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POLICY OPTIONS FOR VET FINANCING IN GEORGIA

Diversified Financing Mechanisms for VET

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Abbreviations

ALMPM	Active Labour Market Policy Measures
BL	Bill of Lading
CEDEFOP	European Centre for the Development of Vocational Training
CVET	Continuing Education and Training
FAA	Fiscal Affordability Assessment
GEL	Georgian Lari
GESI	Gender Equality and Social Inclusion
GNQF	Georgian National Qualifications Framework
HE	Higher Education
ILA	Individual Learning Accounts
IVET	Initial Vocational Education and Training
LFS	Labour Force Survey
LLL	Life-Long Learning
MoESCS	Ministry of Education, Science, Culture and Sport of Georgia
MTEF	Medium Term Expenditure Framework
NEETS	Neither in Employment, Education and Training
NTF	National Training Fund
OECD	Organisation for Economic Cooperation and Development
PPP	Public-Private Partnership
NGO	Non-Governmental Organisation
SCEPs	Short-Cycle Education Programmes
SDS	Skills Development Scotland
SEN	Special Education Needs
VET	Vocational Education and Training
WBL	Work-Based Learning

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Limitations and Clarifications

The policy options for diversified financing of VET up to 2024 herein focuses on new thinking for human capital development in Georgia. Despite the scope of work undertaken in determining the policy options it has its limitations mainly due to the unpredictable nature of the political economy in the Georgian context. To this end, the headline targets, which are the basis for financing going forward need to be constantly monitored and adjustment in line future and current skills demanded in the economy and what is best for Georgian society to include skill needed in a regional context.

Acknowledgements

The Project Team greatly appreciates the contributions of all stakeholders to the completion of policy options for diversified financing of VET in Georgia and its supporting annexes.

1. Executive Summary

1.1 Overview

Throughout the world, technology is having a significant impact on work and this trend will continue in a pace and intensity in the near future. Prediction vary, but there is no doubt that most, if not all, jobs will be affected to some degree, with low skill manual workers particularly vulnerable to permanent replacement in the labour market.

The future of work is happening **now** and in Georgia 53% of VET modules of learning and skills development are at level 3 qualifications in the VET system, which does not look good for the future of work and socio-economic development. The development of the economy and skills will require **new thinking** in terms of human capital. McKinsey (2018) Automation and the Future of Work" indicated significant shift in the need for higher cognitive skills, social and emotional skills and technical skills resulting in the demand for higher level qualifications.

For Georgia to be successful as it progresses along a growth trajectory to a modern economy and society, it must adopt a human capital approach, whereby, skills development is more based on anticipated skills for the future rather than the current demand for low skills. This is seen from the perspective of human capital playing a major role in leading to a modern economy and society rather than a follower of a laisser-faire approach to socio-economic development. However, at the same time the current and short-term needs of the labour market must be addressed.

Diversified financing mechanisms within the frame of the medium-term expenditure framework 2021 to 2024 aims at addressing both short-term critical issues and longer-term human capital needs in term of economic growth and jobs. The challenge is how to adequately finance pre-employment vocational education and training at level 3 to 5 in the Georgian Qualifications Framework, how to finance continuous professional development for those unemployed, underemployed, and more importantly the how to finance the up-skilling of the employed so that their skills can remain relevant to needs of a developing labour market.

Currently in Georgia, delivery of VET Programmes needs authorisation of education institutions or, in some cases, registration of organisations. 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 new policy measure introduced by the VET law of 2018. Overall, it can be seen that participation in VET is declining in the period 2014-2018, by 26% in public and 27% in private VET Provision. Participation in VET at a level that is sustainable can only be achieved by setting realistic, achievable and sustainable targets that are adequately financed.

Based on a review of the current situation and scrutiny of international good practices (Annex A and B), **policy options** for diversified financing of VET should focus on the following **headline targets for 2024.**

Table 1. Summary of IVET, CVET, SCEPS and SEN headline targets by 2024

Item	Description	Number
1	**IVET**	**21,000**
2	**CVET**	**12,000**
3	**SCEPs**	**8,000**
4	**Total number of Students**	**41,000**
5	**SEN students among total number of students**	**2,460**

Calculating the human capital demand within the VET system consist of determining system coefficient for IVET and SCEPs are the only type of VET with a duration of more than one Year (at present). Based on duration of programmes, the system coefficient for IVET was taken at 1.5 and the system coefficient for SCEPs was taken at 2 since all level 5 programmes are of 2-year duration.

1.2 Diversified financing mechanisms

The most important dimensions, beyond the strictly monetary in how VET is financed. First, there are three main dimensions that any approach to financing should encompass:

- **Resource mobilisation** (sources, plans, amounts, collection modalities and tools);
- **Resource allocation** (criteria and tools for distributing and channelling resources throughout the system);
- **Management of the financing** (governance bodies and mechanisms making the financing chain operational, serving policy objectives and following clear rules).

Two additional dimensions have an important impact on the system and require, therefore, proper attention. These are costing, and finance information derived from data collection. Although, strictly speaking, they are not part of mobilisation, allocation and management, but are a significant contributor.

- **Costing** (cost simulation of VET policy options envisaged, as a key element for decision, and cost estimate of policy measures decided, for planning purpose);
- **Data** (quantitative and qualitative: financial and non-financial data needed for proper running of the financing system, monitoring and evaluation of policy implementation and impact assessment).

Mechanisms are ways and means to best support the efficient and effective transfer between mobilisation of finances and the allocation.

1.3 Financing Headline Targets by 2024

The headline targets for 2024 can only be achieved **progressively over the period 2021 to 2024** within the four-year medium-term budget programme (MTBP). Given Government of Georgia (GoG) commitment to increase to 6% of GDP expenditure in education from 2022 would mean the possibility of significant scaling up of VET budget from 2022. The headline targets for 2024 should be met by achieving 40% in 2021, 70% in 2022, 85% in 2023 and 100% in 2024.

Achieving the headline targets depends on mobilisation, allocation and management of funds for VET by means of diversified financing mechanisms. **Mobilisation** extend the current sources of finances to include the State, Society, the employer, individuals as well as Development Partners grants to include loan financing. The **mechanisms** through which funds are allocated for VET is aimed at incentivising equitable participation in VET at levels 3 to 5. The **allocation** of funds is by means of:

1. Voucher Programme Funding, to cover **direct costs** of provision;
2. Targeted Vouched Programme Funding for programmes of priority and of an ad-hoc nature;
3. Institutional Support Funding for **indirect costs** of provision, such as administrative costs and others;
4. Performance based funding as a top-up to incentivise quality of provision as well as increasing the internal efficiency of the VET system
5. Equity funding as a stand-alone allocation of funds to cover SEN and Social Inclusion.

Management of funds necessitate the need for system improvements in financial management through technology and enhanced capacity of management staff.

The mobilisation, allocation and management of diversified financing of VET will necessitate a Decree of Government, resulting in a new resolution to replace the current resolution 244.

1.4 Issues of Fiscal Affordability

The estimates for the total education and VET budget supply at 150.6 mln GEL respectively for year 2024. Also, we can observe that total funding demand including the potential income generated activities by the education institutions for VET education is estimated at 182.35 mln, 4.49% of total education budget. Out of total estimated demand VET budget, 74% is required for voucher funding, 18% for institutional support and the rest 7% for performance-based support.

