 on approving rule of VET financing everything was changed. The Rule of VET financing (GoG Resolution #244) identifies three mechanisms, lines of funding public VET provision: Voucher, Programme and Targeted Programme.

The institutions receive **voucher funding** for the expenses necessary for the conduct of the educational process, including for the payment of vocational education teacher salaries and for the support of vocational students with special educational needs and / or disabilities. The institutions receive **voucher funding for the module consisting of modules of vocational education programmes** for the purchase of teaching material, for the payment of vocational education teacher salaries and for the support of vocational students with special educational needs and / or disabilities.

The institutions receive **programme funding** for the following purposes: (a) for the staff salaries; B) the costs required for operation; C) for other current expenses.

The institutions receive **targeted programme funding** during the budget year based on the targeted programme(s) approved by the Minister of Education, Science, Culture and Sport of Georgia.

Vouchers are nominal per student per programme monetary units that “follow” students to public VET providers and their value is differentiated per module / programme, per number of students at the programme and existence of special needs students as well as the location of institutions in mountainous versus non-mountainous regions.

Assessment of Functional and Academic Skills of Applicants with Special Educational Needs by a Team of Experts:

1. For the purpose of assessing the functional and academic skills of an applicant with special educational needs, the Minister shall establish a team / teams of at least 3 experts in accordance with the territorial principle in accordance with an individual administrative legal act
2. The team of experts shall, within 3 days of applying for a representative of a special educational need applicant, provide an assessment of the functional and academic skills of the applicant with special educational needs and prepare a report on the applicant's special / additional educational needs. (article 36, ministry act #152)

The increased amount of voucher funding for voucher / module constituent vocational education module modules for students with special education needs and / or disadvantaged is estimated at GEL 1,000 per quarter. The need for an increase in the amount of voucher funding for Vocational / Module Vocational Education Modules comprising special education needs and / or disabled students should be evidenced by the conclusions of the expert team.

The nominal value of each voucher per programme / module, as well as funding coefficients by the number of students per programme (as well as on top additional amount for special needs groups) is calculated and approved by the GoG.

Higher education institutions are eligible to receive an increased voucher (the same per capita funding plus 50% on top to cover administrative costs).

For modular programmes, student receives a voucher amounting to the sum of the vouchers for modules within the programme (it will include elective modules, therefore the nominal value of voucher programme / qualifications per institutions will be different due to different elective modules offered by different institutions). For Dual - VET institutions receive reduced vouchers in the ratio of learning credits achieved within school.

Capital investment costs of VET colleges and public higher education institutions can be covered directly by Education and Scientific Infrastructure development Agency (ESIDA) or project-based funding from ESIDA. Teacher on the job training is majorly a function of Teachers Professional Development Centre (TPDC) through financing from the central budget, though educational institutions have funds available for professional development (“programme” funding). “Vouchers” are distributed to educational institutions based on the number of students they would admit. Centralised “professional testing” is administered by National Assessments and Examination Centre (NAEC). The funds are transferred annually. Vouchers are weighted per group size and per mountainous status and differentiated per programme.

Additional funds for special needs students are covered either centrally from MoESCS with an addition to normal voucher amounting to 1,000 GEL per quarter. However, this is a lump-sum and does not consider individual needs of each student. Mostly, it is sufficient, but there have been cases, when it was not and therefore, the applicant was not given an opportunity to study.

Value of vouchers for modules (components of competency-based modular programmes) vary between 20 GEL to 3,759 GEL depending on the field of study (GoG Resolution #244, Annex 3).

Vouchers mostly cover tuition fees (teacher salaries, consumables or other study process related costs,).

For funding administrative and communal costs public VET institutions are funded from programme funding / Subsidy. Targeted programme funding, to certain extent, covers development costs (infrastructure, equipment, programme development, training and retraining of staff). This could be used by the MoESCS as a source of co-funding public-private partnership projects – an incentive mechanism by the government to promote industry-led skills provision.

