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Sector Education and Training Authority – Skills Funding  
Intelligence Report (SETA-SFIR)

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TOURISM

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## ABBREVIATIONS

ATR	Annual Training Report
AET	Adult Education and Training
AGC	Apprenticeship Game Changer
CBO	Community-Based Organisation
CETA	Construction Education & Training Authority
DEDAT	Department of Economic Development and Tourism
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DUT	Durban University of Technology
ECDI	Entrepreneurship and Cooperative Development institute
FASSET	Finance and Accounting Services Sector Education and Training Authority
ICT	Information Communication Technologies
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Principles
HRDS-SA	Human Resource Development Strategy for South Africa
HWSETA	Health and Welfare Sector Education and Training Authority
INSETA	Insurance Sector Education and Training Authority
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MICTSETA	Media, Information and Communication Technology Sector
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEA	Not Economically Active

NGO	Non-Governmental Organisation
NQF	National Qualifications Framework
NSDP	National Skills Development Programme
NSDS	National Skills Development Strategy
PAYE	Pay as You Earn
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plans
PSP	Provincial Strategic Plan
QCTO	Quality Council for Trades and Occupations
RPL	Recognition for Prior Learning
SARS	South African Revenue Services
SDL	Skills Development Levy
SETA	Sector Education and Training Authority
SETA-SFIR	Sector Education and Training Authority – Skills Funding Intelligence Report
SFIR	Skills Funding Intelligence Report
SIC	Standard Industrial Classification
SITT	Skills Incentives Think Tank
UIF	Unemployment Insurance Fund
WCG	Western Cape Government
WCSC	Western Cape SETA Cluster
WSP	Workplace Skills Plan
WP-PSET	White Paper on Post School Education
WSP	Workplace Skills Plan

## 1. INTRODUCTION

The Sector Education and Training Authority - Skills Funding Intelligence Report (SETA-SFIR) initiated by the Department of Economic Development and Tourism (DEDAT), provides information on the allocation of SETA grants and the disbursement of funds for skills development projects.

The SETA-SFIR's thus aims is to strengthen DEDATs understanding of the skills development ecosystem to facilitate improved collaboration, evidence-based policy decisions for the prioritisation, funding, and implementation of skills development initiatives in the Western Cape.

The Department of Economic Development and Tourism (DEDAT), with the support of the Insurance Sector and Education Training Authority (INSETA) and the Durban University of Technology (DUT), has produced this Sector Education and Training Authority - Skills Funding Intelligence Report (SETA-SFIR).

The aims of this Report are three-fold:

- Acquire a better insight and understanding for the skills levy grant regulations.
- Provide the Department with information, analysis, and insights to accessing the SETA discretionary grants.
- Making evidence-based decisions for the prioritisation of skills development initiatives in the Western Cape.

This Report resonates with the Department's goal of implementing demand-led skills training interventions relevant to the socio-economic needs of the Western Cape province.

The Department intends implementing the recommendations of this Report to access discretionary grant funding for the province. DEDAT has set a goal of leveraging R180 million for skills development projects in the province over three years.

## 2. PROJECT BACKGROUND

### Department of Economic Development and Tourism

The Western Cape Government (WCG) Provincial Strategic Plan<sup>1</sup> (PSP) 2019-2024 outlined its Vision Inspired Priorities of “*A safe Western Cape where everyone prospers*”. Over the next five years, the WCG will build safe and cohesive communities; boost the economy and job creation; empower people; promote mobility and spatial transformation, while driving innovation in a culture of a truly competent state.

One of the pillars of the PSP is “*Creating opportunities for job creation through skills development*”. The outcome of DEDAT’s skills programme of “*Improvement in employability of beneficiaries supported*” directly relates to this pillar.

The programme addresses unemployment, skills development, and accessing work experience opportunities. The programme also aligns with Vision Inspired Priority (VIP) 2: *Growth and Jobs*; and VIP 3: *Empowering People*.

DEDAT’s five-year plan is aimed at increasing youth employability, employment and increasing productivity in the tradable economic sectors. It has set a target of facilitating 20 000<sup>2</sup> training and work placements; supporting youth employment; enhancing existing skills programmes; developing new programmes; and improving placement graduates.

To commit to achieving these outcomes, DEDAT received R604 611 million for 1920/21 period, of which R84 145 million is ring-fenced for skills development and innovation.<sup>3</sup>

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<sup>1</sup> [https://www.westerncape.gov.za/text/2019/December/draft\\_strategic\\_framework\\_for\\_psp\\_2019-2024\\_dec\\_2019\\_1.pdf](https://www.westerncape.gov.za/text/2019/December/draft_strategic_framework_for_psp_2019-2024_dec_2019_1.pdf)

<sup>2</sup> DEDAT 2020/21 Annual Performance Plan (APP)

<sup>3</sup> National Treasury MTECH allocation 2020. This however could have altered due to C-19 re-prioritization of budgets

*Skills Incentives* is aimed at leveraging skills to support the priority economic sectors in the province. This will enable DEDAT to meet its five- year goals. *Skills Incentives* co-ordinates stakeholder partnerships in the skills funding pipeline; improve skills planning; and increase access to skills funding at national, provincial, and local levels.

*Skills Incentives* is aligned to the *National Development Plan (NDP)*, the *New Growth Path (NGP)*, the *National Skills Development Plan (NSDP)*, the *White Paper on Post-School Education and Training (WP-PSET)*, and the *Human Resource Development Strategy for SA (HRDS-SA)*.

*Skills Incentives* has strengthened relationships with government, business, and civil society through the *Skills Incentives Think Tank (SITT) forums*, which facilitate partnerships that lead to financial and non-financial support for DEDAT’s skills interventions.

Since 2016, DEDAT has secured R56 299 600 in funding for the Skills Incentive programme. Skills Incentives collaborates with other WCG programmes to facilitate access to funds, workplace placement, and skills opportunities. Skill Incentives has secured the following funds over three years to support skills interventions:

<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
R29 891 000	R9 300 000	R7 393 000

The contracted value of SETA funds obtained over the last three years for the Skills Incentive Programme is R11 600 540, which was directed primarily to DEDAT’s Apprenticeship Game Changer skills initiatives.<sup>4</sup>

The Western Cape Seta Cluster (*WCSC*) is a flagship initiative and a vital funding forum established by DEDAT. *Skills Incentives* co-ordinates the *WCSC*, which comprises 18 of

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<sup>4</sup> Standing Committee Presentations 2019

the 21 SETA's. The WCSC is a collaborative forum with a vision to address skills shortages and improve employability of the people in the Western Cape.

The 21 SETAs were part of the Western Cape Apprenticeship Game Changer (AGC) interventions from 2015-2018, focusing on identifying and participating in key interventions that would place young people on a pathway to productive adulthood.

The insights from the SETA SFIR would provide evidence-based data to improve funding alignment and improved leveraging of funds, leveraging the Western Cape SETA Cluster.

### 3. PROBLEM STATEMENT

Although the government is making significant public investments in education (schooling and post-school education and training), South Africa is bedevilled by acute skills shortages in critical areas of need. This is evident in the *National Development Plan (NDP)*, the *New Growth Path (NGP)*, the *National Skills Development Plan (NSDP)*, the *White Paper on Post-School Education and Training (WP-PSET)*, the *Human Resource Development Strategy for SA (HRDS-SA)*, *Provincial Sector Skills Plans* and *Industry Master Plans*. More recently, the state's *Economic Recovery Plan 2020* to revitalise the economy emphasises the need for skills development and job creation to drive growth.

There is also a proliferation of research studies, journal articles and conference papers emanating from universities, research institutes, consultancies, large companies, public entities, employer associations and labour unions highlighting skills shortages in the labour market.