Table 2. Total VET Demand and Supply

FAA of VET in '000 GEL	2021	2022	2023	2024
Total Education budget	1,591,376	3,437,112	3,734,934	4,059,873
Total VET Budget (3.71% of Total Edu. Budget)	59,043	127,524	138,573	150,629
Total VET Budget (5.00% of Total Edu. Budget)	79,569	171,856	186,747	202,994
Total VET Demand inc. IGAs	75,170	102,517	151,842	188,454
Surplus / Deficit (3.71% VET Budget)	-16,127	25,007	-13,269	-37,825
Budget Coverage (3.71% VET budget)	79%	124%	91%	80%
Surplus / Deficit (5.00% VET Budget)	4,399	69,339	34,905	14,540
Budget Coverage (5.00% VET budget)	106%	168%	123%	108%

Table 2 identifies preliminary fiscal affordability assessment indicator. We can observe that in the base scenario the VET budget deficit reaches 37.8 mln GEL, which leads to 80% of demand coverage in 2024.

The ratio of VET spending to total education spending ratio currently falls at 3.71%. In case when funding supply forecast implies keeping 3.71% VET spending to total education spending ratio, there might be necessity to increase VET spending share in total education spending, unless deficit is balanced by donor support.

In case when spending level is risen to 5% of total education budget, total surplus for year 2024 will amount to 14.54 mln GEL.

1.5 Legal basis for Diversified 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.

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.

In order the widen the scope of VET financing a new framework resolution is necessary, which allows the responsible entities to issue lower orders, instruction, and other for the purpose of VET mobilisation, allocation and management.

The proposed resolution of Government within the frame of **diversified financing mechanisms** focus on mobilisation of finances, allocation and management of funds for VET.

To **achieve the Headline by 2024**, the Ministry together with Development Partners must adopt a developmental Road Map in the form of four annual SIAPs aimed at achieving the **targets** through diversified financing mechanisms, otherwise, VET is regard as not making a meaningful contribution to human capital and become unsustainable in its current format.

2. Background and Rationale

2.1 Background

The Good Governance Fund Managed Fund (GGF MF) project aims to support the Ministry of Education, Science, Culture and Sport (MoESCS) and the Government of Georgia (GoG) to develop policy options for diversified funding for the vocational education and training (VET) system. The primary goal of the project is to improve the internal efficiency of the VET system through a diversified financing policy, targeting the most effective and inclusive VET provision and to build on existing strengths of the system through the development of a financing mechanisms for VET.

Within the scope the project team will undertake the following activities:

- Review and analysis of the current funding system and VET policy context in Georgia
- Assessment of the additional needs of the sector that financing policy can cater for or contribute towards
- Assessment of international good practices to identify modern approaches to VET financing and methods of determining the internal efficiencies of the VET systems
- Provision of policy options that will provide a preferred model for the country taking into consideration international good practice and its relevance to the Georgian context
- A cost benefit analysis of the potential impact of the new model on the internal efficiency of the system
- Development of a draft road map for the policy options that are implementable, with a corresponding Financing Regulation(s)
- Provision of support to the MoESCS on the development of a draft Regulation(s) on Financing

The key project partner is the Ministry of Education, Science, Culture and Sport of Georgia (the counterpart of the project). The project's resources will be used to achieve the following results:

- Assessment of the existing VET financing mechanisms in Georgia conducted (**Output 1)**
- An assessment report prepared to identify international good practice on financing VET, with a focus on performance-based funding and recommendations on the preferred model(s) developed (**Output 2)**
- An ex-ante evaluation by means of cost-benefit analysis of the preferred model of "Financing of VET in Georgia" undertaken **(Output 3)**
- Roadmap for the enactment of the new VET financing mechanism prepared and resolution of government on "Financing of VET in Georgia" drafted **(Output 4)**

2.2 Rationale

The purpose of VET funding according to Article 23 of the VET law of September 2018 is:

- Introduction of new Basic VET qualification (entry from basic general education) at GNQF level 3.
- Introduction of new Secondary VET qualification (entry from basic or secondary general education, secondary VET should include secondary general core curriculum for the group of students enrolled based on completion of Basic General Education). The qualification at GNQF level 4.
- Introduction of new High VET qualification (entry from secondary General Education or Secondary VET) at GNQF level 5.
- Associated Degree at level 5 is introduced to be granted after completion of Short-Cycle Education Programme in higher education or equivalent. Entry is usually for students who have completed secondary education, and for level 4 VET students. Optional groups who gain entry into Associate Degree Programmes are second-chance learners, usually under 25, and mature students who comply with the minimum entry requirements.
- New vocational training and retraining qualifications at levels 2-5 are introduced.

Vocational Education and Training across Europe today face a challenging and complex financial situation in which traditional modes of funding have been transformed and continue to evolve. Moreover, public sources in many countries are not as generous as they were in the past and often have become more demanding and competitive among the various sectors of education. The changes are particularly significant in Europe due to the traditional reliance of the State on public funding, with growing pressures upon the sustainability of funding regimes of public VET and mounting pressure to explore new sources of income. The efficiency of funding in terms of the capability to meet certain policy goals in a cost-effective way is becoming increasingly important.

In Europe and elsewhere, since the 1990's a common trend across all countries is the shift to sharing the cost burden of Vocational Education and Training (VET) between the Government, the Employer and the Individual. This is evidence from scrutiny of the financing mechanisms across EU and other countries.

New trends in VET show a significant shift away from pre-employment type VET being aligned to school-based upper secondary education. According to the OECD annual report "Education at a Glance 2019", the location where VET takes place in the education system is changing. What was part of upper secondary education in the past, now takes place either partially or fully in post-secondary education in 21 of the 36 OECD countries, where entry commences at age 18/19, instead of the traditional 15/16 years. This is also due to the fact that many professions at level 4 require full secondary education as a prerequisite for VET entry and are completed as part of Dual or Modern Apprenticeship type work-based VET system. In addition, many of the traditional professions require level 5 qualifications which takes place as part of higher-level VET or Associated Degree level higher education, which since 2018 is independent of the higher education bachelor's degree programme. The shift in VET provision has also resulted in a shift in VET financing to a more dynamic financing model.

The Georgian Unified Education Strategy of 2017-2021 speaks of the need for **effective VET funding mechanisms** under its Second Objective, that is, ensuring access to VET through Life-Long Learning (LLL) principles. The objective, apart from setting a target of "helping with the labour market relevance of VET" for the financing policy, states other needs the new funding model should cater for. Namely, it should facilitate:

- Expansion of financing sources;
- Generation of additional financing resources;
- Involvement of the private sector;
- Effective distribution of financing between institutions, disciplines, and programmes;
- Facilitation of the efficient management of vocational education[1].

3. Diversified Financing Mechanism for VET: Policy Options

3.1 Policy Options

In the context of **policy options, resource mobilisation** (sources, plans, amounts, collection modalities and tools); **resource allocation** (criteria and tools for distributing and channelling resources throughout the system); **management of the financing** (governance bodies and mechanisms making the financing chain operational, serving policy objectives and following clear rules) have to be considered.

Two additional dimensions have an important impact on the system and require, therefore, proper attention. These are **costing** and **finance information** derived from data collection. Although, strictly speaking, they are not part of mobilisation, allocation and management, they are significant contributors.

Financing mechanisms for VET are heterogeneous (varied) and are tailored to suit the circumstances at a given time in a particular country. However, analysis and scrutiny would suggest that there are **10 funding mechanisms** that are used in the form of a **menu** or list of funding windows used in what can be called proposed options of **"Diversified Financing Mechanisms for VET"**.