Within Dual model, donor organisations supporting the pilots additionally provide financial assistance to enterprises participating in the scheme. In agriculture, where predominantly there are small and medium enterprises, the donor organisation covers scholarship to students. The Table 5 below shows state allocation for VET over 2016-2019. (MoESCS).

Table 5: State funding for public VET 2016-2019 (mlns of GEL)³

Programme Code	Line name	2016	2017	2018	2019 Plan
32 03 01	Supporting vocational education development	32.2	36.5	40.7	64.8
	Incl. Voucher	12.3	14.1	14.1	18.2
	Voucher for public inst.	12.3	14.1	14.10	16.4
	Voucher for private inst.	0.0	0.0	0.0	1.8
	Program(subsidy)/targeted	9.4	12.3	14.3	13.8
	Other (increase salaries for teacher and other.)	-	1.42	4.99	14.33
32 02 02 02	TPDC	0.3	0.3	0.3	0.3
32 03 03	ZSPA	-	0.0	0.3	-
32 07 02 02	ESIDA	10.0	8.2	6.6	18.0
32 04 01 02	NAEC	0.1	0.2	0.2	0.2

Public funding only covered public VET institutions (institutions established by or with participation of state), the fact highly contested by both international experts and national stakeholders on the grounds that the policy was discriminating private VET providers, limiting student choices and access. All costs within the private VET colleges had been covered through tuition fees.

However, since March 2019 private colleges became eligible for voucher funding in priority fields of studies defined by MoESCS in case they use state admission procedures – i.e. professional testing administered by NAEC. On September 13, 2019, the Ministry of Education finally identified the priority programs (#447; 04.04.2019, #1155; 13.09.2019). The list is as follows:

1. Tourism
2. Forestry
3. Animal husbandry
4. Veterinary medicine
5. Agro-engineering
6. Nursing
7. Construction
8. Power Engineering and Electrical Engineering
9. Transport
10. Environmental Engineering and Safety
11. Computer / Informatics
12. Pharmacy
13. Agronomy
14. Industrial Engineering and Technology
15. Arts
16. Information and Communication Technologies (ICTs)
17. Engineering and Engineering Trades
18. Manufacturing and Processing
19. Architecture and Construction
20. Agriculture
21. Forestry

³ Source: MoESCS, 2019

- 22. Fisheries
- 23. Veterinary
- 24. Inter-disciplinary
- 25. Health
- 26. Personal Services
- 27. Transport Services

The tables 6, 7 and 8 bellow show budget distribution between VET institutions over 2016-2018 reflecting separately voucher, programme and targeted programme funding.

