PUBLIC FINANCE FOR TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING INSTITUTIONS IN THE PHILIPPINES: TRENDS, PATTERNS, AND PERFORMANCE

1. Public and private institutions offering TVET programs: distribution and absorptive capacity. In 2019, there were 4,272 technical and vocational institutions (TVIs) nationwide: 3,911 or 91.5% are private institutions, while 361 or 8.5% are public, including 123 TESDA Technology Institutions (TTIs). TVIs also include higher education institutions (HEIs) both, private and public, such as state universities and colleges, local universities, and colleges. Private and public TVIs other than the TTIs register their technical and vocational programs. Upon compliance with the standards or training regulations, they get accredited through the Unified TVET Program Registration and Accreditation System (UTPRAS). The TVIs are subject to compliance audits every two years. Figure 1 shows the distribution of public and private TVIs that have registered technical and vocational programs by regions. There are 16,234 registered programs, of which 15,179 or 92.6% have training regulations.1 Figure 2 shows the distribution of registered training programs and the absorptive capacity2 of TVIs operating by region.

Figure 1: Distribution of TVIs-- Private and Public, by Region

ARMM = Autonomous Region in Muslim Mindanao, Cordillera Autonomous Region, NCR = National Capital Region.
Source: TESDA.

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1 Training regulation is a standard setting document that serve as basis for (i) development of curriculum and assessment tools, (ii) registration and delivery of training program, and (iii) establishment of competency assessment and certification arrangements. Currently TESDA has about 300 training regulations covering course offerings of TVIs.

2 Number of trainees that a TVI/Enterprise can accommodate in a year based on Training Regulation requirements on physical facilities, tools and equipment and number of trainers. This includes existing/ongoing scholarship programs with other government agencies and other funding organizations (TESDA Circular No. 001 s. 2019).
Reach of TVIs (public and private) and quality assurance. Despite the fact the private TVIs outnumber public TVIs, i.e., more than 10-fold, the latter handle 55% of the enrollees and produce 57% graduates for all TVIs in any given year. For instance, from 2014 to 2018 on average, private TVIs produced 0.94 million graduates while public TVIs trained 1.23 million graduates (see Figure 3). For quality assurance, TESDA conducts compliance audit to monitor whether the TVIs meet minimum standards for curricula, faculty and personnel, tools, equipment, facilities, and other support services for the students.

The quality of TVET registered programs offered by both private and public TVIs has been
mixed. In 2017, a technical audit was conducted to assess TVIs that can participate in scholarship grants. Based on this audit, 38% or about 6,949 of the total 18,288 registered programs had to be closed due to non-compliance and violation of TESDA standards.3 Clearly, protocols for quality assurance need to be strengthened further and spot checks by TESDA improved so that the incidence of non-compliance is reduced.

A. Public Finance for TVET through TESDA

4. TESDA’s budget allotment over time. TESDA accounted for only 1.8% of the total allotments for education—Department of Education, TESDA and Commission on Higher Education—between 2012 and 2021.4 Figure 4 shows the overall budget for education under the three agencies in the past decade.

Figure 4: Philippines – Education Allotments ($ million), 2011–2021

![Figure 4: Philippines – Education Allotments ($ million), 2011–2021](image)

CHED = Commission on Higher Education, DepEd = Department of Education, TESDA = Technical Education and Skills Development Authority
Source: DBM Statement of Allotment, Obligation and Balances, various years.

5. During the initial years of TESDA’s operation, appropriations by Congress increased from $11.7 million in 1996 to $58.9 million or more than four-fold by 1998. The largest share of the budget went to personal services (PS) and maintenance and other operating expenditures (MOOEs) with an average of 51.0% and 40.9% respectively, while the share of capital outlay was 8.1%. Since 1999, TVET appropriations remained flat for almost a decade until 2008, except for MOOE that has increased owing to the introduction of financial assistance/ scholarships that started in 2000 under the expanded Government Assistance to Students and Teachers in Private Education Act of 1998 (Expanded GASTPE).5 Allocation for personal services averaged $18.9

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4 This does not include other national government agencies and attached units that perform purely-education functions (e.g., state universities and colleges, Philippine Science High School, Local Government Academy, Philippine Military Academy), and non-purely academic functions (e.g., public works, local governments) under the national education expenditure framework.
5 GASTPE of 1989 introduced PESFA prior to TESDA Act of 1994. Coverage of students enrolled in technical and vocational courses under PESFA did not take effect until the expanded GASTPE where its administration was divided between the Commission on Higher Education (CHED) for education and training in degree courses and TESDA for...
million. On the other hand, capital outlay averaged only about $6.8 million during 2002–2011 (share 12.5%). It declined further to an average of just $3.0 million or 2.0% of total appropriations during 2012–2020 (see Figures 5 to 6).

Figure 5: TESDA Appropriations, 1996–2020
($ million)

$1 = Php 48.475
Source: General Appropriations Act, various years; TESDA Financial Management Staff.