These are:

1. **State funding based on budget financing** from the state budget, local authorities' budget and other types of funding from the State system.
2. **An employer led 'training fund'** is a dedicated stock or flow of financing outside normal government budgetary channels for the purpose of developing productive skills for work. Such funds maybe grant aided from public finances.
3. **Tax incentives for companies** are the concessions in tax codes that mean a conscious loss of government budgetary revenue because they reduce either the tax base (tax allowance) or the tax due (tax credit). Concerning tax incentives for the purposes of corporate income tax, countries typically regard company expenditure on training as a business cost which is usually 100% deductible from the taxable income.
4. **Tax incentives for individuals (who pay fees (deferred / non-deferred)** are the concessions in tax codes that mean a conscious loss of government budgetary revenue because they reduce either the tax base (tax allowance) or the tax due (tax credit). Concerning tax incentives for the purposes of personal income tax, they may allow adults to deduct their costs for continuing vocational training or adult learning related to their current or future occupation from their individual income tax base or tax due. Adults with low or no income, paying no

[1] Unified Education Strategy 2017-2021, MoESCS, 2017

personal income tax, cannot profit from the tax deduction. Only if a negative income tax is implemented correcting this imbalance, low wage earners could profit from education and training related tax incentives. When income tax is progressive, adults in higher tax classes profit more from the tax deduction from the tax base than adults in lower tax classes.

5. **Grants for Companies** are aimed at investment in education and training with financial contributions ranging from 40% to 100%, such grants can also contribute the employer led Training Funds.
6. **Grants for individuals** are a subsidy to support the individual's investment in education and training with financial contributions ranging from 15% to 100%.
7. **Loan scheme** allows individuals to borrow financial resources (on favourable conditions) from their future income to cover part of their (education and training) expenditure. The State has no objection to loan schemes being offered by Banks. However, it is subject to regulation by the National Bank of Georgia.
8. **The training/educational leave** is a regulatory instrument which, either by statutory right and/or through collective agreements, sets out the conditions under which employees may be granted temporary leave from work for learning purposes. Furthermore, the training leave allows the employee to be absent from the workplace for education and training purposes without losing the right to return to work later on or other social rights connected to a current employment. In case of long-term leave, various regulations might specify whether particular rights from the employer (e.g. statutory yearly pay rises) or the social security system (e.g. years of contribution to old-age pension schemes) are negatively affected or not. In some countries, for example Hungary, training leave is only stipulated for attending mandatory training (CEDEFOP 2011), which the employer organisation is responsible for.
9. **Payback clause** are a legal instrument that may encourage companies to invest in training by allowing them to bind employees for a certain period after training in return for providing the training. In fact, employees are free to move to another company but may be requested to reimburse (part of) the cost of the training. Payback clauses should increase employers' investment in training as their risk of paying for employee training, yet not profiting from it, is decreased. In turn, employees are expected to profit from employers' increased readiness to pay for training, when learning outcomes also have market value beyond the current employer.
10. **Ad-hoc mechanisms** containing element of formula-based financing that can be applied as a stand-alone measure or an integral part of the other mechanisms.

The above **10 Mechanisms for Diversified Financing Mechanism for VET** in Georgia are policy options and are based on "Situation Analysis Report on the Current VET Financing System in Georgia" **(Annex A**) and a review of "Synthesis Report on International Good Practice in VET Financing" (based on the examples of Czech Republic, Denmark and Estonia) **(Annex B)**

3.2 Policy Options for Mobilisation (Sources of Finance)

Diversifying the sources of finance that focus on engaging and attracting investment from the business world. The diversification of financing sources is a way to overcome constrained public budgets, in particular by avoiding relying solely on one source of funding. The overall challenge, common to all ETF partner countries, is to mobilise more resources by diversifying the financing sources for fairer public-private cost sharing. Making a case for VET is also needed in order to increase the state budget shares, as the current levels of mobilisation hamper the implementation of ambitious policies. (See Annex B for details.)

The policy options for **mobilisation** of financing resources for the funding of VET are as follows:

1. Government / public sources
2. Student / learners' fees
3. Employers' sources of finance either direct payment for VET or contributions into an employer led training fund
4. Philanthropy
5. Income generating activities by education institutions
6. PPP in Provision
7. Grant or loan financing from International Multi-lateral / Bi-lateral organisations, NGOs and possible others

3.3 Policy Options for Allocation (Funding of VET)

An important task of funding disbursement policies is to provide an appropriate mix of regulation and incentives to ensure that public training can hold its own in an environment of competitive training markets. A second reason for government intervention of this type is a “corrective one” – to encourage enterprises to provide more and better-quality training. The resource allocation can also assume diverse forms. The main challenge regarding resource allocation is to identify schemes that ensure the achievement of the VET policy objectives, including the transversal objectives of relevance to the labour market and of equity in access to the VET system (for both individuals and companies). (See Annex B for details.)

Considering existing policy needs of VET system in Georgia as well as international good practice the following 5 allocation mechanisms are proposed:

1. **Voucher Programme Financing**
   - Vouchers has a value of 20% to 100%

2. **Targeted Programme Financing**
   - Targeted program financing shall be awarded to educational institutions for innovation and piloting of vocational education programmes subject to availability of finances from the yearly allocation of targeted program funds;
   - Targeted finances for durable goods for public vocational educational institutions as per a list of durable good approved by the Minister with responsibility for vocational education;
   - Targeted program financing for needs-based programs for socio-economic development.

3. **Institutional Support Financing for indirect operating expenses of an educational institution.**
   - Indirect operating costs shall not exceed 50% of direct operating costs. Ideally 35% of direct voucher costs.

4. **Performance-Based Financing**
   - Target performance indicators are determined annually for the educational Institutions. Each institution is benchmarked above that is the mean are awarded PBF, whereby the total fund available is distributed amongst successful institutions.
   - Upon the satisfaction of the target institution's performance, the educational institution shall be allocated up to 20% of the total Voucher budget of the institution.

   For the detailed draft criteria and formula for PBF please see annex C.

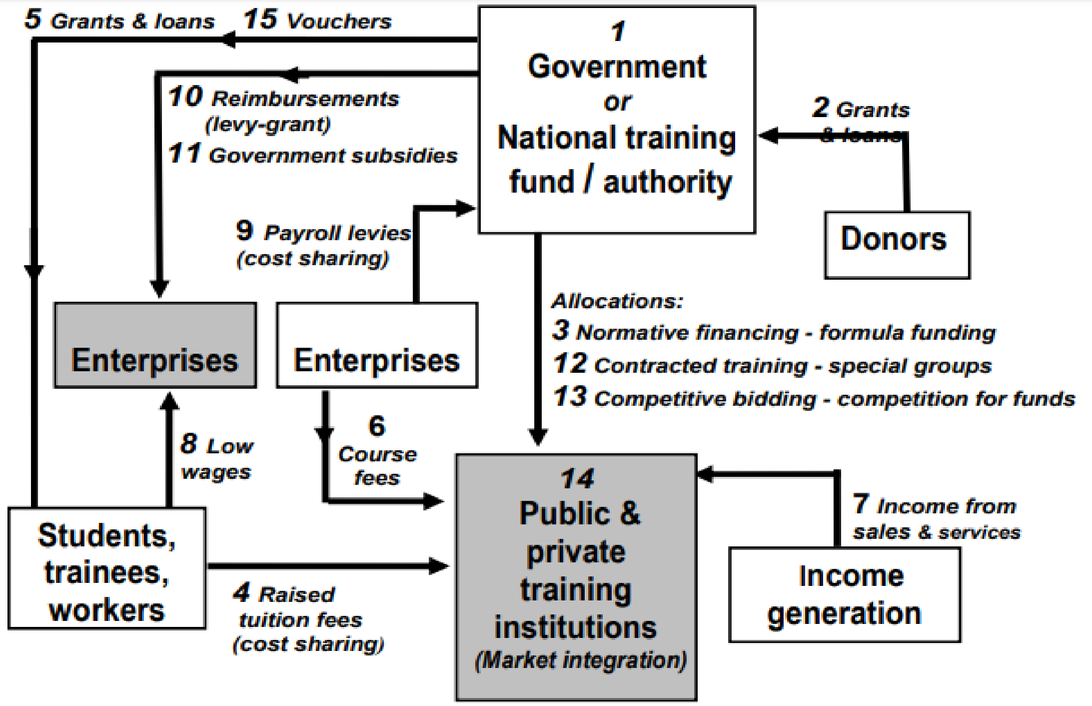
5. **Equity Financing**
   - An educational institution shall be allocated additional finance annually to ensure gender equality and social inclusion, based on criteria and conditions set out by order of the Minister with responsible for Education.
   - Additional financing for providing students with housing and / or transportation needs.

