



European Training Foundation

A guide to the ETF Financing Prism A tool for policy dialogue on financing vocational education and training



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Summary

This document provides a brief description of the context for, and use of, the ETF Financing Prism, and includes a call for evidence regarding the development and implementation of VET financing policies, as well as the use of the Prism itself. The components of the Prism are described in detail, and a series of steps is outlined which can be used to organise the policy dialogue. This document concludes that the critical success factors are familiarity with the ETF Financing Prism, forward planning, and a steady level of political will.

Like any public policy area, vocational education and training (VET) systems and their performance are shaped to a significant degree by financing. With the growing importance of VET for employment, productivity, and international competitiveness, there is a renewed impetus around VET reform; but more questions are also being asked about how VET is funded and financed. This is particularly the case as it is an expensive field for public policy, requiring small pedagogical group sizes for effective practical learning and appropriate levels of professional equipment and material. Along with other social policies, VET is still commonly considered a cost rather than an investment and therefore an easy target for budget cuts.

This calls for a reasoned and dispassionate dialogue among VET stakeholders on reform priorities and modalities, including from a financial point of view. Given the well-known complexity of the VET stakeholder environment and frequently overlapping ministerial responsibilities on the one hand, and the complexity of the financial world and its terminology on the other, this dialogue needs to be open and sufficiently structured to allow room for everyone's perspective, while creating a shared understanding.

The ETF has been studying financing for some time, as part of its wider remit in VET governance. Having published a Position Paper on VET financing in 2018, the ETF is developing a series of Policy Guidance Notes to support partner countries in making changes to the way they address VET financing. The emphasis is on moving away from a technical view, focused on monetary and resourcing aspects, to a holistic, policy-oriented vision.

The ETF has created a methodology specifically for this purpose, called the ETF Financing Prism. The Prism is a geometric model which captures the interrelated aspects of VET financing policy, allowing issues to be examined through the three key facets of Resource Mobilisation, Resource Allocation, and Management of the Financing Chain. The Prism rotates on an axis with 'cost' at one end, to ground reform efforts in the realities of their inevitable costs; and data at the other, to emphasise the need to inform decision-making accurately throughout the policy cycle, and ensure an efficient system running.

The purpose of the ETF Financing Prism is to support partner country policy makers in dealing with the VET financing challenges they have identified within their specific context. It can be used to build a common understanding of terminology, develop a structured approach to decision-making, and foster collaborative processes in analysis and policy dialogue.

1. Background

1.1 The opportunity

The European Training Foundation (ETF) is a decentralised, specialist European Union agency working in the context of EU external relations policies to help transition and developing countries modernise their vocational education and training (VET) and employment systems. The ETF currently works with 29 partner countries, mostly in the context of EU enlargement and neighbourhood policies, supporting them to analyse skills demand and provision, learn from international best practice, and apply innovative approaches to policy design and implementation.

Around the world, VET is gaining momentum as a driving force for employment, productivity, and international competitiveness. This is particularly true across the diverse contexts of the ETF partner countries. But as VET's importance for economic growth and stability increases, so do related questions about its financing. A technical approach, based on monetary and resourcing aspects, is unlikely to be as successful as a systemic approach based on a holistic, policy-oriented vision. As more partner countries progress their VET system reforms from policy analysis to implementation, there is a growing demand for strategic insight in this area, in order to approach financing not as a (pre) requisite for reform, but rather as a trigger or even driver for reform.

The quantitative element of financing is, as the saying goes, just the tip of the iceberg. While offering a starting point for analysis, there is much that remains below the surface. Financing is a complex, multidimensional realm incorporating budgeting, costing, fundraising, resourcing, and other related concepts, and the terminology can become confusing. It is a useful heuristic to identify 'financing' as the collecting of financial resources, as distinct from 'funding', the subsequent distribution of financial resources to specific areas. When these terms are used in dialogue and decision-making, it is important to establish a common understanding that is as specific as possible.

Despite the diversity of financing patterns in ETF partner countries, there are common features and challenges, outlined briefly here. For more detail, see the ETF position paper *Financing vocational education and skills development: A policy area for ETF support*.

The challenge of mobilising increased resources, so that costs are more fairly shared among public and private actors, is common to all partner countries. The main route is through diversifying financing sources, for instance by increasing VET's share of public budgets, attracting business investment, and linking regional and local funding to the decentralisation of responsibility for VET. The allocation of resources can then be looked at from the perspective of realising VET policy objectives, which suggests, among other things, shifting from an incremental approach to budgeting to purpose-oriented allocation methods. The management of financing, in turn, needs to be less technically-driven, and

seen more as an opportunity to steer policy, therefore requiring effective governance structures and principles. Finally, both costing of budget options and the collection and analysis of relevant data are vital strategic components to be considered at key points in the policy cycle.

The rise of systemic approaches reflects the increasing participation of social partners in VET reforms. In turn, this highlights VET's complex, multi-stakeholder nature (while the term 'stakeholders' is commonly used generically, it should be unpacked here, albeit in summary, since it potentially covers such a wide range of interests. Stakeholders can be final beneficiaries of VET system outcomes, including a skilled workforce, the companies that employ them, and society as a whole; users of the VET system, such as learners and providers of VET, and other institutions of authority; and owners, as a concept that can include the state, governance structures, and funding sources).

