FINANCING OF TRAINING:
FINANCING VOCATIONAL EDUCATION AND TRAINING
IN BOTSWANA

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1. INTRODUCTION

Recently a lot of emphasis is laid on issues related to financing of training worldwide. Training is considered generally under-resourced, with the burden laid on the state, and other stakeholders only marginally involved, if at all. In Botswana, the present state of funding vocational education and training (VET) is still subject to these concerns.

Against the background of challenges of human resource development the National Policy on Vocational Education and Training of 1997 aimed to increase the overall supply of training in the country, to integrate the various training delivery systems and to increase the quality, market responsiveness and relevance of the training provided. One of the pre-conditions of meeting these targets was that the funding base would be broadened in order to generate more resources for training. Thus it is envisaged that an improved system of financing VET would be developed, and that it would also be an effective tool to fight under-investment in training in Botswana.

This paper aims at sketching the outlines of the proposed funding of the vocational education and training system in Botswana against a historical and policy background.


2. HISTORICAL BACKGROUND

Vocational education and training in Botswana started in the 1960s with the donor initiated National Training Centre, which later developed into a number of vocational training institutions, including the Botswana Polytechnic. In the mid 1980s six Vocational Training Centres, recently renamed Technical Colleges were added. These were offering the institutional/academic component of apprenticeship training. The College of Technical and Vocational Education and Training has recently been established for training of trainers. Being state-owned they enjoy full funding of both their recurrent and capital costs.

Alongside the Government institutions are the Brigades, which started in the late 1960s. These are community-based institutions combining vocational training with production. There are now 41 Brigades offering artisan training leading to trade test. Combined they constitute the biggest provider of vocational training in Botswana. Initially Brigades were heavily donor funded, but during the past decade government has fully taken over the funding of training related expenses
through per capita grants, in addition to capital funding. The Jutta Franz Study estimates that production activities contribute up to about 25% of the training cost.

In recent years the private commercial training providers have taken a share of the training market. These charge fees, which presumably cover all their training costs.

Despite the recent rapid growth in VET provision, this has not been sufficient to meet the needs of the economy. Neither has it provided an effective alternative to academic education in attracting school leavers who do not get the opportunity to proceed further in their education. One obvious reason for this is lack of adequate funding. On the other hand, industry is experiencing a shortage of skilled manpower as indicated by high numbers of expatriates employed in Botswana, mainly from neighbouring countries Zimbabwe, Zambia, and South Africa for artisan jobs. This situation exists even though unemployment is high, particularly among the youth mainly due to lack of employable skills.

3. THE PRESENT STATE OF FUNDING OF VET IN BOTSWANA

The main source of funding of vocational education and training is public funding. For example, six Technical Colleges, 41 Brigades, the College for Technical and Vocational Education and Roads Training Centre receive direct funding from the state. Parastatal organisations such as the Botswana Power Corporation operate Training Centres, which run apprenticeship and in-service training for its employees.

A few large private sector companies (mainly the mines) run and fund their own training centres. Apart from these there is a growing private vocational training sector, mainly courses in secretarial, information technology and finance and to a lesser degree courses in trades like dressmaking, mechanical trades and hospitality. The immediate beneficiaries, the learners, sometimes through sponsorships from employers finance the latter category of training providers. Lastly there is a small number of vocational training institutions for people with disabilities, usually under the label of rehabilitation. These are mainly NGO or donor funded, but receive a grant from the state.

4. POLICY RESPONSE

In the early 1990s the Botswana Government changed its policy towards VET. The National Commission on Education was set up by the President to review the education and training system. The resultant Revised National Policy on Education called for a major policy shift in vocational education and training. One of the key policy shifts is in the area of financing of VET. It recognised that for the country to remain competitive in the global market it has to invest substantial resources into VET in order to improve its quality as well as its ability to attract the youth.
This emphasis on VET was translated into action during the National Development Plan (NDP) 7 and 8, (1991-2003 period) when this sector budget increased substantially. For example, the NDP 7 allocated P124 million to capital expenditure for vocational and technical training, a 21% increase. The Brigades also experienced a raise in their per capita grants, which increased from P1800 in the late nineties to an average of P2,500 per annum at present.

Following the Revised National Policy on Education directives for a Policy on VET to be formulated and a Vocational Training Act to be enacted a National Training Policy Reference Group was established for this purpose. The Task Group commissioned the Study on Financing Vocational Education and Training to support the formulation of the financial aspects of the National Policy on Vocational Education and Training and to establish a basis for creating by law a Vocational Training Fund.