3.4 Policy Options for management of Diversified Financing Mechanisms for VET

Management of financing chain is an institutional framework that unifies and augments sources of funding for training (Government budget, training levies, donors, other) and allocates funds in line with national (economic and social) policies and priorities. Generally, the funding is spent through public bodies or a training funds (see details bellow), that are becoming more diverse themselves performing many more functions beyond management of training –such as qualification development, certification etc. The main challenge is to get rid of a tool-driven, technician approach and consider financing as a key leverage for steering VET policy. (See Annex B for details.)

Within the dynamic funding model, the public and private training providers are financed from the both public and private sources. The flow of funds is illustrated in figure 1 below:

Figure 1. Flow of Funds in VET Financing[2]



Note: Black arrows represent funding flows
Training providers are indicated by the shaded boxes

The numbering in the flow of funds are as follows:

1. Most frequently the main source of funds is **Government or National Training Fund / Authority**.
2. Where available, **donor funding** is supplied centrally to the government or training fund and not to individual institutions.
3. Core financing of public training institutions is based on objective **formula funding**.
4. Greater cost sharing is introduced in public training institutions, through **augmented course fees** closer towards competitive levels.
5. This is facilitated by the availability of selective scholarships for the poor or **student/trainee loans**.
6. Additional income for public training institutions derives from **fee payments for tailor-made courses** for firms.
7. … and from **income generation activities**.
8. On-the-job training within firms is partially financed by workers through **low wages**.
9. **Payroll levies** on firms may be used, to either augment national funding for training.
10. … or may constitute part of a **levy-grant scheme** to encourage enterprises to train more.
11. Alternatively, **government subsidies** may be used to augment enterprise training.
12. **Contract financing** of designated government programmes (such as for the unemployed) are made available to both public and private and training institutions.
13. **Competitive bidding for funds** would further enhance market integration of public and private training providers on a competitive basis.
14. **Public and private training institutions.**

[2] Source: Adrian Ziderman, 2017

4. Projected Headline Targets of VET by 2024 in Georgia

4.1 Human Capital Approach

Throughout the world, technology is having a significant impact on work and this trend will continue in a pace and intensity in the near future. Prediction vary, but there is no doubt that most, if not all, jobs will be affected to some degree, with low skill manual workers particularly vulnerable to permanent replacement in the labour market.

The future of work is happening **now** and as 53% of VET modules of learning and skills development in Georgia are at level 3 qualifications in the VET system, which does not look good for the future of work and socio-economic development. The development of the economy and skills will require **new thinking** in terms of human capital. McKinsey (2018) "Automation and the Future of Work" indicated significant shift in the need for higher cognitive skills, social and emotional skills and technical skills resulting in the demand for higher level qualifications.

For Georgia to be successful as it progresses along a growth trajectory to a modern economy and society, it must adopt a human capital approach, whereby, skills development is more based on anticipated skills for the future rather than the current demand for low skills. This is seen from the perspective of human capital playing a major role in leading to a modern economy and society rather than a follower of a laisser-faire approach to socio-economic development. However, At the same time the current and short-term needs of the labour market must be addresses as identified by the European Training Foundation based on draft Torino Process 2019:

1. Growing economy, competitive advantage in services (tourism, transport) – but limited creation of high-skilled jobs;
2. Gradual improvement in labour market indicators (↑employment, ↓unemployment) – still modest use of human capital potential;
3. Non-negligible degree of skills mismatch – e.g. over-qualification, under-qualification, working in jobs different from education field;
4. Youth transition from school to work and the difficulties to find the first job – ending up unemployed or inactive;
5. Poverty and inequality for a considerable minority – signs of social inequality in educational attainment.

Diversified financing mechanisms within the frame of the medium-term expenditure framework 2021 to 2024 aims at address both short-term critical issues and longer-term human capital needs in term of economic growth and jobs. The challenge is how to adequately finance pre-employment vocational education and training at level 3 to 5 in the Georgian Qualifications Framework, how to finance continuous professional development for those unemployed, underemployed, and more importantly the how to finance the up-skilling of the employed so that their skills can remain relevant to needs of a developing labour market.

Participation in pre-employment VET takes place at upper secondary education level, albeit this is shifting in most developed OECD countries to post-secondary education. As mentioned above, according to OECD Education Year-Book 2019, in 21 out of the 36 OECD countries, VET has moved from upper-secondary education to post-secondary and work-based learning. Nevertheless, Georgia must increase its participation in IVET from its current rate of below 2% to 15% in the shortest possible time, bearing in mind that according to CEDEFOP, the average participation in IVET in EU 28 is about 47% enrolment and about 15% in OECD 36 Counties. Parallel, with pre-employment VET, the GEOSTAT labour force survey of 2018 indicated that the number of unemployed and underemployed in the age groups 15 to 29 and 30 + need special attention. With regard to the employed, practically no measures exist within the State to formally address the need for skills upgrading of the current workforce, other than what is provided in an ad-hoc way by employers.

Currently in Georgia, 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;
- 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 3 and Table 4 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 new policy measure introduced by the VET law of 2018.

Table 3. 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 4. Number of students in full time vocational education in public and private institutions by programme level (1-5 levels) for 2014-2019

Level	Number of Students													
	2014		2015		2016		2017		2018		2019		2014-2019 - %	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
1	5	3		22		10		35		10				
2	269	785	210	805	110	970	222	1,027	190	686				
3	3,890	7,812	3,368	8,020	2,763	7,804	2,645	8,221	2,598	4,223	1,157	4,685	-70%	-40%
4	860	1,221	719	1,570	622	1,700	622	1,467	357	1,471	321	1,850	-63%	52%
5	1,405	533	1,357	803	1,457	1,331	1,522	759	1,576	1,268	1,966	1,180	40%	121%
Sum	**6,429**	**10,354**	**5,654**	**11,220**	**4,952**	**11,815**	**5,011**	**11,509**	**4,721**	**7,658**	**3,444**	**7,715**	**-46%**	**-25%**

Overall, it can be observed that participation in VET is declining in the period 2014-2019, by 25% in public and 46% in private VET Provision. Participation in VET at a level that is sustainable can only be achieved by setting realistic, achievable and sustainable targets that are adequately financed.

4.2 Summary of headline targets to 2024

Based on a review of the current situation and scrutiny of international good practices (Annex A and B), **policy options** for diversified financing of VET should focus on the following **headline targets for 2024.**

IVET – *General or vocational education carried out in the initial education system, usually before entering working life. Comment: (a) some training undertaken after entry into working life may be considered as initial training (e.g. retraining); (b) initial education and training can be carried out at any level in general or vocational education (full-time school-based or alternance training) pathways or apprenticeship. Source: CEDEFOP, 2003.*

The target enrolment in IVET should support the transition from lower secondary education to upper secondary, usually at age 16. In the situation, 15% of class nine graduates should progress onto IVET in different settings. For the remining numbers in the cohort 15-19 about 5% should enrol in IVET programmes at level 3 and 4. In any education system a provision for second chance learning should be made and in this context 5% of those aged from 20-29 should have the opportunity to engage in formal IVET Programmes leading to a qualification. A provision for 1,000 learners that are over 30 years should be made in the IVET system.