In an economic climate still dominated by budget cuts, particularly in social policy areas like education and training, policy makers urgently need to change the dominant view of VET as a cost to be borne by the State. Today, the opportunity exists to make a robust business case for VET as a core investment in human capital development that can, and should be, shared between public and private sector actors. This opens up the possibility of a fundamental discussion about the role of the State in VET, and offers a first step towards more integrated and sustainable policy choices.

1.2 ETF support to partner countries on VET governance and financing

The ETF has been studying the funding and financing of VET systems over the past few years, in order to respond to a range of challenges articulated by partner countries. The methodology outlined in this document is one of a set of concepts and tools aimed at helping partner countries explore new ideas in VET financing as a means of tackling those challenges. The goal is to enable policy makers in partner countries to make the move from a technical or even instrumental view, in which financing is seen only as a set of instruments, tools, schemes to collect or use resources, to a systemic approach, where financing is seen as a lever for implementing and steering the policy; therefore, this work is carried out in the context of the ETF's strategic support to partner countries on good governance in VET.



Furthermore, the inevitable competition for public resources means that VET stakeholders can focus either on justifying a primary role for the State as 'owner' of the VET system, or on encouraging other actors who also have an interest in, and benefit from, the VET system – hence who can contribute to the cost of VET – to step up and do so. In sharing the costs, these actors become entitled to a share of the responsibility, prompting a multi-level governance structure in which the State participates alongside other interested institutions, organisations, and individuals. All parties thus have a stake in interrogating the cost-benefit analysis of different VET reform efforts; monitoring the associated processes; and using the subsequent evaluation to prompt further reform.

Those three steps are visible in the case studies from EU Member States which accompany a series of Policy Guidance Notes on specific funding and financing instruments, published by the ETF. The first three Policy Guidance Notes in the series cover, respectively, financial incentives for private sector engagement in training; the use of training levies; and formula funding. Each Policy Guidance Note includes:

- A clarification of the associated concepts and policy issues;
- Options for defining the instruments available to decision-makers;
- Specific policies and their respective advantages and disadvantages (or risks/points of associated vigilance); and
- Two or three case studies, providing examples of policy choices made by EU Member States involving the particular instruments.

As mentioned above, further detail on financing as a policy area for ETF support to partner countries can also be obtained from The Financing of VET and Skills Development, an ETF strategic positioning paper which takes up the main issues confronting partner countries in terms of funding and financing, examines the related policy questions, and identifies concerted responses.

This document introduces the ETF Financing Prism, a methodological tool to assist in dialogue between the actors involved in the development and reform of VET systems and skills development, in particular between public authorities and private enterprises.

As this is a new and innovative tool, **this document also constitutes an analytical framework to support accurate diagnostic assessment of the situations in place.**

2. Why introduce a policy dialogue tool for VET financing?

2.1 An innovative approach

In responding to the specific challenges identified by its partner countries, the ETF has noted important questions, related to the VET system in general, which need to be addressed collectively, ideally through a structured and facilitated forum. The need for dialogue across stakeholders is not only necessary for financing but for the VET system in general, as it ensures acceptance of policy choices, and therefore the sustainability of policies. This is all the more important for financing, as decisions may lead to the soliciting of financial contributions from stakeholders, and their prior agreement will facilitate their collection, and also because, conversely, stakeholders who pay should have a say in what they pay for. The disbursement of money is always a sensitive issue, often framed by the old adage, ‘those who pay, make the decisions’. Moreover, the burgeoning digital economy may offer radical new policy options in financing, based on new technologies such as blockchain¹.

It follows that the voice of non-State actors called on to contribute to the cost of VET should be both commensurate with the principles of good governance and proportionate to their financial investment. The issue of who drives the dialogue process will be determined within the specific national and institutional context, but the public authorities in charge of VET will always play a leading part.

The ETF Financing Prism has therefore been developed as a tool to support a systemic approach to the design and implementation of VET financing policy measures. It is presented in the form of a geometric and conceptual model (see **Figure 1**).

2.2 The dimensions of VET financing

As noted, financing is a sensitive issue, and seeking sources of funding for a variety of purposes – whether initial and continuing VET, or social inclusion practices, and so on – requires the effective use of social dialogue. Inevitably, questions of financing will be discussed, negotiated, and agreed between a range of actors with diverging and, at times, conflicting interests. This underlines the importance of creating a suitable space for dialogue, and the tools to facilitate it.

Funding affects both VET policy and the VET system within each country:

- **VET policy**, because the feasibility of a policy is judged by the ability of its authors to estimate the cost involved, and plan resources accordingly; and
- **The VET system**, because its efficient and sustainable functioning is predicated on the existence of appropriately costed and resourced tools and mechanisms.

¹ See www.openaccessgovernment.org/european-union-boosts-blockchain-research-funding/42315/