Table 6: Voucher funding

		2016	2017	2018
#	Name	Voucher Funding	Voucher Funding	Voucher Funding
1	LEPL Community College "New Wave"	754,313	1,460,702	1,477,505
2	LEPL Community College "Aisi"	356,687	790,167	870,036
3	Community College "Ikarosi"	780,557	1,257,069	1,049,992
4	LEPL Community College "Modusi"	259,494	450,898	351,876
5	LEPL Community College "Iberia"	556,856	814,438	664,755
6	LEPL Community College "Mermisi"	436,823	1,102,846	1,042,470
7	LEPL Community College "Spectri"	374,346	581,959	478,729
8	LEPL Georgian Technical University	1,068,517	1,687,802	1,121,916
9	LEPL Community College "Opizari"	337,106	480,851	487,624
10	LEPL Community College "Blacksea"	261,211	529,084	434,235
11	LEPL Community College "It Academy"	-	216,203	278,846
12	Shota Meskhia Teaching University of Zugdidi	480,296	855,446	561,262
13	Ilya Tsinamdzghvrishvili Community College	2,473	53,345	284,697
14	LEPL Community College "FAZISI"	199,495	290,239	279,650
15	LEPL Community College "Gldani Vocational Education and Training Center"	411,315	585,050	361,155
16	College "Construct2"			-
17	Community College "Prestige"	322,761	453,725	418,796
18	LEPL Community College "Tetnaldi"	121,696	211,405	87,324
19	Community College "Gantiadi"	184,472	284,808	267,618
20	Community College "Spectri"	116,133	271,564	282,556
21	Shota Rustaveli Batumi State University	137,422	179,549	522,762
22	Akaki Tsereteli Kutaisi State University	354,750	522,089	307,187
23	College "CONSTRUCT2"	-		-
24	LEPL Community College "LAKADA"	76,507	151,637	131,414
25	Railway Transport College	-	-	8,907
26	LEPL Ivane Javakhishvili Tbilisi State University	379,879	487,376	333,664
27	LEPL Samtskhe-Javakheti State University	159,963	241,883	269,420
28	LEPL Community College "Erqvani"	42,141	69,603	46,355
29	LEPL Community College "gori music college"	285,802	442,397	235,151
30	LEPL Iakob Gogebashvili Telavi State University	220,774	179,492	150,191
31	Adventure Tourism School	1,922	62,532	47,821
32	LEPL Sokhumi State University	5,046	54,884	96,122
33	LEPL Community College "Tbilisi Art College"	-	-	-
34	LEPL Agara Public School	2,261	48,456	44,652
35	LEPL Tbilisi State Medical University	17,103	31,777	25,566
36	Community College "Gori music college"	5,771	9,888	17,129
37	LEPL EMIS	166,303	126,705	-
38	LEPL Ilia state university	212,268	77,244	-
	Sum	9,092,461	15,063,113	13,037,381

Table 7. Programme Funding

		2016	2017	2018
#	Name	Programme Funding	Programme Funding	Programme Funding
1	LEPL Community College "New Wave"	1,039,430	572,074	267,835
2	LEPL Community College "Aisi"	547,404	889,048	243,072
3	Community College "Ikarosi"	85,685	309,639	381,083
4	LEPL Community College "Modusi"	190,951	3,346,376	688,334
5	LEPL Community College "Iberia"	475,126	1,197,559	247,854
6	LEPL Community College "Mermisi"	491,351	169,733	102,240
7	LEPL Community College "Spectri"	1,421,097	673,907	200,057
8	LEPL Georgian Technical University	20,700	-	-
9	LEPL Community College "Opizari"	319,856	33,814	129,057
10	LEPL Community College "Blacksea"	9,340	103,873	260,812
11	LEPL Community College "It Academy"	100,000	15,891	226,619
12	Shota Meskhia Teaching University of Zugdidi	962,141	219,289	62,714
13	Ilya Tsiamdzghvishvili Community College	1,388,829	633,262	111,065
14	LEPL Community College "FAZISI"	544,534	801,553	322,111
15	LEPL Community College "Gldani Vocational Education and Training Center"	111,247	86,412	48,230
16	College "Construct2"	-	-	-
17	Community College "Prestige"	10,622	1,334,210	132,691
18	LEPL Community College "Tetnuli"	753,741	365,329	392,285
19	Community College "Gantiadi"	-	53,200	48,337
20	Community College "Spectri"	3,020	1,788,561	39,490
21	Shota Rustaveli Batumi State University	225,877	-	-
22	Akaki Tsereteli Kutaisi State University	21,378	311,845	203,739
23	College "CONSTRUCT2"	-	197,014	-
24	LEPL Community College "LAKADA"	187,601	67,672	54,821
25	Railway Transport College	-	274,700	-
26	LEPL Ivane Javakhishvili Tbilisi State University	-	-	-
27	LEPL Samtskhe-Javakheti State University	-	-	-
28	LEPL Community College "Erqvani"	360	47,152	-
29	Community College "gori music college"	-	-	-
30	LEPL Iakob Gogebashvili Telavi State University	3,282	-	-
31	Adventure Tourism School	-	-	-
32	LEPL Sokhumi State University	-	-	-
33	LEPL Community College "Tbilisi Art College"	16,265	-	-
34	LEPL Agara Public School	-	-	-
35	LEPL Tbilisi State Medical University	-	-	-
36	LEPL Community College "Gori music college"	-	-	-
37	LEPL EMIS	1,295,496	-	-
38	LEPL Ilia state university	-	44,538	-
	Sum	10,225,334	13,536,652	4,162,449