Table 5. Summary of IVET headline targets by 2024

Item	Description	Number
1	IVET aged 15-19	**16,375**
2	IVET Aged 20-29	**4.035**
3	IVET Aged 30+	**1,000**
4	**IVET (rounded off)**	**21,000**

CVET- Continuous VET - *Education or training after initial education or entry into working life, aimed at helping individuals to: - improve or update their knowledge and/or skills; - acquire new skills for a career move or retraining; - continue their personal or professional development. Comment: continuing education and training is part of lifelong learning and may encompass any kind of education (general, specialised or vocational, formal or non-formal, etc.). It is crucial for the employability of individuals. Source: CEDEFOP, 2002.*

5% percent of unemployed / underemployed persons should be targeted for short-term labour market relevant VET. For those over 30 a similar 5% should be enrolled in short-term programmes.

Table 6. Summary of CVET unemployed / under employed headline targets by 2024

Item	Description	Number
1	CVET aged 15-29	**4,531**
2	CVET Aged 30+	**7,756**
3	**CVET (rounded off)**	**12,000**

The employed*: according to the Labour Force Survey (LFS) of 2018 (GEOSTAT) the labour force is 1,694,201 persons or 58.8% of the population of which 278,277 or 16.4% are in the age group 15-29 leaving 1,415,925 or 83.6% of the labour force over 30 years.*

Scrutiny of international good practice and expert opinion would suggest that 10% of all employed persons should receive some form of skills development once every 5 Years, which is **33,884** per year, rounded off at **33,000**. This is the responsibility of employers with some state support[3].

Table 7. Summary of skill development needs for the employed by 2024

Item	Description	Number
1	CVET for the employed	**33,000**

SCEPs *are short-cycle education programme at level 5 qualifications in tertiary education. Since 2018, within the European Qualifications Framework such qualifications are independent in the Bologna higher education* framework. *(Paris Bologna Declaration of May 2018)*

Therefore, in Georgia SCEPs can be provides by means of Associated Degree Programmes or Higher-level VET Programmes. Based on demographics by age of 18 year, about **41,720** are eligible candidates for graduation from upper secondary education on a yearly basis.[4]. The 2018**, 29,483** students enrolled on the bachelor programmes in HE in both public and private provision. Given the nature of the Georgian Labour Market and international good practice would suggest that 30% should be enrolling in SCEPs level 5 qualifications rather than on bachelor programmes, which is =29,483 x 30% = **8,844.** Or rounded to **8,000** annual enrolment in SCEPs.

Table 8. Summary of SCEPs headline targets by 2024

Item	Description	Number
1	SCEPs Higher Level VET	**3000**
2	SCEPs Associated Degree Programmes	**5000**
3	**SCEPs (rounded off)**	**8,000**

SEN Special Education Needs *is reflected in international good practice, which would suggest that 6% of those in education could be categorised as SEN students*

About 6% of population cohorts are in needs Special Education Needs (SEN) based on international evidence of the prevalence needs that require interventions of IVET, CVET and SCEPs. For the purpose of headlines targets, SEN needs are directly related to the numbers targeted for enrolment in IVET, CVET and SCEPs.

The vulnerable population is grouped in 4 categories, according to the Organisation for Economic Cooperation and Development (OECD) guidelines. These categories are:

Group 1 (disabilities), visual and hearing impairments, cognitive disorders, physical disabilities

[3] Skills development costs of employees are not part of the overall calculations in Table 7
[4] Note the date is based on demographics, those eligible for enrolment not actual enrolment of 18-year old students

Group 2 (disorders), learning disabilities, emotional disabilities, etc.

Group 3 (disadvantages), socio-economic, etc.

Group 4 (any combination of characteristics from Groups 1-3)

Table 9. Summary of SEN Headline Targets by 2024

Item	Description	Number
1	SEN IVET Students	**1,260**
2	SEN CVET Students	**720**
3	SEN SCEPs Students	**480**
4	Total annual SEN need by 2024	**2,460**

4.3 VET Capacity Needs

VET capacity needs in 2024 is based on the annual enrolment demand by 2024, in-system or the duration coefficient of the programmes and the retention rates.

Calculating the human capital demand within the VET system consist of determining system coefficient for IVET and SCEPs are the only type of VET with a duration of more than one Year (at present). Based on duration of programmes, the system coefficient for IVET was taken at 1.5 and the system coefficient for SCEPs was taken at 2 since all level 5 programmes are of 2-year duration.

Table 10. VET Capacity needs based on enrolment and retention in Year 2 and beyond (2024)

Age	Type of TVET	Annual Enrolment Demand by 2024	Duration Coefficient or In-system Coefficient	Retention Percentage	Total Capacity Needs	Comments
15-29	IVET (Pre-employment)	20,000	1.5	75%	**20,000x1.5x 75%= 22,500**	Programmes leading to qualification at level 3 and 4 in the GEONQF
30 +	IVET (Pre-employment)	1,000	1.5	75%	**1,000x1.5x 75%= 1,125**	Programmes leading to qualification at level 3.4 in the GEONQF
15-29	CVET	4,000	0.5	0%	**4,000x0.5= 2,000**	Adult Education programmes of short duration
30+	CVET	8,000	0.5	0%	**8,000x0.5= 4,000**	Adult Education programmes of short duration
Higher VET/Associate Degrees	SCEPS	8,000	2	75%	**8,000+8,000 x1x 75%= 14,000**	Higher VET Associated Degrees (Usually not more than 2 year of duration)
SEN	SEN	Include in above figures	2	75%	**Included above**	SEN allocation is dedicated to teaching and learning and excluded other forms targeted social assistance as part of overall equity.
Total demand by 2024		41,000			**43,625**	All types

Notes

The project numbers to be enrolment on an annual basis are considered to be new starts. In addition, there are those learners in their 2nd and 3rd Year of Studies, which have to be considered and is known as system coefficient. Since the average duration of VET all VET Courses is 14 Month, the system coefficient is taken as 1.5. Higher VET of on average of 2-year duration and therefore for a systems coefficient of 2. It is also assumed that EQUITY type programmes average 2 Year duration. The projected retention rate is estimated to be 75%.

In addition, please note that the projection budgets of fiscal affordability assessment are calculated according to the exact existing enrolment procedures (fall and spring enrolment).

5. VET Costs in Georgia

5.1 Summary of VET costs in Georgia, 2021-2024 (in GEL, '000)

To estimate the cost base of the project, the Project team obtained current enrolment figures and its distribution across categories and annual periods. Next, based on headline targets, retention assumptions, and existing enrolment schedules, the team developed a forecast of enrolment in the VET sector across categories for years 2021-2024.

Of course, we assume that it is unrealistic to achieve 2024 headline targets in prior years. Therefore, according to the budgetary commitments of GoG (to spend 6% of GDP on education sector beginning from year 2022) we predict to reach the following targets:

- 2021 – 40% of headline targets for 2024
- 2022 – 70% of headline targets for 2024
- 2023 – 85% of headline targets for 2024
- 2024 – 100% of headline targets for 2024

Table 11. Distribution of the Voucher Costs according to Type of VET Provision

Voucher funding Demand	2021	2022	2023	2024
IVET	34,680,776	42,474,057	66,026,633	80,455,258
CVET	6,265,175	11,107,982	13,668,274	16,298,452
SCEPS	13,127,410	21,612,067	30,744,926	40,766,701
SEN	7,917,543	9,704,305	15,077,569	18,371,644
Total	**61,990,904**	**84,898,412**	**125,517,402**	**155,892,054**

According to the international good practice the institutional support funding budget should not exceed 35% of voucher costs. As for the performance-based funding the project team calculated 10% of total voucher funding to be the ceiling for performance-based funding.

