Skilling up Tanzania

Improving financing, governance and outputs of the skills development sector

Research Questions

Which supply (financing, governance and training delivery) and demand factors affect skills development outcomes in Tanzania? And how can incentives be better aligned to improve the quality and quantity of skills in Tanzania?

Key Findings

Despite significant tax collection via a dedicated skills development levy, the vocational education and training system is underfunded and ineffective: vulnerability to rents capture is pervasive and suppliers remain largely disconnected from companies and unable to meet their needs.

Implications

To build trust and effective collaborations between capable skills development suppliers and companies, incentives must be realigned within supplier institutions and across suppliers and companies, training portfolios must be restructured and the most capable companies incentivised with targeted funds and partnerships involving levy rebates.

Project Summary

We start from addressing *why* and *how* vocational education and training (VET) institutions in Tanzania have shown poor performance and we quantify the *scale* and *forms* of rents capture and corruption, from financing to governance and delivery, which have led to mistrust in the sector. Second, we conduct an experiment to investigate *why* companies with different capabilities might respond differently to incentives, and *which types* of companies are more capable to train workers and deploy them.

Approach

- The rents analysis of the skills development sector has involved an in-depth analysis of the regulatory framework, tax data analysis and several interviews with stakeholders.
- The ongoing discreet choice experiment involves 300+ companies and will generate evidence on the likelihood that different incentive packages for skills development will work for different types of companies.

Key findings

Supply/institutional problems:

- Limited presence of high quality VET institutions/ programmes (although some pockets of excellence) and political economy challenges in the skills sector (including vulnerability to corruption and lack of accountability along the whole supply chain);
- Resistance to curricula reforms and emphasis on certification more than employability;
- Authorities operating as both regulators and providers, and limited accountability of providers;
- National VET systems are fluid/diverse: numerous informal practices with mixed effects.

Demand/firm level problems:

- A limited number of competitive firms capable of organizing and deploying skills effectively: thus limited impact of skills on productivity and limited incentives to hire skilled workers
- Limited number of competitive firms able to identify the specific type of skills they require.
- Difficulties in involving private companies, with training perceived as double burden and cost/risk.

Policy and programming implications

- To ensure more constructive engagement between the public and private sector, the transparency and accountability of the fund flows seem to be an important preliminary condition. This implies: (i) a gradual move away from a centralised system where the skills development levy (SDL) is used to fund general government expenditures; (ii) a less ambiguous legal framework which allows tracking of SDL collection and allocation; (iii) a more direct link between sectoral-level collection and allocation, while guaranteeing that cross-sectoral needs are met; (iv) increased voice and accountability in the curriculum and training models.
- However, these reforms will be successful only if incentives can be re-aligned and targeted to take into account differences across sectors and firms, and if companies with organisational capabilities can be directly involved through industrial placements, dual apprenticeships and internships and incentivised with rebate or grant models.

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