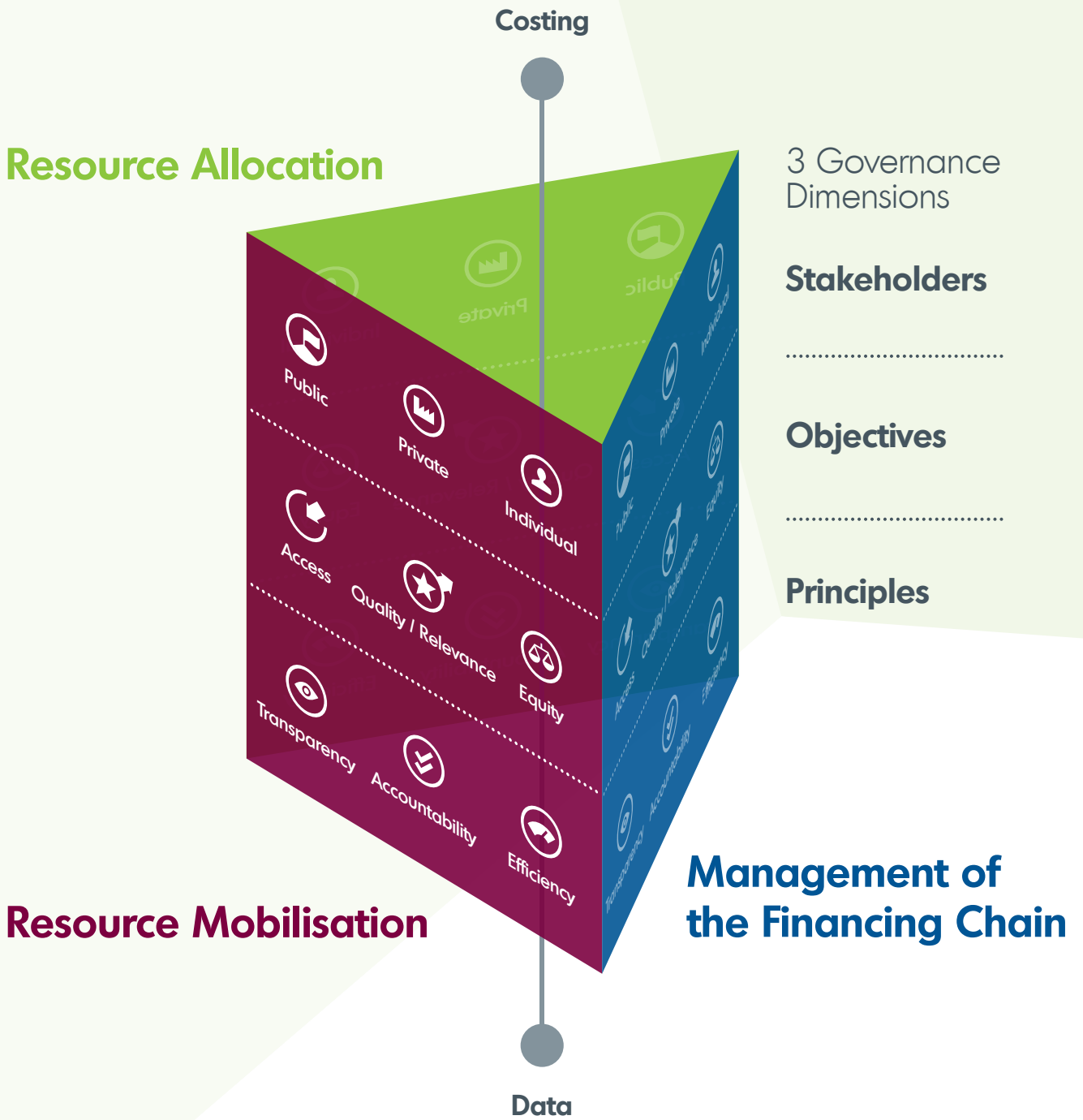


Figure 1. The ETF Financing Prism

Given the complexities we are dealing with (as outlined above), participants in policy dialogue should agree a working definition as a starting point for accurate situational analysis, and for open and structured multi-level dialogue.

The Prism has been designed from the perspective of enabling agreement by convention on a number of dimensions clearly defined, so as to enable an effective dialogue. This definition introduces three main components in VET financing: Resource mobilisation, or the securing of new and/or additional financial resources; resource allocation, which involves assigning or committing resources to particular objectives; and management of the financing chain, whereby appropriate oversight and direction are provided for financial matters throughout VET policy design, implementation and evaluation processes.

The different dimensions of financing raise fundamental questions about the role of the State: Is it the State's role to be the main, or even sole provider of education and training, or to be a regulator of fairness and guarantor of quality and relevance in a diverse ecosystem of provision? And even if maintaining the State's role as main provider is preferable, is it affordable?

3. What is the ETF Financing Prism?

3.1 The logic and use of the ETF Financing Prism

The ETF Financing Prism is an analytical framework that promotes a shared understanding of financing issues across all VET dimensions, including Initial VET, Continuing VET, and Active Labour Market Policies. Thus, the Prism should be applied, in one or several rounds, in all these dimensions with the accompanying changes of key stakeholders, policy objectives, and so on. As shown in **Figure 1**, it is a three-dimensional shape which ‘rotates’ around a central axis. The Prism is designed to structure dialogue from two perspectives:

1. Geometrically, the sides, or ‘facets’, of the Prism represent the three main dimensions of financing; Resource Mobilisation, Resource Allocation, and Management of the Financing Chain. Two further dimensions, Cost and Data, which are critical and transversal issues, are represented by pivot points at each end of the central axis, as they are common and apply to all three facets.

2. Conceptually, the model is based on nine points, or ‘anchors’, of dialogue. These anchors affect governance choices relating to any VET programme or financing instrument. There are three identical sets of anchors in each facet, grouped into three governance dimensions, as set out in **Table 1**.

Each of the three facets can be approached via one of the governance dimensions, which can serve as **an entry point for the related discussion** (see **Figures 2, 3 and 4**); although, of course, all three governance dimensions will be part of the discussion. Using this structure, it is possible to introduce, facet by facet, the key policy questions that determine the choice of suitable financing instruments.

