

**Funding TEVT – Where the funds come from and where they are spent-  
a matrix picture with some explanations and tentative judgements**

purpose source	institutional training				corporate	trainee allowance
	public institutes		private institutes		on-the-job training expenses	
	investment	operations	investment	operations		
<b>public budgets</b>	<p>common practice</p> <p>trend: <b>PPP</b> in order to curtail public spending; the idea here is to replace a business deal by a “partnership” hoping that a not-for profit situation would result.</p>	<p>full subsidisation is common; but a call or even an obligation for generating extra income is a trend (Vietnam, China); <b>extra money</b> is often used for upgrading and incentives.</p>	<p>start-up endowment funds (“seed money”) are provided in some countries by special economic agents (India)</p> <p>issue: concentration on cheap and easy areas such as IT</p>	<p>Sometimes direct and often indirect subsidies exist; e.g. tax privileges, tax exemptions, or reduced fees for public services – often the state tries to regulate the income base of private schools (fee caps)</p>	<p>incentives or tax rebates are common practice; often the state provides free or subsidised inputs on the so-called meso-level, such as training of trainers, training aids, job aids, text books</p>	<p>stipends for pre-employment training and education exist even in poorer countries (Bhutan)</p> <p>need-based systems would be less wasteful, but invite cheating and require a lot of checking</p>
<b>training providers’ sales revenue</b>	<p>In pre-employment training this is nearly impossible when the country shows a low and uneven purchasing power; although it exists in certain attractive occupational areas (e.g. paramedical trades in Nepal);</p> <p><b>vouchers</b> are theoretically a potential work-around here, but good practice cases are not known or not well documented (e.g. SDC Albania);</p> <p>In the further training segment: break-even is feasible, but public providers often lack or are denied entrepreneurial practices</p> <p>political issues: prevention of unfair competition to private business</p>	<p>common practice; can be strengthened through business-friendly market environment; problem of market-based systems is customer protection and securing a working competition (prevention of cartels);</p> <p>breaking even fast is feasible in emerging tiger economies (India, Thailand), cross-selling of services is common practice to enhance profits</p>	<p>common practice; can be strengthened through business-friendly market environment; problem of market-based systems is customer protection and securing a working competition (prevention of cartels);</p> <p>breaking even fast is feasible in emerging tiger economies (India, Thailand), cross-selling of services is common practice to enhance profits</p>	<p>training costs are to be offset by productive work of trainees or apprentices;</p> <p>as a rule: fairly long training durations (2 years plus) are needed to ensure a break-even point before completion of the programme; only in this case sufficient training places will be offered across the economy – otherwise the fear of poaching leads to, what is commonly called, an “underinvestment” in corporate training</p>	<p>training allowances are meant to be offset by productive work of the apprentice;</p> <p>In some systems, however, the allowance is paid from public sources in order to make apprenticeship or traineeship more attractive to companies</p> <p>(not a good idea, as it is liable to spoil the work relationship)</p>	

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<b>Bank loans</b>	soft loans from international development banks are common; also specialised national banks start engaging (India)	--	private bank loans are a common tool of financing – if the ROI is right	--	not encountered	soft loans practiced in some countries; to be considered for VET further training in developing economies; requires that all concerned appreciate the idea of “investment into human capital”
<b>employers' contributions</b>	<p>micro level: it is common practice everywhere that employers sponsor further training of their employees and second them into short courses (sometimes also longer term programmes); this is encouraged by tax policies (e.g. double deduction scheme); but systematically building a “further training market” as a governmental duty is rarely implemented.</p> <p>macro level: To make employers pay for and carry out training in a systematic and mandatory way is the aim of <b>levy-grant</b>-systems. They are a variant of locked-box funding systems with all the pros and cons known from the discourse of public finance. Levy-grant systems are set up in a number of countries (e.g. South Africa, Malaysia; also in Latin America with the exception that the grant part is interpreted differently). Such systems are more often discussed than actually done, due to their inherent fiscal, economic, and juridical weaknesses; in its worst, but most common shape the levy is tied to the wage-bill with the macro-economic side effect of an additional labour-by-capital substitution; when this is practiced in countries with mass unemployment (such as South Africa), the income and employment aspects of TEVT appear as gravely violated.</p>				<p>common practice everywhere, but often only in an <b>informal</b> mode; training cost is absorbed by production cost; yielding a net surplus is expected;</p> <p>under levy grant-schemes cost can be re-claimed (not recommended);</p> <p>as a system of <b>non-formal</b> (as opposed to informal) pre-employment training it is well established in central Europe; quality control and “poaching” are typical issues in such systems</p>	<p>a typical feature of regulated apprenticeship systems;</p> <p>in cases of informal apprenticeships might be done in kind</p>
<b>trainees' contributions</b>	<p>initial training is free of charge in many countries; initial training should remain free of charges out of social considerations (inclusion, equality, poverty alleviation, regional parities);</p> <p>but further training (life-long-learning) should become fee-based – as it is otherwise not sustainable</p>	<p>it is common practice in commercial training establishments, to recover all training costs from fees; in charitable organisations often the fees are to recover recurrent costs only;</p> <p>there a nice variants to this policy: e.g. stipends, where the funds for those are raised from ex-trainees (alumni)</p>	<p>(this was common practice in the “good old days” of the guilds'-regulated master craftsman (artisan) businesses: Here the apprentice was supposed to pay a fee to the master until he was released as a journeyman</p>	<p>Will occur, when the training allowance is low or absent, to cover the cost of living;</p> <p><b>opportunity costs</b> (foregone income) may also be seen as a contribution of the trainee</p>		

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<b>external donors</b>	common practice	It is a rule not to finance those, because of sustainability reasons. As a rule, this rule is violated in practice (directly and indirectly)	PPP (public-private partnerships) schemes appear at an increasing level with various configurations: donor playing the private part or acting as a match-maker	not recommended; we find cases where a business plan is made, and the donor provides working capital and covers the losses of a start-up period (India)	PPP schemes exist in a small scope; where the foreign donor assumes the public partner's role (German Aid)	typical practice in the case of overseas fellowships; practiced and further recommended in special areas of technology and for institutional capacity building
<b>national sponsors</b>	should be advocated and "marketed" to support innovations and special training schemes; e.g. for a better inclusion of disadvantaged into mainstream TEVT		Some of the private TEVT establishments are based upon sponsorship (foundations, religious organisations); in some countries there exist virtual networks of such sponsors (Sri Lanka)			should be advocated for specifically gifted and needy persons