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**GOVERNMENT NOTICE**

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**DEPARTMENT OF EDUCATION**

No. 1207

4 November 2005

**FURTHER EDUCATION AND TRAINING ACT, 1998 (ACT NO. 98 OF 1998)****NATIONAL FUNDING NORMS AND STANDARDS FOR FET COLLEGES****CALL FOR COMMENT ON THE DRAFT NATIONAL FUNDING NORMS AND STANDARDS FOR FET COLLEGES**

I, Grace Naledi Mandisa Pandor, Minister of Education, after consultation with the Council of Education Ministers, hereby invite comment from the public and interested parties on the proposed policy contained in Annexure A of this document.

All comments should be in writing and must reach the Department of Education no later than 16 December 2005.

Written comments, which should indicate the name and postal, e-mail and telephone contact details (if available) of the person, governing body or organization submitting the comments, may be sent to:

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GNM Pandor, MP

Minister of Education

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**ANNEXURE A: PROPOSED NEW FUNDING  
NORMS FOR FET COLLEGES**

## **Proposed new funding norms for FET colleges**

Funding will be a key instrument for influencing the responsiveness of FET institutions to the achievement of national goals, the enhancement of the performance of the system, and widening the participation and the promotion of equity and redress

Education White Paper 4

**Department of Education discussion document**

**26 September 2005**

Status: Draft for public comment

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## 1 What this document does

This document provides proposals for funding norms for public further education and training, as required by section 19 of the Further Education and Training Act. The focus is very much on the funding of public FET institutions, the institutions that constitute the main focus of the FET Act.

The document is produced as follows:

- The FET Funding Task Team, comprising key people from a range of stakeholder groups, including PEDs, colleges, and employee organisations, provides overall guidance to the policy formulation process.
- An internal DoE FET Funding Technical Team oversees the technical policy and data analysis work undertaken in the DoE, and organises the meetings of the FET Funding Task Team.
- An economist and a policy analyst in the Planning and Monitoring Branch of the DoE with a background in technical and vocational FET perform the actual policy formulation and data analysis work needed for the development of this document.

## 2 The FET funding policy history

Of concern in this policy development process is the funding of technical and vocational FET. The funding of general FET in schools is not a direct concern – this funding system is dealt with largely through the National Norms and Standards for School Funding and the so-called Post Provisioning Norms. What is clearly of concern is a range of post-1994 policy proposals relating to the funding of FET institutions, often referred to as the FET colleges.

It is important for both the published and unpublished policy proposals produced to be considered. The unpublished documents often contain details that were too technical to include in the public documents, but are useful in the policy formulation process.

The following policy proposals stand out:

- Report of the National Committee on Further Education: A framework for the transformation of further education and training in South Africa (1997). Chapter 8 of this document provides strategic direction and some practical options relating to the funding of FET colleges. Pro-poor funding, a focus on outputs, and a system of 'programme-based funding' received emphasis. The authors borrow fairly strongly from the British system. In the report as a whole, the point is made strongly that FET colleges lack responsiveness to the country's needs. However, because the report lacks an adequate socio-economic framework, it is not made very clear what colleges ought to be responding to.
- Green Paper on Further Education and Training (1998). Chapter 5 of this document focuses on funding. This document provides a stronger socio-economic framework than the 1997 Report, though it has been criticised for not adequately linking this framework to the policy options. The Green Paper is much stronger on DoE-DoL linkages than was the 1997 Report.
- Education White Paper 4: A programme for the transformation of Further Education and Training (1998). WP4 more or less summarises the 1997 report and the Green Paper with respect to funding.

- Further Education **and** Training Act (1998). Chapter 4 of the FET Act deals with the funding of public FET institutions. The Act is less detailed than **WP4** with respect to funding, and it requires the Minister to publish norms and standards dealing specifically with fiinding.
- Investing in South Africa's FET system: Financial proposals to **implement the** national strategy for FET (2003). This non-public document is intended to serve as an advanced draft of tlie fiinding norms for FET colleges. However, its focus is strongly **on** (important) matters of budgetary increases needed, and very little attention is paid to the details of a pro-poor programme-funding system.

A rather comprehensive overview of the policy history is provided by HSRC (2004).

### **3 What will change**

This section summarises the key differences between the old and new resourcing systems in a inatrix that begins on tlie following page. Some of this is simply a restatement of earlier policy. in particular White Paper 4, but some details are the outcome of new work.

	<i>Outgoing system</i>	<i>The system we want</i>
	<p>Currently, the programme 5 budgets of PEDs are spent under a programme objective (captured in the chart of accounts) that states funds should be used to provide FET at public FET colleges in accordance with the FET Act. However, there are no further specifications, and the Act provides no details on what services should be funded. White Paper 4 provides important general guidelines, but this is not translated into detailed funding and management imperatives. Colleges provide services largely on the basis of historical practices, with a strong emphasis on the NATED programmes.</p>	<p>The funding norms, whilst steering clear of an overly detailed and impractical 'manpower planning' approach, will take the White Paper 4 guidelines on what services should be offered and link them to the new funding, planning and reporting systems. The emphasis will be on a shift towards training that tackles skills and unemployment problems more aggressively through, for instance, more relevant training content and services outside of the normal college hours. The funding norms will specify how Government, in collaboration with industry stakeholders, will determine what programmes should be offered where and to what extent, and how colleges will receive funding to respond to these needs. The future of the NATED programmes will not be spelt out in the funding norms, though the funding system introduced by the norms will allow for a variety of future curriculum scenarios.</p>
<p><b>Equity and redress</b></p>	<p>Although there has been a relatively strong emphasis on increasing the enrolment of historically disadvantaged students across all campuses, partly as a response to White Paper 4, mechanisms for sustaining this trend, and for ensuring that in particular college fees do not present an obstacle for transformation, are weak.</p>	<p>The funding norms will emphasise the importance of concentrating public funds on training that is not being adequately financed by the private sector, and this would to a large extent be training for the historically disadvantaged. Colleges will be required to incorporate targets relating to race, gender and special needs representativity within the three-year strategic plans that they draw up in collaboration with PEDs. A fee subsidy paid by the state will allow poorer students to be partially or fully exempt from the payment of college fees.</p>
<p><b>The size of the FET college sector</b></p>	<p>By international standards, the size of the FET college sector is too small for the size and level of development of</p>	<p>Improved management of the sector flowing from the merger process, in conjunction with the new funding norms and an</p>



	<i>Outgoing system</i>	<i>The system we want</i>
	<p>our economy. The 15 to 19 age cohort, which should comprise an important target for this sector, has a mere 2% enrolment rate in technical and vocational FET. It can easily be argued that this figure should be increased fivefold.</p>	<p>injection of new public funds into the sector will work together to bring about the necessary expansion, not just because more training is supplied, but also because transformation within the sector leads to stronger demand on the part of youth, employees, employers and the unemployed.</p>
<p><b>Governance at the national and provincial levels</b></p>	<p>Currently, DoE and PED strategic plans guide what happens in the public FET colleges sector. However, these mechanisms are inadequate to ensure that the quality and quantity of services offered by the colleges respond to social and economic needs.</p>	<p>The funding norms will assign specific planning responsibilities and powers to the national, provincial and college levels. At all levels, collaboration with relevant government organs as well the private sector will be emphasised. Specifically, dedicated research into the cost of delivering programmes and into the optimal service delivery targets of the college sector as a whole will be the responsibility of the DoE. PEDs will work closely with colleges to develop and implement three-year strategic and performance plans for each college. Through this mechanism, national and provincial priorities will be translated into funded activities run by the colleges.</p>
<p><b>The funding formula</b></p>	<p>The bulk of Government's funding of colleges occurs through the Post Provisioning Model, which distributes educator posts from a central pool in each province to individual colleges on the basis of FTE students weighted by one of three weights, where the weight depends on the type of NATED course. In addition, non-personnel funds are allocated to colleges according to simple FTE-based formulas that are different in each province.</p>	<p>The bulk of PED funding of colleges will be in the form of formula funding of programmes, where the formula will take into account a range of service delivery issues, including type of programme being offered (the programme may or may not be a NATED course), FTE students, cost of delivery, need for capital infrastructure, and the ability of colleges to utilise resources efficiently. The funding formula will introduce a system of resourcing that is more sensitive to the actual cost of service delivery and takes into consideration outputs and quality. To</p>

	<i>Outgoing system</i>	<i>The system we want</i>
		<p>promote competitiveness amongst public colleges, and to satisfy training needs identified by government which cannot be met immediately by the colleges, a limited portion of the formula funding of programmes may be subject to a bidding process in which any training providers, both public and private, may participate.</p>
<p><b>Capital investment in colleges</b></p>	<p>The capital stock of colleges has reportedly been depreciating, and readiness for new challenges clearly hinges on more capital investment.</p>	<p>Capital expenditure needs for the replacement of existing stock will be dealt with by the new funding formula. However, especially during the initial growth period, additional capital funding will be required. As of early 2005, Treasury has earmarked funds for this, representing a many-fold increase to existing capital investment levels. The funding norms will establish a framework for capital expenditure above the replacement level, as well as for college access to capital loans and participation in PPPs.</p>
<p><b>College fees and fee exemptions</b></p>	<p>Indications are that college fees could be seven times as high as fees in ordinary school FET. Unlike schools, colleges have no system of fee exemptions for poorer students. This partly explains why colleges are particularly inaccessible for poorer households.</p>	<p>Three measures in the new funding norms will tackle the problem of excessive private cost for poorer students. Firstly, the funding formula and the new college planning frameworks will make a clear link between the public funding that is available and services that must be offered. Better public funding of public priority programmes is thus envisaged. Secondly, fees will be capped at levels that are in tune with the level of public funding and the estimated total cost of service delivery. Thirdly, a fee subsidy will be transferred to colleges to allow them to exempt students who cannot pay all or part of the college fee. The distribution of the fee</p>

			<p><i>The system we want</i></p> <p>subsidies across colleges will be determined by standardised measures of the income levels of student households.</p>
<p><b>Services to other clients</b></p>	<p>Colleges currently charge a variety of organisations, both public and private, for training services provided. However, this is limited to no more than 5% of the total revenue of colleges. There is currently no legal framework dealing specifically with college income from organisations other than the PED. The use of PED-funded capital infrastructure to cross-subsidise services for other clients has been a concern.</p>		<p>Responsiveness of colleges to other clients parallel to the delivery of programmes covered by the funding formula will continue to be encouraged. However, this should support economic development and should not conflict with the core business of colleges to provide training according to agreements concluded with the PED. The new funding norms will outline what existing financial management and reporting regulations should be applied in this regard, and new requirements will be established where gaps exist.</p>
<p><b>Planning and reporting cycles</b></p>	<p>Although the programme 5 budgets of PEDs are determined for the three years of the MTEF, medium range planning with respect to enrolments and programme diversification occurs in a manner which is piecemeal, and not sufficiently linked to budgets.</p>	<p>➔</p>	<p>A clear set of steps for planning and reporting in the sector that embraces all stakeholders will be established. Moreover, the explicit linking of plans, budgets and service delivery through three-year performance agreements following a basic national format will assist in a more transparent planning process that can involve a greater range of stakeholders.</p>

#### 4 Proposed funding norms

The left-hand column of the two wide columns in the matrix that follows is the proposed policy text. This is what would be published as a government notice, were the proposals accepted. The contents of the right-hand column are intended to provide readers with important background information that will assist in understanding the proposed policy texts. If the policy text is not sufficiently clear, it may be necessary to move some of the background information into the policy text.

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	<p>DoE Department of Education</p> <p>DoL Department of Labour</p> <p>FET Further Education and Training</p> <p>GAAP Generally Accepted Accounting Principles</p> <p>HE Higher Education</p> <p>MEC Member of the Executive Council</p> <p>MTEF Medium Term Expenditure Framework</p> <p>NATED National Education Department Report</p> <p>NBFET National Board for Further Education and Training</p> <p>NEDLAC National Economic Development and Labour Council</p> <p>NQF National Qualifications Framework</p> <p>PED Provincial Education Department</p> <p>PFMA Public Finance Management Act</p> <p>PPP Public Private Partnership</p> <p>SAQA South African Qualifications Authority</p> <p>SETA Sector Education and Training Authority</p>	

<p>IVET Technical and Vocational Education and Training</p>	<p>A number of terms dealing with Other definitions follow below:</p> <p>college</p> <p>programme</p> <p>national register of core FET programmes</p> <p>formula funding grid</p> <p>in section D.</p> <p>Also referred to as an 'FET college' and 'public FET college'. Unless otherwise stated, this is a public Further Education and Training institution as defined by the 1998 Further Education and Training Act.</p> <p>This is an education and training service offered by a college with a duration not exceeding one year. (See paragraph 29.)</p> <p>This is a register, maintained by the DoE, of programmes subject to formula funding. (See paragraph 34.)</p> <p>This is a schema used to determine the level of formula funding of programmes for one college in one year. (See paragraph 31.)</p>
<p>1</p>	<p><b>A. INTRODUCTION AND BACKGROUND</b></p> <p><b>The purpose of this policy</b></p> <p>This policy governs funding and expenditure by the Department of Education (DoE) and the Provincial Departments of Education (PEDs) in the area of technical and vocational FET, in particular with respect to public Further Education and Training colleges. Furthermore, this policy establishes certain approaches and procedures that the DoE, the PEDs and public institutions should</p>

	<i>Policy</i>	<i>Comments</i>
	<p>follow to improve alignment between different streams of public and private funding in the area of technical and vocational FET.</p>	
2	<p>This policy emanates from section 19 of the Further Education and Training Act (Act 98 of 1998), which requires the Minister of Education to determine norms and standards for the funding of public further education and training.</p>	
3	<p>This policy is intended to advance a number of the goals of government relating to people's education rights, skills development, curriculum transformation, job creation, poverty alleviation, economic growth, regional cooperation and the building of a free, democratic and equitable South Africa. Some of the key government policy documents that inform this policy are the following: Education White Paper 4: A programme for the transformation of Further Education and Training (1998); A new institutional landscape for public Further Education and Training colleges (2001); Human resource development strategy for South Africa (2001); National skills development strategy (2005).</p>	
-	<p>This policy represents a major consolidation and refining of Government's position on the public funding of technical and vocational FET. However, there are aspects of this policy that must inevitably change and be further refined as the education and training sector in the country evolves and develops. This policy must thus be read as an important milestone in a process of ongoing debate and policy refinement with respect to the public funding of technical and vocational FET.</p>	
	<p><b>People's education rights</b></p>	<p><b>Motivation:</b> This section is important, partly in that it addresses a common criticism, which is that TVET is too narrowly focussed on just the needs of industry, whilst the needs on the side of citizens are overlooked. <i>The new FET professional</i> (Department of Education 2004, 40) emphasises the importance of a concept of 'responsiveness' that focuses on economic needs, but even other needs.</p>
5	<p>This policy is an important tool whereby Government supports and promotes the education rights of South African people. The policy is explicitly designed to</p>	



	<i>Policy</i>	<i>Comments</i>
6	<p>tackle the apartheid legacy of unequal access to technical and vocational FET, and inequalities in terms of the quality of the education service.</p> <p>The Bill of Rights confers on all people in the country the right to further education. The Bill specifies that the state must make further education progressively available and accessible, through reasonable means.</p>	
7	<p>The public funding of technical and vocational FET serves to promote the fulfilment of people's rights to further education. Moreover, this aspect of public funding assists people to realise their full potential in terms of their lifelong learning and their career paths, in particular where history and social inequities have put people at a disadvantage.</p> <p><b>Development of the country and the region</b></p>	<p><b>Motivation:</b> This section is aimed largely at outlining the challenges for technical and vocational FET in terms of the quality and quantity of the service required. This section should be seen not as a general blurb, but as a set of specific criteria against which the rest of the funding policy should be evaluated. Nothing in this section contradicts the 1998 White Paper, though there are additional points that are brought in that are not covered in that policy document. The fact that our knowledge of what is needed has improved since 1998 underlines the need for this relatively detailed preamble in the funding policy.</p> <p><b>References:</b> This section borrows extensively from the HSRC's HRD Review (HSRC 2003a).</p>
8	<p>Technical and vocational FET in the country, and policies and strategies for the public funding of this service, must be carefully positioned so that the considerable economic and development challenges of the country can be tackled with maximum effectiveness. Three inter-linked and over-arching challenges stand out:</p> <p>(a) The country has a legacy of high unemployment that has proved difficult to tackle through any simple policy solutions. Labour absorption in the formal economy has been too low, resulting in sustained high unemployment and forced</p>	<p><b>Background: Unemployment.</b> Around 10 million South Africans have jobs in the formal sector, whilst a further 2 million earn some income in the informal economy. Each year between 100,000 and 200,000 new jobs are added to this</p>

<i>Policy</i>	<i>Comments</i>
<p>participation, sometimes on a purely survivalist basis, in the informal economy. Government's strategy is to sustain a range of policies and programmes on both the supply and the demand sides of the labour market to reduce unemployment and promote a movement from the 'second economy' into the 'first economy'. Education and training on its own cannot solve the problem, though it is an important ingredient in the short-term solutions as well as the long-term strategies. The challenge in technical and vocational FET is both a quantitative one and a qualitative one – more education and training must occur in skills areas that are of greater relevance for the labour market. There is an under-supply of skills to the economy across the board, at the high, intermediate and low skills levels. Skills are needed both to facilitate employment with established employers, and to assist entrepreneurial self-employment. Specific vocational skills must be underpinned by a solid base of general literacy and numeracy skills. The importance of strengthening these general education foundations as an economic imperative should not be overlooked.</p>	<p>stock. Growth in this respect is faster in the informal than the formal sector. The growth has up till now been inadequate to make a substantial dent in the unemployment rate of around 37%. Around 7 million South Africans would like to be employed, but cannot find a job. The worst off age cohort in this regard are the 24 year olds, almost a million of whom have no jobs. With age the situation improves somewhat. There are 400,000 unemployed 35 year olds and 200,000 unemployed 45 year olds.</p>
<p>(b) Nation-building requires a focus on specific educational activities. In particular, as part of their life skills training students need to learn what rights and duties apply to employers and employees in the workplace, how to interact with others in a diverse multi-lingual environment, and how to deal with health challenges such as HIV and AIDS. People's education should improve the range of life choices they enjoy – this has been shown to be good not just for individuals but for the society and economy as a whole. Nation-building requires a reduction in the extreme income inequalities prevailing in South Africa, to a large degree caused by educational inequalities which lead to exceptionally high incomes for a few, and extremely low incomes for a great number of unemployed people. Technical and vocational FET has an important role to play here.</p>	
<p>(c) Globalisation brings with it increasing pressure for local producers to be globally competitive, and to remain abreast of new technologies and production processes. The shift in demand has been from unskilled to skilled labour. Moreover, there is increasingly a demand for people who are capable of adapting easily to new technologies and new responsibilities in the workplace. This implies the need for a reserve of 'redundant' human capacity that may not be required</p>	<p><b>Background: Skills demand trend.</b> There is an ongoing shift towards demand for more skilled labour. This underlines the need for skills development. However, the importance of the 'globalised' sectors should not be exaggerated. In absolute terms, the greatest increase during the last few years has been with respect to craftsmen.</p>

	<i>Policy</i>	<i>Comments</i>
	<p>immediately, but is necessary for future adaptation and expansion. Traditional training approaches that focus narrowly on one form of production are of limited value in this context, and the challenge for technical and vocational FET is to provide students with a solid base in particular skills, whilst giving them the skill of responding to new production modes. The challenge of production innovation applies not only to the formal economy, but also to the informal economy, which presents important opportunities for short-term income and job generation as part of the formalisation process. Whilst the skills development pressures brought about by globalisation are important, they should not be exaggerated. Training policies need to take cognisance of the fact that there are parts of the economy which are less 'globalised' and that may have more localised and conventional training needs.</p>	
9	<p>Technical and vocational FET has a role to play in the development of the Southern African and African regions. The sector in South Africa should contribute to regional development through inter-institutional linkages, the offering of the service to students from other countries, and through the sharing of governance and policy experience.</p>	
	<p><b>Trends in technical and vocational FET</b></p>	
10	<p>Government's funding priorities are informed partly by what best practice around the world and research by bodies such as the ILO and UNESCO tell us about the delivery of technical and vocational FET. The following findings stand out:</p>	<p><b>Motivation:</b> All this is in line with WP4, but important specifics not dealt with in the White Paper get included here.</p> <p><b>References:</b> See above all Atchoarena &amp; Delluc (2002).</p>
	<p>(a) To become more responsive, public institutions must themselves engage with stakeholders in the local economy, collecting, analysing and disseminating labour market data, entering into training agreements with stakeholders, for instance learnership agreements, fomenting entrepreneurship and assisting entrepreneurs to access financial credit. Whilst research activities at the college level should be regarded as important, this should not detract from the importance of developing tools and training programmes at the national and provincial levels to facilitate the college-level work, or from the importance of national and provincial research</p>	<p><b>Background:</b> Existing labour market analysis initiatives at colleges. The 2004 report <i>The new FET professional</i> provides some description of existing trends in colleges with respect to local labour market analysis, the establishment of college marketing departments, and so on.</p>

	<i>Policy</i>	<i>Comments</i>
	work as described in paragraph 20.	
	(b) Making public institutions responsive is not just a matter of diversifying the range of services offered. The quality of teaching across the board, in practical and theoretical fields, needs to improve. Incentives should be in place to underpin this.	
	(c) The relative sizes of budgets destined for technical and vocational FET, purely general FET and Higher Education needs closer scrutiny. The various budget options need to be weighed up carefully, and, where necessary, budgetary shifts should be phased in. Alignment between public funding and private funding in the interests of equity and redress is important.	
	(d) Diversification in the range of services offered must go hand in hand with the development of clearer national curriculum frameworks, which at a macro level can serve as a basis for planning, costing and budgeting. Portability of credits is important.	
	(e) Technical and vocational FET tends to be more costly to deliver than general FET. However, this should not detract from the possibility of more efficient service delivery in certain programmes.	
	(f) Good governance of the sector is best served by a mix of bottom-up and top-down processes. It is important for government to establish and maintain the national curriculum framework, a set of public funding priorities, financial and other accounting rules that accommodate the multitude of services required, and regulations governing the involvement of public institutions in partnerships, especially where these partnerships involve income generation. Unnecessary complexity in these rules and frameworks should be avoided. Institutions need to feed upwards their best practices so that these can be assessed and possibly taken to scale. Good governance also involves ongoing formal and informal interaction with employer and employee organisations, from the national level down to the level of institutions.	