Anchors			Governance dimensions
 1. Public institutions	 2. Private institutions	 3. Individuals	Stakeholders
 4. Access	 5. Quality/relevance	 6. Equity	Objectives
 7. Transparency	 8. Accountability	 9. Efficiency	Principles

Table 1. The nine anchors of the ETF Financing Prism

Thus, the ETF Financing Prism is **a tool for the facilitation of dialogue between public and private actors**, which can also be used upstream in the policy process as a diagnostic tool to support an analysis of the existing situation. The Prism makes it possible to consider common challenges in an organised and objective manner.

3.2 Working with the anchors



Public

The facets of the Prism cannot include every point of discussion in a field as complex as VET financing. Therefore, the anchors are headings which have been used to group related themes and issues. Each of the three facets of the Prism includes all nine anchors, which are reviewed line by line. See Figure 1.



Private

The impact of each anchor will vary from country to country, according to the general context and political priorities based on the most pressing needs. This will also determine the way connections are made between the anchors. For example, in a particular country, one of the key challenges faced by the VET system is offering the prospect of training (the Access anchor) to NEETs (as beneficiary stakeholders; the Individuals anchor). The objective is to improve the inclusion rate of this category in the labour market, and in society in general (the Equity anchor). The government is considering setting up a financial mechanism for training providers (the Public institutions and Private sector anchors), and developing outreach strategies to this population through contract-based funding. This calls for a reporting and monitoring mechanism, to measure the success of the outreach efforts (the Accountability anchor) and assess efficiency, in terms of the number of NEETs reached compared to the cost of the mechanism. Following the Prism approach, all of these elements are discussed within the policy dialogue process prior to any decision being made.



Individual



Access



Quality / Relevance

In another country, affected by an ageing population, upskilling the current workforce is important to ensure the performance of companies, especially in economic priority sectors. In this country the economy is largely informal, and big companies tend to have their own training centres, so the government wants to encourage continuing training (the Access anchor) in micro and small enterprises (the Private sector anchor). However, they have minimal funds to contribute, so they need to be encouraged, raising issues of fairness (the Equity anchor) in relation to bigger companies who pay a training levy and thus take priority in receiving the associated benefits. Therefore, discussions focus on the possibility of setting up a mechanism not only to finance the training plans of micro and small companies, but also, prior to that, to help design them. This then forms one part of the country's spectrum of sectoral training funds. In turn, benefitting companies should report periodically on their training activities (the Transparency and Accountability anchors) through dedicated but simple procedures defined jointly with social partners.



Equity



Transparency



Accountability



Efficiency

Thus, while the facets and pivot points are generic and valid whatever the context, **the details of each anchor will need to be specified according to the country context.** This includes the stakeholder and institutional settings, priorities of the national VET strategy, level of maturity in governance practice, and so on.

The following characterisations are purely indicative, and are offered here as prompts for a dialogue process regarding financing instruments that could be implemented to meet particular policy objectives. Effective use of the ETF Financing Prism will depend on establishing a consensual definition or 'baseline' for each anchor, and then elaborating the opportunities and challenges behind the anchor in each situation.



The first set of anchors: Public institutions; Private sector; Individuals

Stakeholders form the primary governance dimension in the Prism, and as we saw in section 1.1, they may have different roles in the VET system – beneficiaries, users, decision-makers, and so on. It is important to bear in mind that stakeholders may have multiple or overlapping roles, and at times may define their own role differently than the one policy makers have allocated to them. For example, a company providing apprenticeships may view itself as a contributor to the system rather than a user of it. Adopting a cost-benefit approach is one way to identify and justify stakeholders' relative contributions to the financing of the VET system, depending on how much benefit they derive.



1. Public institutions

Political and budgetary responsibility for VET is often split across more than one department. Thus, various government ministries, executive agencies, and non-executive bodies will have a major stake in VET policy and financing. Local and regional government institutions are becoming increasingly important actors, as more countries introduce various forms of devolved authority for VET. Moreover, public executive agencies often supervise quality assurance, standards and qualifications, teacher training and other aspects of VET provision. In many countries, a majority of the VET providers themselves are public institutions. However, as discussed above, the general direction of change is towards diversification of provision, largely driven by financial considerations. This is related to the debate about the role of the State in education and training systems, as mentioned in section 2.2, above.



2. Private sector

Although private companies as stakeholders are major 'consumers' of VET, which in a sense forms part of their supply chain, they can also be providers of their own training through in-house centres, or by purchasing independent providers. Some countries have seen a significant increase in the number of private training providers in recent years, and while this can be a positive development, holding out the promise of provision that is more closely linked to employer needs and more attractive to potential learners, there are also well-documented problems with private provision in areas such as quality and sustainability. But there are other models, such as public-private partnership, which can balance the social and economic imperatives at play. There is also a growing number of private enterprises who integrate social values and concerns into their core purpose and structure. Other institutions, such as chambers of commerce,

employers' federations, and sector councils, can be hybrids of public and private interests. In any case, this anchor of the ETF Financing Prism can be used to explore how private sector actors can create added value and invest more in training, and how, as a corollary, they can bring more of their knowledge and experience to the policy dialogue process.