Table 8. Targeted Funding

		2016	2017	2018
#	Name	Targeted Funding	Targeted Funding	Targeted Funding
1	LEPL Community College "New Wave"	676,288	697,500	733,899
2	LEPL Community College "Aisi"	747,036	753,760	838,900
3	Community College "Ikarosi"	384,595	438,000	447,300
4	LEPL Community College "Modusi"	376,850	557,200	662,924
5	LEPL Community College "Iberia"	689,425	696,790	727,700
6	LEPL Community College "Mermisi"	460,175	470,800	479,550
7	LEPL Community College "Spectri"	434,250	462,900	553,700
8	LEPL Georgian Technical University	-	-	-
9	LEPL Community College "Opizari"	423,850	424,300	504,900
10	LEPL Community College "Blacksea"	392,200	393,200	417,600
11	LEPL Community College "It Academy"	-	368,669	562,918
12	Shota Meskhia Teaching University of Zugdidi	359,550	-	390,400
13	Ilya Tsinamdzghvrishvili Community College	309,150	431,800	596,500
14	LEPL Community College "FAZISI"	256,200	279,100	353,367
15	Community College "Gldani Vocational Education and Training Center"	463,637	503,000	537,466
16	College "Construct2"	-	-	835,421
17	Community College "Prestige"	260,965	268,200	278,400
18	LEPL Community College "Tetnuldi"	247,531	242,100	271,700
19	Community College "Gantiadi"	240,540	264,800	394,357
20	Community College "Spectri"	356,473	351,100	381,000
21	LEPL Shota Rustaveli Batumi State University	-	-	-
22	LEPL Akaki Tsereteli Kutaisi State University	-	-	-
23	College "CONSTRUCT2"	-	30,300	435,814
24	LEPL Community College "LAKADA"	218,150	218,000	240,200
25	Railway Transport College	61,700	439,203	366,150
26	Ivane Javakhishvili Tbilisi State University	-	-	-
27	Samtskhe-Javakheti State University	-	-	-
28	LEPL Community College "Erqvani"	172,000	185,300	196,698
29	Community College "gori music college"	-	-	-
30	LEPL Iakob Gogebashvili Telavi State University	-	-	-
31	Adventure Tourism School	-	-	55,230
32	LEPL Sokhumi State University	-	-	
33	Community College "Tbilisi Art College"	92,900	94,600	95,500
34	LEPL Agara Public School	-		
35	LEPL Tbilisi State Medical University	-	-	
36	LEPL Community College "Gori music college"	-		-
37	LEPL EMIS	-	-	-
38	LEPL Ilia state university	-	-	-
	Sum	7,623,465	8,570,622	11,357,594

The analysis shows that the ratio between institutional costs and operational costs are way too high. Apart from a few exceptions accounting for between 50-to 98% of costs of the VET institution. In comparison, EU member countries try to keep institutional costs down to 30-35%.

6.2 Management of allocation of funds by Ministry of Education, Science, Culture and Sport (performance monitoring, control and reporting)

The management of allocation of state funding for VET is centralised with around 98% of all public money distributed by the Ministry of Education, Science and Sport. There is no space for the involvement of social partners in financing decisions at central and extremely limited at institutional level, which can be one of the reasons for lack of awareness and interest and reluctance of sector representatives to contribute to VET in financial and non-financial terms.

At institution level, college supervisory participatory boards have to approve the expenditure of the budgets, accrued by public VET institutions through vouchers (enrolment of students), requested programme and targeted programme funding. However, because of the centralisation of expenditure lines by recent changes in financing policy in general and VET funding Rule in particular, the role of the boards can be seen as nominal – since everything is already written out in the Rule, not much space for decision making is left.