	Policy	Comments
11	<p><b>Specific challenges in the South African technical and vocational FET sector</b></p> <p>Specific challenges in the South African system that inform this funding policy are the following:</p> <p>(a) Due to the curriculum offered, user fees and mode of service delivery, FET colleges are not attracting or facilitating access for key target groups that need the service, including the unemployed, the under-employed, survivalists in the informal sector and women. A key challenge in this regard is the participation of FET colleges in more learnership agreements.</p>	<p><b>Background: Definitions and numbers in our learnership system.</b> Key information in this regard, and recommendations relating to increased involvement by colleges are provided in Appendix D.</p> <p><b>Background: Involvement so far by colleges in the learnership system.</b> Participation by FET colleges in the learnership system has been way below expectation. It is difficult to obtain precise figures on the number of learners per college or for the sector as a whole, but indications are that Western Cape colleges have been the most involved.</p> <p><b>Discussion: Current problems experienced in offering learnership programmes in colleges.</b> This matter is obviously a crucial one, given that the offering of more SETA-funded learnership programmes in colleges is viewed as a key to the expansion of the college sector. College stakeholders report that working with the SETAs on the delivery of learnerships is not cost effective. The SETAs become actively involved in the programme design undertaken by the colleges, and this makes the process unduly long, it has been reported. Moreover, SETAs occasionally require improvements to the infrastructure of colleges before training can begin, and this is reportedly a hurdle.</p> <p><b>Background: NATED and non-NATED.</b> There seems to have been a marginal shift in the right direction in terms of services offered by colleges, though this shift has been far from dramatic or terribly promising. Engineering seems to be gaining on business studies, and there has been an increase in non-NATED courses, which is seen as a sign of responsiveness, partly because these non-NATED courses tend to attract older students with specific employment goals. However, mode of delivery has barely changed (though the 2004 <i>The new FET educator</i> report mentions that there has been some distance mode delivery of NATED training), and it is not clear that the non-NATED trend is really an</p>

<p>upcoming courses are actually not that different from the old NATED courses). No clear data could be found on college involvement in servicing learnerships. Some of this is happening, but it appears to be on an extremely small and experimental scale. <i>The new FET educator</i> also describes the category 'skills programmes' as more or less crash courses requested by Government to deal with immediate employment creation issues. Unfortunately, information on the volume, management and funding of this training could not be found.</p> <p><b>Background: Incubator programmes.</b> Such programmes promoting entrepreneurship and coaching trainees through the whole process from business planning to applying for a loan, have become a reality in FET colleges. It is not clear how extensive this is, and not all colleges offer this service. One college reported having 120 trainees in incubator programmes. It is not clear how the funding of these programmes currently occurs. The fact that only about 1% of college graduates become self-employed after leaving the college (Cosser et al 2003) is an indication that this kind of work is still in its infancy.</p>	
<p><b>Background: The cost benefits of TVET.</b> A hotly debated issue in the economic analysis of TVET colleges in developing countries, is whether they are a worthwhile investment for a developing country. The dominant conclusion has been that they are not. We should remember that because TVET is invariably more costly than non-technical secondary schooling, the benefits accruing from TVET must be especially high to justify the investment. Analysts such as Ziederman (1997) argue that the data does not allow us to say conclusively that the cost benefit of TVET is low. It is argued that with good planning of relevant programmes, TVET in developing countries does yield high returns. Whilst no fully fledged cost benefit analysis has been undertaken with respect to South Africa's FET college training, some analysis of Labour Force Survey data has indicated that contrary to the trend in other countries, our colleges clearly demonstrate a superior cost benefit ratio relative to general schooling. This finding stands even if we control for race and gender. An important proviso must be made however. This LFS data analysis rests on the assumption that N1 in colleges corresponds to 10 years of education, that N2 corresponds to 11 years of education, and so on. In reality, a large number of students complete Grade 12 in</p>	<p>(b) Quality problems, both real and perceived, are a serious issue in the education and training offered by FET colleges. This problem has been particularly prominent in NQF levels 2, 3 and 4. This impacts on the ability of graduates to find employment. Apartheid legacies are still evident in racially based differences in the quality of the service received and pass rates of students. This matter needs urgent attention.</p>

	Policy	Comments
		<p>the schooling system before they proceed to their college training – Cosser et al (2003) finds that 81% of N2 students have a Matric pass. The same study also finds some evidence that FET college leavers are at an income disadvantage relative to other equivalent participants in the labour market.</p> <p><b>Background: Career guidance.</b> A study found that only 71% of FET college graduates had received some career guidance (Cosser et al 2003).</p>
<p>(c) The country is said to have an inverted pyramid problem in the sense that technical and vocational education and training is too loaded at the HE level relative to the FET level, and in the sense that general education is over-emphasised relative to technical and vocational education. Shifts in public spending are needed, though these must be undertaken with full cognisance of the various consequences. Trends in private investment in education and training need to be taken into account when public spending priorities are determined.</p>	<p><b>Background: The inverted pyramid problem.</b> The 'inverted pyramid problem' whereby university education covers more students than technician education, which in turn covers more FET college students, is commonly referred to. It is argued that the pyramid should be inverted. Of the three 'sectors', the FET college sector should be the largest, the theory goes. Clearly, shifts are needed, but whether the pyramid inversion theory can be fully defended perhaps remains to be seen. The growth in college enrolments has been relatively dramatic. Headcounts increased by 33% 1998-2002, whilst FTEs went up by 17% (suggesting more part-time courses).</p> <p><b>Background: Demand and supply for FET college places.</b> This is a critical issue. It cannot be assumed that creating more places in colleges will automatically lead to higher enrolment. There is no detailed study on these supply and demand factors, but college stakeholders report that overall there is no under-supply of places in the sense that colleges seldom have to turn prospective students away. The problem may arise with respect to particular high-demand courses, in which case colleges often succeed in convincing students to enrol in alternative courses. But overall, there is no shortage of FET college places. This suggests that expanding the college sector on the basis of the way the sector currently works will not lead to the enrolment increases we would want to see.</p>	
<p>(d) The curriculum frameworks need strengthening if FET colleges are to offer education and training that is portable and enjoys recognition in the labour market. The planning processes and funding system for colleges will be greatly streamlined by a clearer alignment of the various training services needed with the NQF. FET colleges themselves have a crucial role to play in the curriculum</p>	<p><b>Discussion: NQF level 5 in colleges.</b> Several policy documents raise the problem of post-FET training occurring in FET colleges. The last <i>Quantitative Overview</i> report implicitly says that N4 to N6 courses constitute Higher Education. This seems somewhat far-fetched, if one takes into account the duration of the N courses (see discussion in Appendix C). More recent arguments state that only N6</p>	

<p>development process. There are articulation problems between FET in schools and FET in colleges and between FET in colleges and HE in other institutions as well as problems relating to recognition of prior learning (RPL) that can result in inefficient repetition and duplication. These problems need to be addressed through the relevant NQF processes.</p>	<p>courses fall within the HE band. The problem seems to be that the N courses have never been properly assessed in terms of the NQF, and there is no formal placement by SAQA of these courses within the NQF.</p> <p><b>Discussion: International accreditation.</b> Accreditation of certain courses in FET colleges with international bodies has occurred. Presumably this is in addition to accreditation with SAQA, so no special mention of such accreditation would be necessary in the funding policy.</p> <p><b>Background: HE versus FET in colleges.</b> If we follow the argument that all N4 to N6 enrolments fall under the HE band, then in 1998 53% of FTEs were studying within the FET band. By 2002, this figure had risen to 62%. If we consider only N6 courses to be within the HE band, then clearly a higher proportion of students are truly FET students, though the precise figure could not be found.</p> <p><b>Background: Accreditation of NATED.</b> SAQA has accredited on a provisional basis the old NATED courses of the FET colleges. Presumably, a more permanent future for courses such as the business and engineering courses of the colleges is yet to be determined (this is assuming that these courses have a future at all).</p> <p><b>Background: The strategic curriculum choices.</b> Around the world, the fundamental curriculum choices for technical colleges are a hotly debated matter. We are by no means unique in experiencing logjams in the college curriculum development process. Key issues in the debates include (1) the extent to which government and industry maintain control over the curriculum, (2) the extent to which training should be full-time (or semester based) and the extent to which it should be modularised and (3) the level of emphasis to be placed on general theory and general learning areas such as languages. In the South African context, there is tension between the use of the more industry-aligned SAQA unit standards and NATED (or some updated version of NATED). Some college educators reject the SAQA unit standards approach arguing that it is 'not education'. Gamble (2003) provides an account of some of the curriculum issues</p>
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	<i>Policy</i>	<i>Comments</i>
		<p>in a South African context.</p>
	<p>(e) Effective educators at the FET colleges are key to bringing about the transformation of these institutions. The development of the educator corps to deal with new challenges needs to go hand in hand with greater flexibility in terms of the timing, mode and location of the service offered. Physical facilities at the institutions should be more extensively utilised.</p>	<p><b>Discussion: Employment contracts of FET educators.</b> There is clearly a need for more flexible employment patterns in colleges than in, say, schools. 'Flexibility' here can be understood in a number of ways, and need not lead to job insecurity amongst educators. The issues are discussed in considerable depth in the 2004 report <i>The new FET professional</i>. The following are some key proposals or implications of that report: (1) Salaries should be more competitive; (2) Employees should be much freer to take do additional contract work, such as curriculum development work; (3) Job descriptions and bargaining chamber agreements should allow for more flexible working hours and calendars so that colleges can respond more adequately to demand; (4) The management and perhaps formal employment of educators (and non-educators) should reside with college management, and not PED management.</p>
	<p><b>B. A FRAMEWORK FOR THE PUBLIC FUNDING OF TECHNICAL AND VOCATIONAL FURTHER EDUCATION AND TRAINING</b></p>	
	<p><b>Positioning public funding of technical and vocational FET</b></p>	
12	<p>Technical and vocational FET is clearly a joint responsibility of government and the private sector. It is important that public and private funding of this activity should complement each other. Two major public areas of responsibility stand out. One is the promotion of widespread and appropriate technical and vocational FET for the historically disadvantaged, who are usually not in a position to purchase these services privately. Another is the development of skills in industries, including niche industries offering special opportunities for the country, where the private sector is clearly not investing adequately in the necessary human resources development.</p>	
13	<p>The goal of prioritising the historically disadvantaged in the public funding system is to be balanced with an approach, similar to the approach followed in the FET schooling system, that promotes broadly inclusive public institutions that are representative of society in general. This balance is required in the interests of</p>	

	<p>nation-building.</p> <p>Research indicates that private funding of technical and vocational FET in South Africa is high, probably higher than public funding. At the same time, private spending directed at on-the-job training has declined substantially during the last ten years. It is imperative that public funding should be positioned in such a way that it complements private funding in the achievement of the country's development goals. Specifically, this involves a few key imperatives:</p>	<p><b>Discussion:</b> The private FET college sector is very large, according to the data we currently have. Knowledge on private FET colleges is obtained mainly from the DoE's registry of private colleges, and from an HSRC examination of around 300 of these institutions. Some indications point to there being some 700,000 students in private FET institutions – there are around 400,000 students in the public colleges. On the other hand, there has been a dramatic decline in private spending on on-the-job training (even when learnerships are taken into account). It is crucial that government take these trends into account when planning the public funding of FET.</p>
14	<p>(a) The current practice in public FET colleges of offering public services whilst also selling services to the private sector should continue, and is in fact encouraged by this policy as a way of making these institutions more responsive and innovative. This echoes the position of White Paper 4. However, this policy also lays down certain guidelines and restrictions in this regard. In particular, it is important for there to be a clear accounting division between publicly funded and privately funded services in colleges in order to avoid a situation in which public funding is used to cross-subsidise privately offered services. This can put the quality of the public service at risk, and results in prices for private services that are below the market value, because they do not capture the full cost of the service.</p> <p>(b) Some public resources should be dedicated towards the monitoring and regulation of private providers within the technical and vocational FET sector. This can provide government with important information that is needed in the planning of public funding in public FET colleges. Moreover, regulation of private providers is an important public service that can combat illegal and unethical practices in the training market.</p> <p>(c) Whilst the Further Education and Training Act of 1998 does not envisage public funds flowing to private FET institutions, it is important for government to consider this as one potential way of advancing the development goals of the</p>	

	<i>Policy</i>	<i>Comments</i>
	<p>country. Many countries with strong and vibrant public college sectors earmark a limited portion of public funding for private institutions in order to fill training gaps and encourage healthy competition in the sector. This policy, in particular the formula funding of programmes (described from paragraph 27), could be adapted in order to allow for the public funding of private providers. Moreover, nothing in this policy precludes the use of standard tendering processes for the procurement of training services required at particular points in time by government.</p>	
	<p>(d) South Africa has a well-developed legal framework for public-private partnerships (PPPs). Options such as PPPs where private providers utilise public facilities to offer training that is needed by the economy should be explored as part of the PED-college planning process referred to in paragraph 94 onwards.</p>	<p><b>Background: PPPs.</b> Treasury regulations spell out the basic framework for PPPs. Moreover, a set of PPP implementation manuals has been developed by Treasury. They are available on the Treasury website.</p>
15	<p>In the interests of quality FET services in the public sector, and in order to minimise inefficient utilisation of funds, it is important that the new funding system should be sensitive to the outputs achieved by public colleges. There are two ways in which the new system deals with the matter of efficiency and outputs. Firstly, the system allows PEDs to expand enrolment in colleges that prove to be efficient, and to decrease enrolment in inefficient colleges. This is made possible through the PED-college planning process. Secondly, the system includes an output bonus, which should be considered a performance incentive that eligible colleges can utilise to improve their facilities, conduct further research, or for some similar developmental activity. Importantly, the system is not designed in such a way that lower performance results in lower funding per student. The output-related aspects of the system are obviously dependent on the credible measurement of college performance, both in terms of successful completions (or the throughput rate) and in terms of the labour market performance of graduates.</p>	
16	<p>Whilst there are good reasons to regard public schools falling under the South African Schools Act as institutionally and educationally distinct from FET colleges, there are also good reasons to promote a degree of mixing in terms of funding and in terms of the curriculum. Nothing in this policy precludes the existence of school education programmes in FET colleges.</p>	

<b>ROLE OF THE PUBLIC FET COLLEGES</b>	
17	<p>Following the position of preceding policy documents, this policy considers public FET colleges to be critical for the delivery of cost-effective public services that make a real difference to skills development, labour market readiness amongst our youth and the growth of the economy. The role of the college councils, as laid down in the Further Education and Training Act, is the premise of much of this policy. At the same time, the funding system described here establishes new roles and responsibilities for the college councils and college management. What is strongly emphasised in this policy is a collaborative planning approach involving the college stakeholders, government and employer and employee organisations from the private sector. To a large degree, public funding of public FET colleges is envisaged as the procurement of specific training services by government, linked to a clear and annual PED-college planning cycle that considers local, provincial and national demands, as well as the adequacy of the physical and human capital of colleges to deliver the specific services.</p>
18	<p>Public FET colleges should continue to be responsible for the structuring of their college fees, including college fees charged for publicly funded programmes. This arrangement allows managers in colleges to be responsive to local cost pressures and pressures relating to the ability of students to pay fees. However, this policy assumes that it is important for the structuring of college fees, particularly fees charged for publicly funded programmes, to be subject to certain guidelines and restrictions aimed at advancing equity and efficiency in the delivery of public services.</p>
19	<p>White Paper 4 does not preclude the possibility of FET colleges offering Higher Education programmes, though it opposes excessive mission drift in colleges away from the FET band. The White Paper furthermore states that HE programmes should be funded through the relevant HE funding policies, and not this policy. This policy, then, applies to FET services only.</p> <p><b>Discussion:</b> This is of course a critical point. If the existing N4 to N6 programmes are indeed formally classified as being at level 5 on the NQF, then we arguably have a serious policy and planning problem, because almost half the training offered at colleges is the N4 to N6 programmes. It seems difficult to apply the existing HE funding policies to a portion of the FET college services. The HE funding policies were not designed for this, and having two funding policies operating concurrently at the FET colleges would be very cumbersome. However, the N4 to N6 programmes have not been formally classified as HE</p>

	<i>Policy</i>	<i>Comments</i>
		<p>programmes (even though many documents refer to them as such), and there are a number of reasons against considering them as part of the HE band (see Appendix C below). If they were <i>not</i> formally classified as part of HE, and if actual HE services at colleges were limited to a very small margin, then this current paragraph is arguably not a problem.</p>
	<p><b>Research, monitoring and planning</b></p>	
20	<p>Public expenditure on research, monitoring and systems development is important for the success of the new funding system. The following clearly require ongoing funding.</p>	
	<p>(a) Research focussing on the effectiveness of public expenditure in the sector. In this respect, comparisons across programmes being offered, across public colleges, across provinces and between the public and private sectors would be important. Both the DoE and PEDs need to engage in this research. There should be a strong emphasis on the generation of time series data that can indicate whether the effectiveness of the system is improving. Tracer studies that gauge the success rates of graduates in the labour market should be undertaken. Paragraph 88 below deals with the important matter of the costing of FET college programmes.</p>	
	<p>(b) Monitoring of the sector, and the development of monitoring systems that can improve the relevance and reliability of data.</p>	
	<p>(c) The development and maintenance of national and provincial plans for enrolments, spending and college outputs. This work depends strongly on there being good research and effective monitoring systems. The DoE's role in determining national strategies for the volume and type of training to be offered, at an aggregate level, in FET colleges across the country is crucial.</p>	
	<p>(d) The development of information systems, including financial accounting systems. Given the need for nationally standardised systems, and the cost of developing these systems, this responsibility should rest with the DoE at the</p>	



	<i>Policy</i>	<i>Comments</i>
21	<p>national level. This policy has implications for the information systems that are required in the sector.</p> <p>At the national level, the functions described in paragraph 20 are principally the responsibility of the Department of Education. At the provincial level, responsibility rests with the Provincial Education Departments. Whilst this policy does not require the establishment of a separate national research and systems development agency, an option that has been pursued in a number of other countries, such options will receive further investigation by the DoE. The National Skills Authority, established in terms of the Skills Development Act of 1998, will continue to play an important role in aligning DoE and DoL strategies with respect to the funding of FET. Moreover, the National Board for Further Education and Training (NBFET) should be regarded as an important roleplayer in taking the new funding system forward, and proposing enhancements in the future.</p>	<p><b>Background: NBFET.</b> Government notice 1043 of 1998 creates the National Board for Further Education and Training (NBFET). This body has a chairperson appointed by the Minister, and a maximum of 28 other members. The DoE is expected to provide staff for secretarial functions, but not for research capacity. Whilst the notice specifies that nominations for the Board should come from all stakeholder groups, the weight of representation of the various groups is a Ministerial prerogative. It is interesting to view the structure of the NBFET in terms of the recommendations of the 1997 Report. The Report presented two options. In the coalition model, national and provincial governments would sit together in one body. This was the preferred model from a funding perspective. In the concurrent model, there would be a national body and a second tier of nine provincial bodies. The NBFET is neither. There is just one national body, but provincial government participation is not guaranteed in the structure. ○</p> <p><b>Background: National bodies in other countries.</b> Capacity at the national level to plan the TVET system is still very limited in South Africa. A country such as Australia has a large number of researchers and system planners working at the national level, though there is limited agreement over the optimal institutional arrangements (see Appendix F, and in particular the recent dissolution of ANTA). Our relatively 'blank slate' in South Africa offers the opportunity of avoiding the mistakes made in other countries.</p>
	<p><b>Policy development in the sector</b></p>	
22	<p>This funding policy can be expected to evolve as other, related policies evolve, and as new best practice emerges. Policies and frameworks that can be expected to shape this policy very directly in the future are the FET college curriculum, the learnership system maintained by the Department of Labour, and the policies governing the Sector Education and Training Authorities (SETAs).</p>	