3. Individuals

The immediate focus of individual stakeholders is on learners, who are, above all, users of the system, but can also be contributors to VET funding, for instance through tuition fees, and who can also benefit from financial support such as scholarships or vouchers, depending on the social outcomes they acquire. These may also vary according to the level of qualifications they attain, since higher level qualifications can lead to better jobs and salaries, and therefore encourage learners to invest more themselves. Meanwhile, it ought to go without saying that an institution of any kind is nothing more than a collection of individuals working together to achieve a common set of goals. Similarly, it is important periodically to disaggregate mass groupings such as 'teachers', 'learners', 'policy makers', 'experts', or 'voters' and explore the motivations, values, struggles, and achievements of individuals as individuals. This is particularly important when trying to direct policies towards groups with specific needs, whether they are demographic groups – women, or ethnic minorities – or social categories such as the long-term unemployed, people with disabilities, those living in remote areas, or NEETs (not in employment, education or training). Indeed, the notion of 'user-centred design' has become a key concept in many policy arenas recently, from health care and transport to crime reduction and participation in cultural activities². Moreover, from a financing perspective the temptation is to view individuals purely as cost (e.g. teachers) or revenue (e.g. tax-payers), which is a product of the technical view of monetary and resource considerations. On the other hand, using the ETF Financing Prism affords the opportunity to recast the discussion of individuals as stakeholders in the light of a holistic policy vision and new modes of value creation.



The second set of anchors: Access; Quality/relevance; Equity

The second set of anchors supports the objectives dimension of governance. Here, we need to consider not only initial VET (IVET), but also continuing VET (CVET) and active labour market policies, in discussing priority policy objectives. In doing so, this may imply a need to have several platforms of dialogue. A balance must be found between ensuring that such levels are available while avoiding over-complicated or burdensome processes.



4. Access

The focus on policy objectives directs attention to social outcomes. This begins with access, a generic term meaning participation in VET. Access is a matter of the availability, affordability, and attractiveness of VET provision. This is often held to be the responsibility of public authorities, although it is also a function of commercial considerations to some extent. Access involves numerous factors, ranging from culturally-derived attitudes (e.g.

² See, for example, the Policy Methods Toolbox developed by the Government of New Zealand.

women's participation in VET), to logistical factors such as transport links for remote communities and, increasingly, the use of digital technologies. The latter is a prime area for public-private partnerships, for example in terms of innovations in the delivery of provision and flexibility of learner engagement.³



5. Quality/relevance

Policy makers must focus their attention not only on how and where VET provision happens, but also on determining whether it is of an adequate standard and relevant to stakeholder needs. In this context, questions of who pays, and for what, must be carefully framed by governance principles. Ensuring transparency, accountability and efficiency in VET quality and relevance provides a foundation for the intricate discussions about, among other things: The certification of a given qualification; the relationship between a curriculum and its related qualification(s); and the ease of use of qualifications within a national qualification system from the perspectives of different stakeholders – institutions and their staff, learners and their communities, employers and their customers, and so on. Moreover, effective engagement with stakeholders includes discussing with them whether, and how, to share the responsibility for training (e.g. through work-based learning) as a way to improve quality and relevance. Such improvements are often characterised as efforts to modernise VET systems in order to make them more attractive. All countries, particularly ETF partner countries, recognise that this can only be achieved through substantial investment. However, VET budgets are often barely adequate for current needs, let alone major improvements, and while attracting more funding from the private sector is essential if that is to change, it does not obviate the need for State support. Indeed, sharing with stakeholders a clear vision of how the State's role will change with the growth of non-State funding is crucial for maintaining long-term stability in financing.



6. Equity

VET operates within increasingly diverse communities, serves increasingly diverse groups, and includes people with increasingly diverse needs, as populations are affected by global political, economic, and demographic factors. In many scenarios, a population will include both settled and mobile citizens, including minority groups with particular needs, as well as migrants, refugees, and other categories. Not only is there a moral imperative for access to education and training in relation to human rights, but also an economic imperative due to the value generated by raising the human capital of any population. This is most visible at the level of local communities, where the disbenefits of exclusion are clearly seen in greater costs for health care, criminal justice, housing, and so on. It is the responsibility of all parties in the development of VET, not just public authorities, to ensure that efficiency gains in the VET system are not made at the

³ See, for instance, the D-Think initiative, a European consortium co-funded by the EU's Erasmus+ Programme, which promotes the use of 'design thinking' as a transversal learning tool.

expense of equity. The ETF Financing Prism helps partner countries respond to all these questions, as well as those specific to each country context, as part of a policy dialogue guaranteeing the feasibility of identified policy responses from a cost perspective, and their acceptability to social partners.



The third set of anchors: Transparency; Accountability; Efficiency

Drawing on the general principles of good governance, the final set of anchors applies them with a double purpose. First, as essential elements of any good VET system, regardless of the prevailing financial situation, and second, as specific conditions for the necessary diversification of funding sources that underpins a holistic approach to financing.



7. Transparency

Transparency is regarded as the hallmark of open government, allowing for public oversight of, and participation in, the processes of VET systems up to and including decision-making on particular issues. In terms of VET financing, transparency requires the availability of up-to-date, verified data on the extent and allocation of resources, and participation by the relevant stakeholders in decision-making about the choice of financing instruments. In short, transparency demands open policy dialogue.



8. Accountability

Accountability is a key part of VET financing policy dialogue, extending from the smallest individual decision to the highest levels of government. It is a two-way process because those who hold others to account can, themselves, be held to account. Accountability mechanisms can be specific to institutional or other settings, but accountability is universal and applies to inter-governmental and non-governmental organisations, national and local authorities, education and training providers, private sector enterprises, teachers, learners, and parents. In many partner countries, priorities for accountability arise in the context of increasing autonomy among VET providers.