Colleges apply for Ministry funding at the beginning of the year, the Ministry reviews this and allocates full-year funding in January, the institution may request additional funding throughout the year with appropriate justification;

Periodically, the Ministry's internal audit department conducts financial audits of colleges.

7. GENDER EQUALITY AND SOCIAL INCLUSION (GESI)

Financing of vocational education, including GESI groups, is centralised in Georgia and defined in the decree №244 issued and subsequently, monitored by the national government. Centralisation is understandable and acceptable for such a small country, however, lack of independence and initiative from VETs might be considered as a drawback. A bottom-up approach is widespread in most of the developed countries, where at least part of the financing is based on calculations provided by VETs according to their specific needs. The same bottom-up approach is envisaged in the decree №244, but, according to experts, no one has used this opportunity until today.

The Ministry of Education, Science, Culture and Sport of Georgia (MoESCS) started to implement innovations from the point of view of vulnerable population in 2013 with the support of the Norwegian government. In terms of legislation, Georgia ratified The UN Convention of SEN persons' rights in the end of 2013⁴ and signed the EU Association Agreement, 2014⁵. In close cooperation with the Norwegian Ministry of Education and Research, MoESCS introduced special measures to enable people with disabilities receive vocational education. In the beginning of 2014, the government issued decree №41⁶ on Establishment of Space for Persons with Disabilities and Technical Regulations of Architectural and Planning Elements. These measures were mainly directed towards providing infrastructure to create an enabling environment for students with SEN.

The UN Convention of SEN persons' rights contains the concept of the "universal design" - design of products, services, environment and programmes that provides opportunities to all people to be able to use these and excludes stigma and obstacles for disadvantaged. EMC study of 2014⁷ brings examples of Sweden and Hungary where this design is active, albeit, not introduced in Georgia. In 2014 Georgia's government issued a special ordinance №41, but it does not address all necessary components. EMC study of the human rights protection national action plan (NAP) of 2016-2017 (EMC, 2018)⁸ finds that despite certain achievements, corresponding institutional framework for the UN convention enactment has not been created yet, and social model for assessment has not been prepared and piloted. MoESCS representatives tried to introduce the principle of universal design into vocational education system, with no success, however. The main

⁴ The convention was ratified by the decree N1888 of December 26, 2013.

⁵ Kitiashvili, A., Sumbadze, N., & Makharadze, T. (2015). Disadvantaged group's access to vocational education in Georgia.

⁶ Government of Georgia. (2014). Ordinance of the Government of Georgia №41 on establishment of space for persons with disabilities and approval of technical regulations of architectural and planning elements

⁷ EMC. (2014). Guideline of implementation of the UN's convention on rights of people with disadvantages (UNCPRD).

⁸ EMC. (2018). Monitoring of the implementation of human rights-related strategies and action plans (2016-2018 years).

argument of the government is that remodelling of existing buildings requires a lot of money. Then, this principle could have been introduced for future environments, that, according to the Norwegian experts, increases costs only by 0.3%, however, the representatives of the Ministry of Economy and Sustainable Development still were not persuaded. At this stage of development, only ordinance №41 operates that requires accessibility and minimal adapting of environment but not all VETs have met these requirements either.

Decree №244 envisages three types of finances given to vocational education institutions by the government – voucher, including modular voucher; programme and target programme financing. Normally, all the VETs receive all three types of financing. In addition, these institutions receive money for infrastructural needs. The latter, for example, can be used for adapting buildings for disabled students. According to MoESCS representatives, there are 4 institutions in the country that meet requirements of universal design, and, about 85% of VETs meet requirements of the reasonable accommodation, meaning that the entrance and ground floor are adapted to the special needs⁹. Similar information is provided by the study of implementation of human rights related strategy: out of 16 public VETs, only 4 are adapted according to the universal design principle, the rest are partially adapted (EMC, 2018)¹⁰. Quite often, those with adapted entrances and ground floors lack elevators, therefore, wheelchair users are taken upstairs with the help of whoever is at hand. This difficult situation is facilitated by the fact that most of the workshops are located on the ground floor.