Figure 6: TESDA Appropriations, Percentage Distribution, 1996–2020

$1 = Php 48.475
Source: General Appropriations Act, various years; TESDA Financial Management Staff.

In recent years, however, there is an increasing trend in government spending for TVET through TESDAs allotment, particularly for MOOE due to the introduction of financial assistance/scholarship programs: Special Training for Employment Program (STEP) in 2013 and Universal Access to Quality Tertiary Education Act (UAQTEA) in 2017. These have provided additional financial assistance funding for TVET through the GAA in 2014 and 2018, respectively. Capital outlay has increased marginally over the period 2017–2020 to an annual average of $4.4 million or just 2.7% of appropriation (Figure 7). In 2019, TESDA’s MOOE comprised 19.9% for regular operating expenses of 19.9% and 80.1% for financial assistance or scholarships. This was the exact opposite from 2000 to 2005 with only one financial assistance program, i.e., Private Education Student Financial Assistance (PESFA).

**Figure 7: Trajectory TESDA’s Appropriations, Major Budget Items, 1996–2020**

($ million)

Source: TESDA, various years.

$1 = Php 48.745

**Figure 8: TESDA MOOE Appropriations, Regular and Financial Assistance, 1996 to 2019**

Source: TESDA
B. TVET Financial Assistance or Scholarships

7. Four broad types of financial assistance/scholarship for TVET students and graduates have been provided since 1998, namely: (i) Training for Work Scholarship Program (TSWP); (ii) PESFA; (iii) STEP; and most recently, and (iv) UAQTEA. Table 1 summarizes the objectives, targeting, coverage, and funding sources of these financial assistance/scholarship programs. Table 2 shows the target beneficiaries and the average cost per student. TWP averaged about 75% of total beneficiaries in 2014–2017 with an average grant of $191 per student, followed by STEP with 18.0% of the total and an average of $273 per student, and then PESFA at 7% of the total and an average of $263 per student over the same period.

Table 1: TESDA Financial Assistance/Scholarship Programs

<table>
<thead>
<tr>
<th>Financial Assistance</th>
<th>Purpose and objective</th>
<th>Coverage/ Targeting/ Selection</th>
<th>Funding source</th>
<th>Start of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Education Student Financial Assistance (PESFA)</td>
<td>• Education grants to qualified and deserving college freshmen both in degree and non-degree courses</td>
<td>Coverage: Cover recognized diploma programs registered as of August 2019</td>
<td>General Appropriations Act (GAA) $3.9 million annually starting in 2000 $78.4 million (cumulative)</td>
<td>GASTPE in 1989</td>
</tr>
<tr>
<td></td>
<td>• Seeks to extend financial assistance to marginalized students in post-secondary non-degree courses, promote TVET, competent skilled workforce and assist private institutions by assuring steady supply of enrollees</td>
<td>Target: unemployed and underemployed</td>
<td>GAA $3.9 million annually starting in 2000 $78.4 million (cumulative)</td>
<td>Expanded GASPE of 1999</td>
</tr>
</tbody>
</table>

2. Training for Work Scholarship Program (TSWP)

| Aims to strengthen TVET’s global competitiveness and job readiness | Coverage: Higher level qualifications (NC III or IV, PQF levels IV) are given preference | Target: unemployed or underemployed including displaced workers (OFWs and local) as identified by DOLE | Selection: at least 15 years old, completed NCAE or YP4SC, passing of pre-training assessment or entry level requirements | GAA $10.8 million in 2006 to $53.3 million in 2019 $389.4 million (cumulative) | 2006 |
| Seeks to support rapid, inclusive and sustained economic growth through course offerings in priority industries and key employment generators: agri-fishery/agri-business/agro-industrial, tourism, information technology-business process management (IT-BPM), semiconductor and electronics, automotive, other priority manufacturing industries, logistics, general infrastructure, and new and emerging sectors | Training program specific, e.g., beneficiaries who wish to enroll in ladderized education programs enrolled in TESDA- or CHED |  |

Financial Assistance | Purpose and objective | Coverage/ Targeting/ Selection \(^a\) | Funding source \(^b\) | Start of GAA
--- | --- | --- | --- | ---
3. Special Training for Employment Program (STEP) | • Community-based training program to address skills needs of communities and promote employment through entrepreneurial, self-employment, and service-oriented. | • **Coverage**: skills needs of communities  
• **Target**: Disadvantaged group – workers in informal sector, senior citizens, disaster-affected, IPs and cultural minorities  
• **Selection**: Less rigid  
• Training allowance and starter toolkits | GAA  
$20.0 million in 2014 to $41.2 million in 2019 $117.1 million (cumulative) | 2014

4. Universal Access to Quality Tertiary Education Act (UAQTEA) | • Strengthen the unified student financial assistance (UNIFAST) and covers free tuition and school fees for TVET in post-secondary non-tertiary education state-run technical vocational institutions (TVIs).  
• Tertiary education subsidy (TES) has been established for all Filipino students who enroll in undergraduate post-secondary programs of State Universities and Colleges, Local Universities and Colleges, private higher education institutions, and all TVIs (both private and public).  
• Cover any State-run TVI with TESDA registered TVET program, i.e., with quality assurance by TESDA | GAA  
$135.3 million in 2018; $76.7 in 2019 212.0 (cumulative, 2 years) | 2018

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\(^a\) Regions and provinces prepare a scholarship allocation plan (SAP) to distribute training seats for scholarship among TVET providers based on the absorptive capacity.