	<i>Policy</i>	<i>Comments</i>
	<p><b>C: THE SYSTEM FOR FUNDING PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES</b></p>	<p><b>Motivation:</b> The term 'college' is used, and not 'institution', as this is the term used most extensively in Government documents. It also seems a tighter description, and schools are also institutions.</p>
	<p><b>Redress principles for public funding</b></p>	
23	<p>Public funding of public FET colleges must contribute towards the redress of past inequalities. This means that the funding system must deal with two things. Firstly, it must ensure that students or potential students from socio-economically disadvantaged households receive funding at a favourable level, both to deal with additional costs relating to, for example, additional tuition time needed, and to deal with inability to pay college fees. Secondly, funding should be linked, even if it is indirectly, to targets dealing with the representativity of college student populations in terms of gender, race and disability.</p>	<p><b>Background: Student representativity.</b> In 2002, 76% of college students were African, and 40% were female. Africans and females were thus somewhat under-represented. Informal reports indicate the situation has been changing in recent years, partly due to a sharp decline in the number of white students in colleges. There is an imbalance insofar as female students tend strongly to take business streams rather than engineering streams. It would thus be important to track not only aggregate statistics, but also statistics broken down by type of programme. There appear to be no statistics available on the number of special needs students.</p>
24	<p>The aim of government is for the FET college sector as a whole to be representative of the country's population in terms of gender, race and disability. Moreover, it is the aim of government to bring about better representativity within different programmes, for example a greater presence of female students in technical subjects. At the provincial and college level, the aim should be to promote the national representativity targets through better recruitment of under-represented groups.</p>	
	<p><b>Types of funding for public FET colleges</b></p>	
25	<p>The income of FET colleges can be divided into the following seven streams:</p> <ul style="list-style-type: none"> <li>(a) Formula funding of programmes</li> <li>(b) Earmarked capital funding</li> <li>(c) Earmarked recurrent funding</li> </ul>	<p><b>Background: Funding breakdowns already agreed on.</b> WP4 and the FET Act provide breakdowns of income that are different from each other, though compatible with each other. This list is a slight reworking and a merging of the WP4 and FET Act breakdowns. See the sections that follow for more detailed cross-references to the earlier policies.</p>

	<p>(u) <i>Uwaga</i></p> <p>(e) Student financial aid</p> <p>(f) Private fee-for-service income</p> <p>(g) Other private funding</p>
<p>20</p>	<p>SECTION C DEALS WITH THE FUNDING OF PROGRAMS AND THE REMAINING FUNDING STREAMS ARE DEALT WITH IN SECTION E.</p>
<p><b>D. FORMULA FUNDING OF PROGRAMMES</b></p> <p><b>Background: Formula funding theory made easy.</b> A paper by Crouch and Lombard (2000) explains how 'programme funding' (which is the same as the 'formula funding of programmes' referred to here) fits into the range of options for public funding of education and training.</p> <p><b>Background: Existing formula funding recommendations.</b> This is one of the categories in WP4. It falls under 'funds allocated by the State' in the FET Act. This is the 'programme-based funding' that is widely referred to. The 1997 Report contains the most detailed set of recommendations for formula funding available, though it by no means provides a ready-made formula. Essentially, the 1997 Report recommends a formula that considers FTEs as the unit of activity, allows for 5% of funds to be determined according to successful completion of programmes (i.e. output), is mode-neutral (i.e. distance learning would not be funded differentially), uses costing to determine allocations per programme, allows market signals to determine the mix of programmes offered, and guarantees institutions that their total allocations will not drop beyond a particular level (10%) from one year to the next. The Report further recommends that 10% of all funding running through this channel be subjected to an open bid situation that would allow private and public providers to compete for funds. It is furthermore suggested that the higher cost of training less advantaged students should perhaps be taken into account in the formula. WP4 indicates that formula funding should be adaptable to secondary schools, so that Government can experiment with and possibly take to scale this form of funding in schools. There</p>	



<p style="text-align: center;"><i>Comments</i></p> <p>is some confusion in WP4 regarding the co-existence of post provisioning and programme-based funding, but in one part (section 4.42) it is made clear that personnel funding should occur through the programme-based funding route. The 1997 Report does not deal at all with the matter of aligning post provisioning to formula funding.</p> <p><b>Background: Funding modalities in other countries.</b> There is a bit of a gap between what our policy documents have regarded as the ideal in terms of formula funding of programmes, and what has actually been proven to work in other countries. This should not stop us from becoming a pioneer, but we need to be aware of the <i>unproven track record</i> of much of what we want to do. Australia follows a formula approach, built around student contact hours (SCH), but it lacks many of the features envisaged in our policies. For example, Australia has no poor mechanism in its system. The link between state funds per programme and actual cost of programme delivery is weak. There has been a marked drop in the per programme funding levels over the years, and this has led to tensions. There is no national formula in Australia, so 'provinces' devise their own approaches. Whether this is wasteful when we weigh satisfying local needs against research capacity is not clear. The 'provinces' are permitted to fund the same programmes at vastly different levels – sometimes the differential is as high as 100%. There are serious concerns, moreover, that within each 'province', the formula does not properly cater for differences between the costs of different types of programmes. Accounting rules require a clear separation of publicly funded and privately funded programmes, making perverse cross-subsidisation difficult. The mix of programmes in each college to be funded publicly is determined jointly between the institution and the public funder through a process of negotiation and business planning. The policy of allowing a small proportion (around 10%) of formula funding to be biddable on the open market is followed in Australia, and is regarded as important for encouraging some competitiveness amongst public institutions.</p>	<p style="text-align: right;"><b>What the</b></p>
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	Policy	Comments
27	<p>Formula funding of programmes, as captured in the formula funding grid, is designed to promote particular goals in service delivery. The intention is for the formula funding grid to be only as complex as is necessary for the promotion of these goals. The goals are as follows:</p> <p>(a) To promote transparency and easy comparability between provinces and colleges in terms of what programmes are being offered, the number and categories of people reached by programmes, how programmes are funded and success rates.</p> <p>(b) To promote compatibility with the NQF.</p> <p>(c) To promote predictability over the medium term whilst providing the necessary space for flexibility. It is important to interpret the formula funding grid together with the paragraphs in this policy that allow for flexibility in the implementation process, particularly during the transition to the new system (see paragraph 118). The funding system should promote good planning, whilst not stifling effective management.</p> <p>(d) To promote equity through the preferential funding of colleges with students who are less able to pay college fees.</p> <p>(e) To promote quality and efficiency in a manner that is sensitive to historical inequities through an incentive system that takes into account both absolute success rates and improvements over historical success rates.</p>	<p><b>Motivation:</b> The formula funding of programmes proposed here is fairly complex. This is because the policy requirements are rather complex. What should be remembered, however, is that although these funding norms would be a public document for accountability reasons, it is expected that a small number of financial and planning people from the 9 PEDs and the 50 colleges would be the principal users of the policy.</p>
	<p>Formula funding of programmes delivered to cover the current costs of delivering particular training programmes, specifically those relating to the formula funding of programmes, specifically those relating to head costs have been incorporated</p>	<p><b>Motivation:</b> This matter has been discussed in some depth. The advantage will be dependent on shrinkage or growth of the institution, colleges will be inclined to avoid inflexible maintenance contracts, and will prefer contracts that</p>

	<i>Policy</i>	<i>Comments</i>
	<p>the formula funding of programmes based on the understanding that most overhead costs are sensitive to college size. The approach taken in the policy is aimed at encouraging efficient practices with respect to the organisation of administration, student support services, college marketing, management and other activities associated with overhead costs. An exception from this approach is accommodated within the earmarked recurrent funding stream (see paragraph 69).</p>	<p>adjust to the volume of training services offered by the college. It should be remembered that the new merged colleges are all likely to be of a scale where enrolment-linked overhead spending should be sufficient.</p>
	<p><b>General definitions</b></p>	
29	<p><b>Programme:</b> This is a unit of training offered by a college to a group of students for the duration of a whole academic year or part of an academic year. Programmes are differentiated by their NQF learning field and level, by their general content, and by historical or institutional origins, for instance whether they are inherited NATED programmes or linked to DoL learnerships. The definition of programme used in the formula funding grid and applicable to FET colleges is specific to this policy and is not necessarily the equivalent of the NQF definition of a programme. Thus a qualification or a unit standard registered with SAQA may be considered a programme for the purposes of the formula funding grid.</p>	<p><b>Background: NQF programmes.</b> Programmes are not one of the key elements in the NQF architecture. Programmes are not defined in the SAQA legislation, though on their website SAQA does offer some loose definitions of programmes which would fit them into a level between qualifications and unit standards. (The equating of NQF programmes to the vocational programmes of NATED is something loosely proposed by the 2002 <i>Quantitative Overview</i>, i.e. this is not something established by SAQA.)</p> <p><b>Discussion: Programmes and other curriculum elements.</b> In NATED, either courses or instructional offerings might equal programmes. Appendix C provides some information on the NATED curriculum. Though there are a large number of courses (346) and instructional offerings (626), we need to remember that enrolment is concentrated in very few of them. An average of 187 instructional offerings per college are offered, according to the 2002 <i>Quantitative Overview</i>. Turning to training other than NATED training, the SAQA database of qualifications includes over 800 qualifications and 5,600 unit standards at the FET band. All of these include descriptions and are strongly industry-focused. Approved unit standards on the SAQA website tend to cover 3 to 15 credits each, implying 30 to 150 notional hours. This is much shorter than a year's course. <i>Approved qualifications tend to have between 120 and 140 credits, meaning 1,200 to 1,400 notional hours (a qualification must contain at least 120 credits). This amounts to a year of full-time studies (or the 900 hours of contact time of the FTE). It seems there are good reasons for using both unit standards or qualifications as row items, i.e. programmes, in the funding grid. Learnership programmes tend to cover one year only, and they are comprised of unit</i></p>

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30	<p><b>Formula funding of programmes:</b> This is the system for providing the bulk of public funding for FET colleges. The system works basically as follows: The DoE sets a <i>national funding base rate</i>, in rand terms, describing the cost of a very basic FET college programme. The DoE also sets a <i>funding weight</i> for each programme eligible for formula funding, where this weight indicates how much more than the national funding base rate it costs to deliver a particular programme. Each programme is also assigned an <i>assumed fee level</i> representing the cost that college fees can be expected to cover. The PED is permitted to adjust the national funding base rate upward or downward within a margin, to suit provincial circumstances. This results in an <i>applied funding base rate</i> in each province. Each PED also assigns an <i>assumed exemptions level</i> for each college in the province, representing the proportion of fees that must be exempted, on the basis of the financial needs of students. For each programme within a college, <i>individual students</i> is multiplied by the <i>programme duration</i> in order to obtain the <i>full-time equivalent students</i>. An <i>applied total funding weight</i> is calculated for each programme in each college, representing public funding to be received for each full-time equivalent student. This weight takes into account expected fees and expected exemptions. The weight is multiplied by the full-time equivalent students to obtain the <i>programme weight</i> of each programme. The sum of all programme weights, the <i>college programme weight</i>, is multiplied by the province's applied funding base rate in order to obtain a <i>college allocation</i>. To this allocation is added an <i>output bonus</i>, giving the final amount to be transferred to the college.</p>	<p>standards. Each learnership must lead to a qualification. In the case of learnerships, it seems either the whole learnership or the underlying unit standards should be permissible as 'programmes' in the funding grid.</p> <p><b>SEE APPENDIX B FOR A DIAGRAMMATIC REPRESENTATION OF THE PROPOSED FORMULA FUNDING OF PROGRAMMES.</b></p>
31	<p><b>Formula funding grid:</b> This is a schema used to organise formula funding of programmes. The formula funding grid appears in Annexure A of this policy. The schema, which appears in a blank version and a version with dummy data, should be used to illustrate the funding policy contained in the paragraphs that follow. The same formula funding grid applies to all public FET colleges in the country. One formula funding grid, as presented in Annexure A, is designed to cover the formula-funded services of one institution during the course of one academic year.</p>	<p><b>Motivation:</b> There are obviously a range of options for what should be included and what should be excluded from the formula funding grid. The approach taken here is to avoid the complexity of capturing <i>all</i> the financial details of the college in one single format – what exactly constitutes formula funding might then be lost. Clearly, the overall financial planning of colleges is important, but the formula funding grid is not intended to be the tool for this.</p>

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32	<p>Several versions of the grid should be used to cover several years in the planning cycle. The formula funding grid does not deal with the private income of colleges or public funding other than formula funding of programmes. However, it does capture enrolment and programme duration details on all the training offered by a college in one year, regardless of funding source. The formula funding grid is thus a tool for the planning of all services delivered by a college, plus a tool for determining how much formula funding of programmes a college should receive. Further details on how the formula funding grid should be used are provided from paragraph 27 onwards.</p> <p><b>In-line issues:</b> These are planning issues relating to individual programmes offered by a college. They are captured in the top part of the formula funding grid. Each line in the top part of the formula funding grid would normally contain a different programme. Only where the same programme is being offered to different groups of students on different time bases, for example part-time and full-time, may a programme be repeated. All programmes offered by a college within a year, regardless of funding source, must be entered in the in-line part of the formula funding grid.</p>	
33	<p><b>Bottom-line issues:</b> These are global planning issues that apply to a college as a whole. They are captured in the bottom part of the formula funding grid.</p> <p><b>The national register of core FET programmes</b></p>	
34	<p>The formula funding grid uses information that would be provided by a national register of core FET programmes. This national register must contain certain details relating to those FET college programmes that the DoE regards as core programmes for this sector. The DoE maintains the national register of core FET programmes, and makes it available to the public and stakeholders in the FET college sector. The core programmes in the national register are programmes that government believes should receive a particularly strong emphasis in the funding of FET colleges. The core programmes would not, however, be the only programmes that the state would fund. Core programmes may be programmes registered with SAQA by the DoE, or programmes registered with SAQA by other</p>	<p><b>Motivation:</b> This section is informed by the plans of the DoE to transform NATED into an improved basic set of TVET programmes that should be at the heart of the expansion of the FET college sector.</p>

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	organisations, where the DoE considers these programmes sufficiently important to qualify as core programmes.
35	The national register of core FET programmes must, as a minimum, include the following information relating to each programme (see paragraphs 36 onwards for definitions of the various pieces of information): DoE programme identifier; SAQA/DoL identifier; NQF learning field; NQF level; Programme type; Programme name; SAQA credits; Funding weight for personnel; Funding weight for capital expenditure; Funding weights for non-personnel non-capital. (Details on the determination of funding weights are provided in paragraph 90.) In addition, the national register should indicate the typical programme duration, for example whether the programme is typically a one-year programme or a trimester programme. The national register will not indicate a hard and fast programme duration, as this aspect of service delivery requires some flexibility.
36	The following paragraphs describe the meaning of each of the columns, from left to right, of the in-line part of the formula funding grid appearing in Annexure A. The in-line part of the formula funding grid is divided horizontally by four headings: 'CORE DOE'; 'SAQA UNIT STANDARDS'; 'SAQA QUALIFICATIONS'; 'REGISTERED LEARNERSHIPS'. The lines appearing under 'CORE DOE' influence the formula funding of the college. The lines under the headings do not influence the formula funding of the college in any direct way. However, they contain important ancillary information needed for the planning process.
37	<b>DoE programme identifier:</b> This is the unique identifier of a programme included in the national register of core FET programmes. Only programmes under the heading 'CORE DOE' will carry the DoE programme identifier.
38	<b>SAQA/DoL programme identifier:</b> This is the unique identifier of a programme as it would appear in the SAQA database (for SAQA unit standards and

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	qualifications) or in the Department of Labour register of learnerships.	
39	<b>National Qualifications Framework learning field:</b> This is the learning field of the programme. For DoE core programmes, this would appear on the national register of core DoE programmes.	
40	<b>National Qualifications Framework level:</b> This is the NQF level of the programme. For DoE core programmes, this would appear on the national register of core DoE programmes.	
41	<b>Programme name:</b> This is the name of the programme. Under 'CORE DOE', the name should be the one used in the national register of core FET programmes. In the rest of the formula funding grid, the correct SAQA or DoL names should be used. Abbreviation may occur, as long as the programme names remain unambiguous.	
42	<b>SAQA credits:</b> This is the number of credits that the programme carries within the NQF. For core programmes, this is indicated in the national register of core FET programmes.	
43	<b>Programme duration:</b> This is the duration of the programme in terms of the academic year. The value is a number expressed to two decimal places, and may be 1.00 or less than 1.00. A value of 1.00 indicates that the programme covers one academic year on a full-time basis, which in turn must cover 900 hours of contact time. A value that is less than 1.00 indicates that fewer than 900 hours of contact time are covered, and the value will be proportional to the hours of contact time. For example, a programme that covers only 300 hours of contact time, would have a programme duration of 0.33. A programme with a programme duration of 1.00 in one line of the formula funding grid may reappear in another line with a lower programme duration, if the same programme is also being offered part-time to another group of students. The programme duration should be filled in for all programmes, whether they receive formula funding or not.	<p><b>Background: Notional hours.</b> The NQF works on the basis of 'notional hours' and not contact hours. Notional hours would include time spent by the student on, for instance, homework and test preparation. Contact hours do not cover such activities. Each credit in the NQF is said to cover around 10 notional hours, and qualifications are generally required to cover at least 120 credits, i.e. 1,200 notional hours.</p> <p><b>Background: Trimesters and semesters.</b> Currently in the college sector, trimesters are said to cover 300 hours of contact time (or one-third of an FTE), and semesters 450 hours (or one-half of an FTE).</p> <p><b>Discussion: Use of FTEs.</b> The issues are perhaps, firstly, should we use contact hours and, secondly, should 900 hours of contact time be our yardstick? The choices that have been made here are informed by current practices in the college</p>

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		<p>sector. It should be noted that <i>The new FET professional</i> is strongly critical of the use of FTEs as a basis for resource need, because of the equivalence between FTEs and contact time. This, the report says, discourages important industry liaison work. In the current proposal, resources needed to carry out such work would be generated not through the FTE value, but through the funding weight (see next paragraph). It seems desirable to retain some statistic, the FTE, which focuses exclusively on contact time.</p>
44	<p><b>Funding weights (by economic category):</b> This is a weight attached to each economic category of each programme to represent the cost of delivering the programme relative to the national funding base rate (explained in paragraph 89). The economic categories to be used are (1) personnel cost, (2) capital infrastructure cost and (3) non-personnel non-capital (or 'npnc' or non-personnel recurrent) cost. A specific programme may therefore have the funding weights 1.0, 1.1 and 1.3 for the personnel, capital and 'npnc' categories respectively. The funding weight is always expressed to one decimal point. A funding weight of 1.0 means that the cost of delivering the programme with respect to the economic category in question, is equal to the national funding base rate value for that category. A personnel funding weight of 1.1, to take an example, would mean that the actual delivery cost with respect to personnel is 10% higher than what is indicated in the national funding base rate for personnel. Funding weight values are specified on the national register of core FET programmes. All programmes under 'CORE DOE' would have funding weights specified. When a funding weight is multiplied by the corresponding economic category of the applied funding base rate (described in paragraph 56), the expected cost as determined by the PED is obtained.</p>	<p><b>Motivation:</b> Allowing only one decimal place for the funding weight is a way of removing excessively detailed disputes and discussions around the cost of each individual programme. This is the practice in the British system.</p> <p><b>Discussion:</b> It may be excessive to have funding weights for each of the three economic categories. However, having this division seems useful for a number of reasons. For example, it forces curriculum development staff to focus explicitly on the full range of inputs needed for a specific programme. This then makes it easier to come up with a more realistic monetary cost.</p>
45	<p><b>Assumed fee level:</b> This is an indicator ranging in value from 0.00 to 1.00 that indicates the expected level of fee-charging for each programme on the national register of core FET programmes. A value of 0.20 would indicate that the DoE expected 20% of the full cost of the programme to be covered through college fees. The assumed fee level must be informed by clear analysis of historical trends with respect to college fees and the education and training market in general. It need not take into account poverty factors, as these are dealt with in the assumed</p>	<p><b>Discussion:</b> Differentiated fees for differentiated cost levels. A key policy question is whether students enrolled in programmes costing the state more should be charged higher fees. There are arguments for and against this. The argument in favour says that more costly programmes tend to translate into better incomes on the labour market, so it is reasonable for private costs to be higher, because future private benefits will be higher. The counter-argument is very often based on the a priori assumption that students within one institution should be</p>