The voucher financing is given to educational institutions according to number of SEN students and is 1,000 GEL to support/cover costs of teaching per quarter, as the voucher financing is given quarterly. The teaching costs can be any. Usually, this amount is paid to an inclusive education specialist and assistant if needed. The interviews with MoESCS representatives showed that resources of these specialists, especially, of an inclusive education specialist, are not fully utilised, so the vocational education department representatives prepared new regulation with the detailed description of responsibilities of these 2 positions. The regulation is currently under revision and discussion among the stakeholders. The responsibilities of inclusive education specialist will be development of special educational plans for SEN students, involvement in their learning routine, thorough assessment of their needs, recruitment of prospective SEN students. Assistants provide technical support, also, for blind students, mobility trainers are hired, who teach them how to get to the institution from their homes. Gesture language specialists are hired for deaf students¹¹. Taking into account all these services, and in case an institution has only 1 or 2 such students, 1,000 GEL is not enough to cover costs for inviting additional specialists, like gesture language specialist, and or purchasing special equipment. Also, even if an additional specialist is not needed, students with SEN might require extra attention from teachers and their additional working hours are not covered currently, as 1,000 GEL lump sum is not sufficient.

Special equipment for students with vision problems is quite expensive, these might include: software that translates texts into audio forms, or enables blind students to write texts, magnifying glasses, CCTV – these were given by the vocational education department (via the grant from Norwegian government) to 12 institutions, however, some of the equipment still needs special training of personnel in order to be able use these properly. As noted above, this equipment is expensive to purchase, in addition, an obstacle is provided by the system that requires announcing a tender for such expensive purchases. Quite often, these tenders might not work, as the potential providers are not interested in purchasing only one CCTV, for example.

Purchasing such equipment or paying extra to teachers is also possible through the MoESCS financing system. A vocational institution might prepare a calculation and submit to MoESCS that, according to the same decree №244, provides additional payment to an institution. However, according to the individual and focus group interviews, no institution has applied with such requirement yet. This might be explained by lack of understanding of needs of SEN students on the one hand and of the legislation and VET institutions' rights on the other, pointing to the need for additional training.

Obstacles on the way of financing students with disabilities are also connected to such issues as status recognition, accessible buildings, and living conditions.

In order to receive the additional financing, a student must have a status of SEN student. This status is credited by the expert team - overall, about 50 members all over the country in each region. At least 2 members should be involved in

⁹ The exact information is hold by the infrastructure service at MoESCS, which is responsible for adapting the learning environment

¹⁰ EMC. (2018). Monitoring of the implementation of human rights-related strategies and action plans (2016-2018 years)

¹¹ Ministry of Education and Sciences. (2015). Order on inclusive teaching support program, №28

granting this status. This requirement might create additional difficulties because most of the future students already have a disabled status provided by the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia, but still need to apply to SEN status, which takes additional effort and time. According to the experts, there should be a smooth path from one status to the other not to create additional problems to such future students.

Another difficulty is that the existing support is not always sufficient. For example, if there are wheelchair user students, a VET might be able to cover a car or a bus transportation costs, but such students often live in residential buildings with no elevator and extra costs of paying to those who would bring them downstairs and then upstairs are not considered as learning needs. Currently, MoESCS representatives are discussing these issues with the VET managers. Another way out of this problem would have been placing such students in special dorms, in other words, reallocation/rehousing, however, only few VET institutions have such facilities. This creates obstacles for students from remote areas as well. According to the EMC 2018 study, many students have to rent apartments to be able to attend classes. Such rents are not affordable for many, especially, those in poverty. Therefore, equal accessibility to VETs is still unresolved in Georgia (EMC, 2018).¹²

Also, modular financing for high mountain region representatives is 1.25 more than a basic one¹³. Also, the law of high mountain regions supports teachers of VET institutions with 35% higher salaries, than the rest of teachers¹⁴.