9. Efficiency

For policy makers, the overall goal of introducing reforms to VET financing is to make the best use possible of resources while minimising the costs. Financing choices, made in accordance with the preceding principles of transparency and accountability, can help governments drive the reform agenda. As suggested above, gains in efficiency achieved at the cost of equity are not sustainable.

4 The Canadian government has made some useful resources available in this area; see <https://open.canada.ca/en/open-dialogue>

3.3 The three facets

1. Resource Mobilisation

This refers to the gathering of resources by a process of activating groups and individuals who can give, attract, or earn funding. Thus, the natural entry point from the governance perspective is via stakeholders, mapped on the Prism by the anchors for public institutions, private institutions, and individuals. It is important to take into account the benefits they receive, as well as the financial contribution they can make. Resource Mobilisation occurs in a range of circumstances, including:

- Incentivising or otherwise committing private sector participation.
- Increasing the share of the State budget dedicated to training.
- Combining the transfer of autonomy and accountability in the financing of training with better capacity at local level for resource mobilisation, as part of increasingly common decentralisation processes.
- Making individuals pay for the social service (VET) they use.

What is important here is finding the right mix, or combination of measures. The questions associated with Resource Mobilisation focus on how much money is required to implement a policy choice, and where that money will come from. This can open up discussion on a range of financing tools, including budget planning through a medium-term expenditure framework; introducing a training levy; income-generating activities by VET providers such as training-with-production functions in which student work can be 'spun-off' on a market basis; and tuition fees, including exemptions and scholarships. The advantages and disadvantages of each must be assessed collectively with the relevant stakeholders, with due consideration given to the security (verified via the accountability framework), sustainability, and transparency of collection channels, as well as the accountability of stakeholders in mobilising these resources.

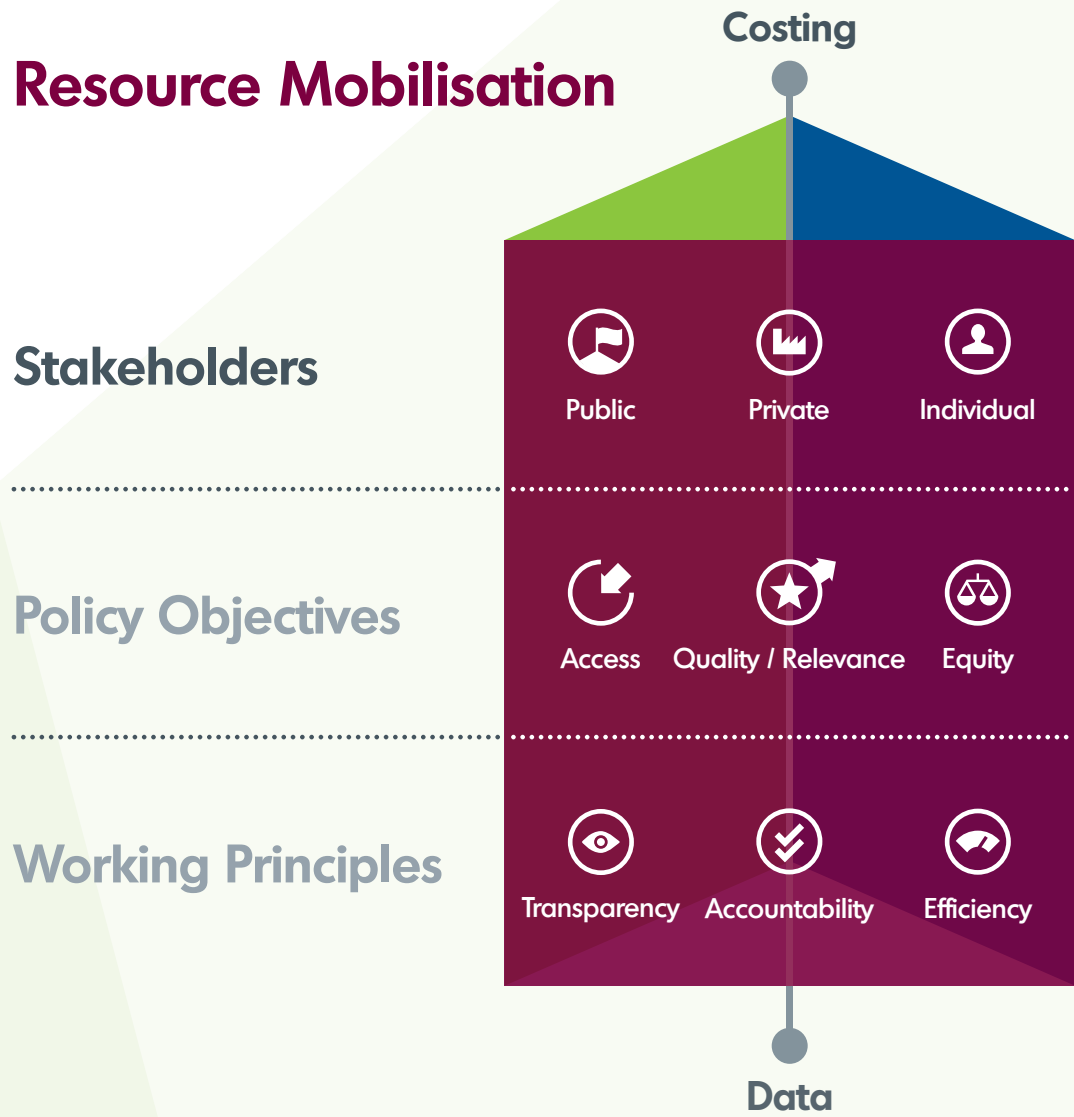


Figure 2. Resource Mobilisation approached from the entry point of stakeholders

2. Resource Allocation

This is the distributive dimension of financing, also called ‘funding’, and determined by policy objectives which are shaped by some combination of intended social and economic outcomes. Financing-related measures can be used to support the achievement of policy objectives by, among other things:

- Adopting resource allocation methods based on policy-related outcomes, rather than repeating historical budget distribution patterns.
- Encouraging modern forms of teaching involving more workplace training, which can improve relevance while decreasing the financial burden on the State.
- Incentivising companies to engage in continuing training for their workforce, including by providing financial encouragement or simplifying procedures.