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	<p>exemptions level (see paragraph 57 below).</p>	<p>treated equally when it comes to fees, and that equity in this regard means equal fees. The way the assumed fee level is conceptualised, by programme, allows for either approach to be pursued. If the assumed fee level is made to be the same fraction across all programmes, then fees will be higher for certain programmes than for other. On the other hand, if the assumed fee level is made to be lower in more costly programmes, then equal fees could be achieved. The UK funding formula takes the approach of equal fees for every programme of a similar duration (see Appendix F). The question of whether all fees should be the same should be separated from the question of redress. Redress, in the system being proposed, is dealt with through fee exemptions. Thus having higher fees for more costly programmes does not necessarily imply it becomes more difficult for the poor to enter these programmes, as long as the exemptions rules were sensitive to this issue.</p> <p><b>Discussion: Public funding for only those who cannot pay.</b> It is sometimes argued (though not often in South Africa), that the rich should pay for the full cost of TVET programmes, even if they are offered in public institutions, because they can afford to do this. It should be noted that this option is at least theoretically possible within the system being proposed here. This option would be realised if the assumed fee level were made 100% for all programmes, and all matters of student financial need were dealt with through the means test and the exemptions process.</p>
46	<p><b>Actual total funding weight:</b> This is the weight that indicates the allocation that will be transferred to the college per programme and per full-time equivalent student, relative to the overall applied funding base rate (explained in paragraph 56 below). A value of 1.00 indicates that the allocation is expected to be equal to the overall applied funding base rate. The actual total funding weight takes into account several things: programme cost as reflected in the funding weights (<math>FW_p</math>, <math>FW_c</math> and <math>FW_n</math>); the applied funding base rates per economic category as determined by the PED (<math>AFBR_p</math>, <math>AFBR_c</math>, <math>AFBR_n</math> and their sum <math>AFBR_{tot}</math>); the assumed fee level for the programme (<math>AFE</math>); the assumed exemptions level for the college (<math>AEL</math>) (described in paragraph 57). Each funding weight is multiplied by the corresponding applied funding base rate, and the sum of the three values is</p>	

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	<p>then adjusted downwards according to the assumed fee level, and thereafter upwards according to the assumed exemptions level. The formula is as follows:</p> $ATFW = \frac{(FW_p \times AFBR_p) + (FW_c \times AFBR_c) + (FW_n \times AFBR_n)}{AFBR_{ind}} \times (1 - AFL + (AFL \times AEL))$	
47	<p><b>Individual students:</b> This is the number of actual students enrolled in each programme entered in the formula funding grid, regardless of funding source. The determination of these numbers constitutes a crucial part of the PED-college planning process.</p>	
48	<p><b>Full-time equivalent students:</b> This is the number of full-time equivalent students in a programme entered in the formula funding grid. Full-time equivalent (FTE) students is number of individual students multiplied by the programme duration. The formula is as follows:</p> $FTE_{students} = \text{Individual students} \times \text{programme duration}$ <p>The number of FTE students per programme is a key determinant of the funding that should flow to each programme that is offered by a college. This column is left blank where programmes do not receive formula funding.</p>	<p><b>Background:</b> What FTEs currently attract resources. The criteria for FTEs in the post provisioning norms and (if they exist) provincial non-personnel funding formulas vary greatly from province to province. In KwaZulu-Natal a more conservative approach is followed whereby only formal NATED FTEs are used in the personnel and non-personnel resourcing determinations. This results in a situation in which non-NATED courses are funded through fees, though resourcing within one college is not strongly compartmentalised, meaning cross-subsidisation would in effect occur. In North West, both NATED and non-NATED FTEs generate resources for colleges. Reportedly, even FET schools learners in colleges are resourced via the FTE approach. In Western Cape, students in learnership programmes that are regarded as a provincial priority may be translated into FTEs for resourcing purposes.</p>
49	<p><b>Programme weight:</b> This is the total weight of the programme, after the actual approved cost of service delivery, enrolment numbers and programme duration have been taken into account. The programme weight (<i>PW</i>) is expressed to one decimal place, and is the actual total funding weight (<i>ATFW</i>) multiplied by full-</p>	

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	<p>time equivalent students (FTE):</p> $PW = ATFW \times FTE$	
50	<p><b>Labour market segment:</b> This is the segment of the labour market receiving the chief focus of a programme entered in the formula funding grid. This specification occurs in the formula funding grid to encourage a focus on labour market imperatives. It does not influence the funding formula directly. The values in this column would refer to the following labour market segments: budding entrepreneurs; employed persons; operating entrepreneurs with employment potential; unemployed adults over age 35; unemployed youth up to age 35. Values are entered in the column to represent the most prevalent labour market status of enrolled students. If the same programme is being offered to different groups of students that are clearly distinct in terms of their labour market status, the same programme should be repeated in the formula funding grid. The determination of the labour market segment, which would often relate to anticipated, not actual, enrolment, must occur during the PED-college planning process described in paragraph 94 below.</p>	
51	<p><b>Additional funding source:</b> This is the main source of financing for programmes not covered by formula funding of programmes. Possible additional funding sources are: Employers (learnerships); Employer (other); SETA (learnerships); SETA (other); State (education department); State (Department of Labour); State (other). The additional funding source is entered on the formula funding grid as important background information for the planning process. It is not required for any calculation, and should only be included where a programme does not receive formula funding.</p>	<p><b>Motivation:</b> An earlier version of the proposed formula funding grid allowed for the possibility of a programme being funded partially through formula funding, and partially through some other source. This added much complexity to the grid. This complexity was regarded as unnecessary given that such mixing of funds is scarce or non-existent.</p>
52	<p><b>Past successful completions:</b> This is the number of students who completed the programme in question during one or more past years. The precise number of years to be considered is determined during the annual PED-college planning process. Moreover, rules for how to deal with the double counting of students, where the same students completed different programmes in the same year, or the weighting of students, will be established during this planning process. Past</p>	

	<p>successful completions, together with past enrolments (see the next paragraph) are used to gauge the efficiency of service delivery during previous years, and hence the eligibility of the college for output bonus funding in the bottom-line determinations.</p>	
53	<p><b>Past enrolments:</b> This is the number of students who could have completed the programme in question, in other words the number of enrolled students, during the past one or more years. The years considered and the rules for counting students would be the same as for the past successful completions (see previous paragraph).</p>	
	<p><b>The bottom-line part of the formula funding grid</b></p>	
54	<p><b>College programme weight:</b> This is the sum of all the programme weight values in the formula funding grid. This forms the basis of the formula funding for a college.</p>	
55	<p><b>Sum of past successful completions and enrolments:</b> This is the sum of the values referred to in paragraphs 52 and 53. These totals are important inputs into the determination of the output bonus referred to in paragraph 62.</p>	
56	<p><b>Applied funding base rate:</b> This is a rate, expressed in monetary rand terms, indicating what the PED actually intends spending on the basic low-cost programme underpinning the national funding base rate (described in paragraph 89). The applied funding base rate may be equal to the national funding base rate, or may deviate slightly from it. The applied funding base rate is set by the PED, and is updated on an annual basis, taking into account the annual changes to the national base rate. It must be expressed as one total, but should also be broken down into the three economic categories used for the national funding base rate. A PED may set an applied funding base rate that deviates from the national funding base rate without approval from the DoE if the deviation is within a 5% limit for all the three economic categories. Deviations that exceed this limit may be made after adequate reasons for the deviation have been supplied to the DoE and the DoE has approved of the deviation. These controls are aimed at promoting national conformity to minimum quality standards in the FET college services.</p>	

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	<p>However, they need to be applied in conjunction with more direct quality controls focussing on the competencies of graduates against standard benchmarks, in particular inter-provincial differences in this regard.</p>	
57	<p><b>Assumed exemptions level:</b> This is an indicator ranging in value from 0.00 to 1.00 that indicates the expected level of fee exemptions for the college as a whole. As an example, a value of 0.30 would indicate that 30% of fees charged would need to be exempted due to income limitations and poverty factors. The assumed exemptions level is a PED determination arrived at after analysis of audited data from colleges relating to assessments of the financial needs of students using a national means test (means testing is dealt with in paragraph 74), and data relating to the repetition rates of the college (in support of the efficiency element referred to in paragraph 75). Each FET college in a province should have its own assumed exemptions level. FET colleges would be involved in the determination of the assumed exemptions level, in particular considering that the work involves using data collected at the college level. However, it is also important that the PED should conduct independent audits of the means test data, and should make the final determination regarding the assumed exemptions level. This is to counter possible fraud and bias aimed at attracting more funds to particular colleges. The assumed exemptions level must be sensitive to the assumed fee level described in paragraph 45. The higher the assumed fee level, the higher the assumed exemptions level should be. The DoE will investigate, on an ongoing basis, optimal combinations of the assumed fee level and the assumed exemptions level, given different college and socio-economic contexts, and will provide PEDs with guidelines in this regard.</p>	
58	<p><b>Assumed value of fees charged:</b> This is a calculated value using values from the in-line part of the formula funding grid as well as the total applied funding base rate of the PED. Specifically, the programme weight values and the assumed fee level values from the in-line part of the grid are needed. The assumed value of fees charged should reflect the total monetary value of the assumed fee level, and is used as an important benchmark against which to measure the correctness of the fee-setting processes described in paragraph 73.</p>	<p><b>Motivation:</b> The calculation required here is quite straightforward but lengthy to explain. Moreover, it is a calculation to calculate a benchmark, not to calculate the level of public funding. For this reason, the calculation method seems best communicated through implementation tools, as opposed to the policy itself.</p>

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59	<p><b>Assumed value of fee exemptions:</b> This is the expected monetary value of fee exemptions to be granted, given the structure of the funding formula. The assumed value of fee exemptions is the assumed value of fees charged (referred to in paragraph 58) multiplied by the assumed exemptions level (referred to in paragraph 57). The expected monetary value of fee exemptions is an important benchmark needed to gauge the correct implementation of the fee exemptions processes referred to in paragraph 76.</p>	
60	<p><b>Assumed value of fee income:</b> This is the expected monetary value of college fee income. It is the assumed value of fees charged minus the assumed value of fee exemptions.</p>	
61	<p><b>College allocation before output bonus:</b> This is the total monetary allocation for the college before the addition of a possible output bonus. The college allocation before output bonus (<math>CAI</math>) is the college programme weight (<math>CPW</math>) referred to in paragraph 54 multiplied by the total applied funding base rate (<math>AFBR_{im}</math>) of the PED.</p> $CAI = CPW \times AFBR_{im}$ <p>The sub-totals for each of the three economic categories should be calculated using the category-specific applied funding base rate from the bottom-line part of the grid and the assumed fee level, full-time equivalent students and category-specific funding weight from the in-line part of the grid. The sub-totals for the three economic categories should not be the total college allocation simply split up in proportion to the category-specific applied funding base rates, as this would not yield an accurate result.</p>	
62	<p><b>Output bonus:</b> This is a monetary bonus which the college receives in recognition of efficient or outstanding service delivery. The methodology for calculating the bonus is a PED determination. However, in arriving at the methodology, the following should be considered:</p>	<p><b>Motivation:</b> A previous version of this document presented a formula for the calculation of the output bonus. The approach was subsequently adopted of laying down criteria for the calculation, rather than one formula. There are a number of problems associated with having one national formula: (1) Insufficient research has been conducted into the matter to suggest strongly that one approach stands out as the best one. (2) Province-specific circumstances may make different</p>

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	<p>approaches to the output bonus desirable. (3) The process of arriving at an output formula, within the PED-college planning process, can be regarded as an important step in bringing a critical degree of focus in colleges and the PED to the performance issues.</p> <p><b>Discussion: Getting the output bonus right.</b> The matter of the output bonus is strategically important and complex. It should be subjected to closer scrutiny. Three key questions stand out. The first question is whether there should be a national formula – this could be a formula that would be partly deterministic and partly open to province-specific adjustment. The second question is whether the output bonus should only be above cost, or whether it should be permitted to cover some of the cost. The UK system only pays out the final 10% of the cost of delivering a programme after the student has successfully completed the year in question. This is clearly a form of output bonus that covers some of the cost. The UK system implies that institutions must absorb the cost of the 10% where students do not complete the year successfully. (The UK 10% output bonus is perhaps something we would want to make explicit in the SA policy. Before we do, however, it would be necessary to clarify how the throughput rate frequently referred to in the DoE-NBI reports is calculated, and whether this constitutes a good basis for an output bonus formula.) However, the UK system also has a performance bonus for colleges that plan well generally, and this provides funding above cost. It is not made clear in the UK system what this additional funding is intended for, but one can assume that it is intended for developmental activities such as research and HRD. The third question is what output issues the South African output bonus should deal with. Essentially there are four such output issues: (a) Successful completion by students of the programme; (b) The average scores attained by students in standardised examinations; (c) The degree of success of graduates in the labour market; (d) The attainment of particular developmental goals, for instance the successful implementation of new monitoring systems. There seems to be strong support for dealing with (a), (b) and (d) in the output bonus, but doubts about translating (c) into monetary rewards for institutions. The doubts are based on the understanding that there are many factors extraneous to the college that affect labour market success and that it is difficult to statistically adjust for those extraneous factors. There is no doubt</p>

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	<p>that the labour market performance of graduates should be a key trend that is monitored, but this is not the same as saying that colleges should be rewarded in monetary terms in this regard. Rather, it is argued, PEDs should use labour market performance as a key determining factor when deciding which colleges to upscale and which colleges to downscale through higher or lower formula funding in future years.</p> <p><b>Background: Inefficiencies in colleges.</b> Efficiency comes through as a major problem in the analyses of the colleges. Pass rates at around 57% are lower than in schools. The throughput rate is said to be only 50%, in other words only half of students complete their qualifications. This has been equated to a wastage of 50% of funding (this may be a bit of an extreme assertion as we do not clearly know the destination of non-qualified students). These criticisms need to be viewed in the light of an apparently better benefit cost ratio for colleges. It was not possible to assess the degree to which similar programmes differ greatly in per FTE expenditure between colleges or provinces. There are great disparities in the aggregate per FTE expenditure figures (R4,000 versus R10,000), but this is said to be a result of different programme mixes at different colleges.</p>
<p>(a) The ratio of past successful completions to past enrolments, and previous versions of this ratio, applicable to previous years (see paragraphs 52 and 53). Both absolute levels of this ratio, and improvements in this ratio over time, should be taken into account.</p>	
<p>(b) Attainment of development targets in the strategic plan of the college.</p>	
<p>(c) Average examination scores attained by students.</p>	
<p>The methodology must be transparent to all colleges within a province. Moreover, it should be determined at a sufficiently early point in time to allow colleges to adjust their planning and management towards the attainment of the identified outputs.</p>	



	<i>Policy</i>	<i>Comments</i>
63	<p><b>College allocation:</b> This is the total allocation to the college after all adjustments have been made. This is the final allocation provided by the formula funding grid. However, it may not be equal to the total funding for the college received from the PED if (1) there is funding other than formula funding that is to be paid to the college (see Section E) or (2) there are funds allocated during a previous year that were not utilised and should thus be deducted off the allocation (see paragraph 104).</p>	
	<p><b>E. OTHER FUNDING STREAMS</b></p>	
	<p><b>Earmarked capital funding</b></p>	<p><b>Background:</b> What's already in policy. This category is an offshoot of 'formula funding of programmes' in WP4. WP4 seems to envisage the inclusion of capital investment in the formula funding stream. The position taken here is that capital investment, or at least a major part of it, should be separated out for various reasons (legacy of unequal physical infrastructure, practice in other countries). This category falls under 'funds allocated by the State' in the FET Act. The 1997 Report makes reference to information systems and specialised plant as part of the capital requirements of institutions. It envisages some earmarked funding ('capital and recurrent) flowing from a combination of matching conditional grants determined nationally and provincial funds that match the national funds.</p>
		<p><b>Background:</b> Capital expenditure on colleges. In 2004, PED capital expenditure on colleges was R39m, or 2.9% of total PED expenditure on colleges (the corresponding figure for schools would be 4.4%). In addition, colleges reported in 2002 'depreciation' amounting to R30m as expenditure, though this was not a cash expense. It seems there was no capital expenditure from own funds at colleges in 2002. In response to a question about the state of their teaching and learning facilities, half of college heads said it was good, 15% said it was excellent, and around a third said it was poor. This is almost certainly a more positive response than one would find for schools. We should note, however, that these responses may simply be a result of low expectations about the services colleges should offer. 40% of heads said their college teaching equipment does not comply with occupational safety regulations.</p>

	<i>Policy</i>	<i>Comments</i>
64	<p>This public funding stream covers items not covered by the capital infrastructure portion of the national funding base rate (see paragraph 89 below). Hence this stream covers two types of capital expenditure: (1) Capital expenditure to expand the infrastructure of existing campuses, or to construct new campuses; (2) Capital expenditure required to address capital infrastructure backlogs inherited from unequal spending in the past.</p>	
65	<p>Earmarked capital funding may take a variety of forms, for example conditional grants declared in terms of the Division of Revenue Act, or matching grants involving joint investment with the private sector. Moreover, this type of funding is always conditional in the sense that it is earmarked for specific capital investments, where these investments are integrated into the strategic plans of colleges.</p>	
66	<p>PEDs must ensure that transparent and fair procedures are followed in the allocation of earmarked capital funding to colleges. However, it is not a requirement that all colleges be funded equitably with respect to this stream in every financial year. Targeting of particular colleges during particular years is thus permissible. However, in the medium to long term, the distribution of earmarked capital funding across colleges must be equitably pro-poor.</p>	
67	<p>Earmarked capital funding is an important means for making colleges more accessible for the physically disabled. PEDs should ensure that sufficient earmarked capital funding is made available to adapt existing infrastructure in such a way that full access in this regard becomes possible.</p>	
	<p><b>Earmarked recurrent funding</b></p>	
68	<p>This public funding stream is similar to the earmarked capital funding stream, except that it deals with recurrent items. It is earmarked for projects of a developmental nature, in particular staff development, development and implementation of computerised systems, and college-level research. In addition, the earmarked recurrent funding stream covers inputs that are considered part of a basic minimum package of recurrent inputs required more or less equally by all</p>	<p><b>Background: What's already in policy.</b> This equates more or less to 'funding for special purposes' in WP4 and falls under 'funds allocated by the State' in the FET Act. The 1997 Report emphasises this funding as a means of steering colleges in new directions. It also envisages some earmarked recurrent funding being granted on a competitive bidding basis.</p>

	Policy	Comments
	colleges.	<p><b>Discussion: The web presence of colleges.</b> What is striking is how much easier it is to obtain information about individual colleges in the cases of Australia and Brazil, than in the case of South Africa. This is simply because colleges in those countries have websites on which they post business plans, annual reports, programmes offered, registration procedures, and so on. Even relatively small Brazilian colleges in poor 'provinces' have a web presence. South African colleges, apart from Central Johannesburg FET college, have very minimal or zero web presence. It should be regarded as particularly problematic for an FET college to have no web presence given, firstly, the existence of technical skills amongst staff and students and, secondly, the importance of providing information to a diverse group of potential clients.</p>
69	<p>PEDs may determine a basic minimum package required by all colleges to cover basic overhead expenses outside of the formula funding of programmes stream. Such a package, which should be considered earmarked recurrent funding, could take the form of a financial transfer, employee posts, or goods and services. Regardless of its form, the monetary value of the basic minimum package should be clearly reflected in the financial statements of colleges. PEDs may vary the size of the basic minimum package by college, based on criteria that are fair and fully transparent.</p>	<p><b>Motivation:</b> Currently, it is argued that a basic package of college management posts would be subject to this paragraph.</p>
70	<p>Transparency and equity requirements for earmarked recurrent grants directed towards development projects are the same as those applicable to earmarked capital grants and described in paragraph 66.</p> <p><b>College fees</b></p>	
71	<p>The Further Education and Training Act makes it clear that public FET colleges may raise revenue through the charging of college fees. For the purposes of this policy, college fees are fees charged to students by public FET colleges to cover the portion of the training cost not covered by formula funding of programmes. For the purposes of this policy, then, college fees do not include hostel fees, or fees charged for programmes receiving no public funding at all.</p>	<p><b>Background: What's already in policy.</b> This falls under 'private funding' in WP4 and in the FET Act under 'money payable by students for further education and training programmes provided by the institution'. The 1997 Report recommends that fees should constitute some 20% of college funding.</p> <p><b>Background: Fees in SA colleges.</b> In 2002 fees averaged around R2,600 per FTE and around R930 per head. Increases in recent years seem to have exceeded</p>