One of the main goals of VET policy is stimulate income generating activities (IGA) of the education institutions. The project team differentiated between two main streams of IGA: students fees and other sources of IGA. We target students' fees to reach 10% for CVET and SCEPs, while state IVET will be 100% financed by state. Other sources of IGA is projected as 15% of the voucher costs in public institutions.

Table 12. Distribution of Total VET Demand

Total VET Costs	2021	2022	2023	2024
Voucher Costs	61,990,904	84,898,412	125,517,402	155,892,054
Institutional Support Funding	15,187,772	20,800,111	30,751,764	38,193,553
Performance-based Funding	5,858,140	8,022,900	11,861,395	14,731,799
Total Costs	**83,036,816**	**113,721,422**	**168,130,560**	**208,817,406**
Less: IGA – Student Fees	-1,357,481	-2,290,403	-3,108,924	-3,994,561
Less: IGA - Other IGAs	-6,509,045	-8,914,333	-13,179,327	-16,368,666
Total VET Demand	**75,170,290**	**102,516,686**	**151,842,309**	**188,454,180**

Note: Table includes SEN related costs.

As a next exercise team analysed existing VET program costs, their duration and took into consideration structures of the programs that are still in the development or are being proposed, such as SCEPS. Furthermore, for higher accuracy, the team broke down total programme costs into remuneration and other direct costs. As a next step, the team applied the expected increase to remuneration levels stemming from deliverables of another project by the World Bank - Teachers' Remuneration Scheme and simulated potential increase to indirect costs by adjusting current volumes by expected inflation rates. As a result, the team estimated annual VET education costs across different categories.

For the detailed calculations please see Annex D.

6. Medium Term Expenditure Framework (MTEF)

6.1 Factual, Expected and Estimated Education Budget, 2017-2024 (in GEL, '000)

This part of the work involved a secondary analysis of Georgian educational spending across categories. In this capacity, the team analysed figures from Georgian factual budget statistics and proposed 2020 project. Next, the team estimated the total education budget according to GDP volume, expected nominal growth rates and governments pledge to increase educational spending as codified the budget code of Georgia. By combining the above-mentioned components, the team was able to create forward-looking budgetary forecasts for years 2021-2024 showing as to how selected variables affected availability of the total budget for the VET sector in these years.

According to the budgetary forecasts, if existing spending structure is maintained and GDP nominally grows as at 8.7%, total VET educational budget resources will reach 150.6 mln GEL by the end of the year 2024, which is 3.7% of total education budget. This notion implies an increase of the total education budget to 6% of nominal GDP from the year 2022 as stipulated in the Georgian budget code.

Table 13. Factual, expected and estimate Education budget figures from 2017 to 2024 in Georgia

Figures in '000	2017	2018	2019	2020	2021	2022	2023	2024
Education budget extrapolation 2020-2024	Fact	Fact	Expected	Project	Estimate	Estimate	Estimate	Estimate
Education	1,199,131	1,243,492	1,354,118	1,539,730	1,591,376	3,437,112	3,734,934	4,059,873
Primary education	-	1	100	200	207	446	485	527
General education	587,382	603,548	655,884	812,480	839,732	1,813,685	1,970,839	2,142,301
Secondary education	587,382	603,548	655,884	812,480	839,732	1,813,685	1,970,839	2,142,301
VET	36,408	36,646	52,660	56,917	58,826	127,055	138,064	150,076
Higher education	140,507	161,696	160,165	132,169	136,602	295,039	320,603	348,496
Higher VET	12,572	210	210	210	217	469	509	554
Higher academic education	127,935	161,486	159,955	131,959	136,385	294,570	320,094	347,942
Postgraduate education	1,491	1,766	2,000	1,500	1,550	3,348	3,639	3,955
Supporting educational services	76,351	99,754	108,356	129,375	133,715	288,802	313,826	341,129
Researches in educational areas	63,718	70,273	41,690	41,750	43,150	93,198	101,273	110,084
Other non-classified activities in education	293,275	269,810	333,263	365,339	377,593	815,540	886,205	963,305

For the detailed calculations please see Annex D.

7. Fiscal Affordability based on Resource Mobilisation and Resource Allocation

An Integral part of analysing policy options for VET financing in Georgia is Fiscal Affordability Assessment (FAA). FAA combines forecasts of both demand (Allocation of funds) and supply (Mobilisation of Finances) side of government resources related to the VET educational needs.

Methodology used in Fiscal affordability assessment involves following steps:

1) Analysis of existing budgetary spending levels across educational functional lines
2) Forecasts of budgetary spending levels on education, up to year 2024
3) Estimation of current VET costs and enrolment scheduling
4) Development of the financial model

Table 14. Total VET Demand vs. VET supply 2021-2024

Fiscal affordability assessment	2021	2022	2023	2024
Total education budget	**1,591,376,031**	**3,437,112,000**	**3,734,934,000**	**4,059,873,258**
Total forecasted VET financing	**59,043,169**	**127,523,590**	**138,573,370**	**150,629,253**
VET % Total Ed. Budget, base case	4.56%	2.89%	3.93%	4.49%
Total forecasted VET needs, Total costs	**83,036,816**	**113,721,422**	**168,130,560**	**208,817,406**
Voucher funding	61,990,904	84,898,412	125,517,402	155,892,054
Institutional support	15,187,772	20,800,111	30,751,764	38,193,553
Performance based support	5,858,140	8,022,900	11,861,395	14,731,799
Surplus / Deficit before IGAs	**-23,993,647**	**13,802,168**	**-29,557,190**	**-58,188,153**
Budget Coverage before IGAs	**71%**	**112%**	**82%**	**72%**
Income generating activities (IGAs)	**-7,866,526**	**-11,204,737**	**-16,288,251**	**-20,363,226**
Fees	-1,357,481	-2,290,403	-3,108,924	-3,994,561
Others IGAs	-6,509,045	-8,914,333	-13,179,327	-16,368,666
Total forecasted VET needs inc. IGAs	**75,170,290**	**102,516,686**	**151,842,309**	**188,454,180**
Surplus / Deficit	**-16,127,121**	**25,006,904**	**-13,268,939**	**-37,824,927**
Budget Coverage	**79%**	**124%**	**91%**	**80%**
VET % Total Ed. Budget, desired	5.00%	5.00%	5.00%	5.00%
Desired VET Budget	**79,568,802**	**171,855,600**	**186,746,700**	**202,993,663**
Surplus / Deficit	**4,398,512**	**69,338,914**	**34,904,391**	**14,539,483**
Budget Coverage	**106%**	**168%**	**123%**	**108%**

- Fiscal Affordability Assessment (FAA) estimates total demand for VET funding in 2024 at GEL 188 mln.
- Total funding supply according to the budgetary forecasts is estimated at GEL 150.6 mln, representing circa 72% coverage of demanded resources for 2024 before IGAs.
- After projecting IGAs, the budget coverage in 2024 goes up to 80%
- According to the priorities of the GoG and MoESCS as well as the fact that enrolment on short cycle education programmes would decrease the enrolments on bachelor programmes share of VET budget could increase from 3.71%. The desired level of budget is 5.00%, which would bring the coverage to 108%.