Prisoners can receive vocational education in prisons¹⁵, - 23 former prisoners in 2016 and, 34 former prisoners in 2017 received vocational education in the following institutions: “Horizonti”, “Ikarosi”, “Mermisi”, “Iberia”, “Zugdidi Teaching University” and “Gldani Professional Learning Centre”¹⁶.

Low socioeconomic status students, including IDPs, can receive additional financial support to cover living and opportunity costs¹⁷. Living costs mean that government pays apartment rental costs, while opportunity costs might mean paying to a student’s family to “buy” a time for a student. International experience is that for accommodation, such students are found a low-income host family, so that this program is profitable for a student as well as a host family. At present, no data is available on realization of these types of support.

The welfare agency of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia supports IDPs, for example, in covering costs of transportation to VET institutions¹⁸. Since 2016, a special provision is active to support IDP students in poverty – they receive financial support to cover their living or transportation costs. In 2016, such 110 students were supported. Later, the amendments were introduced and instead of supporting costs of only those in poverty, all IDPs are supported with transportation costs – in 2017 such 371 IDPs were supported¹⁹. However, no information on accommodation financing could be retrieved.

The government also supports ethnic minority representatives who are not fluent in Georgian with no cost language teaching/Georgian language programme²⁰. In addition, a new type of vulnerable population is defined - those neither in education nor in employment / NEET, but it is not clear, what additional resources they might need. Most probably, these people suffer from lack of income, a distance learning courses might be introduced for them.

No special financing is envisaged for girls or women to encourage their involvement in vocational education system. The gender equality law of Georgia, chapter 7 speaks about creating equal opportunities for men and women to receive all levels of education, including a professional one. However, no body or agency is directly responsible for this issue. There

¹² EMC (2018). Monitoring of the implementation of human rights-related strategies and action plans (2016-2018 years)

¹³ Government of Georgia. (2013). Ordinance of Georgian government on defining rules and conditions for financing vocational education and approval of the maximum amount of tuition fees to be funded by the state for educational institutions implementing vocational education programs.

¹⁴ Parliament of Georgia. (2015). Law of the Development of High Mountainous Regions.

¹⁵ National Action Plan 2018 – 2020 of Human Rights Protection.

¹⁶ Human Rights Secretariat. (2018). The implementation report of the action plan of the government of Georgia on the protection of human rights 2016-2017.

¹⁷ Human Rights Secretariat. (2018). The implementation report of the action plan of the government of Georgia on the protection of human rights 2016-2017.

¹⁸ Livelihood Agency. (2017). Program to support VET education for IDP’s. <http://livelihood.gov.ge/ge/currentprograms/25-devnilta-propesiuli-ganatilebis-khelshetskobis-programa>

¹⁹ Human Right Secretariat. (2018). The implementation report of the action plan of the government of Georgia on the protection of human rights 2016-2017.

²⁰ Parliament of Georgia. (2018). Law on vocational education.

are 2 mechanisms on a national level to support gender equality – the Parliamentary Council and the Interagency Committee working on issues of Gender Equality, Violence against Women and Domestic Violence at the executive branch of the government. No activities or programmes consider financing or any other way of supporting equal opportunities in vocational education.

Another overall drawback of GESI financing is lack of relevant data, on, for example, number of the SEN students, or the VET institutions. Currently, data about the number of VET institutions are provided on three websites and none of these coincide: according to NCEQE there are 67 vocational education institutions in Georgia, there are 68 institutions on mes.gov.ge website and 166 institutions on vet.ge website – these 2 official sites are managed by the MoESCS. The web-site of National statistics office of Georgia is not helpful either, as it counts 125 vet institutions. According to the MoESCS representatives, the education management system EMIS possesses true and always updated data, however, it is not accessible through their website²¹.