Furthermore, SETA's develop *Sector Skills Plans* and the Department of Higher Education and Training (DHET) issues a *List of Occupations in High Demand* annually to identify and anticipate skills needs.

It is apparent that an integrated approach to skills planning, and funding is lacking at national, provincial, municipal, and sectoral levels. It leads to a duplication of projects and an inefficient allocation of public investments for skills development.

DEDAT has identified several problems with the management and implementation of SETA discretionary grant funds:

**Procurement:** The procurement process is often user-unfriendly; bureaucratic; non-transparent; costly; bids lack proper conceptualisation; characterised by long turnaround times; and SETA's cancel bids frequently. The Portfolio Committee on Higher Education, Science and Technology states that poor internal control systems and breach of supply chain management processes remains an ongoing concern in some of the SETA's. Recurring irregular expenditure annually has been noted as a serious concern by the Committee, including the lack of consequence management against those implicated in irregularities.<sup>5</sup>

**SETA systems:** It is sometimes complex to understand how SETA's identify discretionary grants projects and programmes or navigate the systems.

**Stakeholders:** It is challenging for stakeholders to access discretionary grants; the unemployed youth are unable to access training opportunities in a in a co-ordinated or simple manner; training providers often experience cash flow problems due to payment delays by SETA's.

**Related party interests:** The discretionary grants process is perceived as bias to people and organisations closely "connected" with the SETA's. Conflict of interests with respect to the awarding of tenders from members of the SETA's boards was cited as the root cause for destabilisation of the core functions in these entities.<sup>6</sup>

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<sup>5</sup> ATC200717: Report of the Portfolio Committee on Higher Education, Science and Technology on Consideration of the Sector Education and Training Authorities and the National Skills Fund 2020 – 2025 Strategic Plans and 2020/21 Annual Performance Plans and Budgets, Dated 17 July 2020.

<sup>6</sup> ATC200717: Report of the Portfolio Committee on Higher Education, Science and Technology on Consideration of the Sector Education and Training Authorities and the National Skills Fund 2020 – 2025 Strategic Plans and 2020/21 Annual Performance Plans and Budgets, Dated 17 July 2020.

**Provincial skills need:** The discretionary grant projects are often not aligned to the Provincial Growth and Development Plans. Although there is consultation with provincial departments, it does not often materialise into prioritized partners to co-fund key provincial priorities.

**Complex architecture:** The complexity of the skills development architecture makes it difficult to respond appropriately to the demand-side needs of the provincial labour markets.

**Wastage of funds:** There is a widespread duplication of discretionary grants projects by SETAs in the province. SETA's seldom pool their resources and proactively engage with provinces to conceptualise, launch, and activate projects.

**Mandate:** The SETAs were not being utilised as an integral part of industrialising the South African economy.<sup>7</sup>

**Sector Skills Plans:** The discretionary grants projects are aligned to Sector Skills Plans (SSPs). However, SSPs are not always aligned to provincial skills priorities.

**Gauteng:** SETAs are headquartered in Gauteng. Some SETAs have branches in other regions, which are a little more than a "post box", with the decision making and influence ultimately residing at National.

The COVID-19 pandemic is adversely affecting civil society. The President, Cyril Ramaphosa, instituted the National State of Disaster and lockdown that started the 26 March 2020<sup>8</sup>. This was followed by a four (4) months Skills Development Levy (SDL) contribution "holiday". SETA's have not received levy contributions from April 2020 to July 2020 due to the levy "holiday". Consequently, SETAs are under pressure to re-prioritise their commitments and targets.

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<sup>7</sup> Ibid.

<sup>8</sup> <https://www.gov.za/speeches/president-cyril-ramaphosa-escalation-measures-combat-coronavirus-covid-19-pandemic-23-mar>

With a 51% decline in GDP in the second quarter of the year, it is vital that the SETA “up their game”.

## 4. SCOPE

The SFIR covers the 2017/18 and 2018/19 financial period for SETA's. There was a focus on discretionary grants.

### 4.1 OUTCOMES

The outcomes of this project are the following:

- Acquire insights into the regulatory framework governing the skills development.
- Relay to the Department, insights to leverage discretionary grants for provincial skills initiatives.
- Identify the types of projects and programmes funded by SETA's.
- Strengthen collaboration between SETA's, DEDAT and other stakeholders in the province.

### 4.2 LIMITATIONS

The SETA Annual Reports and or key regulations were not all centralised and updated on one portal or site. It was time consuming and often challenging to find the most updated frameworks to assist with reviewing the findings.

Essential limitations that underly the SFIR include:

**Firstly**, SETAs are not employing performance indicators to measure, analyse and report provincially. A survey was administered to obtain provincial data from SETA's. None of the SETA's were able to populate the survey with data along the provincial dimension.

**Secondly**, SETA staff did not respond to the SETA Survey of Discretionary Grants (four SETAs responded) and in the SETA CEO Survey (one was received). Hence, there appears to be a general apathy to completing surveys or simply "survey fatigue".

**Thirdly**, there is widespread use of confusing terminology in the legislation and regulations which is unhelpful to labour market actor. For example, scarce skills, critical skills, occupations in high demand, skills shortages, occupational shortages, skills gaps, top-up skills, sectoral priority occupations, Top 10 Occupations, PIVOTAL skills, PIVOTAL occupations, etc.

**Fourthly**, some SETA's report the same training intervention under different NSDP target outcomes, thus creating the appearance that they are meeting or exceeding targets.

**Fifthly**, the SETA frameworks, targets and performance reports are open to various interpretations in financial and non-financial reporting. The findings in this Report are consistent with the Parliamentary Monitoring Group<sup>9</sup>, which highlighted the need for improved implementation of remedial actions and creating improved systems of governance of financial and non-financial reporting.

**Sixthly**, the inconsistency of presentation of data in sub sectors, size of employer, provincial level data and the details on budgets against these hinders an ability to