<p>....., and very strongly. Given that school fees in 2001 averaged at around R380 per learner (around R1,700 for learners in 'quintile 5' schools), fees at colleges seem relatively high, suggesting that fees would be a stronger exclusionary factor in colleges than in schools (this seems to be the finding from the analysis appearing in Appendix E). Moreover, college attendance is often associated with hostel accommodation and hence hostel fees. There is no exemption system in colleges as there is in schools, though some provinces (e.g. North West) offer bursaries to college students after students have passed their first programme of study (they must pay the fees upfront for the first programme). College stakeholders report that fees do indeed constitute a barrier for access to colleges. The analysis in Appendix E seems to support this.</p> <p><b>Background: Hostel fees.</b> College hostels are becoming increasingly governed by a total cost recovery approach, meaning students are expected to pay for the full costs of the hostel accommodation.</p> <p><b>Background: College fees in other countries.</b> In Australia, around 10% of the income at the TAFE colleges is from fees. An extensive fee exemptions system is in place which results in around 25% of students being at least partially exempted. In most 'provinces', government caps the fee that may be charged. This cap is generally at around one Australian dollar per student contact hour. The effects of income forfeited due to exemptions must be borne by the college concerned. The existence of exemptions makes a comprehensive student financial aid scheme unnecessary. In the UK, the assumption is made that 25% of the training cost would be covered by fees. However, there is an extensive system of exemptions (called 'remissions') whereby certain categories of students (those age 18 and below, socio-economically disadvantaged students, etc.) are completely exempt from the payment of fees, and the state compensates fully for this in the transfers to institutions. The UK system is designed in such a way that the fee (if paid) is standardised meaning students taking programmes costing more to offer (due to resource intensity) do not pay higher fees.</p> <p><b>Motivation:</b> Though a lot of the literature uses the term 'user fees', this has become a little liked term. 'College fees' is a term people are probably</p>	
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	<i>Policy</i>	<i>Comments</i>
	accustomed to.	
72	<p>The formula funding of programmes, described from paragraph 27, has implications for what may be considered fair practice with respect to college fees. In particular, the level of the college fees charged should not deviate substantially from what is implied by the assumed fee level described in paragraph 45. Moreover, exemptions should be granted to a level implied by the assumed value of exemptions described in paragraph 59.</p>	
73	<p>In accordance with paragraph 18, the responsibility for structuring college fees charged for programmes receiving formula funding rests with colleges. However, the net effect of this structuring should be that the total planned income from college fees, before exemptions have been taken into account, should be more or less equal to the what is implied by the assumed fee levels per programme. The total planned income from college fees may be up to 10% higher than the assumed fee level described in paragraph 45, without there being a need for PED approval. Moreover, the college fee charged to a student for any particular programme subject to formula funding should not deviate substantially from the rand amount implied by the assumed fee level for that programme. The fee may be up to 10% higher than what is implied by the assumed fee level without there being a need for PED approval. Any deviation outside of the bands referred to here require PED approval, within the PED-college planning process. The way the transition occurs from the outgoing fee structures of colleges to the new fee structures implied by this policy is linked to how the transition to more normalised per student spending is achieved across colleges. This transition matter is referred to in paragraph 120.</p>	<p><b>Motivation:</b> There are some good reasons for allowing this 10% leeway. The assumed fee level may ignore college-specific cost issues, and college-specific socio-economic issues.</p>
74	<p>The DoE will establish and maintain a national means test designed to gauge the financial needs of public FET college students, as well as the necessary tools required to implement the means test. The DoE will furthermore formulate rules and guidelines regarding the awarding of fee exemptions by FET colleges on the basis of student need. The systems will be aimed at ensuring that an inability to pay college fees should not constitute a barrier to a student's enrolment in a formula funded programme at a public FET college. The means test and accompanying rules and guidelines will be based on best practice and research</p>	<p><b>Discussion:</b> Means tests in the South African context. Valuable lessons can be learnt from the NSFAS experience in the design and implementation of means tests.</p>

	<i>Policy</i>	<i>Comments</i>
	<p>findings, and will be aimed at providing public FET colleges with a system within which responsiveness to student need and programme cost can be managed by the college. It is important that the DoE requirements and guidelines should be sufficiently detailed and binding to establish a transparent system and to enforce key policy imperatives, but that they should also provide sufficient space to allow colleges to respond to local need. In particular, the means test should be sufficiently standardised within provinces to allow for the use of the data in the determination of the assumed exemptions level (see paragraph 57). As far as is possible and practical, there should be synergy between the means test for public FET colleges and the means test being used in the higher education system.</p>	
75	<p>The rules and guidelines regarding fee exemptions referred to in the previous paragraph should incorporate an efficiency element whereby students who repeat programmes should be less eligible for fee exemptions than students who enrol for programmes for the first time.</p>	
76	<p>Colleges must manage college fee exemptions in accordance with paragraph 74. The total value of the college fees exempted in one year should not be less than the assumed value of exemptions described in paragraph 59. If it is, the part of the fee subsidy that exceeds the value of total exemptions may be claimed by PED in the following year through the clawback mechanism referred to paragraph 104 below.</p>	
	<p><b>Student financial aid</b></p>	
77	<p>In this policy, student financial aid is funding, in the form of grants or loans, provided by the state or private organisations to students, possibly through the public FET college, to deal with costs such as hostel and subsistence costs. For the purposes of this policy, the funded exemptions referred to in paragraph 59 are not considered student financial aid, though they have an aim that is similar to that of student financial aid.</p>	<p><b>Background: What's already in policy.</b> This is one of the categories in WP4. Depending on how this works out, it could fall under 'funds allocated by the State' in the FET Act. None of the existing policy provides much direction with respect to this stream of funding. The 1997 Report provides some options, but is not optimistic, partly because of the poor economic rationale and international track record for student loans at the FET level, and partly because there is no institutional history in the country for student financial aid in FET.</p>

	<i>Policy</i>	<i>Comments</i>
78	<p>The DoE and PEDs should monitor the situation with respect to needs-based funding over and above the fee subsidy, and make proposals for systems and partnerships where necessary. Options involving agreements between the state and public and private lending institutions should be explored.</p>	<p><b>Discussion: Covering subsistence and textbook costs of students.</b> It has been proposed that the funding policy should deal directly with non-fee private costs incurred by students. NSFAS deals with such costs in Higher Education, though there is no guarantee that the NSFAS award will be sufficient to cover all these costs. There seems to be a strong indication in the international literature that loans to cover FET college fees are not effective. But no discussion of the effectiveness of loans for subsistence and textbook costs could be found.</p>
	<p><b>Private fee-for-service income</b></p>	
79	<p>This private stream of funding is income derived by public FET colleges from training services offered on a purely private and market basis.</p>	<p><b>Background: What's already in policy.</b> This is one item under the category of 'private funding' in WP4. In the Act this is 'money received for services rendered to any other institution or person'.</p>
80	<p>Paragraph 14 of this policy explains the need to ensure that fee-for-service prices are not cross-subsidised by public funds intended for formula funded programmes. In other words, fee-for-service prices should reflect the true cost of offering the service. To enforce this, what will be monitored are the prices of private services offered, relative to the cost of formula funded training as reflected in the national register of FET college programmes (see paragraph 34). The requirement is that privately offered services should not be offered at a price that is lower than the predicted cost of an equivalent formula funded programme.</p>	<p><b>Background: Funding of learnership training and 'double-dipping'.</b> College stakeholders report that there is a high level of awareness in PEDs that using any PED-funded college resources to run SETA-funded learnership programmes is 'double-dipping' and wrong. However, it is very likely that this kind of double-dipping is occurring, especially given that accounting practices are not geared towards detecting this.</p>
81	<p>Clearer information in the training market relating to the cost of delivering training programmes, can greatly assist private and public employers in planning their human resource development activities. Given that the DoE will be engaged in extensive research work relating to the costing of training programmes, in order to realise the system of formula funding of programmes, the DoE will be well placed to provide the market with valuable information and guidance relating to training costs. The DoE, in collaboration with the Department of Trade and Industry and the Department of Labour, will develop pricing manuals that can be used by public FET colleges, other providers, and employers, to assist in the provision and procurement of training.</p>	

	<i>Policy</i>	<i>Comments</i>
82	<p>The DoE will investigate the feasibility of developing and maintaining a national list of recommended prices for training programmes other than those training programmes appearing in the national register of FET programmes. Such a list could assist in the monitoring of prices referred to in paragraph 80, and could be used by employers to plan their procurement of services offered by various providers, but in particular public FET colleges.</p> <p><b>Other private funding</b></p>	<p><b>Background: What's already in policy.</b> In WP4 this would fall under 'private funding', and in the Act this more or less corresponds to 'other funds from any other source'.</p> <p><b>Background: Production income in other countries.</b> According to the 1997 Report, many countries earn considerable income from production activities undertaken by students. In Swaziland, the proportion of income earned from production activities is said to be 80%!</p>
83	<p>This stream of private funding is all private funding not covered in the preceding paragraphs of Section E. This stream would include, amongst other things, development funding from international and local donor agencies, and income derived from the sale of goods produced by students as part of a training programme.</p>	<p><b>Background: Current accounting practices in colleges.</b> Although colleges are not governed by the PFMA, in certain provinces colleges have been instructed to use the PFMA as their financial management and accounting guide. Section 21 of the FET Act requires the MEC to determine accounting procedures for colleges. This has occurred in some provinces, but apparently not in all of them. Nevertheless, it seems as if the use of GAAP and external auditors is a feature of all colleges, according to college stakeholders. The college management toolkit developed by KPMG for the DoE, which includes accounting guidelines, is used by some but not all colleges.</p>
84	<p><b>F. FINANCIAL MANAGEMENT AT PUBLIC FURTHER EDUCATION AND TRAINING COLLEGES</b></p> <p>It is not the purpose of this policy to provide general financial management rules for public FET colleges. Financial management practices at colleges have been improving through a number of steps that have been taken by government. In several provinces, financial management in colleges are now in line with the requirements of the PFMA. Some MECs have issued comprehensive accounting procedures documents specifically aimed at public FET colleges, and issued in terms of Section 21 of the Further Education and Training Act. The use of GAAP and external auditors has become entrenched across all colleges. College management toolkits developed by the DoE are being used in a number of colleges. It is important for this work to continue, and for financial management requirements to become nationally standardised.</p>	



	Comments
<p>85</p> <p><i>Policy</i></p> <p>The DoE and PEDs must pay particular attention to the development of accounting structures and practices that allow for a clear separation of public and private costs. Financial accounts must be arranged in such a way that the utilisation of publicly financed infrastructure for private fee-for-service programmes is reflected as such, so that the financial cost of this is clear. Similarly, the utilisation of the same staff members for the offering of public and private training services should result in separate public and private accounting of the related expenditure.</p>	
<p>86</p> <p>The DoE and PEDs will need to pay special attention to the matter of the financial reserves of colleges, and private loans taken by colleges to fund infrastructural and other development. Practices in this regard should not place the sustainability of colleges at risk, nor should they result in excessive mission drift away from the role of colleges as public providers of FET.</p>	<p><b>Background: The FET Act on loans.</b> Section 20 of the Act specifies that the MEC must approve of any loan taken by an FET college.</p> <p><b>Background: Financial investments by colleges.</b> There were four merged colleges (two in GP and one each in NW and WC) where the value of investments plus cash on hand came to over R10m (but under R20m) in 2002. To take an example, the Johannesburg Central investment plus cash figure came to around 33% of its annual running cost. At the other end of the spectrum, three colleges in EC were over R2m in debt.</p> <p><b>Discussion: How should the new funding system take into account historical advantages with regard to financial reserves?</b> It has been suggested that the new funding system somehow differentiate between colleges on the basis of their financial reserves. It is argued that colleges with larger reserves (which tend to be the historically advantaged ones) should be given less formula funding, at least for a limited time. The 33% level of liquidity referred to above is not very high, and it is moreover exceptional. The situation does not appear to warrant any special provisions in the funding policy. However, it is clearly important for colleges to have financial reserves, and colleges with low reserves should perhaps be provided with an additional and initial injection through the earmarked recurrent funding stream.</p>
<p><b>G. NATIONAL AND PROVINCIAL PLANNING</b></p>	

	Policy	Comments
87	<p><b>Maintenance of the national register of core FET programmes</b></p> <p>The national register of core FET programmes, as described in paragraph 34, must be maintained by the DoE. The DoE must ensure that this register is easily accessible to public FET colleges, as well as to other stakeholders in the vocational education and training market.</p>	
88	<p><b>The national funding base rate and the costing of programmes</b></p> <p>Much the maintenance of the national register of core FET programmes will involve updating the estimated costs of delivering the core FET programmes. During the initial implementation of this policy, substantial work will be required to establish an initial set of cost information on core FET programmes. Thereafter, most work will concentrate on updating costs in line with inflation rates that are applicable to the inputs in question, and on the costing of new or revised training programmes.</p>	
89	<p>A national funding base rate must be maintained and be used as a benchmark for the costing of all other core FET programmes. The national funding base rate is a rate, expressed in monetary rand terms, indicating the cost of delivering a basic one-year full-time programme. The national funding base rate is split into the three economic categories of (1) personnel, (2) capital infrastructure and (3) non-personnel non-capital. The costing of the national base rate must use analysis into the costs of inputs at colleges, and existing college expenditure trends. The national funding base rate should describe the cost of delivering the least costly programme that exists or might exist. This means that the national base rate may describe a hypothetical low-cost programme, rather than an existing programme. A large class size, and a minimal requirement for equipment and infrastructure should be assumed. Minimal administration and student support overhead costs, and no industry liaison costs, should moreover be assumed. The rate must cover annual depreciation in capital stock. In other words, the national funding base rate should be adequate to build reserves needed for periodic replacement of facilities and equipment. It need not cover infrastructure backlogs and infrastructure expansion costs. The hypothetical programme must be a useful point of departure</p>	<p><b>Motivation:</b> The use of a low-cost programme as a benchmark for costing other programmes is taken from the British system. The inclusion of capital infrastructure in the national funding base rate is the result of some discussion. It was felt that the inclusion was justified as college management (as opposed to the PED) was best placed to plan for the replacement of existing capital stock, and as transacting between the PED and colleges with regard to facilities and equipment was to be minimised. It should be remembered that if capital infrastructure were excluded from the national funding base rate (and hence from formula funding), it would be necessary for the PED to become involved in matters such as the replacement of plumbing systems and purchasing of computers. It was felt that it would be preferable for PEDs to monitor that adequate saving and capital replacement was taking place at an aggregate level within each college, more or less in line with the value of the capital infrastructure portion of the funding rate and the funding weights. The capital infrastructure portion of the national funding base rate should be distinguished from the earmarked capital funding stream (paragraph 64), which deals with <i>new</i> capital stock and replacement of capital stock as part of the apartheid backlogs issue.</p>

	<i>Policy</i>	<i>Comments</i>
90	<p>from which to gauge the cost of other programmes, which would all be more costly or equally costly.</p> <p>In addition to costing the basic hypothetical services implied by the national funding base rate, the DoE must indicate the costs of all programmes on the national register of core FET programmes relative to the national base rate. This must lead to the funding weights required for the formula funding grid (see paragraph 44). These funding weights must include industry liaison time, as well as all the cost aspects covered by the national funding base rate (see previous paragraph). The programme-specific funding weights should take into account the fact that actual class size is often lower than the theoretical class size, due to the fact that colleges may not achieve economies of scale, or because one college may not be able to fill several classes offering the same programme to maximum capacity. The average additional cost implied by these issues should be worked into the funding weights. An important part of the costing work is the formulation of the costing methodology. A sound methodology can greatly reduce the attention that must be paid to each separate training programme, and can bring a greater degree of consistency to the entire costing exercise.</p>	<p>stock as part of the apartheid backlogs issue.</p>
	<p><b>Finalisation of public funding strategies</b></p>	
91	<p>On the basis of the research referred to in paragraph 20, and through an appropriate consultation process, certain national and provincial targets must be formulated relating to the number of graduates for various programmes needed from the public colleges. It is important that these targets should only be as specific as credible research allows. Experience in other countries has shown that an excessively detailed level of national planning, often referred to as 'manpower planning', is not feasible, given the complexity of the training demand trends, and also the system that supplies the graduates. At the same time, however, there needs to be a critical level of national and provincial planning, and target-setting, particularly where it is very clear that there is an under-supply or an over-supply of particular types of graduates.</p>	<p><b>Discussion: The re-capitalisation grant for FET colleges.</b> The Minister announced in her 2005 Budget Speech that R1bn in additional funding would be made available for the 2006/07 to 2007/08 financial years. Given the broad specifications for this additional funding, it would span several of the funding streams described in this policy, in particular formula funding of programmes, earmarked capital funding, earmarked recurrent funding, and student financial aid. These budget commitments need to be translated into fairly specific national and provincial training priorities.</p>

92	Policy	Comments
92	<p>Public funding strategies, including targets relating to the output of the FET college sector, should be shaped within a planning horizon that is longer than one year. Five to twenty year plans are common in other countries. However, it is important for targets, both national and provincial, to be confirmed on an annual basis, so that the annual PED-college planning process can be guided by a clear and unambiguous set of priorities. For this reason, the DoE and PEDs must jointly confirm training targets for publicly funded FET college training by March of each year. These training targets would focus in particular on overall output increases required, and increases in the outputs of specific types of graduates.</p>	
93	<p>The development of public funding strategies for technical and vocational FET must involve a critical level of participation by various government stakeholders, and non-government stakeholders. The DoE will ensure that a major series of national consultations occurs at least every three years to deal specifically with public funding priorities in technical and vocational FET, including the public funding of FET colleges. These consultations must include, as a minimum, representatives from the Department of Labour, the Department of Trade and Industry, National Treasury, the Provincial Departments of Education, several major employer and employee organisations, several Higher Education institutions, several public FET colleges, and private FET provider organisations. Prior to these consultations, the DoE will provide stakeholders with the basic information packages and research outputs necessary for successful consultations to occur. The DoE will also ensure that on an annual basis the National Economic Development and Labour Council (NEDLAC) becomes involved in the finalisation of public spending strategies for FET.</p>	
	<p><b>H. THE ANNUAL PED-COLLEGE PLANNING PROCESS</b></p>	
	<p><b>Basic elements</b></p>	
94	<p>For the purposes of the paragraphs that follow, the 'medium term' means the coming three college years for which planning must occur. This is partially in accordance with the Medium Term Expenditure Framework (MTEF) of the Public Finance Management Act, the difference being that the college year begins in</p>	<p><b>Motivation:</b> The FET Act stipulates that the financial year for FET institutions is the same as the calendar year.</p>

	<p>.....'s ..... the government's financial year begins in April. The term 'first MTEF year' refers to the first college year within the medium term. The term 'current year' refers to the college year immediately prior to the medium term. And 'previous year' refers to the college year prior to the current year.</p>	
95	<p>The Further Education and Training Act, in Section 9, requires public FET colleges to develop strategic plans. This requirement is being fulfilled across all colleges, though the PED-college planning process described here has wide-ranging implications for the formats and contents of the college strategic plans, and the annual processes that lead to the finalisation of strategic plans. For example, the formula funding grid in Annexure A of this policy should form part of the strategic plan of each college.</p>	
96	<p>It is vital that various stakeholders apart from the PED and the college should make inputs into the annual PED-college planning process. Each PED must hence ensure that a minimum level of broad consultation occurs with a range of stakeholders, which should include, as a minimum, employers, employees, and private providers of FET training. At least one provincial consultation, and at least one college-specific consultation per college should occur in each year. These consultations should be strongly guided by the national strategic priorities referred to in paragraph 91.</p>	
97	<p>Below, the annual PED-college planning process is described with reference to, firstly, capital investment planning, secondly, a review of past formula funding and, thirdly, the forward planning of formula funding. All these activities should be scheduled in such a way that strategic plans, with finalised funding components approved by the PED, are ready by 30 October of each year. The resultant plans must cover, as a minimum, the medium term.</p> <p><b>Capital investment planning</b></p>	
98	<p>This planning links strongly to earmarked capital and recurrent funding described in paragraphs 64 and 68. Capital investment planning should in other words focus strongly on the physical capital needed to address infrastructure backlogs and</p>	

<i>Policy</i>	<i>Comments</i>
<p>expansion, but also investment in systems and the human capital of college staff.</p>	
<p>99 Capital investment planning should start with an assessment of the adequacy of the physical and human capital to deliver on government training requirements in the past. This assessment should include an analysis of how the college balances the offering of publicly funded and privately funded training programmes. If infrastructure inadequacies with respect to the offering of publicly funded programmes can be resolved through a reduction in the level of private services offered, then such a reduction should be regarded as optimal.</p>	
<p>100 The assessment should lead to college-specific proposals, which will be prioritised by the PED in accordance with the earlier paragraphs on earmarked funding. The result will be an updating of provincial plans for the capitalisation of the public FET college sector.</p>	
<p><b>Review of past formula funding</b></p>	
<p>The planning of the formula funding for the new medium term must begin with a review of past years, and developments in the current year. The specifications relating to the formula funding grid, and described in Section D of this policy, should inform the review process.</p>	
<p>The review should include an assessment of the deviation between the economic category breakdown of previous allocations, and the economic category breakdown reflected in accounts of actual expenditure. It is not a requirement that colleges must comply with the economic category breakdown of the allocation calculated in the formula funding grid. However, a substantial deviation should be analysed to assess whether the funding weights in the national register of core FET programmes are inappropriate, or whether a college is allocating funds inefficiently across the three economic categories. In particular, the review must assess whether the college is investing sufficient funds from the formula funding stream into the maintenance and replacement of capital equipment and facilities, given that the funding weights cover this cost.</p>	

	<i>Policy</i>	<i>Comments</i>
103	<p>Though not explicitly linked to the formula funding grid, representativity of students must be considered in terms of the redress principles described in paragraph 23. The level of compliance with past targets should receive attention, and reasons for non-compliance should be assessed.</p>	
104	<p>A clawback mechanism must be applied where one or two of the following have occurred: (1) Less training took place in the previous year, in terms of FTE students, than was planned for in the formula funding grid applicable to the previous year. (2) Exemptions granted to students were less than the assumed value of exemptions referred to in paragraph 59. In the case of (1), under-enrolment in certain programmes can be compensated for by over-enrolment in certain other programmes. However, under-enrolment where actual enrolment is less than 97% of the planned enrolment, in terms of full-time equivalent students, must lead to the enforcement of the clawback mechanism. The PED, with the college, should calculate the clawback amount applicable to the previous year, and should deduct this amount from the funding in the first MTEF year.</p>	
105	<p>PEDs must assess prices determining the private fee-for-service income of colleges and determine whether there is evidence of cross-subsidisation of privately offered services through the use of funds intended for public services. Financial accounts with a separation between public and private services, as specified in paragraph 85, should also be scrutinised to assess whether cross-subsidisation has occurred. If this has occurred, plans for the future should correct this and continual and deliberate cross-subsidisation by a college can result in a financial clawback using the mechanism referred to in paragraph 104.</p>	
	<p><b>Forward planning of formula funding</b></p>	
106	<p>Planning for the three years of the medium term should pay particular attention to bringing enrolments in core FET programmes (as described in paragraph 34) in line with provincial and national strategies and targets in this regard. Moreover, the planning process should deal with the labour market segment focus, and the representativity of students. Future targets for the representativity of the student population must be set, in particular where it is clear that student groups are under-</p>	