5. THE LEGAL FRAMEWORK OF THE VOCATIONAL TRAINING FUND

On the basis of the Study the National Policy on Vocational Education and Training directed that a Vocational Training Fund should be established to diversify and increase the funding of VET.

This directive was given legal status in the Vocational Training Act of 1998.

The Vocational Training Act No. 22 of 1998 thus states under Section 21 that

The Minister may establish the Vocational Training Fund for the purposes of reimbursing employers who have incurred training costs for apprentices or trainees. There shall be paid into the Fund such money as may be – appropriated by Parliament for payment into the fund; received by way of a levy imposed under Section 24; received from any other source of payment into the Fund. There shall be paid from the Fund such amounts as are required for the purposes of facilitating vocational training. The Authority shall have the overall responsibility of the Fund and the Board shall manage the Fund.”

Section 24 (1) empowers the Minister to,

(1) after consultation with the Board, impose a levy, which shall be payable into the Fund.
(2) A levy order may prescribe the level, exemption or payment procedures and any other matter relating to the enforcement of the levy”
6. The Framework of Financing the Botswana VET system

Various studies and preceding policies outline the requirements of the framework for a financing system of VET as follows:

- The financing system has to generate additional resources for VET in Botswana.
- It should increase private sector investment in training.
- It should provide incentives for industry to increase employee training.
- Incentives should be created to encourage company training centres to increase their training delivery beyond the demands of the company.
- It should generate resources to be used to deliver training to special groups.
- It should provide incentives to set up commercial training institutions.
- It should make it affordable for trainees to attend private training schools, and Fees should be introduced at public training institutions wherever possible and suitable.
- Trainees should contribute to the training expenses to an appropriate extent.
- Income-generating activities of public training institutions should be encouraged.
- It should create incentives to provide training as cost-effective as possible.

These objectives reflect the thinking that is summarised in the following conclusion of the 2001 UNESCO Conference in Paris about the advantages of VET for all stakeholders, calling for all of them to become involved in supporting the system:

“Technical and vocational education is an investment, not a cost, with significant returns, including the well-being of workers, enhanced productivity and international competitiveness. Therefore funding for technical and vocational education should be shared to the maximum extent possible between government, industry, the community and the learner, with government providing appropriate financial incentives.”

VET and funding for the various elements of VET vis-à-vis the major role VET could play in the formal and the informal sectors, in the context of pre-employment training and in-service training as well as lifelong learning. Generating a net-income for a Vocational Training Fund in addition provides vast opportunities for channelling resources into special programmes.
7. TOWARDS A VOCATIONAL TRAINING FUND

Almost unanimously, studies worldwide have concluded that enterprises are interested in training as a means of securing improved workplace performance and greater profitability. An employers survey conducted in Botswana in 1998 for the National Training Policy Reference Group also indicated the desire of companies to introduce incentives for training. Thus the importance of consultations with the private and public sector employers can not be over-emphasised, in the context of a levy / grant system as an incentive scheme on the one hand and expectations of quality, productive employment oriented skills training on the other hand.

The Study on Financing of VET did an analysis of the various models of levy systems being implemented all over the world and came to the conclusion that the levy/grant model would be the most suitable option in the Botswana context, as it offers employers the most effective incentive for training, whilst helping to fund VET in the broad sense.

World Bank evaluations of training levy schemes conclude that such schemes are most effective under conditions of economic growth, which is a added argument in the context of the Botswana economy.

Once BOTA was established it conducted another comparative literature study of levy/grant systems worldwide. Then a first round of consultations with representatives of employers (and to some extend employees) was held. This initial round of consultation is to be followed by two more rounds of consultations; one to discuss the draft proposals based on a consultancy report and the other to discuss the final proposal that will go to the Minister of Labour and Home Affairs for a decision on the imposition of a Levy Order and for the establishment of the Vocational Training Fund.

One of the essential conditions for the success of a levy/grant system is whether employers “buy” it, and whether employees will respond positively. The Botswana Training Authority therefore plans several rounds of consultations, as well as public education, once a scheme will be introduced. The buying in of employers can be facilitated by enabling companies to assess returns on investment in training, comparing them to returns on other investments. The Australian National Centre for Vocational Education Research is developing methods for such assessment.

The positive response by employees is in Botswana relatively unrelated to the position of organised labour. The direct benefits of training for employees such as promotions and salary increments will most likely facilitate a positive attitude, as will be the mobilisation of public opinion. At present the Botswana Training Authority is in the process of identifying a consultant to draft the proposal for the Vocational Training Fund.