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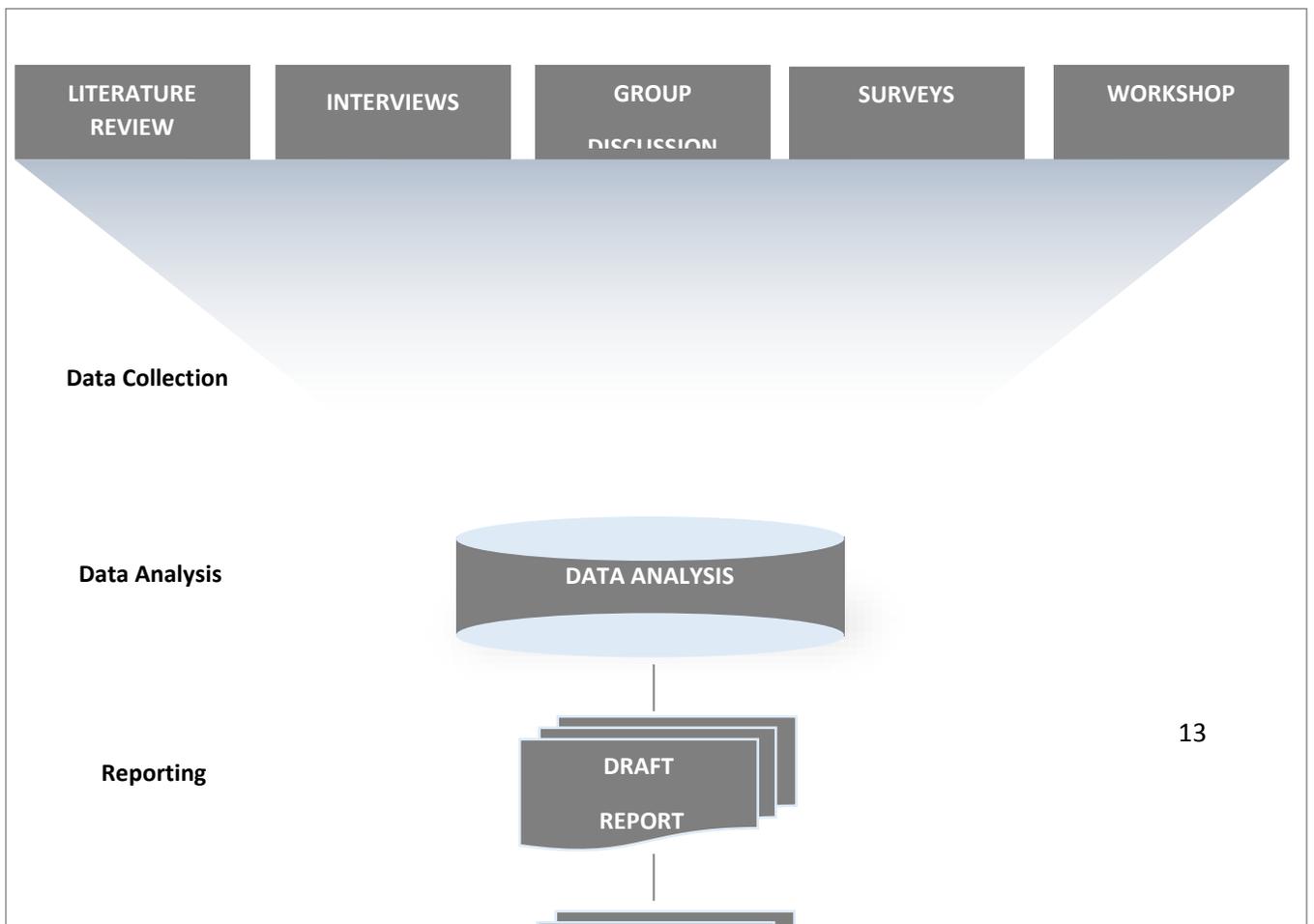
<sup>9</sup> Accessed at: <https://pmg.org.za/committee-meeting/28794/>

provide a standardized way to gather and assess data across the 21 SETA's. DEDAT and DUT survey is intended to collect the latter data sets, but this was not forthcoming/available.

**Finally**, a substantial literature review of previous reports on SETA performance was conducted to inform this study, including interviews, focus groups and desk top research. During this process, it became apparent that a key challenge is the lack of an integrated and enforceable national management performance framework.

## 5. RESEARCH APPROACH

A mixed method research approach was adopted. It involved collection information and data by qualitative and quantitative research methods from primary and secondary sources. The data and information were triangulated to corroborate findings from the different sources.



The research approach consisted of the following:

Step One (Literature Review): The following documents were analysed -

- Annual reports (2017/2018 and 2018/2019) of the SETA's, DHET and NSF
- SETA Sector skills plans, strategic plans, annual performance plans
- National Skills Development Plan
- White Paper on Post-School Education and Training
- SETA policies, procedures, processes, and requirements for discretionary grant applications.
- Relevant National Treasury Guidelines; legislation and regulations
- The National Skills Association Webinar Presentations
- DEDAT Apprenticeship Game Changer Roadmap
- DEDAT Skills Strategic Documents
- DEDAT Western Cape SETA Cluster Documents
- DEDAT TVET SETA key presentations

Step Two (Surveys): A survey focussed on discretionary grants was administered to SETA's. Four out of twenty-one responses were received.

## **Survey**

The insights gathered from the literature reviews and focus groups, facilitated the designing pre-testing and piloting of the survey instrument.

### *Designing of the survey instrument*

The Western Cape SETA Cluster meeting on 21 July, provided a platform where the Draft ToR for the SETA SFIR and examples the survey questions were discussed.

A number SETA's, DUT and INSETA participated via emails, telephonically and or one on ones to assist:

1. Guiding the final survey terminology and areas to match the TOR
2. Facilitate buy in to successfully complete the survey by using National and /Provincial records
3. Providing guidance regards the legislation, regulations, and access to literature

### *Pre-testing and piloting the survey*

The College of Cape Town has been key in facilitating and designing the tool for pre-testing and piloting with the following stakeholders:

- WNS
- DUT
- INSETA key research members
- DEDAT's key skills members

The following link was used to pre- test, pilot and allow for SETA submissions of the survey: <https://fs23.formsite.com/cctfet/dedat2020/>

### *Administering the survey*

The survey was administered by DEDAT via a link to all Western Cape SETA Cluster members and or the SETA National Office staff for completion. The link was distributed to the SETA's.

Step Three (Interviews): Interviews were held with the Western Cape SETA Cluster Forum.

## Interviews

The qualitative sources are obtained through semi-structured interviews, focus groups and informal discussions with SETA representatives and industry skills experts. The qualitative responses from interviews were analysed through thematic analysis. Quantitative data was manually extracted from Audited Financial Statements (Annual Reports) and analysed through statistical software to indicate trends and to facilitate achieving the research objectives stated in the beginning of the study.

A sample of role-players across the SETA landscape were interviewed/consulted:

- Members of the Western Cape SETA Cluster.
- Regional and or National Managers at SETA Western Cape offices.
- Western Cape SETA Cluster Rotational Chair
- Members of the NSA Research Working Group
- Industry Skills Experts

The interviews were used to assist designing the SETA survey, provide insight into their understanding of SETA reporting, their response to C-19 and possible areas of co funding or partnering.

## Summary of Methodology on Interviews/Consultations

METHODOLOGY	QUANTITY OF ENGAGEMENTS	DETAILS
Interviews	10	FP&M Seta, CETA, merSeta, Services SETA, PSETA, FASSET, MICT SETA, W&RSETA, HWSETA, BANK SETA and INSETA
Informal Discussions / correspondence to facilitate understanding of the SETA landscape and guidance to relevant updated Literature	8	4 INSETA, 1 W&RSETA, 1 SERVICE SETA, 1 African Skills Village, 1 WNS
Focus Group Sessions	4	Various people from these organisations participated in the 4 different sessions: INSETA and members of the NSA Research Group, W&RSETA, Services SETA, WNS, Durban University of Technology
DEDAT-SETA Cluster Meeting in the second quarter 2020	1	Over 10 SETAs participated and supported the draft TOR for the SETA SFIR. W&R SETA, INSETA, TETA and Services SETA agreed to be part of a Working Group to assist with identifying and refining key survey questions.

Total Number of Engagements with Stakeholders	23	
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Step Four (Workshop): An online workshop was convened to present the Pre-liminary Report to the SETA Cluster.

Step Five (Interviews and a SETA CEO survey was administered).

The following stakeholders were interviewed-

- CEO and the Director of the National Skills Authority
- Deputy Director General of the SETA Branch.
- SETA representatives in the Western Cape SETA Cluster.

Two responses were received from the SETA CEO online survey.

Step Six (Data Analysis and Reporting): The qualitative and quantitative data was analysed and reported.

