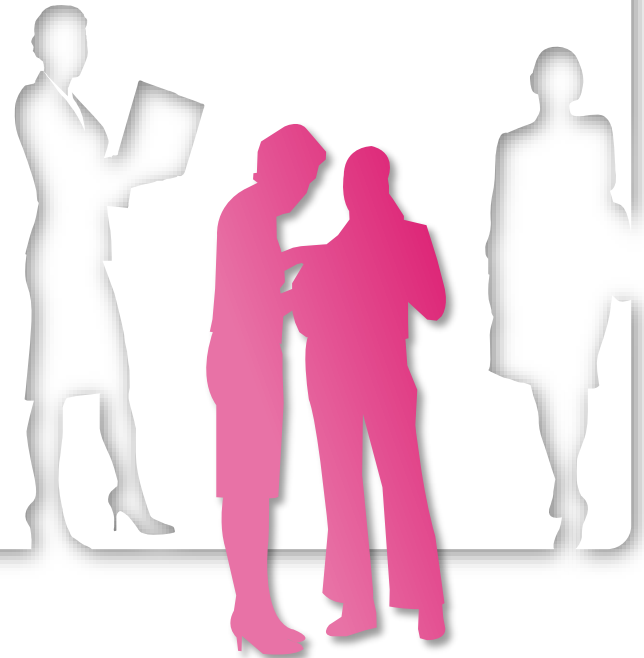


## INCENTIVES FOR DUAL EDUCATION IN KAZAKHSTAN

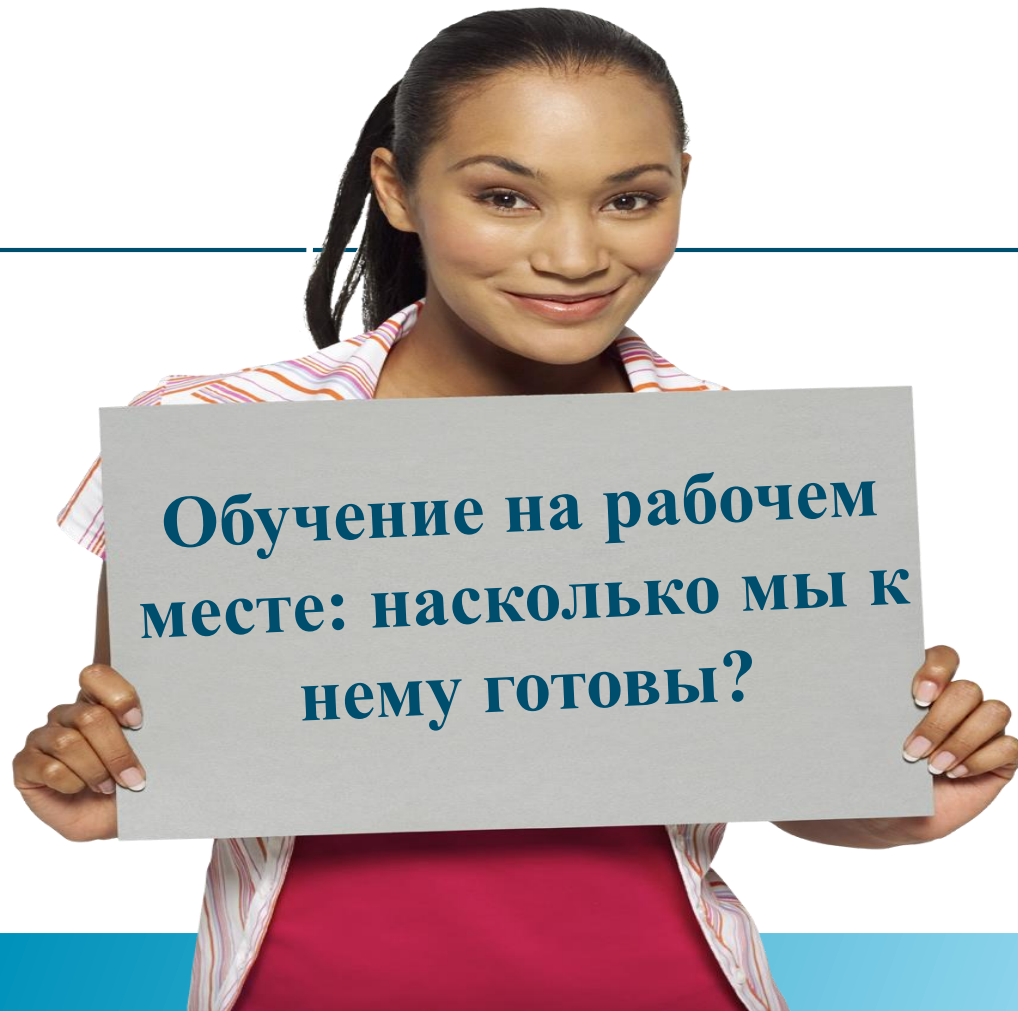
POLICY LEARNING WORKSHOP, ASTANA, 5-6  
OCTOBER