Figure 2. Fiscal Affordability Assessment of VET in Georgia from 2021 to 2024

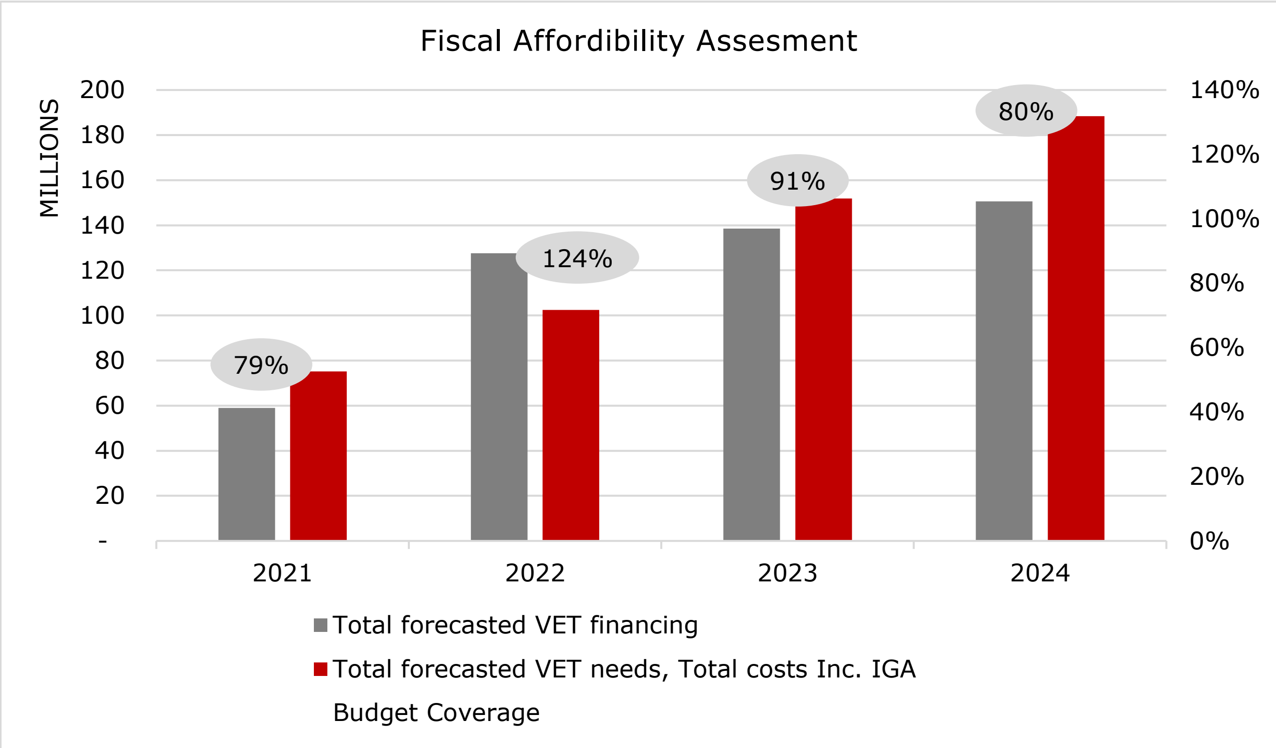
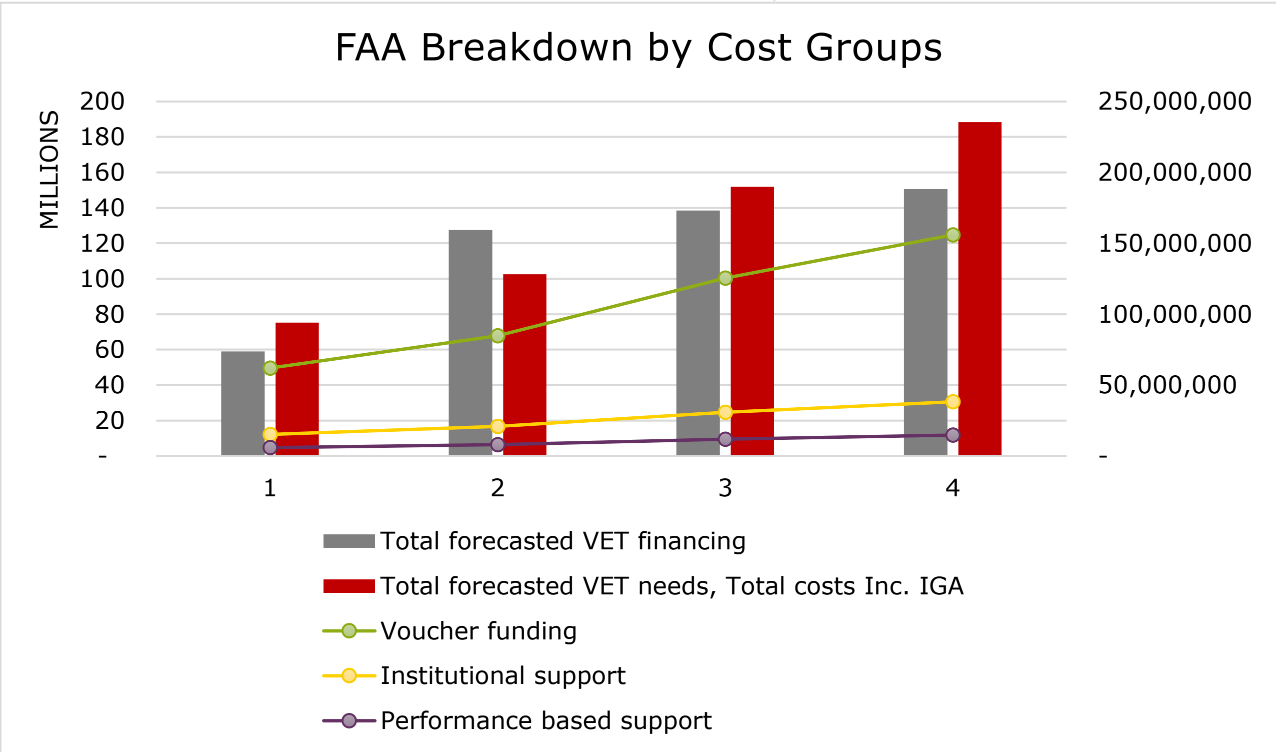


Figure 3. Breakdown of budget demand and supply in 2021-2024



Above given figures are not exhaustive and are subject to calibration/amendments before conducting the thorough fiscal affordability assessment, cost-benefit, as well as value for money analysis within the output 3 of the GGF project “Diversified Financing Mechanisms for VET”.

For the detailed calculations please see Annex D.

8. Conclusions and Recommendations

Regarding **Diversified Financing Mechanisms for VET in Georgia**, it is recommended that the MoESCS engages **policy dialogue** with stakeholders with regard to the following:

1. Through the process of **policy dialogue**, carefully review the current situation based on the **situation analysis report** taking due cognisance the strengths and weaknesses of the current system of VET financing.
2. Consult widely under the umbrella of **policy dialogue** on how realistic, achievable and sustainable each of policy options outlined in this report are regarded as suitable financing mechanisms for VET going forward.
3. Based on the consultation process, select policy options with a longer-term focus for further development, leading to Government of Georgia **Resolution** on VET financing.
4. Based on expert opinion provided by the GGF Project Team on **"Diversified financing Mechanisms for VET in Georgia"** the following is recommended:

a) The current voucher funding should be retained to support the **direct costs** of VET in both public and private VET providers at level 2 to 5 in the Georgian National Qualifications Framework.