## 6. SKILLS DEVELOPMENT LEVY GRANT SCHEME

### LEGISLATION AND POLICY MANDATES

The following key pieces of legislation have informed and underpinned the development of this Strategic Plan:

*Skills Development Act of 1998, as amended in 2008; it provides a framework to develop and improve the skills of the South African workforce.*

*Skills Development Levies Act of 1999, (Act 9 of 1999), as amended in 2010 (Act 24 of 2010), which provides for the imposition of skills development levies and matters related thereto.*

*National Qualifications Framework Act, 2008; it creates a single integrated framework for learning achievements.*

*SETA Grant Regulations Regarding Monies Received by a Seta and Related Matters, which was gazetted on 3 December 2012 and came into effect on 1 April 2013.*

*Government Gazette No.75: Promulgation of the National Skills Development Plan (NSDP) - On the 7th of March 2019, the Honourable Minister of Higher Education and Training, after consultation with the National Skills Authority, promulgated the National Skills Development Plan (NSDP) to improve skills development. The NSDP is key to enabling government and social partners to contribute towards economic growth, employment creation and social development.*

A *Sector Skills Plan (SSP)*<sup>10</sup> is developed by each Seta to identify the skills priorities within the sector.

## 6.1 SKILLS DEVELOPMENT ACT (SDA)

The aims of the Act are to be achieved by establishing an institutional and financial framework, which will include the National Skills Authority (NSA), the National Skills Fund (NSF), the Sector Education and Training Authority (SETA's) and institutions in the Department of Labour.

The Skills Development Act (SDA ,1998) provides a framework for the development of skills in the workplace. A key aspect of the Act is the provision for skills development by means of a levy-grant scheme, and the establishment of Sector Education and Training Authorities to administer the scheme's funds and manage the skills development process.

### **The main aims of the SDA are to, amongst others:**

1. improve the quality of life of workers, their prospects of work and labour mobility.
2. improve productivity in the workplace and the competitiveness of employers.
3. increase the levels of investment in education and training in the labour market and to improve the return on that investment.
4. promote self-employment; and
5. improve the delivery of services

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<sup>10</sup> (Source: CHIETA Skills Development Committee Toolkit: November 2017)

## 6.2 SKILLS DEVELOPMENT LEVIES (SDL)

In terms of *section 3(1) and 3(4) of the Skills Development Levies Act 9 of 1999*, registered employers of a designated SETA pay a skills development levy (SDL) of 1% of the total payroll cost monthly to the South African Revenue Services (SARS). The levy is an employer tax and not a deduction from the employee's wages.<sup>11</sup>

The *Act* regulates a compulsory levy for skills development in the workplace. It aims develop a skilled labour force, increase skills supply, improve productivity and employability.

The levy is disbursed to an appropriate SETA based on a Standard Industrial Classification Code (SIC) Code, which categorises the industrial jurisdiction of employer business activities.

The following organisations are exempt from paying the SDL:

- Religious or charitable institutions or any fund which is exempt from the payment of income tax.
- Any public service employer in national or provincial sphere.
- Any municipality in possession of a certificate of exemption from the Minister of Labour.

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<sup>11</sup> Skills Development Levies Act 9 of 1999.

- National or provincial public entities if 80 % or more of its expenditure is defrayed from funds voted by Parliament.
- Employers whose wage bill will be less than R500 000 per annum.

### **Levy Breakdown**

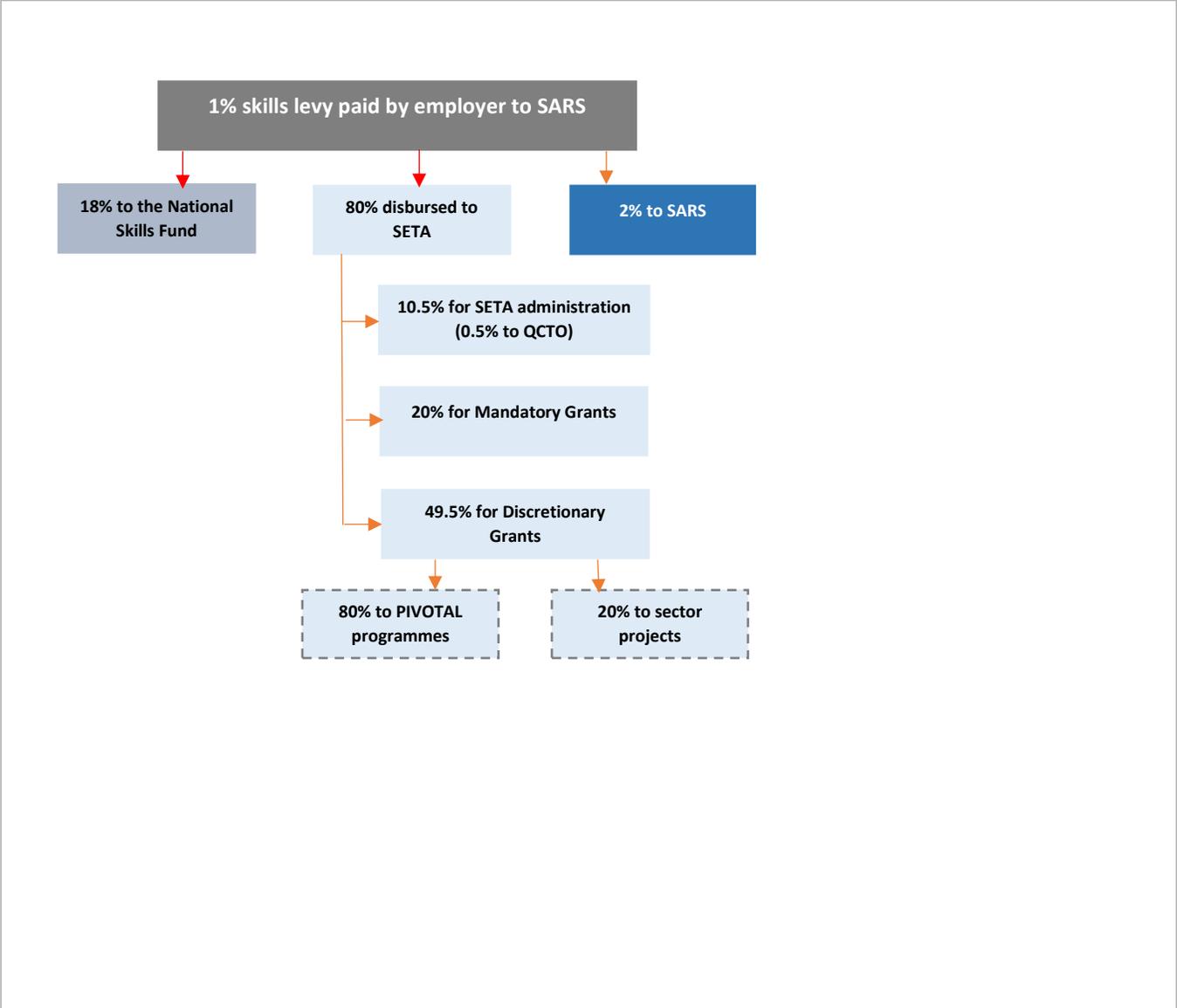
The 1% SDL received from companies is disbursed as follows:<sup>12</sup>

- 10,5 % is retained by the SETA for administration costs.
- 49.5% for discretionary grants (80% of this is allocated to pivotal grants and 20% to other sector skills projects), inclusive of 0.5% is given to the Quality Council for Trades and Occupations (QCTO) to carry out its work
- 20% as a mandatory grant to employers on submission of a workplace skills plan and annual training report from a designated SETA
- 18% to the National Skills Fund for national projects.
- 2% to SARS for levy collection.

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<sup>12</sup> Ibid.

**How the SDL Scheme works?**



6.2.1 Mandatory Grants

The purpose of the mandatory grant is to give an incentive to employers to plan, train employees, and submit training data to their designated for skills planning and budget allocations.

Employers submit a workplan skills plan (WSP), annual training report (ATR) and pivotal plan to activate a rebate of 20% of their levies as per *Annexure 2 of the Grant Regulations*.