- Session 1:  
Setting the scene : **conceptual and contextual framework** for action
- Session 2:  
**Arguments for engaging** in dual education
- Session 3:  
Inspiring **international practices** of incentives for Work-based learning
- Session 4:  
**Lessons learnt** and possible **next steps** for Kazakhstan



# The 3-year action aims to promote WBL policy development and implementation in the Eastern Europe & Kazakhstan



2016

2017

Region  
level

WBL Platform – Regional Meetings – PLA

Country  
level

Readiness  
tool

Focus  
Group

Actions

Identification of  
priorities

Discussing priorities  
identified & current  
development (WBL)

Tackling  
outcomes of the  
focus group



## INCENTIVES FOR DUAL EDUCATION IN KAZAKHSTAN

### FRAMING THE POLICY DIALOGUE

Marie Dorléans, ETF Governance and Financing Specialist

POLICY LEARNING WORKSHOP, ASTANA, 5-6 OCTOBER 2017





## FRAMING THE POLICY DIALOGUE ON INCENTIVES: WHY ?

- **Financial Incentives:** about allocating funds .... But also collecting them ! –and money is a sensitive issue
- **Need for a consensus between social partners and State on:** the objectives, the types of incentives, the levels of incentives ...
- **Need to build the consensus through a transparent and sane policy dialogue,** which requires a common understanding of issues at stake and acknowledgement of respective perspectives
- **Need to anchor this policy dialogue into the « **big picture** »:** because policy reform measures are interconnected, because financing is **not** a **technical** issue...

THE FINANCING « PRISM » TRIES TO RESPOND TO THESE NEEDS

# FINANCING : what does that mean ? proposed clarification of terminology

➤ Financing : a “**portmanteau**” word:

**costing** (of the envisaged, or of the decided/planned),

**budgeting**/budget planning (costing of the planned  
+ identification of financing sources)

resource **mobilisation**

resource **allocation**

**governance** of the financing chain

- incl. articulation with general PFM chain
  - Incl. Monitoring & Evaluation mechanisms

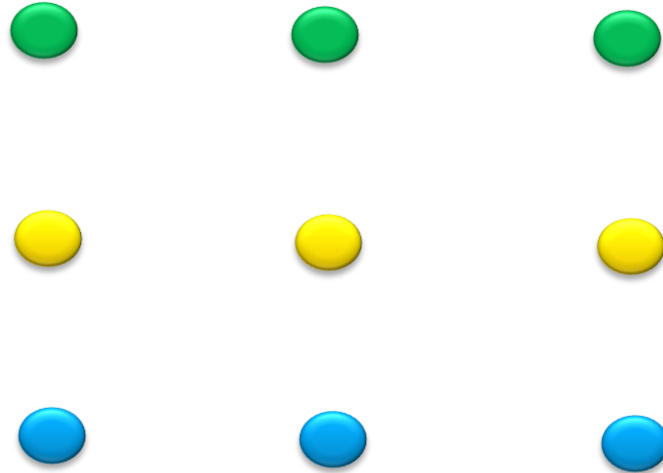
*POLICY STAGE*

*DESIGN*

*IMPLEMENTATION:  
SYSTEM RUNNING*

*M&E*

# THE **FINANCING PRISM**: A TOOL DEVELOPED BY ETF TO SUPPORT AND STRUCTURE THIS POLICY DIALOGUE



*HOW DO YOU CONNECT THESE 9 DOTS WITH 4 STRAIGHT LINES ?*

# 3 “facets”: resource mobilisation, resource allocation, governance of the financing chain



Stakeholders



Policy objectives



Financing principles



# Resources mobilization



## Financing topics

Key  
stakeholders  
(they provide the  
funds)

Public



State, regions,  
public  
providers,  
donors

Private



Businesses, NGOs,  
private training  
providers

Individuals



Students, employees,  
unemployed

Policy issues

How to ensure sound **budget planning** ?

How to foster **diversification of financing sources** ?

Who pays ? vs **Who should pay** ?

How to make business **contribute more** ? **Which enterprises** s

How to reconcile cost-sharing and **equity** across companies?

How to consider resources in a broader sense than just financial resources (time..)

