

UNDERSTANDING THE CONTRIBUTION OF PRIVATE SECTOR TRAINING PROVIDERS TO TVET

Summary

Although Government is the largest investor in Nepal's TVET system overall, the draft National TVET Strategy Document shows that at an implementation level, Private Technical Training Providers affiliated with CTEVT (the Council for Technical Education and Vocational Training) deliver over 70% of TVET Diploma and Technical School Leaving Certificate (TSLC) programmes, and short-term trainings, yet do not have access to any direct public funding. Even though private funding is a major source of funding for the delivery of TVET training, very little is known about the scale of private sector investment in TVET.

The *Private Sector Investment in TVET Sector* report aims to address this issue by examining the scale of investment by private sector training providers in TVET developments over a ten-year period (year ending 2009-2019), focusing on three key areas: i) capital investments including land and building; ii) investments in long-term training facilities such as machinery and equipment; and iii) other costs, including annual operational expenditure.

Findings in the report clearly show that with private technical training providers responsible for such a large share of enrolment in long-term TVET programmes, the corresponding investment by private sector providers in TVET is significant. The report concludes that for more effective development and delivery of TVET services in Nepal, Government should do more to recognise this contribution, and incentivise continued private sector investment in TVET through mechanisms such as funding training through vouchers and scholarships, and importantly, consulting meaningfully with private sector in devising future policies and strategies.

Key Findings

Private sector training providers invest heavily in TVET

From a total of 1,510 private sector providers in Nepal, an estimated NRs. 535.2 billion has been invested as capital expenditure (land and construction of buildings) during the ten-year study period, and a further NRs. 31.2 billion in other long-term expenditure (durable assets such as furniture, machines and equipment). In 2017/18 alone, the aggregate value of investments made by all 1,510 providers was an estimated NRs. 114 billion, alongside estimated annual operational costs of existing TVET providers of a further NRs. 14 billion, amounting to an overall investment by private providers of approximately NRs. 128 billion in this fiscal year alone.

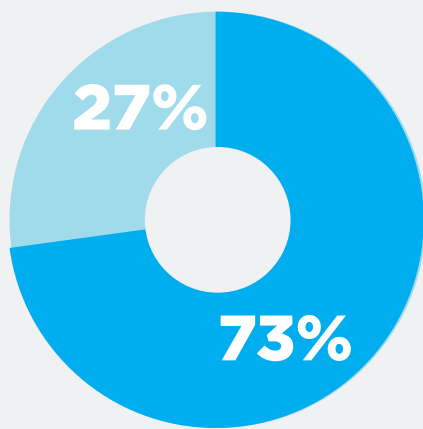
Private training providers play a disproportionate part in delivering TVET compared to the public sector

Private sector providers were responsible for 72% of total enrolment in long-term TVET programmes in 2017/18. Additionally, figures suggest that they are far more efficient than their public sector counterparts, with average annual operational costs of CTEVT constituent schools estimated at NRs. 7,933,320 per programme, and only NRs. 6,396,631 for private providers. As such, the per programme cost of public providers appears to be 24% higher than that of private providers. However, it should be acknowledged that CTEVT bears additional social responsibilities which may account for a proportion of this additional expenditure.



The total contribution of private sector providers towards TVET operational costs is also significantly higher than the public sector: for instance, in 2017/18, private training providers funded a 73% share compared to the 27% met by the public sector.

Fig 1: Share of estimated Operational Costs



● Private training providers ● Public training providers

Private sector providers frequently fund investments through loans

The report found that private sector providers often have to rely on loans to fund investments in TVET. This involves taking on significant risks and is one of the reasons that private sector providers feel they should be more closely consulted by the Government. Although, efforts have been made to consult at different levels over the years, this request for meaningful dialogue is especially important in areas of policy making which have implications for business sustainability.