It is **recommended** that the Voucher Funding be categorised as **"Voucher Programme Funding for IVET and Module Funding for CVET"**

It is recommended that within the **Voucher Funding** are the following types of direct costs:

1. Direct teaching costs in the classroom, laboratory and computer room.
2. Direct teaching costs in the workshops (practical teaching instructing).
3. Direct teaching costs for assistant teachers / instructors in the workshops / laboratories / computer rooms.
4. Direct costs of teaching and learning materials related to theory.
5. Direct costs of teaching and learning materials related to practice.
6. Direct costs of assessment.
7. Direct costs of non-contact teaching / instructing costs. Usually teacher / instructor time for preparation of teaching and learning materials.

The percentage range of voucher funding can be from 20% to 100%. For example, student aged 15-19 can get 100% of voucher value and for certain types of learners get from 20% to 100% funding of voucher value.

Special Education Needs (SEN) learners get an increased voucher value to cover additional costs of SEN provision.

For voucher funding, institutional coefficients apply based on the number of students enrolled per class.

It is **recommended** that WBL Voucher be separated from school-based Voucher due to the structure of the programme.

b) 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 (maintenance costs, including for auxiliary amenities e.g. dorms, sports facilities etc).

It is **recommended** that the title be changed **"Institutional Support Funding"** covering VET indirect costs at institutional level be determined based on direct cost related to VET provision and auxiliary costs for example Dorms, sports facilities.

Category 1 Indirect cost related to VET implementation consists of:

1. Staff indirect costs who are involved in **managerial and administrative tasks** for more 95% of time.
2. Staff indirect costs who are involved in **managerial and administrative tasks** for less than 95% of time and perform direct teaching task / other tasks.
3. Indirect costs of staff that spend 100% of their time on Provider support functions such as **maintenance, security, catering, gardening, cleaning, transport, etc.**
4. Indirect costs are other types of cost not listed above. For example, outside contracts to service providers for any type of Provider support, such as hiring a local bus for a Provider tour, upkeep of sports facilities, etc

Category 2 Indirect Costs not directly linked to VET Provision

- Such costs are outside the cost of normal VET provision such running and upkeep of dormitories and possible others.

It is **recommended** that indirect cost should not exceed **50% of direct costs** and when, such costs are duly authorised by the Ministry.

c) The institutions receive **targeted program funding** during the budget year on the basis of the targeted programme(s) with a focus on internationalisation, innovation and targeted needs and approved by the Minister of Education, Science, Culture and Sport of Georgia.

It is **recommended** that no change be made to **Targeted Programme Funding**, other that Public Expenditure Tracking Survey (PETs)[5] be applied to the type of funding.

d) To overcome the internal inefficiencies in the VET system.

It is recommended the **Performance Funding** be introduced to represent a top-up of up to 20% of total institution state budget by way of **lump sum grant** or **block grant,** subject to performance related criteria being met.

Alternatively, the **Performance Funding** could target Voucher Module Funding only, where the performance is linked to direct costs associated with Voucher Module Funding implementation based on criteria linked to enrolment and graduation.

e) Gender Equality and Social inclusion is currently considered as part of the Voucher Funding and or Targeted Funding to include funding from other sources. (other than the MoESCS).

It is **recommended,** that a new **Equity Funding** budget line be established in order to have clear clarity of effort towards Equity (GESI) in VET that have a more have a more holistic and systemic approach to student related costs: accommodation, transportation, stipend distributed on a need tested basis.

The following tables 15-16 are diagrammatic representation of the Diversified Financing Mechanisms for VET in Georgia:

[5] Targeted programmes and usually based on estimates costs and in this situation, PETs should be the basis for reporting on such expenditure.

Table 15. Diversified Financing Mechanisms

Sources of Finance (Mobilisation)		Diversified Financing Mechanisms		Purpose of Financing (Funding) as per intent of new VET Law No 3442-IS/2018
1. Government / public sources 2. Student / learners' fees 3. Employers' sources of finance either direct payment for VET or contributions into an employer led training fund 4. Philanthropy 5. Income generating activities by education institutions 6. PPP in Provision 7. Grant or loan financing from International Multi-lateral / Bi-lateral organisations, NGOs and possible others	→	1. State funding based on budget financing 2. An employer led 'training fund' 3. Tax incentives for companies 4. Tax incentives for individuals (who pay fees (deferred / non-deferred) 5. Grants for Companies 6. Grants for individuals 7. Loan scheme 8. The training/educational leave 9. Payback clause 10. Ad-hoc mechanisms **Allocation of funds** **Methods of financing (current)** 1. Voucher funding 2. Programme funding 3 Target funding **Methods of financing (Possible Future)** 1. Voucher funding 2. Targeted funding 3. Institutional Support Funding 4. Performance funding 5. Equity funding (GESI)	→	1. A new Basic VET qualification is introduced (entry from basic general education) at **GNQF level 3** 2. A new Secondary VET qualification is introduced (entry from basic or secondary general education, secondary VET should include secondary general core curriculum for the group of students enrolled based on completion of Basic General Education). The qualification is at **GNQF level 4** 3. A new High VET qualification is introduced (entry from secondary General Education or Secondary VET) at **GNQF level 5** 4. A new Associated Degree at level 5 is introduced to be granted after completion of Short-Cycle Education Programme in higher education or equivalent. Entry is usually for students who have completed secondary education, and level 4 VET students. Optional groups who gain-entry into Associate Degree Programmes are second change learners, usually under 25, and mature students who comply with the minimum entry requirements. 5. New vocational training and retraining **qualifications at levels 2-5 are introduced**

Table 16: Diversified Financing Mechanisms - Dynamic Funding Model

<table>
<tr><th colspan="11">DIVERSIFIED FINANCING MEACHANISMS – DYNAMIC FUNDING MODEL</th></tr>
<tr><td>MECHANISMS

(Mobilisation)</td><td>1. Government / public sources</td><td>2. Student / learners' fees</td><td>3. Employers' sources of finance either direct payment for VET or contributions into an employer led training fund</td><td>4. Philanthropy</td><td>5. Income generating activities by education institutions</td><td>6. PPP in Provision</td><td>7. Grant or loan financing from International Multi-lateral / Bi-lateral organisations, NGOs and possible others</td><td></td><td></td><td></td></tr>
<tr><td>Purpose of Funding</td><td colspan="10">1. A new Basic VET qualification is introduced (entry from basic general education) at GNQF level 3
2. A new Secondary VET qualification is introduced (entry from basic or secondary general education, secondary VET should include secondary general core curriculum for the group of students enrolled based on completion of Basic General Education). The qualification is at GNQF level 4
3. A new High VET qualification is introduced (entry from secondary General Education or Secondary VET) at GNQF level 5
4. A new Associated Degree at level 5 is introduced to be granted after completion of Short-Cycle Education Programme in higher education or equivalent. Entry is usually for students who have completed secondary education, and level 4 VET students. Optional groups who gain-entry into Associate Degree Programmes are second change learners, usually under 25, and mature students who comply with the minimum entry requirements.
5. New vocational training and retraining qualifications at levels 2-5 are introduced.</td></tr>
<tr><td>Types of Funding (Allocation)</td><td colspan="2">1. Voucher funding</td><td colspan="2">2. Targeted funding</td><td colspan="2">Institutional Support Programme</td><td colspan="2">4. Performance funding</td><td colspan="2">5. Equity funding (GESI)</td></tr>
<tr><td>Management</td><td colspan="2">Central Intermediary Providers</td><td colspan="2">Central Intermediary Providers</td><td colspan="2">Central Public VET providers</td><td colspan="2">Central Public VET providers</td><td colspan="2">Central Intermediary Providers</td></tr>
</table>

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