At times, allocation and mobilisation processes occur in parallel, in addressing the common question of what is to be paid for. The anchors which form the framework for this discussion are access, quality/relevance, and equity, each of which is associated with a variety of possible financing tools. Access and equity are closely linked, and often aligned with Resource Mobilisation processes because of the balance of charging fees on the one hand, while on the other maintaining access irrespective of individuals’ means (e.g. through scholarships) or companies’ possibilities (e.g. small companies tax exemptions). Quality and relevance can be addressed through formula funding, to replace outdated budget allocation habits with input- and outcome-related management practices.



Figure 3. Resource Allocation approached from the entry point of policy objectives

3. Management of the Financing Chain

This facet of the Prism provides an overall view of the working of the VET financing system, acting as a chain that connects policy objectives, stakeholders, and financial instruments and, therefore, linking all three facets of the Prism. The governance principles through which this facet is approached can help to articulate the issues involved, for example:

- Identifying the priority objectives to be served by the financing chain.
- Collecting and distributing funds in formal and clear accordance with those objectives.
- Ensuring the accountability of partners thanks to transparent processes.
- Enhancing the capacity of government to 'steer' VET, skills, and employment outcomes using financing.
- Improving the availability, reliability and use of data for policy decision-making.

Instruments to consider include bodies, mechanisms and management tools, namely; the establishment of a national training authority, joint sector reviews, and the creation of training funds on a sectoral and/or regional basis. Promoting goals-based budget planning and results-based management represents an important step towards the creation of a holistic, policy-oriented vision for VET financing.

Management of the Financing Chain

Stakeholders

Policy Objectives

Working Principles

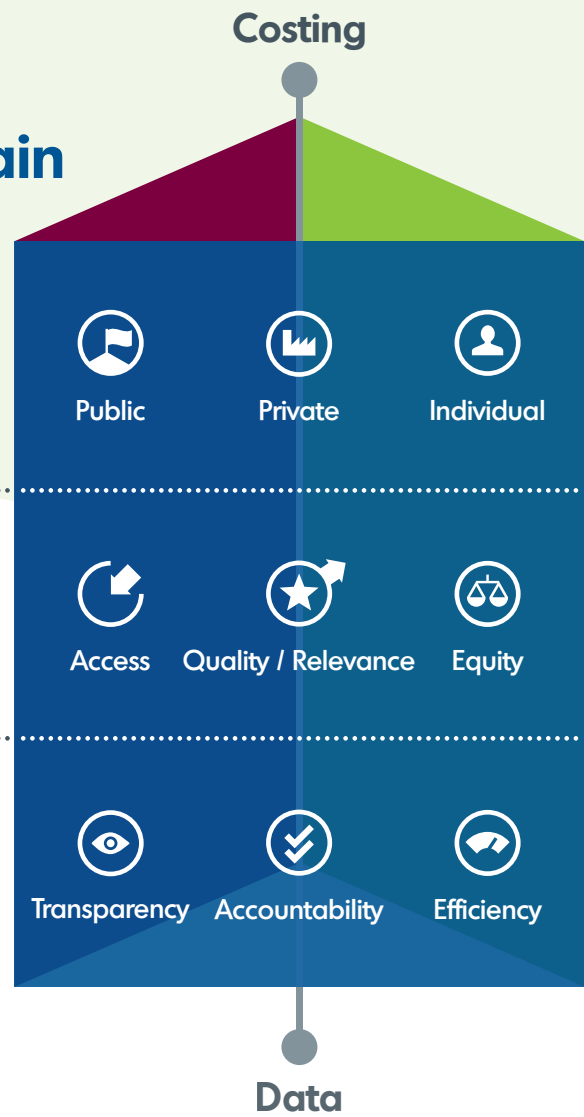


Figure 4. Management of the Financing Chain approached from the entry point of governance

3.4. The two pivot points of the central axis

The two pivot points are both key conditions for an evidence-based and sound policy dialogue on the three facets of financing.

Costing



1. Costing

Cost is a basic structural issue and the 'cost' point on the central axis of the Prism encourages reflection on the need to ground financing policy in economic reality. However, it is also a flag for innovative thinking, not a rope for binding policy-making to old ideas. For example, using simulation models to verify the economic feasibility of proposed policy options can greatly enhance implementation, although it may not currently be a common practice in VET financing. Moreover, once options have been chosen, accurate cost analysis is essential to maintaining accurate budget planning. Indeed, more accurate and timely cost estimates can lead to better budget planning overall.

2. Data

Data is widely described as the 'fuel' powering the 'fourth industrial revolution' of digital technologies. Tapping into the opportunities brought about by innovation in VET financing requires making use of that fuel. Capturing and analysing data, and acting on the resulting insight, can be achieved by putting in place indicators and management information systems which integrate financial elements. Collecting the subsequent output data creates the ability to understand the results of policy interventions. Without the data, it is much harder to know what works and what doesn't. For the record, these data include financial elements, but start with basic quantitative information about the VET system as a whole.