Private training providers invest less in equipment and training for their own staff

The study highlighted the need for better quality training for their own staff, which suffers from a lack of investment due to the need to focus on business-critical expenditure such as capital expenditure. More than 90% of respondents wanted further capacity development options for trainers and instructors to increase the quality of training delivery, and 80% highlighted the need for investment in laboratory and workshop equipment. Around a third of respondents said that Government support in this area could be most effectively targeted towards providing free On-the-Job Training (OJT), and to facilitate appropriate venues for workplace-based training as most providers lack the infrastructure needed to do this themselves.



Recommendations

Introduce private sector friendly policies to sustain and incentivise further private sector contributions.

Government, recognising the significant investment and risk assumed by private sector providers, should consider putting relevant financing policies in place to support private sector providers such as tax or customs duty exemption policies, to incentivise quality training and outcomes and support stakeholders to sustain and grow their contributions.

Build closer links between Government and private providers.

It is anticipated that Government will promote productive partnerships with the private sector in order to strengthen the sector's achievements. Government's efforts towards recognising and reflecting the private providers' contribution through consulting the sector during the TVET policy-making process should be further strengthened. For their part, private sector providers should continue to work proactively to improve dialogue on policy areas which have an impact on their own investments and operations. Such complementary actions are necessary to address the apparent trust deficit that current exists.

Promote outcome focused training.

Government should consider making a focus on outcomes a mandatory element of contracts with the private sector and consider including it as one of the provisions of national TVET policies and strategies. This focus could be further strengthened by establishing an employment and income verification

system. Private sector stakeholders should also work towards a shift in focus from outputs to outcomes (such as employment and income levels) as part of efforts to sustain the market.

Develop systematic tracer study systems.

Private sector providers should develop tracer study systems to support an increasing emphasis on outcomes and understand more about the impact of their work. CTEVT could play an important role in this by providing tracer study training to relevant private sector staff.

Improve private sector data.

Private sector stakeholders need to maintain properly structured and updated student graduation and employment data. During the study, it was evident that such data was absent in many cases, leaving respondents to follow recall methods and make their own estimations. Maintaining proper databases would allow private stakeholders to play a stronger role in evidence-based decision making, by enabling them to convey valuable information on their role in labour market supply. The TVET Management Information System (MIS) on which the Ministry of Education, Science and Technology and CTEVT is currently working, needs to also encompass private sector initiatives.

Expand training opportunities.

CTEVT could do more to recognise the private sector's contribution through, for instance, expansion of training opportunities for private sector instructors and staff, whilst private sector should increase investment and resources for this critical aspect of TVET delivery.



Build closer links between the TVET system and Business and Industry Associations (BIAs).

Recognising that the private sector is (in most cases) the ultimate consumer of TVET graduates, proper partnership mechanisms between the TVET system and BIAs and their members need to be established for sustained, quality and outcome-oriented training which is associated with returns on investment. Such mechanisms could be based on 'as and when' contract agreements with BIAs, or follow international practice by engaging BIAs through partnership committees.

Deliver a TVET census.

Without a comprehensive mapping study of TVET providers in Nepal, this study was restricted to only those private sector providers registered under CTEVT, even though it is known that there are many other providers outside of CTEVT both in the public and private sectors. A comprehensive TVET census covering all TVET actors could therefore usefully be conducted to provide a more complete picture of overall investment.

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the independent consultant and do not necessarily reflect the views of the European Union.

This Policy Brief is based on a study facilitated through the Dakchyata: TVET Practical Partnership project under the guidance of the Ministry of Education, Science and Technology (MoEST) in order to address the gap in understanding of this key area. The study was undertaken by a team of independent consultants. The objective of the study was to assess the investment of private sector training providers in TVET developments over the last, 5-10 years in Nepal. The study focused on three areas: i) capital investments (assessed based on respondents' estimated market value of land and buildings); ii) investments in long term training facilities such as machinery and equipment; and iii) annual operational expenditure.

The Dakchyata - TVET Practical Partnership project is part of a five-year programme (2017-2021) funded by the European Union and managed by the British Council, under the leadership of Nepal's Ministry of Education, Science and Technology, and delivered in coordination with the Council for Technical Education and Vocational Training.