	Policy	Comments
107	<p>The enrolment targets per programme must be consulted, but ultimately the PED approves of the programmes and enrolments that are subject to formula funding. The process may involve reprioritising the emphasis placed on private funding. For example, the need to increase the utilisation of college infrastructure for the offering of core FET programmes may require a college to reduce private training. Planning in this regard should occur with care, taking cognisance of contracts between the college and private clients.</p> <p><b>Reporting requirements</b></p>	
108	<p>In terms of section 21 of the Further Education and Training Act, public FET colleges are required to produce annual financial reports, and to comply with any reasonable additional reporting requirement established by the MEC. Moreover, section 40 of the Act requires the Director-General of the DoE to produce an annual report on the quality of further education and training in the country, and Heads of PEDs to produce a similar report for their provinces. In this respect, DoE will ensure that the core national set of service delivery indicators and reporting requirements developed with National Treasury in terms of the Public Finance Management Act, and partly applicable to the FET college sector, are applied at the province and college level in order to advance an integrated quality monitoring system embracing financial and non-financial data.</p> <p><b>The annual cycle of public resourcing</b></p>	<p><b>Background: What's already in policy.</b> Section 40 of the FET Act requires the DoE and each PED to produce an annual report on the 'quality of further education and training. Moreover, section 21 requires institutions themselves to produce annual financial reports, and gives the MEC the right to specify additional reporting requirements.</p> <p><b>Practices in other countries:</b> In Brazil, in order to improve efficiency awareness, colleges are required, as part of their annual reporting process, to calculate and interpret a standard set of indicators including the standard ones such as student/teacher ratio, plus some fairly unusual but interesting ones such as electricity consumption per student, students registered as a proportion of all students who applied (to gain a picture of supply versus demand), and classroom occupancy rate.</p>
109	<p>The following paragraphs establish the reporting and planning obligations of the DoE, PEDs and FET colleges in terms of the annual cycle.</p>	
110	<p>By the last day of February of each year, final annual reports of FET colleges must be submitted to the PED. These reports, which are referred to in section 21 of the Further Education and Training Act, must include audited financial statements and</p>	



	<i>Policy</i>	<i>Comments</i>
	any additional information required by the MEC in terms of the Act.	
111	By 31 March of each year, the DoE must release agreed upon national targets and priorities relating to number of students and types of training required in future years, in terms of paragraph 91. This step may involve the confirmation of targets set in previous years, as opposed to the setting of new targets.	
112	By 30 April of each year, PEDs and FET colleges must have begun the annual PED-college planning process, described elsewhere in this policy. This process always begins with a review of past trends, in particular as regards formula funding, enrolments, representativity and capital investments.	
113	By 31 July of each year, the DoE must have finalised the national funding base rate applicable for the next college year, and described in paragraph 89. Moreover, funding weights and the assumed fee levels for new programmes, if any, on the national register of core FET programmes should be confirmed by this date.	
114	Also by 31 July of each year, means test data collected during the current year on the socio-economic status of students must have been processed and used to develop the assumed exemptions level for each college referred to in paragraph 57.	
115	By 31 August of each year, PEDs must have finalised their applied funding base rate, as described in paragraph 56.	
116	By 31 October of each year, the annual PED-college planning process must have been completed. By this date, medium to long term strategic plans of colleges, which must include the formula funding grids for the following three years, agreed to in accordance with paragraph 107, must be submitted to the PED by colleges.	
117	By 30 November of each year, the PED must provide colleges with a schedule of payments to be made to colleges for services to be rendered during the following college year. This schedule must agree with the budgets and plans applicable to the following year. Payments to colleges should occur in line with this schedule.	

	<i>Policy</i>	<i>Comments</i>
	<p>except where deviations from MTEF budgets for the PED as a whole, or serious cashflow problems within the PED, make it impossible for PEDs to comply with the payment schedule. Where compliance with the schedule is not possible, PEDs must ensure that disruption to college services is minimised.</p>	
	<p><b>I: TRANSITION TO THE NEW SYSTEM</b></p>	
118	<p>The transition from the various outgoing systems, some national, some specific to individual provinces or even colleges, to the new system established by this policy, implies a number of key challenges, and possible solutions. A successful building of a common understanding of recent trends and practices, and the</p>	
	<p><b>The transition challenges and solutions</b></p>	
119	<p>Historically, staffing at public FET colleges has involved the attaching of large post establishments to colleges. These post establishments have been prescriptive with respect to the mix of employee types. They severely limit the ability of colleges to respond to changing demands in the training market, and hence to generate the quantity and type of skills needed by the country's youths and adults. This policy envisages a situation in which the staffing of colleges occurs within the ambit of the formula funding of programmes described in this policy. This goal must be realised in stages, however, partly through careful negotiation with the relevant employee organisations. Given that the college sector is an expanding one, and given that the new service delivery system brings with it exciting opportunities for college staff, a collaborative partnership approach between the employer and the employee is envisaged. Specifically, it is envisaged that as a first step, the monetary value of the existing post establishments will be brought in line with the formula funding of programmes. By means of careful analysis of existing employment modalities and negotiation with relevant stakeholders, and guided by the need to address the skills needs of the country, the DoE and PEDs will assume a leadership role in dealing with this challenge.</p>	

	<i>Policy</i>	<i>Comments</i>
120	<p>Average spending on each full-time equivalent student, as well as the breakdown of spending across the three economic categories referred to in paragraph 89, varies greatly from college to college. The same applies to fees charged, and the way in which private and public funding is combined. Much of the variation is related to the fact that spending is inadequate in some colleges, and inefficient and excessive in some other colleges. Inadequate spending is associated with poor quality training, but even colleges with high spending levels are, in some cases, delivering a service below an acceptable level. The challenge is to bring spending in colleges in line with what it actually costs to deliver a quality service. Changes in spending levels that are too abrupt, can result in instability in the sector, and an inability to spend new funds efficiently. It is thus important that the normalisation of spending levels should occur gradually, yet as rapidly as circumstances permit. It is envisaged that the per spending levels implied by the formula funding of programmes will be made clear from the outset, but that the convergence of historical spending patterns with the new spending patterns will take some years. During the transitional period, then, certain provinces or colleges may on average spend more or less per full-time equivalent student than what is implied by the new policy. The DoE and PEDs will develop and manage plans that will align the system with the funding norms of this policy.</p>	
	<p><b>Dry runs and implementation dates</b></p>	
121	<p>White Paper 4 outlines the need for colleges to begin the transition to the new system by running the outgoing system at the same time as they implement 'dry runs' of the new system. Dry runs mean the drawing up of plans and budgets in accordance with the new policy, even if the outgoing system is still used to determine funding and resourcing in general. From 1 January 2007, all colleges, in collaboration with PEDs, must have started performing dry runs of the new system.</p>	
122	<p>From 1 January 2007, the annual cycle referred to in the paragraphs beginning with paragraph 109 must begin to operate, even if some or all colleges are implementing the new system as a dry run.</p>	

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which will specify which colleges will move from a dry run to a full implementation of the new funding system at which point in time. Colleges with the greatest readiness for the new system will begin full implementation first, and these colleges will be regarded as pilots for the purposes of colleges entering full implementation at a later stage.

**Appendix A The formula funding grid (Annexure A in final policy)**

The programmes appearing in the formula funding grid are not formally defined as programmes for the purposes of the FET funding system (at least not yet). However, they are actual courses appearing in the Central Johannesburg College website, and in the websites of the DoL and SAQA.

**THE FORMULA FUNDING GRID - EXAMPLE WITH VALUES** (see separate table for explanations of column headings)  
 (Values in bold are obtained externally and are used to calculate other values. All values in *italics* are calculated within the grid.)

DoE ID	SAQA/DoL ID	NQF L.F. level	Programme name	SAQA cred	Prog dur	FW pers	FW cap	FW npnc	AFL	ATFW	Stud	FTE	PW	LMS	AFS	Past SC	Past enrol
			CORE DOE														
			SACA UNIT STANDARDS														
			SACA QUALIFICATIONS														
			REGISTERED LEARNERSHIPS														
<b>In-line issues here.</b>																	
<b>Bottom-line calculations</b>																	
Totals from above																	
College programme weight (CPW)																	
Sum of past successful completions and past enrolments																	
rational funding base rate																	
values needed for in-line calculations																	
Applied funding base rate (AFBR)																	
Assumed exemptions level (AEL)																	
Totals relating to fees and exemptions (all calculated from in-line part)																	
Assumed value of fees charged																	
Assumed value of fee exemptions																	
Assumed value of fee income																	
Total allocation																	
College allocation before output bonus (CA1)																	
Output bonus (OB)																	
College allocation after output bonus (CA2)																	

pers	cap	npnc	Tot

<b>Bottom-line issues here.</b>		
pers	cap	npnc

pers	cap	npnc	Tot

THE FORMULA FUNDING GRID: Explanation of in-line column headings	
DoE ID	This is the identifier of the DoE used to identify one of the core programmes of the FET colleges. Identifiers appear in this column only under the heading 'DOE CORE'.
SAQA/DoL ID	Wherever a programme is a SAQA unit standard or a SAQA qualification, this identifier is the official identifier determined by SAQA (and available on the SAQA website). Wherever a programme is a registered learnership, this is the identifier determined by the Department of Labour – the first four digits of the DoL, which refer to the SETA in question, are left out, meaning only the last eight digits are included. It is possible for a programme to have a value in this column, as well as the column DoE ID. This would occur if, for example, a SAQA-registered qualification was included in the list of core DoE programmes.
NQF LF	One of the twelve NQF learning fields. Values are from '01' to '12', as specified in regulation 452 of SAQA of 1998. These values are reproduced here: 01: Agriculture and Nature Conservation 02: Culture and Arts 03: Business, Commerce and Management Studies 04: Communication Studies and Language 05: Education, Training and Development 06: Manufacturing, Engineering and Technology 07: Human and Social Studies 08: Law, Military Science and Security 09: Health Sciences and Social Services 10: Physical, Mathematical, Computer and Life Sciences 11: Services 12: Physical Planning and Construction
NQF level	NQF level. Permissible values are any of the values 1 to 8, as specified in regulation 452. However, likely values are 2 to 4, which are the levels corresponding to the FET band.
Prog name	The name of the programme.
SAQA cred	The number of credits assigned to a unit standard or a qualification by SAQA.
Prog dur	The proportion of a college year that is needed for the completion of the programme. This value is expressed as a number to two decimal points. The value can be equal to or less than 1.00, but not greater than 1.00. As an example, a programme conducted over a trimester would have the value 0.33 (or 0.34 for the third in a series of three trimesters).
FW pers	The funding weight for personnel applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
FW cap	The funding weight for capital items applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
FW npnc	The funding weight for items other than personnel and capital items applicable to the programme. The value is a number to one decimal point only. The value is taken from the national register of core programmes.
AFL	The proportion of total cost that is assumed to be covered by college fees. The value is a number to two decimal points. The value is taken from the national register of core programmes.
ATFW	The overall funding weight for the programme before the programme duration and enrolment adjustments but after considering the assumed fee level (AFL) and the assumed exemptions level (AEL) from the bottom-line part of the grid. The formula is described in paragraph 46 of the policy.
Stud	The number of individual students enrolled in the programme. This value is determined through the PED-college planning process.

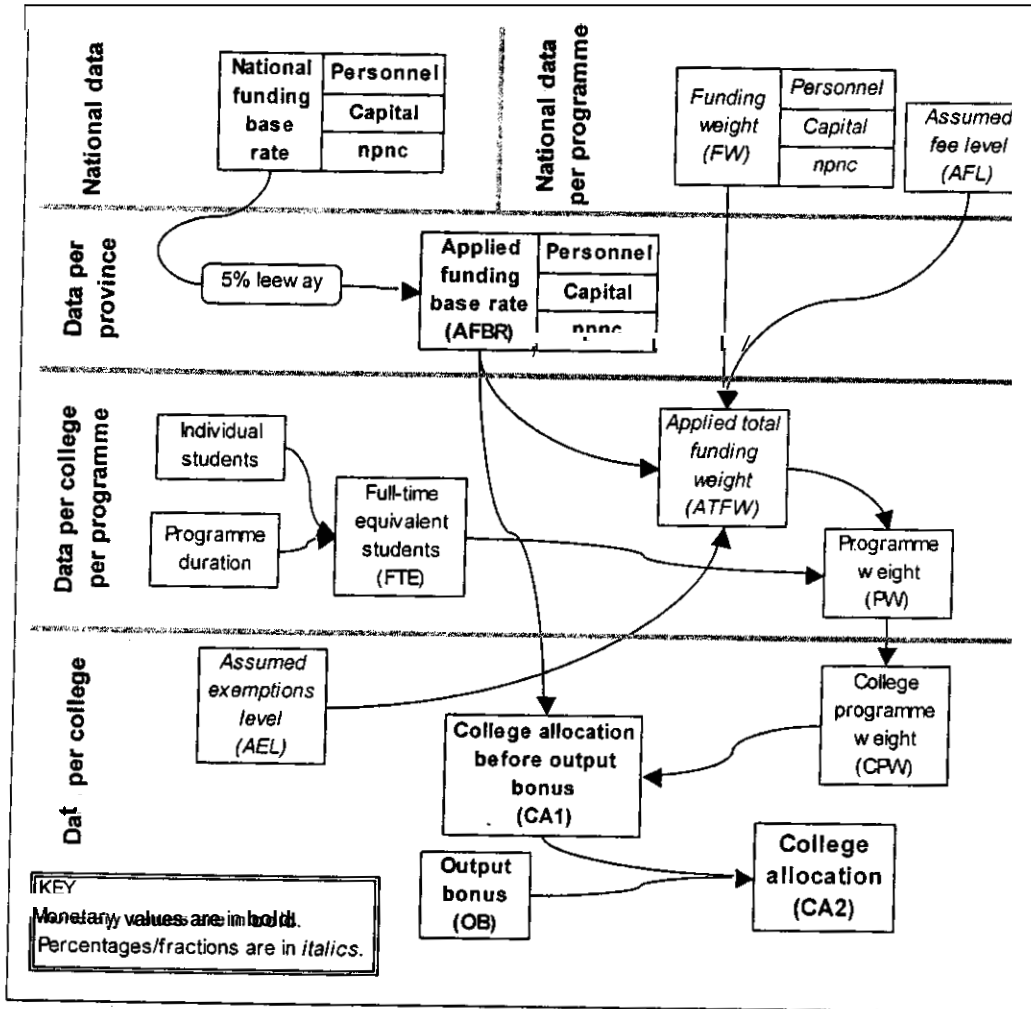
<i>FTE</i>	Full-time equivalent students	The number of full-time equivalent students in the programme. This value is calculated as follows: $FTE = Stud \times Prog \text{ dur.}$
<i>PW</i>	Programme weight	The total weight assigned to the programme, with funding weights, assumed fees and exemptions, enrolment and duration taken into account. This value is calculated as follows: $PW = ATFW \times FTE$
<i>LMS</i>	Labour market segment	The segment of the labour market receiving the chief focus of this service. Values, which are determined through the PED-college planning process, are: 'BE' for mainly budding entrepreneurs 'EE' for mainly employed persons 'OE' for mainly operating entrepreneurs with employment potential 'UA' for mainly unemployed adults over age 35 'UY' for mainly unemployed youth up to age 35 These values are not used for any calculation. They are simply illustrative of the college plan.
<i>AFS</i>	Alternative funding source	The source of funding other than formula funding of programmes. Values can be: 'EL' for employers (learnerships) 'EO' for employers (other) 'SL' for SETA (learnerships) 'GE' for state (education department) 'GL' for Department of Labour 'GO' for state (other) These values are illustrative, and are not used in any calculation.
<i>Past SC</i>	Past successful completions	The number of successful completions amongst past enrolments. The value is a number calculated according to an agreement between the PED and the college relating to the number of past years to take into account.
<i>Past enrol</i>	Past enrolments	The number of students enrolled in past years, where that number is comparable to past successful completions.



THE FORMULA FUNDING GRID – EXAMPLE WITH VALUES (see separate table for explanations of column headings)																																																																																																																																																																																				
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6.108	48695	06	2	Measurement, Control and Instrumentation L2	137	0.33	1.3	2.0	2.0	0.15	1.31	70	23.1	30.2	UY		46	80																																																																																																																																																																		
6.109	21005	06	3	Automotive Component Manufacturing and Assembly L3	139	0.33	1.3	2.0	2.0	0.15	1.31	60	19.8	25.9	UY		32	63																																																																																																																																																																		
6.110	21006	06	4	Automotive Component Manufacturing and Assembly L4	128	0.34	1.3	2.0	2.0	0.15	1.31	50	17.0	22.2	UY		25	37																																																																																																																																																																		
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**Appendix B Diagrammatic representation of the formula funding system**

Below, a diagrammatic representation of the formula funding of programmes,



## Appendix C The curriculum framework

It is important to understand the correspondences between the predominant FET college curriculum, i.e. NATED, and the post-1994 curriculum system. This has serious implications for **the** funding of FET colleges, in particular given the fact that FET is a provincial service, whilst HE is a national service.

The diagram below illustrates the linkages and elements.

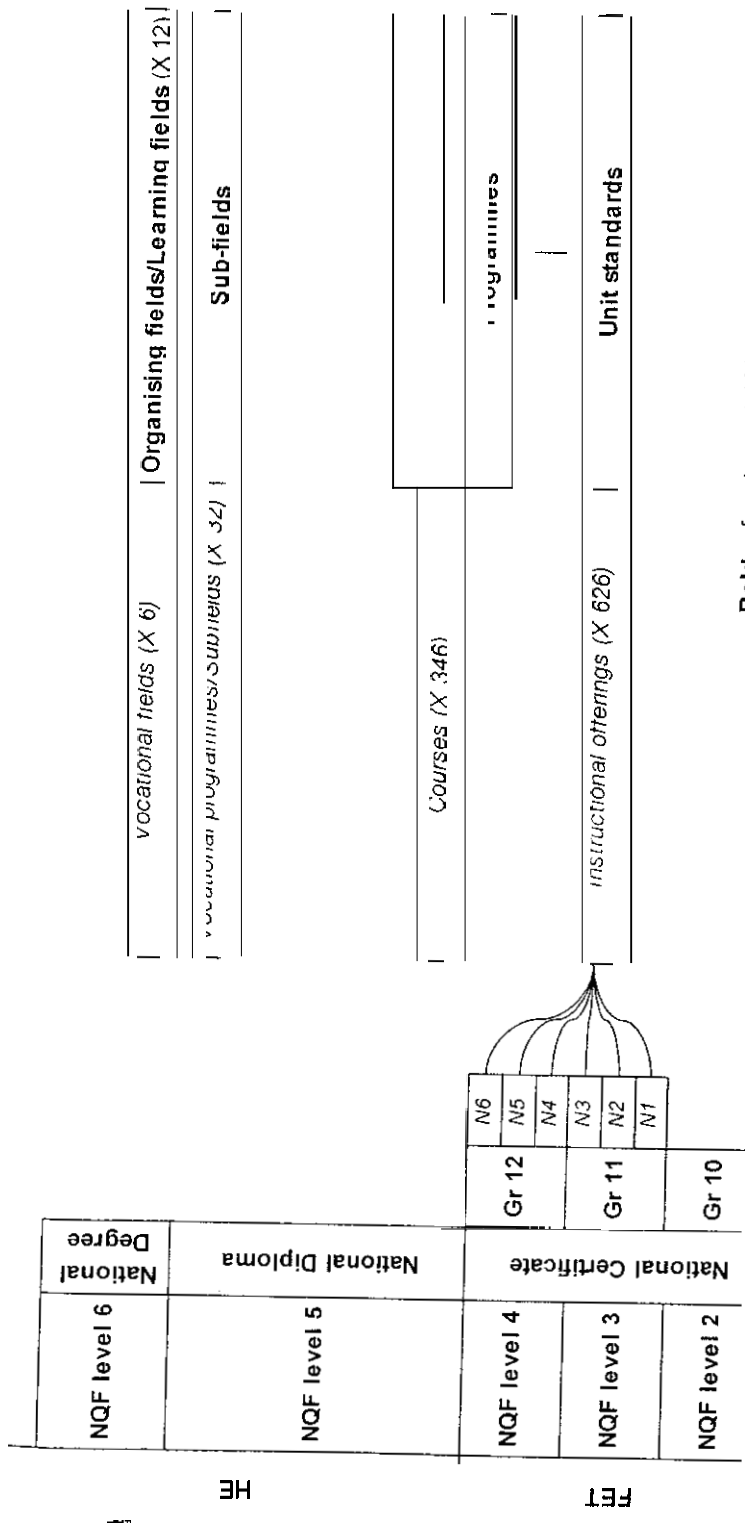
- There are six vocational fields in the NATED system. Two, business studies and engineering, stand out as they account for 90% of FTEs. The NATED vocational fields are more or less like the twelve learning fields (or organising fields) of the NQF. For example, the vocational field 'business studies' is more or less the equivalent of the Learning Field 'business, commerce and management studies'. **Just** as the learning fields of the NQF are broken down into sub-fields, so the vocational fields of NATED are broken down into 32 vocational programmes (also called sub-fields). These elements simply describe
- In the NQF, the smallest bit of learning is the **unit** standard, and several of these comprise a qualification. These terms are very clearly defined in the policies of SAQA. A programme is only loosely defined in the SAQA policies, as something larger than a unit standard and smaller than a qualification. Programmes are not used as an important *organising* element in the NQF, although 'programme' is a term often used in educational debates, for instance in 'programme-based funding'.
- In NATED, the smallest bit of learning is the instructional offering (there are 626 of them), and these fall *within* courses (there are 346 of these). A course may be something like 'N2 in electrical engineering'. NATED courses could be equated with either programmes or qualifications in the NQF. Equating them with qualifications makes sense insofar as NATED courses lead to National Certificates, and qualifications (at the FET band) lead to National Certificates. However, there is a *disjuncture* here, because NQF qualifications must embody at least 1,200 notional hours of study (this is about one year), whilst the National Certificates of NATED are often based on much shorter trimester courses. This then strengthens the argument for equating NATED courses with NQF programmes, instead of NQF qualifications.
- NATED courses are either N1, N2, N3, N4, N5 or N6, depending on how advanced they are. In the engineering vocational field, **the** general practice with regard to full-time students is for N1, N2 and N3 courses to be covered within one year – each 'N' is referred to as a 'trimester'. The same applies to the N4 to N6 courses. The general practice is for students to be admitted into NI after they have completed Grade 10. However, completion of Grade 9 is also a legitimate basis for entry into N1. It can be seen that in terms of the duration of the courses, completion of N6 corresponds to completion of Grade 12. Things work slightly differently in different vocational fields, but generally the pattern is as explained here. This pattern has informed the diagram that follows below.