Overall, all vulnerable groups are provided with some additional financing, except for gender vulnerable groups – women and girls. At the same time, legislation provisions for other groups are not always enacted in real life, as described above. These obstacles need to be addressed in future. Despite the drawbacks considered in this text, financing of disabled students can be considered as the most advanced, most probably, because the group of inclusive education specialists take care of these issues and constantly work on improvement of situation, while there is no body responsible to support IDPs, or poor, or remote dwellers, or women and girls.

The lump sum type of financing needs of SEN students, and, respectively, vocational education institutions, makes the whole process easy to realize, but, on the other hand, it lacks flexibility and bottom-up, proactive approach from the VET institutions, as admitted by the inclusive education experts. Most of the actors and stakeholders involved in financing SEN students' education do not really understand what this is comprised of, hence, lack of initiative and bottom-up approach. Also, SEN status is given to a broad range of people with various needs who require different types of support and approach, unification of diverse needs might also be considered as one of the drawbacks of the existing system.

²¹ <https://www.emis.ge>

8. Strengths and Weaknesses of Current Funding Model

Based on focus group meetings, Independent experts and policy makers assessed existing funding model mostly negatively, pointing out its inaccuracy to capture costs, inability to create competitive environment that will incentivise effectiveness in VET provision. On the contrary, public educational institutions were mostly positive about it because of its capacity to cover all VET costs and high flexibility and responsiveness of MoESCS to requests from educational institutions for additional funding (targeted programme funding) on top of the allocated funds, as needed.

8.1 Strengths:

- a. The ability of the funding model to capture and cater for the real costs of VET
- b. Budgeting timeframe
- c. Ease of release of state funding on request

8.2. Weaknesses:

- a. The existing VET funding model does not provide motivation to EIs to perform better
- b. Low capacity (and/or motivation) of EI management to plan and spend VET budget successfully and efficiently
- c. In some cases, existing costing is not accurate
- d. No incentive for actors involved in the process of dual VET
- e. Inability to do long-term budgeting
- f. Rigid procurement rules
- g. Competitive grants for private sector to deliver training is not a proper motivation
- h. The financing model does not create competitive environment
- i. Not all costs of VET provision are integrated within current costing formula
- j. New functions implied by the new VET law need to be incorporated into costings
- k. Devaluation of prices within current costing
- l. The costing is done by colleges through simplified market research. In some cases there are some mistakes.

9. Conclusions and Recommendations

The structure of costs:

- Apart from a few cases, current structure of costs (funded through Voucher, Program Funding, Targeted Program Funding and capital investment) capture the needs of VET system, especially for state established colleges;
- New costs would be related to a) new functions within VET law, b) better analysis of business processes within EIs, c) better analysis of functions within dual VET, d) teacher related costs - non-direct (professional development, non-contact and preparation time) and related to individual regional needs of EIs e) student related costs (among them, considering regional and program peculiarities).

Costings:

- Need to consider and incorporate devaluation;
- Analyse and re-cost individual modules, programs that were not costed properly;
- Consider regional and program specifics

Does not cater for major target groups:

- Existing system of enrolment and distribution of public funds to students does not fit the purpose, it excludes the most needed and attracts the ones, for who VET is a second choice, thus creating the risk of high drop-out;
- current training and retraining arrangement might respond to employer needs for skills to some extent, however, does not reach out to adults in a way it needs to do so – not catering for the needs of learners at all; thus, pushing them back to qualification programs (and contributing to high dropout rate)
- There are new categories of students' state policy wants to cater for NEETs

No incentive for performance:

- The current funding does not fit dual VET – it actually punishes the actors and discourages them to launch and administer dual VE programs;
- The current funding is input based and no incentives for increasing efficiency, effectiveness, inclusion and coverage (both demands on the skills from employers and education needs of potential applicants);

GESI related issues:

- Mostly, costs are well covered for those granted Special Needs Categories by MESCS
- The funding is mostly through extra voucher and is very flexible for users,
- However, more individualized approach is needed in some cases;
- More needed to be done to reach out to the special needs categories before they are part of VET system or beyond EIs – at practice or dual education placements

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