Data

4. Using the ETF Financing Prism to organise policy dialogue

If there is a single organising principle arising from the preceding discussion, it is that using the ETF Financing Prism enables a policy process that is fit for purpose, whilst encouraging out-of-the-box thinking.

The final section of this document offers a series of steps with which to organise policy dialogue on VET financing, and which can be both tailored to the context and innovative in content. Using the Prism is an opportunity to challenge long-standing habits in budgeting, which, over time, may have turned into being perceived as constraints, or even believed to be rules. This is a common experience in institutional settings of all kinds, and has been neatly characterised by the expression – variously attributed to Albert Einstein, Henry Ford, and Tony Robbins – that, “if you always do what you’ve always done, you’ll always get what you’ve always had.”

If some of the steps seem self-evident they are here because, in the ETF’s experience, there is no risk of stating them too often. For instance, broadening the dialogue to include other ministries, not least the Ministry of Finance, may sound like an obvious move, yet it can still get overlooked or blocked by custom and habit.

Nevertheless, the following steps are flexible, and the comments and questions accompanying each step are only indicative. The detail will have to be worked out according to the diverse circumstances and needs of each country.

4.1 Step 1: Preparing the ground

Identify and formulate the priority need. What level of importance or urgency is attached to this need? If it is urgent, how will the dialogue be framed – for instance, is it a ‘burning platform’ issue? What provides the grounds for creating the necessary momentum to address the issue? And why is it timely to address this issue now? Is there a window of opportunity in the current policy and/or legislation timetable? Is there a specific topic or tool calling for reform?

Identify the stakeholders who should participate in the dialogue, and include them at the earliest possible point in the process. Consider measures that will help stakeholders to feel a sense of ownership for some or all of the outcomes. Link this sense of ownership to a mix of encouragement and obligation, to make sure that dialogue leads to concrete action.

Prepare an analysis of the situation to support meaningful dialogue around the structure of the Prism. This analysis serves as a common starting point, and should, therefore, be as accurate and evidence-based as possible. Set everyone involved the task of articulating from their perspective the key challenges of VET system financing. Use this input to map the current VET system from a quantitative and monetary point of view, the policy issues at stake, existing financing instruments, and so on.

Create a physical space for the dialogue that is as neutral as possible. Using an institutional setting to house the dialogue can be convenient, but might carry ‘baggage’ from previous attempts at stakeholder engagement.

4.2 Step 2: Starting the dialogue

Begin the process with an initial awareness-raising workshop. Limit the time for the workshop to a reasonable amount, so that it does not appear to be an onerous demand. Equally, allow enough time for all views to be heard. Take into account the different schedules of public sector officers and business owners, trade union representatives and school staff.

The aims of the workshop should include:

- Sharing initial analysis of the situation, and explaining the rationale for the dialogue.
- Briefly discussing key concepts and adopting conventional definitions of financing and budgeting.
- Introducing the ETF Financing Prism and the process for its use.
- Establishing a more or less formal mechanism, depending on what is appropriate in the context, for participants to agree a common understanding on all these points and on the time frame for policy decisions.
- Drafting an agreement on the objectives, expected results, and success measures, along with a time frame populated with concrete actions.
- Outlining the technical work needed to support the policy dialogue process.

4.3 Step 3: Exploring scenarios for reform

Drawing on the outcomes of Step 2, arrange follow-up meetings and/or further workshops as deemed relevant, in order to dig into the different topics. Look for sources of inspiration from international best practice, using in-country research capability and networks, as well as the ETF and other international organisations.

For each of these follow-up sessions, retain as many of the parameters as possible noted in Step 2. Consider calling on project management support to ensure that milestones are met, and timelines respected. Group ideas for reform around the anchors of the Prism, and consider 'prototyping' solutions through user-centred methodologies such as design thinking.

4.4 Step 4: Towards decision-making

Conducting a policy dialogue process does not mean handing the decision-making over to others. There must be clear delineation between those who make the final decision and those who contribute. However, it is important to set realistic expectations from the outset, so that stakeholders understand whether their role is to participate in making decisions, influence decision-makers, or just inform the decision-making process.

It is always worth looking for ideas beyond VET and its associated fields.

4.5 Critical success factors

In conclusion, there are three critical success factors that are required for this process to deliver genuine value.

1. Familiarity with the ETF Financing Prism

Use this document alongside the ETF strategic positioning paper and the Policy Guidance Notes. Visit the ETF website or contact financing@etf.europa.eu for more details. It is our intention to build a knowledge base of use cases for the Prism, and we encourage you to share your feedback and learning regarding the application of the Prism and the development and implementation of VET financing policies in general. Please send your comments and case studies to financing@etf.europa.eu.

2. Planning

Ensure the resources required for the policy dialogue process are available, including of course any necessary financial support. For example, establishing a secretariat, agreeing shared responsibilities and commitment, identifying suitable premises, sourcing workshop facilitation materials, and so on.

3. Political will

A steady political willingness to engage with the process and its outcomes is the most important success factor. Without it, the desired outcomes are likely to remain out of reach.

⁵ For instance, consider the work being done by the National Health Service in England to include patients in decision-making about their care (<https://www.england.nhs.uk/ourwork/patient-participation/>); or the European Commission's work on citizen participation in research policy decisions (<http://www.cimulact.eu>).



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