N4 to N6 courses are often referred to as being above the FET band, in other words within the Higher Education band (see for instance the 2004 *Quantitative Overview* of colleges). Others argue that only N6 courses fall into the HE hand. This in turn has led to debates **as** to whether the HE courses should be offered in colleges at all, given that they are FET colleges. Some Technikons implicitly regard N5 and N6 as post-FET by accepting students into HE who have only completed N4. On the other **hand**, the fact that colleges themselves issue National Certificates on completion of any of the N courses suggests that these courses all do belong within the FET band. According to the NQF, National Certificates are issued within the FET

band, and National Diplomas at the NQF level 5 part of HE. Colleges do issue some National Diplomas, but only for courses higher than N6.

*[NOTE THAT THERE IS NO PAGE 71. PAGE 75 FOLLOWS THIS PAGE.]*

**THE CURRICULUM FRAMEWORK**



**Bold** refers to post-1994 NQF features.  
*Italics* refers to pre-1994 NATED features.

#### **Appendix D The skills levy and FET colleges**

By 2004/05, the revenue raised by the skills levy defined in the Skills Development Levies Act of 1999 had reached over R4.5bn. This *is* more than half of what gets spent annually on Higher Education in the country, and over three times what is spent annually on the FET college sector. The FET college policy documents all make it clear that colleges should to a much greater degree than in the past participate in the skills development market created by the skills levy funds. How this participation should occur should be based partly on a clear understanding of the how this market operates. At the same time, however, past and present practices should not place an undue restriction on innovation in the utilisation of these funds.

This appendix provides an overview of the skills development system in the country, firstly be focussing on the various elements in the system, and secondly by focussing on processes that one would expect colleges to participate in. After the overview, some remarks are made with regard to opportunities and challenges for FET colleges.

The information was obtained largely through an examination of documents and web pages of the Department of Labour and the following SETAs: W&RSETA, SERVICESETA, ETDPSSETA, THETA and MERSETA. The first four SETAs were chosen because some colleges report that they have worked extensively with them, and MERSETA because it *is* the largest SETA in the country in terms of levies received, and also represents the sector in which colleges conclude the most partnerships.

Term	Definition	Quantities	FET college link
Skills levy	Skills levies are defined in the Skills Development Levies Act of 1999. The skills levy is generally equal to 1% of the payroll amount, and is payable by employers in the country, subject to certain exemptions.	In 2003/04 around 190,000 employers paid R3.9bn in skills levies, and around 30,000 employers claimed the levy back for training purposes. The anticipated skills levy total for 2004/05 was R4.6bn (the description used in Treasury's revenue tables is 'taxes on payroll and workforce'). The total skills levy payment is roughly what we would obtain using a calculation of 10 million workers earning R40,000 per annum times 1%. The trend is for both number of employers paying and claiming to increase – the figures increased by 34% and 22% respectively between 2002 and 2003. By 2003, 95% of large firms (which comprise around 2% of all firms involved currently) were registered with SETAs, though only 56% of medium-sized firms had registered. Indications are perhaps that the skills levy income will not increase greatly in future in real terms, given the fact that practically all the large firms are already in the fold.	FET colleges themselves employ around 1,200 educators and a number of non-educators. This makes FET colleges liable to pay the skills levy. The ETDPP SETA reports that FET colleges have in fact been doing this and claiming their levies back.
NSA	The National Skills Authority was established through the SDA. Its function is largely to be a central coordinating and support body in relation to the SETAs. The NSA controls the National Skills Fund (NSF).	The total skills levy income must be divided between the NSF and the SETAs at a ratio of 20:80. This would make the NSF income in 2003/04 around R800m. Actual expenditure was lower, however, at around R610m. In 2003/04, almost 50% (or R285m) of the NSF expenditure went towards 'strategic projects' administered by the SETAs – this category includes a variety of skills development activities. The chief beneficiaries of this funding amongst the SETAs were MAPP (R58m), SERVICES (R41m) and ISETT (R39m). Distribution of beneficiaries across provinces is interesting – the 'three Capes' stand out as all having beneficiaries divided by adult population equal to 0.22%, against a national average of 0.16%. Around 40% of total NSF expenditure went towards 'social development projects' (described below). Some 10% went towards bursaries, largely at the HE level.	
SETA	A SETA, or Sector Education and Training Authority, is defined in the SDA. The function of a SETA is essentially to use the skills levies that it must collect in such a way that skills development in its sector is	There are 25 SETAs, all of which have existed for over five years. In 2003/04 their total income from the skills levy was just over R3bn – this is equal to 80% of all skills levy funds collected in the year. The largest incomes were received by MERSETA (R431m), SERVICES (R329m) and MQA (R297m). Expenditure during that	According to the audit of college partnerships released in 2004, only 53 of over 1,800 partnerships were with the SETAs – it is not clear how many individual SETAs were involved.

Term	Definition	Quantities	FET college link
	<p>promoted. For this purpose, SETAs may make grants to employers, providers and workers. Each SETA acts as the Education and Training Quality Assurance Body (ETQA) for its sector.</p>	<p>year stood at around 83% of income. By law, the 80% of the skills levy funds flowing to the SETAs should be spent by the SETAs as follows: 15% should go towards the Workplace Skills Planning Grant (a reward received by employers for preparing a WSP); 45% to the Workplace Skills Implementation Grant (a reward for implementing the WSP and submitting an Annual Training Report); 10% to Discretionary Grants; 10% to the administration costs of the SETA. The first two grants are known as the 'mandatory grants'.</p>	<p>Around 70 partnerships involved curriculum development for the SETAs by the colleges (mostly via a partnership with an employer).</p>
Learnership	<p>A learnership, often referred to as a 'learnership programme' or a 'registered learnership', is a training course designed to develop skills needed for the workplace. Learnerships are defined in the SDA. A learnership is always registered by a SETA, and with the DoL. Each learnership has a standardised reference number. It must lead to a SAQA qualification. There are still some references to the predecessor of learnerships, i.e. apprenticeships, in the DoL reports, but these are residual activities from the previous system and are being phased out.</p>	<p>Altogether 666 learnerships had been registered with SAQA by the end of the 2003/04 year. Of these, 333 were 'active', meaning that there were actual learners enrolled in these learnerships over the past year. All of the SETAs have registered some learnerships. The SETA with the highest number of registered learnerships is MAPP, with 88 learnerships (as at April 2005). Generally, learnerships encompass activities spanning a whole year. In some cases they span 2, 3 or 4 years. No cases could be found of learnerships taking less than one year. On the whole, each learnership incorporates all the unit standards needed for one qualification registered with SAQA.</p>	<p>It is not clear how many learnerships FET colleges have been involved in overall, but the number seems to be low. Central Johannesburg, a highly active college in terms of learnerships, is currently involved in five learnerships. Importantly, it is not clear in the case of individual learnerships, how time would be split between the classroom and the workplace. Even where fairly detailed descriptions of learnerships are provided (e.g. on the MERSETA website), this is not made clear. One would assume then that this split is determined with respect to individual learnership agreements, the guiding principle being that the various unit standards must be complied with. According to the audit of college partnerships, there were altogether 125 partnerships in the country involving learnership training. It is not possible to ascertain how many learnership agreements this work would encompass. 71 of the 125 partnerships involving learnerships were between a college and</p>
Learnership agreement	<p>This is a three-way time-bound agreement between an employer, a learner (who may be an employee) and a provider whereby the employer and the provider agree to provide on-the-job and class-based training respectively to one learner. The definition can be found in the SDA. One learnership agreement may cover one learnership, a</p>	<p>By the end of 2003/04, around 70,000 learnership agreements had been concluded - around 40,000 covered unemployed learners, and 30,000 covered employed learners. There was a sharp upward incline in the year-to-year trend evidenced by the fact that 40,000 of the 70,000 learnership agreements were registered during 2003/04. The implementation of these agreements has been funded by a mix of SETA and NSF funds. The NSF budgeted R700m (or 75% of its budget) for learnership agreements in 2004/05. The</p>	



Term	Definition	Quantities	FET college link
<p>Provider</p>	<p>part of one, or several learnerships, but it can only cover one learner. A learnership agreement must be registered with the relevant SETA. Sometimes an employed learner within a learnership agreement is referred to as an 18(1) learner, and an unemployed learner is referred to as an 18(2) learner (these are paragraphs in the SDA). Certification of learners on successful completion of qualifications flowing from learnership agreements is the responsibility of the relevant SETA, though providers may in some instances provide certification on completion of individual unit standards.</p> <p>A provider is the training provider in a learnership agreement.</p>	<p>SETAs with the largest number of learnership agreements registered by 2003/04 were SERVICES (8,000), THETA (7,000) and TETA and W&amp;RSETA (each with some 4,500). SETAs determine how much is to be paid towards each learnership agreement. The funding structure varies from SETA to SETA and is also dependent on the gender, disability and employment status of the learner. MERSETA's grant structure is fairly typical: An unemployed learner on a one-year learnership would attract R16,000. Of this amount, R6,000 is said to be intended as an income for the learner, R8,000 for the training provider and R2,000 for administration (it is not quite clear whose administration). It is made clear that the grant is not intended to cover all items, e.g. mentoring within the employer firm, travel of facilitators, books and administration (presumably in excess of the R2,000 amount). However, it is also stated that providers believing that the grant does not adequately cover training costs may, with the consent of the employer and the learner, motivate for additional funding. In their Annual Training Plans employers would report on the actual training costs incurred during the previous year. Employers can claim 100% of the salary paid to unemployed learners and 70% of the salary paid to employed learners as being tax exempt. Although in theory a company may utilise some of the mandatory grant funding received (the 15% plus 45%) for learnership training, this seems to be rare, meaning that learnership agreements must be funded from either the discretionary grant funding of the SETAs or the 20% of the levy funds received by the NSF. A rough calculation where we multiply the 40,000 new learners in 2003/04 by an average of R8,000 per learner gives a total of R320m. The fact that the NSF set aside R700m for learnership training for R2004/05 suggests that more or less a doubling of the number of learners was envisaged.</p> <p>Each SETA website contains a list of providers. In the case of some SETAs, there are several hundred providers on the list, with a variety of accreditation statuses, for instance full accreditation.</p>	<p>an employer -- only 13 involved direct partnering with a SETA. The total share received by colleges of the overall skills levy pool (whether for learnerships or not) is difficult to establish, but college accounts suggest that definitely no more than 3% of total resourcing in colleges is derived from the skills levy -- this would equal around R50m (or 1% of the total skills levy pool). Despite the emphasis on college participation in the learnerships system in, for example, W&amp;RSETA, we should remember that learnerships will probably not attract in excess of around 20% of skills levy funds (around R800m currently), and that the bulk of the skills development market is likely to involve other forms of training activities. In other words, if the FET colleges are to base most of their expansion on the skills levy, and if they are to double in size, perhaps half of the training being provided would have to be in forms other than the learnership form.</p> <p>The W&amp;RSETA and THETA websites had a relatively strong FET college presence on their providers lists, with 20</p>

<i>Term</i>	<i>Definition</i>	<i>Quantities</i>	<i>FET college link</i>
Skills programme	A skills programme, defined in the SDA, is like a looser version of a learnership or learnership agreement. It is both a training course, and an actual offering of training covering one or more learners. It does not require separate registration with DoL, meaning it can piggy-back on an existing SAQA programme. Moreover, there is no prescribed three-way agreement, though some formal agreement is needed. SETAs or the DoL may fund skills programmes.	provisional accreditation, and expired accreditation. Full accreditation is valid for five years, partial accreditation for two years. Many of the providers are also the employers in the sector, so Pick n' Pay would be an accredited provider for its own employees. It is not quite clear from the DoL reports what activities undertaken would qualify as skills programmes in terms of the SDA. However, it is clear that a great number of non-learnership training programmes have occurred, especially with respect to capacity building in SMMEs. Altogether by 2004 some 40,000 SMMEs received some training in SETA-driven programmes (it is not clear whether this is for one year or cumulatively, but it seems to be the latter). Moreover, 'social development projects' directed at the unemployed reached out to almost 150,000 people in 2003/04 (the placement rate was 70%). Some of the projects are referred to as 'incubator programmes'. One-third of the NSF's expenditure is earmarked for social development projects – the actual expenditure on this by the NSF in 2003/04 was R270m. MERSETA, according to its website, has a fixed R5,000 grant that is paid to approved skills programmes.	and 8 colleges respectively. Seven provinces had some presence in either of these two SETAs in terms of colleges. Of the 1,800 audited FET college partnerships, 270 involved the provision of training other than learnership training to private firms. There is thus clearly an awareness within the colleges of the range of training possibilities. We can assume that much of the income received through these 270 'partnerships' would be derived from skills levy reimbursements received by companies.

### Processes of the skills development system

The following are key processes of the skills development system that FET colleges are already to some extent involved in. Deeper involvement is inevitable, and this will have to come with serious consideration of ways in which participation in the processes, or the processes themselves, can be made more efficient. Clearly, all these processes have cost implications for colleges, and this must be dealt with through some or other funding mechanism.

#### Establishment of learnerships

Although SETAs must take the step of registering a learnership programme with DoL, many SETAs stress that all players, but in particular providers, need to make inputs into the process. Colleges would be well placed in terms of their experiences and knowledge to both propose new learnerships, and be actively involved in the design of individual learnership programmes. It is not clear how much work this involves. Many of the learnership programmes referred to on the SETA websites are simply references to existing qualifications on the SAQA website – obviously if the qualification did not exist previously, then designing the learnership would also involve interacting with the SAQA structures in designing the qualification and unit standards. It is important to keep in mind what makes learnerships special, namely that they include experiential workplace learning and an agreement with an employer. Colleges should play an important role in advising SETAs and employers on optimum mixes of classroom and workplace training, based on logistical, curriculum and funding considerations. Classroom time is probably more costly than workplace time – the learner's pay must be paid wherever the learner is, and in the classroom the cost of an educator's time is incurred. It therefore seems important to carefully gauge whether grant amount offered by the SETA is adequate to cover contact time, planning and assessment time, and workplace visiting time to the extent that the qualification can be realistically achieved. There is clearly a need for careful planning and financial analysis on the part of colleges.

The SETAs acknowledge there are serious policy gaps with regard to the content and funding of skills programmes, as distinct from learnerships. Given that colleges are a potentially important provider of skills programmes, college involvement in this policy process seems necessary.

#### Provider accreditation

Generally, there are two types of provider accreditation. A provider may acquire 'institutional accreditation' with the SETA covering the provider's main sectoral focus (the assumption being that providers have one of the 25 sectors as their main focus). Secondly, a provider that has already acquired an institutional accreditation with one SETA may acquire 'learning programmes accreditation' with any other SETA. The idea is that a provider should only obtain institutional accreditation with one SETA. Memoranda of Understanding (MoUs) between SETAs have been concluded to deal with the sharing of information and common standards between SETAs with respect to provider accreditation.

FET colleges all enjoy institutional accreditation with Umalusi as far as the SETAs are concerned. Over and above this, however, it seems as if learning programmes accreditation is still a requirement. It is not clear how complex gaining this accreditation is. Gaining institutional accreditation is a relatively lengthy process, involving site evaluations. FET college staff have complained about the complexity of the accreditation processes they have experienced with the SETAs. These have involved much time, and costs relating to the upgrading of facilities to meet the standards of the SETAs.

### Concluding of learnership agreements

The initiation of each learnership agreement is largely a task intended for the employer. However, a pro forma agreement between an FET college and the employer found on the LGWSETA website (<http://www.lgwseta.co.za/led/training.htm>) suggests a more pro-active role for colleges, where they undertake much of the management of the learnership and the liaison with the SETA. This pro forma agreement was developed by the Johannesburg Central and Tshwane North colleges.

One SETA mentioned that providers could motivate for additional funding for the training component of a learnership, as long as this occurred before training had begun, and with the consent of the other two parties. FET colleges should be realistic about the cost of training, and motivate strongly for funding over and above the SETA-determined funding levels if necessary.

### Assessment and certification of learners

All assessment flowing from a learnership agreement is the responsibility of the provider. With regard to certification, generally the SETA devolves certification with respect to completion of unit standards to the provider, but retains the role of certifier of completed qualifications. Clearly, the more SETAs that a college is involved with, the more costly the transactions that must occur, partly because each SETAs systems and procedures are slightly different.

### Financial accounting

The payment routes during the implementation of a learnership agreement can take one of two forms (there may be other options, but two options seem common). In the one, the SETA pays the employer the full learnership grant, and the employer then pays the learner the stipend and the provider for the training. In the other form, the SETA pays the provider directly for the training, and pays the employer the money for the stipend. The option taken would clearly affect the required financial accounting. In the first option, the provider would invoice the employer, and the control would presumably be the employer's satisfaction with the training provided. Presumably, the college would be able to use the same invoicing format for all employers. In the second option, the SETA may require the provider to account for spending according to the SETAs own formats. No examples of such formats could be found, though each SETA has a format in which the *employer* must account for training undertaken, including the cost of training (this is in the Annual Training Report). It is currently not clear which payment option is least efficient for colleges, but colleges would stand to gain from promoting whichever option was the most efficient.

### Summary of college funding implications

If colleges are to capture a larger share of the skills levy market, and play a greater role in the 'skills revolution', colleges need to strategise carefully with a view to making full use of current strengths and to opening up new service avenues where there is a clear need and colleges have a potential to deliver. Based on the foregoing facts and discussions regarding the skills levy market, the following pointers seem important for colleges:

One: **Maximise** the learnership funding options and gauge carefully what can be offered with the available funding

The grant available to the provider in the reimbursement system of around R6,000 is 87% of the existing recurrent expenditure per FTE (fees plus public expenditure) of around R10,500 (we should remember however, that the national average masks inter-provincial differences of

as much as 80%). The R6,000 level of funding is a minimum, however. Depending on the SETA in question, it can rise by as much as 100% for disabled learners, and by a smaller percentage if learners are female. In addition, some SETAs make provision for an application by providers for additional training funds if costs justify this. The amount earmarked for administration of the learnership by some SETAs is another part of the grant to which colleges can lay claim, depending on their involvement in the management of the learnership.

The cost variables for the college seem to be mainly (1) class size (see comment on economies of scale below), (2) time allocated towards classroom activities vis a vis workplace activities, and (3) the level of effort required to manage the learnership and undertake, for instance, visits to the workplace. Flexibility appears to be provided by the absence of hard and fast rules around the number of classroom hours required. As long as the unit standards can be achieved, classroom time can be reduced to reduce costs. Determining which learnership services are cost effective and which are not is a complex task, given the number of variables (and the fact that SETAs have different rules). Clearly an analysis tool developed by the sector as a whole would assist. It is a task that colleges must undertake to ensure that their input into the learnership market is efficient and sustainable. There will be many service options, including service options that SETAs and employers would like to promote, that are not possible within the given funding regime.