Tax incentive  
system  
Training  
tax/levy, budget  
planning tools  
(MTEF, finance  
law), local  
taxation, donor  
and NGO funds,  
tuition fees,  
training rights  
systems, IGA

# Resources' allocation



## Policy objectives

(they guide the allocation criteria)

Relevance



Quality



Equity



## Financing topics

Formula funding,  
school autonomy,  
levy-grant  
schemes, contract-  
based funding,  
payback clauses,  
recurrent/investm  
ent expenses

## Policy issues

Which **criteria to allocate funds** ?  
How to **promote relevant and quality training** ?  
How **to encourage company training** ?  
How to target/outreach to specific populations ?

# Governance of the financing chain



Working  
principles

Transparency Accountability Efficiency



RESULTS-BASED MANAGEMENT

Policy issues

What priority objectives is the financing chain expected to serve?  
Who should participate in the governance of financing tools ?  
How to **secure the collection and use of funds** in coherence with  
policy objectives ? Ensure accountability of partners?  
How to use **financing as a vehicle to enhance the steering**  
capacity of a government ?  
How to **improve data availability**, reliability and use for policy  
decision ?

Financing topics

Training  
funds,  
national  
training  
authority,  
EMIS, joint  
sector  
reviews

# Costing



*An unconventional dot to ensure soundness of all policy choices (incl. financing-system related choices)*

- > **Cost and finance analysis** of *envisaged* policy **options** : a tool to **ensure** soundness of scenarios inform decision making
- > **Cost and finance/budget assessment** of *planned* sector **policies**: a way to **check** affordability, sustainability hence credibility of sector policies for EU decision on financial assistance



## Data : a cross-cutting issue for transversal support



Data : the weak link

- Need for reliable data, not only regarding financing, but on the whole system, to be able to use financing as a tool for steering policies ...
  - *Result oriented*
  - *Performance based*
- Accompanying measures of EMIS reinforcement, and setting M&E mechanisms and tools

Thank you !

## INCENTIVES FOR DUAL EDUCATION IN KAZAKHSTAN

### FROM POLICY ISSUES TO INCENTIVES' IMPLEMENTATION SCHEMES

Marie Dorléans, ETF Governance and Financing Specialist  
& Didier Gélibert, Private Sector Engagement Specialist



POLICY LEARNING WORKSHOP, ASTANA, 5-6 OCTOBER 2017

# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

## ➤ RESOURCE MOBILISATION

How to foster **diversification of financing sources** ?

Who pays ? vs **Who should pay** ?

How to make business **contribute more** ? **Which enterprises** should contribute ?

How to reconcile cost-sharing and **equity** across companies?

How to consider resources in a broader sense than just financial resources (time...)

## ➤ RESOURCE ALLOCATION

Which **criteria to allocate funds** ?

How to **promote relevant and quality training** ?

How **to encourage company training** ?

How to target/outreach to specific populations ?

## ➤ GOVERNANCE OF THE FINANCING SCHEMES

Who should participate in the governance of financing tools ?

How to **secure the collection and use of funds** in coherence with policy objectives ? Ensure **accountability of partners**?

# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

Objectives of incentives may include :

- Ensuring **future employees are trained in skills enterprises need**, as a means to promote employment and labour market integration.
- Supporting **current employees to meet new skills requirements** and avoid unemployment.
- Meeting **regulations and/or new industry standards** or expectations.
- Encouraging **research, development and innovation** and investing in the skills which will facilitate them (to encourage productivity and economic growth).

The options for financial incentives are:

- **Giving money or in-kind subsidies:** full or partial cost;
- **Addressing market imperfections:** overcoming funding obstacles;
- **Exempting expenditure:** using the corporate tax/social security system;

# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

What incentive schemes will enable to address these policy issues ? Questions to address:

1/ At the objectives' level :

What enterprise training behaviours and actions to be encouraged?

What is the monetary benefit on offer?

At the operational level:

- What type of incentives ?
- What level of incentives ?
- What quality of incentives ?
- What tracking and verification of impact ?

# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

Key issues in **policy design** include:

- Having a **clear rationale and stated objectives** for the activities to be incentivised;
- Deciding upon the **type of monetary benefit** to be offered;
- **To whom** the policy should apply;
- Defining the **monetary benefit**;
- Linking the money to a **unit of measure**;
- Fitting an incentive into the **current financing system**.

Key issues in the **policy process** include:

- Who are the stakeholders and what they have to gain and/or lose;
- Coordinating policy: joined-up decision making;
- Governance and capacity: central versus local solutions.

# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

Key issues in the **policy implementation** include:

- Does it require **new legislation**?
- Does it require a **budgetary appropriation**?
- Can it be administered through the **existing structure**?
- Tracking – can it be **monitored and verified**?