The grant is intended to encourage employers to provide data to the SETA on their workforce and skills needs. The data needs to be accurate so that the SETA can use the data to establish skills needs in the sector.<sup>13</sup>

Key aspects covered in the SETA Grant Guidelines accessing Mandatory Grants, include, amongst others:

- i. Explanations of the online system for applications and training that is provided
- ii. Criteria for approval for Mandatory Grants

Mandatory Grants are paid by the SETA if the employer fulfils the requirements to receive the grants.

In order to qualify to receive the mandatory grant, the levy-paying employer must meet the following criteria:

- Be registered in terms of the Skills Development Levies Act.
- The WSP and ATR are submitted by the required deadline and implemented according to the prescriptions for implementation by the SETA.
- Employ a skills development facilitator.
- Be an up-to-day levy-payer that is registered in terms of the Skills Development Levies Act.
- All levy payments need to be up to date at the time of the approval

### 6.2.2 Discretionary Grants

Discretionary grants are just that – discretionary. The purpose of the discretionary grants is to enable a SETA to implement their Sector Skills Plan. It supports the training of employed and unemployed people.

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<sup>13</sup> DHET (2019) Guidelines on the implementation of SETA regulations. Department of Higher Education and Training: Pretoria.

These are not grants that employers are entitled to, but grants the SETA deploys to achieve its objectives in relation to upskilling the sector workforce. Hence, it is not about how employers can “get their money back”, but rather how the SETA will achieve the implementation of the SSP and make a meaningful contribution to national targets.<sup>14</sup>

The discretionary grant constitutes 49.5% of the total levy and is dispersed through sector-based projects and programmes.

It is noteworthy that 80% of the discretionary grant is allocated to PIVOTAL (professional, vocational, technical, and academic learning programmes). PIVOTAL programmes culminate in qualifications or part qualifications on the National Qualifications Framework (NQF) and are geared towards addressing skills priorities that are identified in the SETA Sector Skills Plan. The PIVOTAL programmes include internships, work-integrated learning, apprenticeships, bursaries, and work experience placements that lead to a trade test, occupational competence award or professional designation.

SETA can provide institutional support which can be funded out of the non-PIVOTAL grant, sector-specific component of their discretionary grant (the 20% of discretionary funds). Public colleges and universities require such support for delivering skills to the sector. Such support includes funding: Chair / Head of Faculty; hiring lecturers; lecturer development programme; learning materials; equipment; infrastructure; and curriculum development.

Other support includes career guidance; high school mathematics, science and language programmes, research; rural development training; stakeholder capacity-building; training

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<sup>14</sup> DHET (2019) Guidelines on the implementation of SETA regulations. Department of Higher Education and Training: Pretoria.

for retrenched workers; youth development; learnerships, apprenticeships, internships, and bursaries; and SMME training.

SETA's advertise discretionary grant funding windows for projects to upskill the sector. Eligible applicants then bid for these initiatives<sup>15</sup>.

At the end of each financial year – At least 95% of discretionary funds must be spent or committed to projects.

The discretionary grant is intended to support the training of both employed and unemployed learners and apprentices, and to undertake special projects that address critical sector needs and strategic priorities.

Key aspects covered in the SETA Grant Regulations accessing Discretionary Grants, include, amongst others:

- i. Key strategic areas for funding
- ii. Priority interventions and the various grants payable for various skills interventions
- iii. Prioritisation and estimated allocation because of this
- iv. Eligibility of Discretionary Grants
- v. Contracts and Commitments

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<sup>15</sup> Ibid.

## vi. Evidence for claiming of payments

### 6.2.3 Surpluses

The Regulations state that at the end of each financial year, a SETA must have spent or committed at least 95% of discretionary funds available to it by 31 March of each financial year and a maximum of 5% of uncommitted funds may be carried over to the next financial year. Uncommitted funds must be returned to the National Treasury. The intention of the Grant Regulations is to discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year.

If exceptional circumstances have led to projected under-spending, a SETA may submit a business case to the Minister to request permission to carry over the surplus. The following information should, amongst others, be included in the SETA business case to assist the Minister in deciding:

- Reasons for the SETA's under-commitment or projected under-spending.
- A detailed plan of action on how the under-commitment will be overcome by the SETA, with detailed deliverables and timeframes attached to the deliverables.
- Cost projections are to be included in the plan, which is further broken down into the applicable timeframes.
- The SETA's commitment to provide the DHET with quarterly feedback of performance.<sup>16</sup>

## 7. SECTOR SKILLS PLANS (SSP)

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<sup>16</sup> DHET (2019) Guidelines on the implementation of SETA regulations. Department of Higher Education and Training: Pretoria.

A Sector Skills Plans (SSP) provide an overview of the skills gaps in the industry and guides the interventions aimed at addressing these skills shortages.

In addition, SETAs are tasked to conduct research, develop, and annually update the Sector Skills Plan (SSP)<sup>17</sup> according to the Skills Development Act (1998) to:

- Determine funding priorities via the SETA levy grant system.
- Facilitate forecasting to determine future needs per economic sector.
- Analyse the Workplace Skills Plans and Annual Training Reports for companies, to determine priority focus areas.
- Guide the SETA's strategy planning and execution.
- Inform the curricula development processes based on industry needs.

SETA's have been established to manage the many skills development needs of the South African economy. The economy is essentially divided into 21 sectors, each of which has its own SETA. A sector is made up of economic activities that are interlinked.

## 8. RESEARCH FINDINGS

### 8.1 FINANCIAL

#### 8.1.1 National Treasury Allocations

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<sup>17</sup> <https://www.skillsportal.co.za/content/what-sector-skills-plan>

Post School Education and Training (PSET)<sup>18</sup> refers to all learning and teaching that happens after school, which includes private, public, formal and informal training.

The Post-school education and training sector continues to receive the largest share of government spending over the MTEF period.

This sector will focus on increasing access to universities and technical and vocational education and training (TVET) colleges, develop artisans, and support work-based learning.

The SETA'S form part to the PSET landscape in South Africa, which currently consists of:

- 26 Public universities
- 94 CHE accredited private higher education providers
- 100 private providers
- 31 Provisionally accredited private higher education providers
- 50 TVET colleges
- Various speciality public colleges estimated at less than fifty
- 21 Sector Education and Training Authorities
- Approximately 4000 small providers serving SETA skills development needs
- Regulatory bodies responsible for qualifications and quality assurance in the post-school system – the South African Qualifications Authority (SAQA) and the Quality Councils.
- Public adult learning centres
- The National Skills Fund

#### 8.1.2 General SETA Expenditure trends

The expenditure trends of the SETAs from 2015-2018 in the adjusted appropriation amounted to a total of 51 270 068 billion rand, depicting an average growth rate of 4,5%.