Two: Explore more direct support to employers to bring them into the skills development market

In 2004, around 80% of firms were still not claiming back their skills levies. Most of these firms are smaller firms. FET colleges, due to their relatively wide geographical spread, are well placed to advocate greater employer participation in the skills development market. Local media could be used by colleges to advise employers on how to complete their WSPs and how to implement these plans. This advocacy work could be strongly linked to the marketing of services offered by colleges. Basically, colleges would design and promote offerings that would be appropriate within the WSPs of local firms.

Three: Offer more curriculum development services directly to the SETAs

SETAs and the NSF have funds available for curriculum development – both the discretionary grant amounts and the administration amounts of the SETAs may be directed towards this work. College staff are well placed to provide services in this regard. This could serve as a first step towards specialisation of particular colleges in particular unit standards and qualifications.

Four: Try to achieve economies of scale with respect to number of SETAs, number of learners and number of employers

Due to the fact that each learnership agreement covers only one learner, one employer and one provider, a common complaint is that it is difficult to achieve economies of scale with respect to learnership training. The answer would seem to lie in balancing responsiveness and strategy. On the one hand, colleges need to be responsive to local demand. On the other, they need to strategise with respect to their optimal focus areas. Given that each SETA has, to some degree, its own system of planning and reporting, it appears to make sense for colleges to limit somewhat the spread of their focus across the 25 sectors, in order to reduce administrative burden. To some degree this is already happening. In addition, economies of scale can be obtained with regard to some learnership programmes by targeting larger firms. Finally, uneconomically small classes need to be avoided.

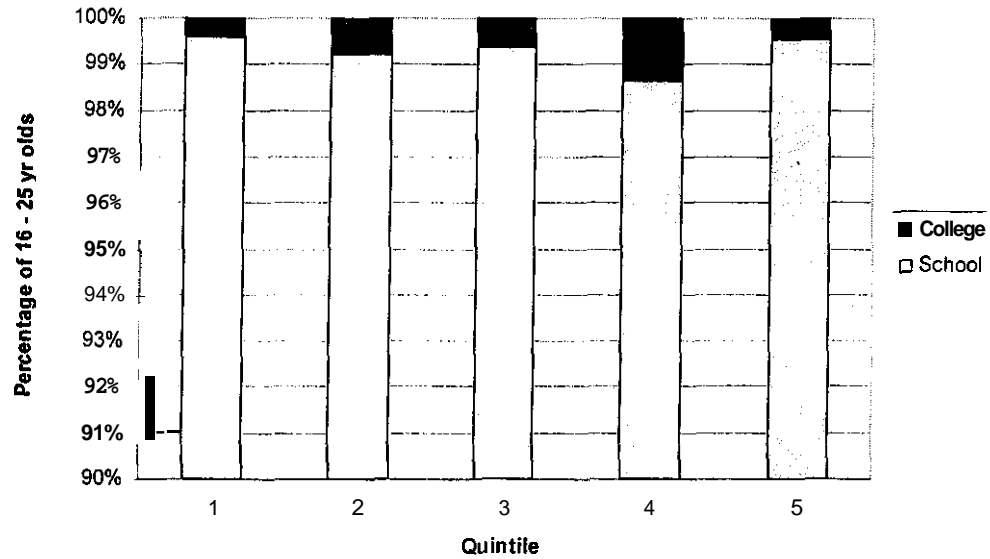
Five: Concentrate on the whole range of **skills** development activities

Much of the policy on FET colleges has focussed on learnership training. However, learnership training is probably unlikely to take up more than 20% of the skills levy market – currently the actual figure may be around 10%. The bulk of the market **is** made **up** of activities funded by the ‘mandatory grants’, which comprise (as a maximum) 60% of the total skills levy pool. Given that colleges currently account for only 1% or thereabouts of all skills levy spending, there appears to be ample room for expansion both with respect to learnerships training and other forms of training. Clearly, a large part of the focus of colleges should be on what employers are currently including in their Workplace Skills Plans.

**Appendix E Relationship between income quintiles and college enrolment**

Labour Force Survey data 2001 was used to obtain a profile of college enrolment across income quintiles.

*Enrolment against income patterns*



The graph indicates that college enrolment is most common in quintile 4, and least common in quintiles 1 and 5. This might support the hypothesis that there are two opposing factors at play. On the one hand, fees in colleges, which are much higher than fees in schools to which quintile 1 households have access, act as an access barrier for the poor. On the other hand, perceptions that technical college education is a relatively low status type of education keeps the rich, who have more education options, out of these institutions.

## Appendix F Resourcing practices in other countries

This appendix presents the results of a scan of secondary level TVET resourcing practices in other countries. This scan was undertaken partly to identify interesting approaches that could be adapted to the South African situation, and partly to position the resourcing approaches already captured in our policies, e.g. the White Paper, within an international context.

### AUSTRALIA

The overall public and private system

Australia has around 4,000 registered training organisations (RTOs), of which some 85 are public 'institutes of TAFE' spread across 300 campuses (TAFE stands for Technical and Further Education). TAFE offers some 95% of training hours in the country, so this sector clearly dominates the market. Around 50% of the funding of the 4,000 RTOs is public, with a ratio of national to sub-national funding (where sub-national means state or territory) of around 70:30. Around 20% of 15 to 19 year olds in the country are enrolled in TAFE.

Governance at the national and sub-national levels

Since 1992, the Australian National Training Authority (ANTA) has been at the centre of the macro level governance of publicly funded TVET. ANTA advises the national Minister of Education on the offering of the service, and administers the bulk of public funding in this regard, transferring most of it to sub-national ANTAs on the basis of policy and negotiated agreements.

The resourcing of public institutions

The funding flows from the national to sub-national level, and from the sub-national level to the TAFE institutes are based on a mix of formulas determined at the state level, and negotiated business plans and performance contracts. Enrolment is expressed in terms of student contact hours, or SCHs. The average monetary amount per SCH differs from state to state, in some cases by as much as 100%. Within a state, there is differentiation according to the assumed cost of the type of programme being offered. The assumed costs are established by researchers in the state governments. *N.B. Get actual examples of the research and calculations.* In the last decade, the average monetary amount per SCH has declined in real terms, and this has caused tensions. It has also been argued that the monetary amounts are *not* sufficiently sensitive to type of programme, and the location of the service provider. Output or performance is not considered in any formulaic way when funding of institutions is determined. Industry-driven 'competency standards' are commonly considered when evaluating the quality of the service, though this does not directly or explicitly feed back into the level of funding any institution receives (though there could be an informal influence). There is no explicit pro-poor funding formula in place, though introducing the one in existence in the higher education system has received some serious consideration. Targeting of disadvantaged students for enrolment is a policy imperative, and seems to be actively pursued, though there are no hard quotas in this respect.

The state governments, and to some extent the state level Industry Training Advisory Boards (ITABs), bodies representing industry interests, appear to have considerable say in determining levels of enrolment, spread across programmes, and targeting of disadvantaged students in the TAFE institutes. Institutions receive public funding on the basis of a negotiated agreement in this regard. The space that institutions have to themselves determine the enrolments and programmes that the public funds will cover varies from state to state. Increasingly, there is an understanding that the state government is purchasing the enrolments per programme from the institution, and this implies diminishing manoeuvrability of



institutions as far as the use of public funds is concerned. An under-supply of places in TAFE institutions relative to demand (demand has been rising) puts pressure on institutions to stretch the public funds to cover a greater number of SCHs, and where institutions are able to make efficiency savings, this is permitted, at least in certain states.

In some states, institutes of TAFE are themselves the employers of their staff. In New South Wales, the country's most populous state, the state is the employer, and posts are distributed to institutions – this is similar to the South African post provisioning approach. In all states a variety of employment modes, including many part-time modes, are used in order to meet the demand for particular staff within the budget.

Fees comprise around 10% of the income of TAFE institutes. Most states cap the amount that may be charged per SCH – in 2001 the capped amount averaged around one Australian dollar per SCH. Around 25% of students qualify for fee exemptions on the basis of income, and institutes themselves are expected to bear the cost of this.

TAFE institutes are free to conclude agreements to offer training privately. *How much of the TAFE's income is from completely private rendering of services?* Financial accounting rules require a separation of the publicly and privately funded services, in order to minimise undesirable cross-subsidisation of private services using public funds. Around 10% of public training funds go to completely private training institutions, which would be funded on a basis similar to that applicable to the public TAFE institutes. The 10% figure is more or less a conscious strategy of government. Funding private providers is in keeping with the government's commitment to a 'national training market' and 'user choice' approach to the public funding of TVET.

#### Policy pressures

A decline in real terms in the funding of TVET over the last years has caused much political tension. In 2004, the Prime Minister announced that the government would place renewed emphasis in this area, and ensure that training was geared towards the needs of industry. Key institutional changes currently occurring in Australia to underpin these policy shifts are the abolishment of ANTA (during 2005) and the creation of a new ministerial post, that of the Minister for Vocational and Technical Education.

There do not appear to be major labour tensions relating to modes of employment in the TAFE institutes.

#### Possible lessons for South Africa

- The strong emphasis on national institutional capacity for planning TVET, be it in the form of ANTA or a separate Ministry, seems an important lesson.
- The capping of fees is something we may want to consider.
- Modelling carried out on an ongoing basis by Victoria to determine skills and training demand in the region, in order to inform the supply of publicly funded training, seems interesting (Australian National Training Authority 2001, 35-8).

## BRAZIL

### The overall public and private system

TVET in Brazil is explicitly spread across the primary, secondary and tertiary levels. At the primary level (called 'basic' in Brazil, and spanning Grades 1 to 8), 2 million of a total of 35

million learners are considered to be in TVET. Here we concentrate on the TVET occurring in the secondary level, or Grades 9 to 11. At this level, around 450 public TVET institutions cater for around 400,000 learners, whilst 820 private TVET institutions cater for around 300,000 learners. This is according to a major census of TVET undertaken in 1999. Most of the 450 public institutions are run by states. 139 of them, however, are run nationally, by the federal government, and are referred to as Federal Institutions of Technological Education, or IFETs. Of the IFETs, 34 are Federal Centres of Technological Education, or CEFETs, and much of the political attention around the strengthening of TVET has focussed on the CEFETs. Though predominantly secondary level institutions, the CEFETs have also increasingly been branching into post-secondary TVET.

Parallel and rather separated from the system of public institutions, is a system of industry-driven training that is well-established and is often regarded as a model for innovation in Latin America. The industry-driven system is known as the 'S System', and revolves around a training body. For the commercial sector, SENAC, one for the industrial sector, SENAI, and a few smaller ones. (These bodies are similar to our SETAs, though they are more autonomous than the SETAs, and fewer in number.) A legal framework requires employers to contribute financially to the training bodies, and to send employees to them for training, some for full-time pre-service training. SENAC's skills development broadcasts, some of which span 600 radio stations, and involve rigorous and ongoing evaluation of the quality of content via student and media surveys, are regarded as models of best practice. SENAI runs 'incubator programmes' in which trainers coach small and emerging entrepreneurs through the steps needed to improve their businesses. Banks are involved in the programmes, and this facilitates access to loans. These programmes are highly centred around the trainee, and have received very positive assessments.

SENAC and SENAI also receive some funding for training off the regular government budgets.

#### Governance at the national and sub-national levels

In the Ministry of Education, TVET is managed by SETEC, a secretariat dedicated to this function. SETEC is divided into two branches, one with three directorates dealing with policy, evaluation and supervision of institutions respectively, and another branch dealing with special projects.

1994 legislation, designed to deal with a problem of policy fragmentation with regard to TVET, places the Ministry of Education more firmly in the centre of TVET governance and policymaking, and creates a national advisory body, the National Council for Technological Education (unfortunately, no details on the actual work of this body could be found).

#### The resourcing of public institutions

The emphasis here is on the resourcing of the 34 federally run CEFETs. These institutions are governed by statutory governing bodies that must be representative of the whole range of stakeholders, including industry (this is unlike South Africa, where the councils of the FET colleges are not explicitly required to include industry representatives). The members of these statutory bodies are appointed by the state government, though apart from this, the CEFETs enjoy considerable autonomy. The area of emphasis of the CEFETs is considered to be the secondary level, though training at the basic and higher levels also occurs. The CEFETs perform full-time training, offer accommodation for students, organise learnerships, and have recently begun to run incubator programmes similar to the SENAI ones. Through PROEP, a large scale programme funded by the Inter-American Development Bank, CEFETs can obtain additional funding for more innovative training modes, in particular more modularised training. PROEP has reportedly caused a major shift in the emphasis of the CEFETs, away

from full-time programmes, towards more modularised programmes. This shift has not been without controversy. Critics have accused PROEP of under-valuing the general education aspects of TVET, and of causing job insecurity amongst CEFET educators.

Formulas for the funding of the CEFETs could not be found. A few financial reports from the CEFETs indicate, however, that over 90% of all the income of the institutions is from the federal government. Furthermore, the emphasis on enrolment statistics suggests that funding occurs according to the number full-time equivalent students. What is not clear at all is whether the public funding system differentiates between types of programmes, and whether outputs or completion of programmes by students is taken into account. It seems as if there is no pro-poor funding of students. Apart from the standard recurrent funding from the state, CEFETs receive capital investment funds linked to particular plans, and PROEP funding. In the institutions examined, an average of 5% of income was from the completely private sale of services. Less than 1% of income was from student fees. Demand for places in the CEFETs outweighs their supply by far. Entrance examinations determine who gets in and who does not.

CEFETs themselves employ their staff, but according to rather stringent public service rules. Unions are strong, and this is part of the reason why most employment is full-time. There has, however, been a slight drift towards greater part-time employment of educators.

In summary, the CEFETs are highly public institutions. They provide few services directly to private firms, they charge very minimal student fees, and they follow public service regulations in terms of employment and procurement. The quality of their training seems high, at least relative to that in other public institutions, which explains the great demand.

### Policy pressures

With the shift toward the left in government in 2002 has come a major questioning of the approaches taken by the country in the area of TVET over the preceding decade. There is currently a strong commitment towards firmer government involvement in the sector, greater emphasis on the general education needs of workers, and less modularisation of the TVET curriculum. The extent to which these political thrusts become translated into new policies has yet to be seen. So far, no concrete changes to the TVET system have been proposed.

#### Possible lessons for South Africa

- The 1999 census of TVET, the first of its kind in Brazil, provided a knowledge base of both public and private TVET in the country that has been invaluable for planning. In South Africa, we seem to be in need of something like this. The reputedly large private TVET system in South Africa is under-studied and arguably under-regulated.
- The incubator programme approach towards linking TVET directly to entrepreneurship appears interesting.
- The reliance on the mass media in Brazil to increase the reach of skills development seems something we could learn from.
- The Brazilian emphasis (even under the previous government) on keeping the CEFETs as strongly public centres of excellence should be of interest to us. This emphasis in Brazil is due to a mix of union pressures emanating from the staff of the institutions, and serious economic development thinking. The Brazilian system could serve as an interesting test case for us of the advantages and/or dangers of having TVET institutions with a strongly public stamp.

## UNITED KINGDOM

The overall public and private system

Public FE colleges in the UK provide services to some 6 million youths and adults over a wide range of ages every year.

Governance **at** the national and sub-national levels

The Labour Government has re-introduced a stronger public hand into the FE college sector, following years of state withdrawal during the Conservative years. The Learning and Skills Council (LSC) was established in 2001, with local LSC offices being set up in 47 sites around the country. The role of the LSCs is to plan for the country's TVET services for students over the age of 16, and to fund individual institutions based on transparent criteria.

The resourcing **of** public institutions

The UK system can be considered a highly advanced programme funding system. A set of funding formulas distribute on an annual basis around £9bn to the colleges in the system, based on data relating to individual students, and some whole-college performance data. The system is called 'plan-led funding', reflecting the fact that funding is based on development plans that are negotiated between the LSCs and individual colleges. The system is not exclusive to FE colleges – other types of institutions such as adult centres and schools can utilise it to access funding.

The following calculations are performed to arrive at funding levels:

- A 'rate' is attached to each student, depending on what the student is studying. There is a 'national base rate' attached to each of 25 'learner aims' (these are more or less groups of qualifications). A database of individual qualifications clarifies which national base rate applies to which qualification. If the student is not studying for a qualification, a 'loadbanded rate' is used instead of the national base rate. The loadbanded rate is based on the number of 'guided learning hours' (or 'GLHs') that the studies involve. The rate is weighted by one of five weights, each of which depends on the subjects being taken.
- From the unweighted rate for each student, an amount of 25% is deducted for students who can be expected to pay fees. In other words, it is assumed that the fees will cover the 25%. Many students are exempt from fees, for example students taking basic skills courses, students age 18 and below, students receiving social grants, and students who have been classified as unemployed. The exemption is called a 'fee remission' and is always complete (it would seem from the available documentation) – there is thus no partial remission. It is important that the unweighted rate is used as a basis for calculating the assumed fee income. This method ensures that students enrolled for subjects implying a higher unit cost, do not pay more in fees.
- The socio-economic status of each student is gauged, using the postal code of the student's home address. Students from socio-economically depressed areas attract between 8% and 24% in additional funding.
- When a student completes a qualification, an additional amount equal to 10% of the weighted rate is paid to the college. The weighted rate plus this 10% amount come to the total cost of the training. The 10% amounts are paid to colleges after graduation, implying a retroactive funding component,

- Whole colleges are eligible for performance-related bonuses if they perform sufficiently well in terms of their development plan. These bonuses are a percentage of total funding, so a bonus could imply, say, a 2 per cent overall increase in the funding level of one institution. Three different percentages apply, and they are linked to achievement of highly transparent goals. For instance, for 2004 the only goal was that the development plan of the institution should be of an acceptable standard.

The funding system for FE institutions underwent some changes following a major 2003 review of the system. This review looked back at what was already many years of programme funding, and identified problems and possible solutions. The main recommendation of this review was that funding should move away from what was seen as an excessive concern with matching training and planning data to funds in a very detailed way, and toward a relationship between the authorities and institutions based more on trust and strategy, than on data. The existing funding regime was seen as implying too heavy an administrative burden, and focussing too little on the ability of managers in institutions to respond flexibly to challenges. Reference was made in the review to the importance of getting the 'level of granularity', or the level of detailed planning required, right in the system. It was emphasised that a distinction should be made between poorly managed colleges (which tend to be colleges that use data poorly) and better managed colleges (which tend to have more information to use in the planning process), and that the authorities should bring more trust-based planning into their relationships with the better managed colleges, whilst more interventionist relationships were needed for the poorly managed institutions. Concretely, the review advocated the abolition of retroactive clawback mechanisms, except in instances of truly poor institution management. Clawback mechanisms were identified as an element of the system that demanded much planning time, and caused tensions, yet their efficiency gains were small. The review advocated that effort spent on clawbacks should rather be spent on better forward planning, to improve the match between funds disbursed and services delivered.

#### Possible lessons for South Africa

- The British programme funding system is sufficiently mature to have been through a major review. Moreover, resources on the British system are quite easily available on the Internet. Whilst we should guard against adopting systems uncritically from other countries (especially if those countries have very different socio-economic circumstances), there is clearly a lot that we can learn from the British system. Perhaps the element of the British system that is most easily applicable to South Africa is the organisation of programme weights based on service delivery cost. The fact that the British group programmes into similar cost categories is interesting. This prevents excessive worrying about the differences between individual programmes, and presumably simplifies the costing process.
- ' The fact that the British system aims to charge equal fees to all students, regardless of whether they are taking more or less costly programmes should be noted by us.
- ' It should also be noted that the British system deals with socio-economic disadvantage in two stages. Firstly, it exempts particular students from the payment of fees. Secondly, it provides institutions with additional funding relative to the socio-economic profile of students. This sounds like a rather complex way of dealing with socio-economic disadvantage. The system could be mixing incentives to enrol disadvantaged students with real cost issues relating to the training of these students. The rationale does not seem very clear from the documentation that was reviewed. Arguably, we should develop a redress system that is more transparent in terms of what it should achieve, especially given the different nature and magnitude of the challenge in South Africa.

- The emphasis on balancing trust and detailed planning in the 2003 review should be viewed as critical by us. At the same time, we should be aware of the fact that the British system in 2003 involved highly detailed planning, with data on the contact hours and course by course enrolment of individual students being taken into account. The 2003 reaction was therefore one against a degree of micro-planning that has never existed in South Africa.
- The strong opposition to the clawback mechanism in the 2003 review should be taken seriously by us. Clearly, there are difficult incentive and administrative problems associated with such a mechanism.

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[www.wrseta.org.za](http://www.wrseta.org.za)
- South African Qualifications Authority (SAQA)  
[www.saqa.org.za](http://www.saqa.org.za)
- The Skills Portal (TSP)  
[www.skillsportal.co.za](http://www.skillsportal.co.za)
- Wholesale and Retail Sector Education and Training Authority (WRSETA).  
[www.wrseta.org.za](http://www.wrseta.org.za)

### Websites (non-South African)

- Australian National Training Authority (ANTA).  
[www.anta.gov.au](http://www.anta.gov.au)
- Learning & Skills Council (LSC).  
[www.lsc.gov.uk](http://www.lsc.gov.uk)
- National Centre for Vocational Education Research (NCVER)

[www.ncver.edu.au](http://www.ncver.edu.au)

UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training.

[www.unevoc-unesco.org](http://www.unevoc-unesco.org)