# FROM POLICY ISSUES OF THE FINANCING PRISM TO INCENTIVE SCHEMES...

## Key conditions for success:

- **Is the incentive sufficient** to encourage more VET investment and VET activities by enterprises?
- Keeping the procedure **simple for enterprises?**
- Keeping administration **simple for government?**
- Is the incentive **achieving its aims** ?– overcoming risk

## Tax Breaks

- Tax deductions/tax allowances
- Tax credits
- Tax exemptions
- Tax relief
- Tax deferrals

## Direct cash transfer

- Aid / Allowance / Subsidies / Grants
- Flat rate / universal or differential

## Levy schemes

- Imposing a tax, fee, or fine to all or certain kinds (size, sector etc) and allowing exemption for those who participate in apprenticeships

## Discount in wages to apprentices

- No wage (learners legally students)
- Allowance
- Wage (less than for a qualified worker)
- Wage is paid plus a wage subsidy paid to the employer

# NON-FINANCIAL INCENTIVES

---

## Design of the apprenticeship

- Duration of apprenticeship
- Balance of time spent with the company and at college
- Apprenticeship wage

## Image enhancement measures

- Award (financial or status based) for best training company
- Preferential treatment in public procurements

# NON-FINANCIAL INCENTIVES

---

## Enhancing training capacity of employers

- Authorization as a training company
- Access to financial incentives
- Training related tasks (recruitment, training of mentors, assessment of students)

## Regulatory measures

- Require companies to train apprentices (penalize if they do not)

# A SYNTHETIC COMPARATIVE ANALYSIS OF INCENTIVES

Description	Decisions	Advantages	Disadvantages	Risks
Subsidy (full or partial)	<ul style="list-style-type: none"> <li>■ Level of government?</li> <li>■ What costs are subsidised?</li> <li>■ Scaled according to need?</li> <li>■ Interaction with tax system?</li> </ul>	<ul style="list-style-type: none"> <li>■ Can be targeted.</li> <li>■ Not profit linked.</li> </ul>	<ul style="list-style-type: none"> <li>■ Requires a budget.</li> <li>■ Requires administration.</li> <li>■ Can increase tax liability.</li> </ul>	<ul style="list-style-type: none"> <li>■ Deadweight.</li> <li>■ Employees replaced.</li> </ul>
Loans	<ul style="list-style-type: none"> <li>■ Use private banking?</li> <li>■ Underwrite private loans?</li> <li>■ What loans can be used for?</li> <li>■ Level of liability?</li> <li>■ Who will check banks?</li> <li>■ Interest level?</li> <li>■ Interaction with tax system?</li> </ul>	<ul style="list-style-type: none"> <li>■ Administration in place (potentially).</li> <li>■ Can be targeted.</li> <li>■ Training costs amortised.</li> <li>■ Preferential interest rate</li> </ul>	<ul style="list-style-type: none"> <li>■ Training costs become a future liability.</li> <li>■ Inability to assess training 'value' by lender.</li> <li>■ Complex to audit.</li> </ul>	<ul style="list-style-type: none"> <li>■ Shifts risk (moral hazard).</li> <li>■ Not available enough.</li> <li>■ Too complex to use.</li> <li>■ Risk of non-repayment.</li> <li>■ Loans not used to train.</li> </ul>
Tax/social security  <ul style="list-style-type: none"> <li>■ Deduction.</li> <li>■ Exemption</li> <li>■ Allowance.</li> <li>■ Credit.</li> <li>■ Deferral.</li> </ul>	<ul style="list-style-type: none"> <li>■ Level of government?</li> <li>■ What costs treated (some or all? For all employees)?</li> <li>■ 100% (less or more)?</li> <li>■ Scaled according to enterprise type?</li> </ul>	<ul style="list-style-type: none"> <li>■ Can be targeted.</li> <li>■ Administration in place.</li> <li>■ Can be combined</li> </ul>	<ul style="list-style-type: none"> <li>■ Linked to tax liability (e.g. not start-ups or those without a formalised profit)</li> </ul>	<ul style="list-style-type: none"> <li>■ Deadweight.</li> <li>■ Capacity to incentivise additional investments.</li> <li>■ Too complex to use (audit requirements).</li> </ul>

## TWO QUOTES TO CONCLUDE ...

---

Financial incentives “have modest effects, and will usually involve substantial deadweight” (Kuczera, 2017)

Financial incentives appeal to companies “that can easily substitute apprentices for workers”, but less so to ones that cannot (Kis, 2016)

*Thank you for your attention and questions !*