*Table1 National Treasury MTECH Expenditure trends and estimates*

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<sup>18</sup> [https://www.greengazette.co.za/notices/higher-education-act-1997-policy-for-the-post-school-education-and-training-central-application-service\\_20171102-GGN-41226-01224.pdf](https://www.greengazette.co.za/notices/higher-education-act-1997-policy-for-the-post-school-education-and-training-central-application-service_20171102-GGN-41226-01224.pdf)

Expenditure estimates

Table 15.4 Expenditure trends and estimates for significant spending items

R thousand	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average Expenditure/Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average Expenditure/Total Vote (%)
	2015/16	2016/17	2017/18				2018/19	2019/20	2020/21		
Subsidies: Community education and training colleges	91758	98 053	103 897	109 924	6,2%	0,2%	148 792	156 812	165 437	14,6%	0,2%
Subsidies: Technical and vocational education and training colleges	1262 521	1566 747	1495 749	4 287 538	50,3%	4,0%	5 568 665	6 737 111	7 213 152	18,9%	6,5%
Subsidies: Higher education institutions	26 297 074	27 964 560	31580 302	38 662 452	13,7%	57,5%	42 306 695	45 064 038	47 542 560	7,1%	47,5%
National Student Financial Aid Scheme	6 448 551	11392 674	10 143 091	20 334 391	46,6%	22,3%	30 822 466	35 314 085	37 256 162	22,4%	33,8%
CoE: Community education and training colleges	172 348	1850 581	1992 758	2 178 323	8,4%	3,6%	2 347 452	2 519 480	2 682 922	7,2%	2,7%
CoE: Technical and vocational education and training	5 119 809	5 289 339	5 858 992	6 274 697	7,0%	10,4%	6 743 229	7 253 178	7 726 513	7,2%	7,7%
Sector Education and Training Authorities (SETA)	12 125 894	12 199 864	13 094 581	13 849 729	4,5%	23,7%	15 006 808	16 349 947	17 845 805	8,8%	17,2%
National Skills Fund (NSF)	3 030 539	3 033 145	3 198 980	3 462 432	4,5%	5,9%	3 751 702	4 087 486	4 461 451	8,8%	4,3%
0	-	-	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56 088 494</b>	<b>63 394 963</b>	<b>67 468 350</b>	<b>89 159 486</b>	<b>16,7%</b>	<b>127,5%</b>	<b>106 695 809</b>	<b>117 482 137</b>	<b>124 894 002</b>	<b>11,9%</b>	<b>119,8%</b>

As part of the South African government’s Covid-19 relief interventions, businesses were provided a four-month holiday from the Skills Development Levy.

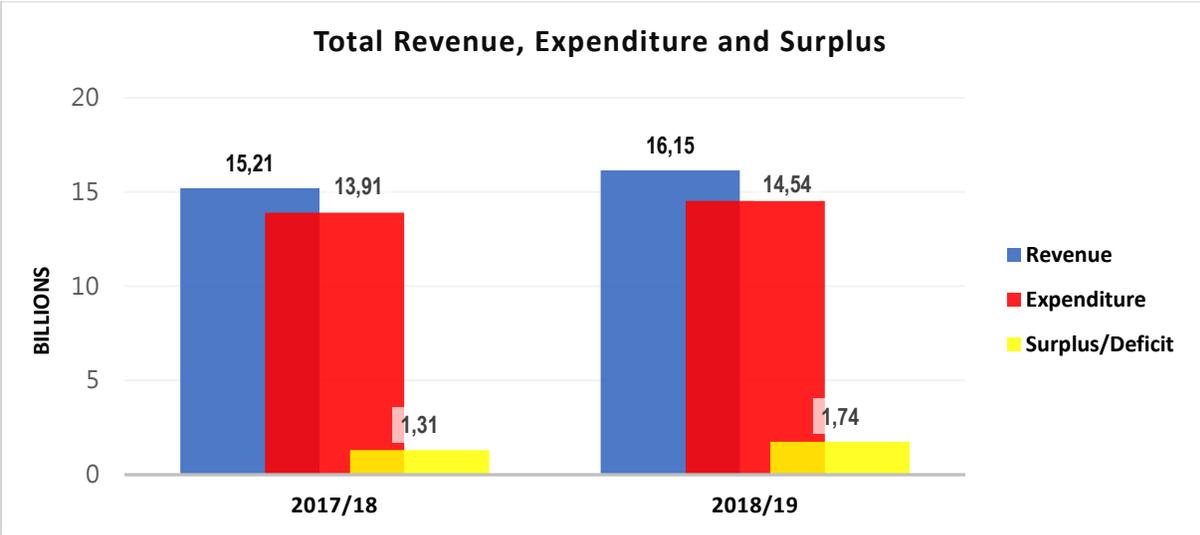
While this undoubtedly assisted some companies stay afloat and mitigate massive job losses, it will have major consequences down the line. The National Treasury Medium Term Expenditure Estimate, drastically change to accommodate the ripple effect of the four-month holiday.

The next section focuses on skills levy spending with particular attention to the discretionary grant budget.

## 8.2 SETA TOTAL REVENUE, EXPENDITURE AND SURPLUS

The exhibit below illustrates the total revenue, expenditure, and surplus of all for 2017/18 and 2018/19. Total revenue includes income from skills levies and other income from interest bearing accounts and investments. Expenditure refers to all expenses, including skill levy disbursements and SETA administration expenses. The surplus refers to the uncommitted portion of the revenue which is not allocated to projects.

Exhibit 1: Total Revenue, Expenditure and Surplus



Source: SETA Annual Reports 2017/18 and 2018/19

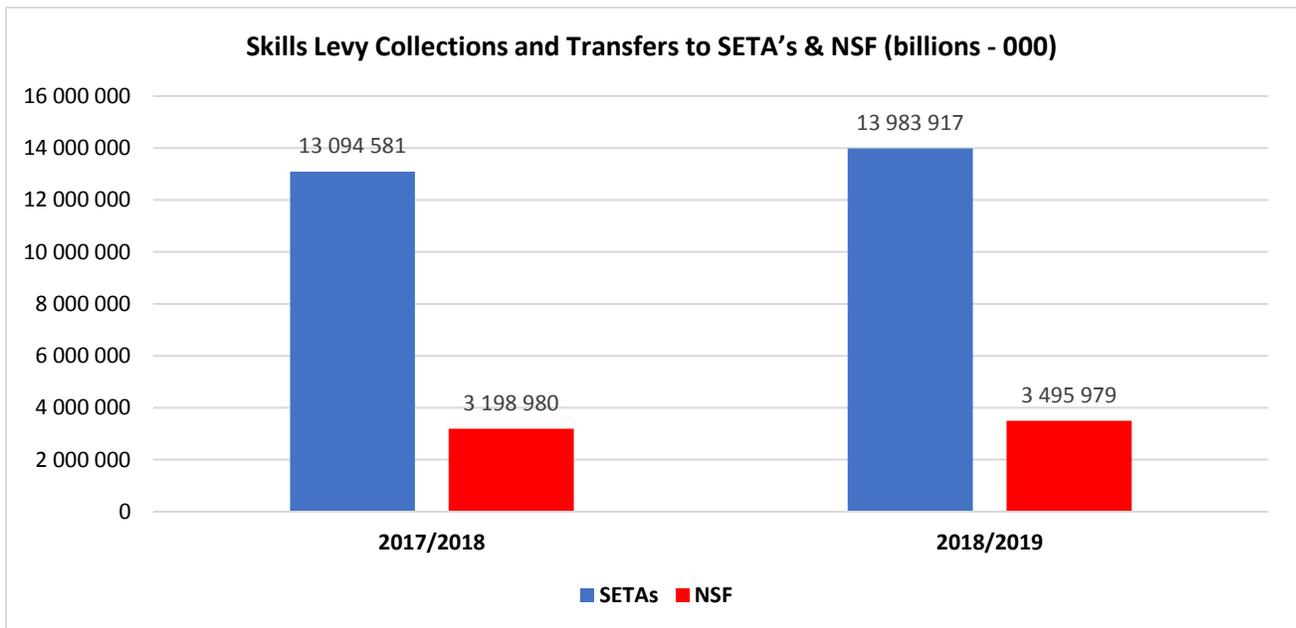
- In 2017/18, the total SETA revenue was R15.12 billion. It increased to R16.15 billion in 2018/19. It represents an increase of approximately R940 million.
- In 2017/18, the total SETA expenditure was R13.91 billion. It increased to R14.54 billion in 2018/19. It represents an increase of approximately R630 million.
- In 2017/18, the surplus was R1.31 billion. It increased to R1.74 billion in 2018/19.