\(^b\) Approved standard fees are strictly applied for TWSP/STEP, PESFA, and UAQTEA. The TVI/Enterprise shall not exact any additional fees from the beneficiaries.


Table 2: Target Beneficiaries and Average Cost per Student

<table>
<thead>
<tr>
<th>Year</th>
<th>TWSP</th>
<th>PESFA</th>
<th>STEP</th>
<th>UAQTEA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target students</td>
<td>Cost ($)</td>
<td>Target students</td>
<td>Cost ($)</td>
</tr>
<tr>
<td>2014</td>
<td>163,300</td>
<td>169</td>
<td>26,667</td>
<td>147</td>
</tr>
<tr>
<td>2015</td>
<td>210,526</td>
<td>186</td>
<td>21,053</td>
<td>186</td>
</tr>
<tr>
<td>2016</td>
<td>231,579</td>
<td>187</td>
<td>21,053</td>
<td>186</td>
</tr>
<tr>
<td>2017</td>
<td>293,333</td>
<td>161</td>
<td>11,111</td>
<td>353</td>
</tr>
<tr>
<td>2018</td>
<td>247,370</td>
<td>221</td>
<td>11,111</td>
<td>353</td>
</tr>
<tr>
<td>2019</td>
<td>238,637</td>
<td>223</td>
<td>11,111</td>
<td>353</td>
</tr>
</tbody>
</table>


Source: TESDA FMS.
8. PESFA has added $3.9 million (or 200 million pesos) annually starting 2000 and then TWSP started to receive funding in 2006. The introduction of STEP and doubling of TSWP further increased TESDA’s MOOE three-fold in 2014 and continued to expand until 2020. Starting 2018, UAQTEA almost doubled the total government financing for TVET through financial assistance/scholarships.
9. In 2019, only 24% of the scholarship funds were used in TESDA TTIs, while 64% were used in private TVIs, and 12% in state universities and colleges and local colleges and universities.

**Figure 11: Distribution of Scholarship Funds by Type of Recipient Institution, 2019**

![Pie chart showing distribution of scholarship funds by type of recipient institution in 2019.]

LCU = local colleges and universities, SUC = state universities and colleges, TESDA = Technical Education and Skills Development Authority, TTI = TESDA technology institutions, TVI = technical-vocational institution.

Source: TESDA.

10. **Evaluation of scholarships.** Evaluation in 2013 indicated that the scholarship program seems to perform well in terms of internal efficiency, i.e., high graduation rates, but it does not perform well on external efficiency with low employment rates among graduates. The latter however is linked to the overall TVET subsector program, not just on specific scholarship programs.⁷ As requested by TESDA, ADB evaluated the effectiveness of various TVET scholarships as part of the Philippines TVET sector study.⁸

11. In addition to the financial assistance programs identified in para. 7, Orbeta and Corpus⁹ identified the following various financing programs to promote access to TVET. They observed that most scholarships cover tuition, allowance, and assessment fees. This includes Tulong-Trabaho Scholarship Program, Barangay Kabuhayan Skills Training Program, Rice Extension Service Program, TsUPER Iskolar Program, JobsStart Philippines, Education Assistance Loan Program, and Sustainable Livelihood Program. Interestingly, several of these programs target the same beneficiaries. The authors recommended to reconfigure and rationalize TVET financing programs to “avoid duplication, confusion, and possible waste of resources” (p. 28).

12. TESDA can pursue suitable corrective measures under the project to improve the targeting of the scholarships to needy students. It is also necessary to track the performance of the institutes which are providing training against these scholarships. The equity dimension of the scholarships program should go in parallel with efficient implementation and results in terms of

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⁸ Impact Evaluation on TESDA Scholarships (accessible from the list of linked of documents in Appendix 2 of the report and recommendation of the President)

the employment prospects of the trainees who avail of the scholarships.

13. Government’s Fiscal Response to COVID-19 and its Impact on TVET. TESDA’s expenditure program and budget appropriations significantly increased in 2018, particularly its MOOE due to the doubling of financial assistance/scholarships under the UAQTEA. However, TESDA’s allotment of 2.1 billion pesos ($41.6 million), a portion of its scholarship program, was realigned to support the government’s fiscal response to COVID-19 in 2020.

**Figure 12: TESDA Expenditure Program, 2018–2020 ($ million)**

FY=fiscal year, GAA=General Appropriations Act, NEP=National Expenditure Program.

Source: TESDA Financial Management Service.