Although the outcomes of the consultancy will inform the definite shape the Fund will take, BOTA is anticipating to manage and administer the Fund itself and has accommodated this in its long-term budget plan.
8. OUTCOMES OF CONSULTATION

There was general consensus amongst those consulted on the rationale for a levy/grant system, although warnings for over-burdening the private sector with taxes were heard. Below is a summary of comments on various elements of the levy/grant system in Botswana.

Basis For Calculation Of The Levy

The stakeholders indicated that the levy should be calculated based on the payroll of the organization. Other organizations like the Botswana Meat Commission and organizations in the mining industry were of the opinion that the levy should be charged based on the production or turnover, because of the instability of their business. At times the production income of these industries falls due to inflation or reduced demand, while the payroll remains the same.

Organizations that favoured the idea of calculating the levy based on the payroll were mostly retail and wholesale enterprises. However, a question was raised that if the payroll is chosen as a basis for calculating the levy, whether the employees who have higher qualifications than certificate would have to be included in the payroll when calculating the levy, while grants for their training couldn’t be provided by the Fund.

Differentiation Between The Payers

Most of the stakeholders consulted indicated that all employers should pay the levy and that no employee should pay the levy. There were however, those who stated that both the employee and the employer should pay the levy. The reason given for the employee and the employer to pay for example 50% each of the levy was that in many instances employees move to another job after having received training.

Regarding the Government as a levy-payer two different views were noted: government should be subject to a flat assessment or government should be subject to the same criteria for paying levy as other employers.

Level Of The Levy

All stakeholders indicated that the level of the levy should be between 0.5% and 2% of the payroll or income, depending on whichever is chosen to be the basis for calculating the levy. It should be noted that the nature of the industry influenced it’s expressed preference for payroll or income levy.
Exemptions From The Levy

Generally we noted the view that all employers under a certain minimum size should be exempted, because it would be administratively costly for BOTA to collect such a levy. These could be industries that are quite small in terms of not only production/income but also of the number of employees. The analysis of the results further indicated that most stakeholders consulted felt that companies to be exempted from paying the levy should be those that are already paying the levy within their sector, such as the construction industry and the hospitality and tourism industry. This would apply in case there would not be a unitary system including all industries, which is more likely the preferred way.

Payment of Grant

Most stakeholders stated that grants should be received by those employers who have training plans as proof of intention to train their employees. Others were of the opinion that training plans were not a guarantee that the employees will receive training. They therefore suggested that the grant should only be given to the employers who could produce proven training expenses. Employers such as those in the construction industry and hospitality and tourism industry do on-the-job training. They therefore felt that grants should be given upon recognition of the competencies acquired by the employees.

Eligibility For Grant

The general consensus was that all private employers, after paying the levy, should be eligible to receive grants. There were other stakeholders who indicated that even the organizations that are exempted from the levy should be given the grant. The argument for giving grants to a broad range of employers was that this would build a pool of trained manpower from which the employers as a whole could benefit. In this context the issue of poaching was mentioned several times. Employers generally welcomed a levy/grant system that would compensate companies investing in training, but where no benefits were given to those who poach and fail to invest in training.

Limits Of Grants Per Employer

Most employers consulted stated that the grant should be a percentage of the training expenses of the employer. They stated that for the grant to be sustainable the initial disbursement of the grant should be quite minimal.

Possible Systems of Grants Disbursements

A number of employers preferred cash grants as a way of disbursing grants. In the cash grant system, companies receive money for training expenses. Respondents felt that cash grants could
be disbursed quickly after the incurrence of training expenses, thus minimally affecting cash flow.

There were however certain employers who felt that training vouchers were the best option for them. In the training vouchers system, vouchers are given to companies or individuals to use them for paying for training expenses. Respondents in favor of vouchers stated that their use would minimize administration and delays in processing of claims. Other employers wanted to keep the existing, little utilised tax rebate. In this system companies can deduct their training expenses from their income tax.

9. CONCLUSIONS

A levy/grant system as it is conceived in Botswana is a method for generating more resources for VET as well as making VET more equitable. The system is expected to work in two directions. On the one hand it stimulates private sector training, thus addressing the problem of under-investment in training by industry. On the other hand it generates income to finance a vocational training system in its broadest sense. The establishment of a Vocational Training Fund will be an effective way of achieving cost sharing for an equitable, relevant, quality VET system.

The experiences of other SADC countries with levy/grant systems, in particular those who are a few years ahead of us such as South Africa and Mauritius, will continue to inform BOTA on which road to take.