It represents an increase of approximately R430 million. Surpluses are returned to Treasury, unless the Minister grants a SETA permission to retain the surplus based on an approval of a sound business case.

### 8.2.1. SKILLS LEVY COLLECTIONS

Skills levy collections are the actual number of levies collected by SARS. These monies are transferred via the DHET to SETA (80%) and the National Skills Fund (18%).

*Exhibit 2: Skills Levy Collections and Transfers to SETA's & NSF*



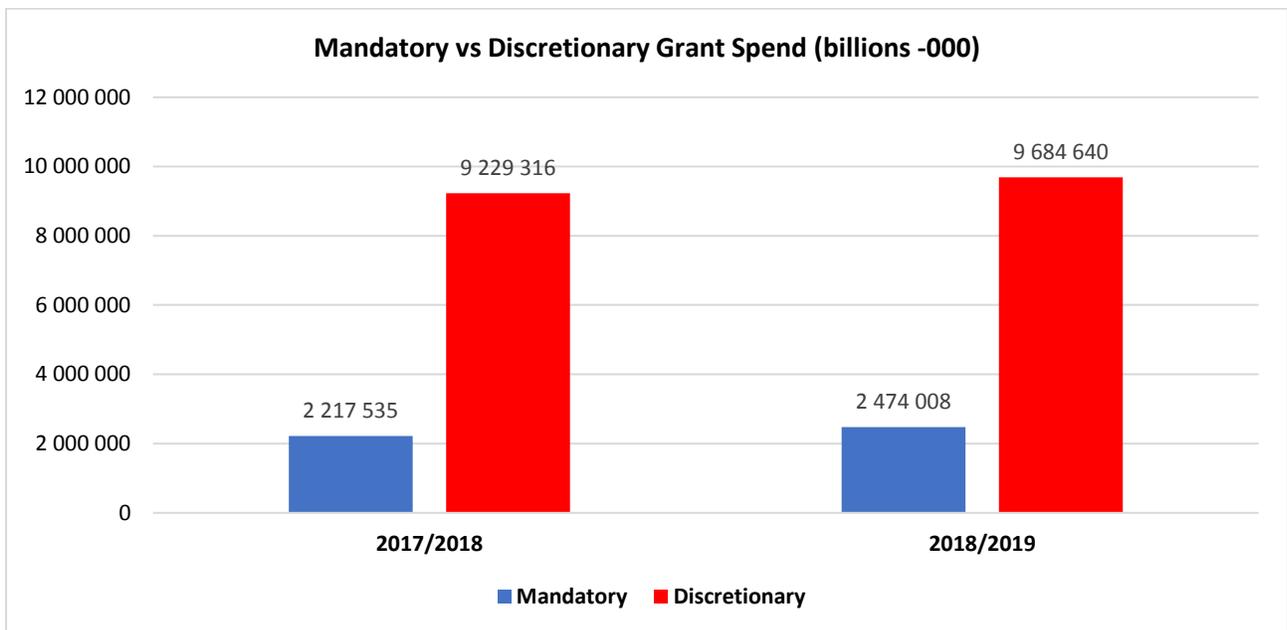
Source: DHET Annual Reports 2017/18 and 2018/19

- There was an increase in skills levy transfer to SETA's from R13 094 581 billion to R13 983 917 billion between 2017/18 and 2018/19. It is an increase of R889 336 million over the period.
- There was an increase in skills levy transfer to the NSF from R3 198 980 billion to R3 495 979 billion between 2017/18 and 2018/19. It is an increase of R296 999 000 million over the period.

### 8.2.2. MANDATORY AND DISCRETIONARY GRANT SPEND

The mandatory grant is a 20% rebate for employers that submit a WSP and ATR for employee skills training. The discretionary grant with constitutes 49.5% of the levies is used by SETAs for priority skills development projects in their sector.

*Exhibit 3: Mandatory and Discretionary Grant Spend*



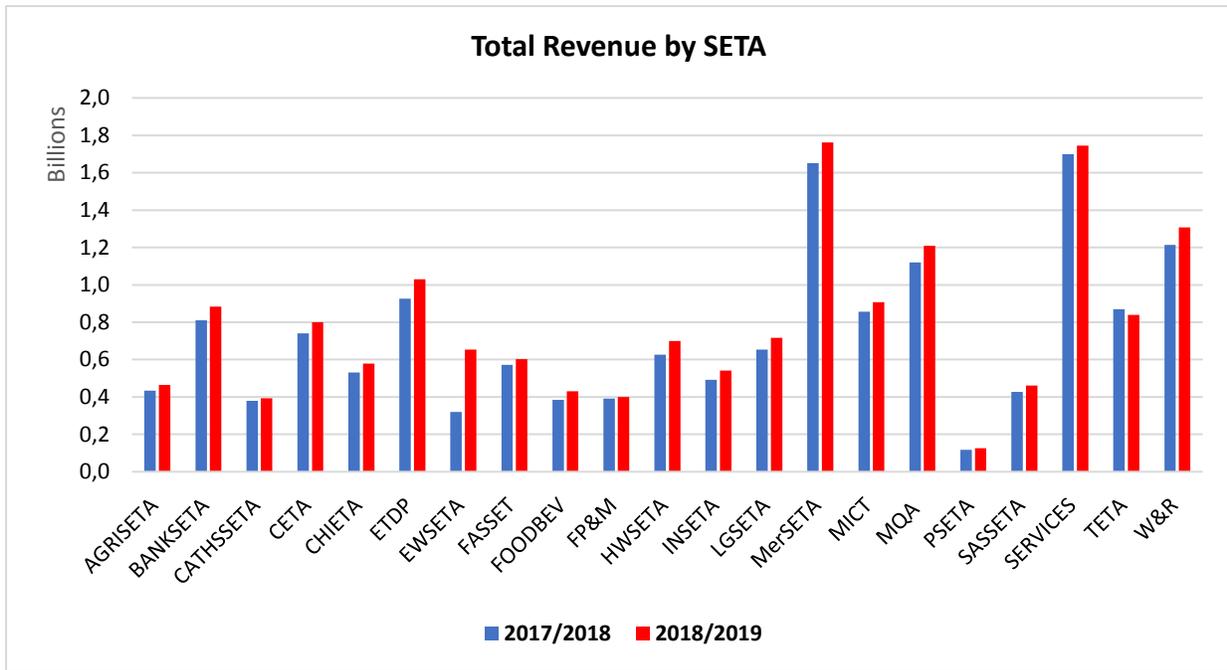
Source: SETA Annual Reports 2017/18 and 2018/19

- The mandatory grant spends increased from R2 217 535 billion in 2017/18 to R2 474 008 billion in 2018/19. It is an increase of 10% y-o-y.
- The discretionary grant spends increased from R9 229 316 billion in 2017/18 to R9 648 640 billion in 2018/19. It is an increase of 4.7% y-o-y.

### 8.2.3 TOTAL REVENUE BY SETA

The exhibit below gives an indication of the SETA size by revenue.

Exhibit 4: Total Revenue by SETA



Source: SETA Annual Reports 2017/18 and 2018/19

- The Top 5 SETA in terms of total revenue in 2018/19 are the following:
  - merSeta -R1.76 billion
  - Services SETA -R1.74 billion
  - W&R SETA -R1.30 billion
  - MQA -R1.20 billion

- ETDP SETA -R1.03 billion

## 9. INSIGHTS FROM THE FINANCIAL DATA

The following insights can be gleaned from the financial data, desktop research, the relevant Annual Reports across the SETA'S and interviews regarding the performance of SETAs for the 2017-2019 period:

### MANDATORY GRANTS:

The following concerns have emanated from the research with respect to the mandatory grants:

- i. There is no consolidated analysis across 21 SETA's, either by the DHET or NSA, of how the mandatory grant allocations were spent by the employers. Put differently, there is no data available on what employers were spending the rebates on in terms of the types, duration, and beneficiaries of mandatory grant allocations.
- ii. There is no consolidated information made to the public on how much of the unclaimed portion of the mandatory grants from SETA's was swept into the discretionary grant "pot" and for training was provided with these funds.
- iii. There is no consolidated analysis of the performance of SETAs in the number of WSPs/ATRs received year-on-year; substantial reasons as why employers were not applying for rebates; trends on the characteristics of employers that are applying and receiving rebates by employer size, sector, sub-sector, and provincial spread.

- iv. Specifically, not all SETA's can readily provide information of how many employers received mandatory grants in the Western Cape, the amounts of these rebates, the number of employed and unemployed that were trained, and the types of training received or its directly linked to expenditure. This does not mean the data is not gathered, rather it is not readily or publicly available or disaggregated to the level required.

#### DISCRETIONARY GRANTS:

Approximately, 49.5% of the total skills development levy of SETA's is allocated to discretionary grants, of which 80% is for PIVOTAL and 20% for other.

Although the National Treasury Classification of Circular 23 – BUDGETING AND ACCOUNTING FOR MOUNTS RECEIVED FROM / PAID TO THE SECTOR EDUCATION AND TRAINING AUTHORITIES (SETA's) <sup>19</sup>, specifies, amongst others, that the allocation of funds in the segments of the Standard Chart of Accounts (SCOA) there are areas in some of the SETA Annual Reports, that did not do so consistently.

The key challenges prevail:

1. The definition of “discretionary grant” in the legislation covers just about “everything”. Therefore, SETA's can spend on training and non-training interventions. The portion of training to non-training spend is unknown or “hidden” within training costs. Non-training spend would include, but is not limited to machinery and equipment, administration, travel, entertainment, and capital spending through specific projects.
2. The usage of the term “PIVOTAL” is technically defective and subject to many interpretations. NON-PIVOTAL training interventions that are aligned to NQF qualifications can also be categorised as PIVOTAL, though they are allocated to OTHER. The term “OTHER” is also not defined. It means that SETA's can interpret their outputs to meet their service level targets.

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<sup>19</sup> <https://oag.treasury.gov.zaf>

3. There is no consolidated and detailed analysis by the DHET of what the 21 SETAs spent their discretionary grants on.
4. There are several concerns pertaining to the planning process including:
  - Limitations of employer-level data and quantitative data, are recognised in the “modelling of skills needs”.<sup>20</sup>
  - SETAs are key to interpreting the skills requirements in the context of economic demand, however, do not create demand.
  - Sometimes there is a lack of reliable source data. Employers often reflect data in their WSPs that allows them to reflect achievement against plans in their ATRs, rather than reflecting real needs, as well as actual training conducted in the workplace.
  - Perceptions of the quality and relevance of training provided by the SETA approved training provider database.
  - No apparent credible system and process to integrate the plethora of Management Information Systems and Monitoring and Evaluation Frameworks.
  - The SETA’s have various means of communicating how to access Discretionary and Mandatory Grants viz. roadshows, workshops, emails to stakeholders, newspapers their respective websites. The SETAs all provided some framework or Standard Operating Procedures on how to access Discretionary and Mandatory Grants, however, these differ slightly across the SETA’s.

The overarching challenge in in the SETA Frameworks, Policies and Regulations, is that it can be open to various *interpretations* in both the areas of financial and non-financial reporting. This results in a diversity of reporting styles and various depths in reporting and analysing data in Annual Reports. The SETA SFIR findings are supported by the findings of the Parliamentary Monitoring Group <sup>21</sup> , which has highlighted the need for

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<sup>20</sup> Development Policy Research Unit DPRU Working Paper 08/132 May 2008

<sup>21</sup> <https://pmg.org.za/committee-meeting/28794/>

improved implementation of remedial actions and creating improved systems of governance of financial and non-financial reporting. The Parliamentary Monitoring Group summarised key areas in the 21 SETA'S Annual Reports of the 2018/19 and focussed on challenges in 9 of the SETA'S, denoting irregular expenditure.

#### SURLUS:

The SETA revenue increased by 6%, expenditure by 5% and the surplus by 25% from 2017-2019.

The fact that SETAs are accumulating surpluses in an economy with acute skills shortages is a problem.

The New Grant Regulations are clear that unclaimed Mandatory Grants and interest must be transferred by 15 August of each year. The maximum of 5% of uncommitted funds may be carried over to the next year. In terms of surplus, it must be paid over to NSF by 1 October each year. (Joint Chamber Induction SETA Grant Regulations, 2017)

The New Grant Regulations provides a good framework for the “treatment of surplus”. (GUIDELINES ON THE IMPLEMENTATION OF SETA GRANT REGULATIONS, 21).

Surplus funds are moved to the discretionary fund based on unspent funds at year-end and from the mandatory grant based on unclaimed grants after the prescribed timeframes have elapsed. (SETA Annual Report 2018/19).

Thus, a SETA may use the unclaimed money from mandatory grants to increase the availability of discretionary and PIVOTAL grant funding available for projects that focus on achievement of the objectives of the National Skills Development Plan.

## 10. SETA OUTCOMES

In 2017/18 the DHET had the development and implementation of the SETA Governance Standard, which informs the monitoring and evaluation of SETA performance in terms of governance, as one of its focus areas. The aim is to expand on the areas of monitoring and evaluation on an annual basis.

The Skills Development Branch monitored the implementation of Sub-outcome 4 of Outcome 5, namely “increase access to occupationally directed programs in needed areas and thereby expand the availability of intermediate level skills with a focus on artisan skills”. Five of the six targets have been achieved by the system (83%) in 2017/18 and four of the six in 2018/19. (DHET Annual Report 2017/18 and 2018/19).

The six targets the Skills Branch evaluated in 2017/18 and 2018/19 were as follows:

Table 2 (DHET Annual Report 2017/18).

No	Outcome indicator target	Actual Achievement 2016/17	Planned target for 2017/18	Actual Achievement 2017/18	Comment on deviation
1	Work based learning opportunities (n)	148 517	130 000	162 659	The Department encourages and stresses the need for SETAs to increase investing in work-place-based learning
2	New artisans qualified per annum (n)	21 188	21 110	21 151	The expanded quality assurance by NAMB at trade test centres, improvement of operational requirements at INDLELA in terms of the employment of more assessors and increase in trade testing ratio and the close monitoring of SETAs on artisan targets delivery
3	New artisan learners registered nationally per annum (n)	30 814	27 750	32 330	
4	National artisan learners trade test pass rate (including INDLELA)		58%	54%	INDLELA still tests a lot of self-funding candidates who broadly do not have sufficient workplace training experience as compared to those who go through formal SETAs or Industry artisan training programmes
5	National artisan learners employed or self-employed (%)	79%	60%	60% (54% are employed and 6% are self-employed. Approximately 8 453 artisans were sampled for the survey)	
6	Proportion of SETAs meeting standards of good governance (%)	71%	60%	100%	This is based on selected governance standards that could be validated. More standards will be added incrementally in the following financial years

Table 3 (DHET Annual Report 2018/19).

No	Outcome indicator target	Actual Achievement 2017/18	Planned target for 2018/19	Actual Achievement 2018/19	Comment on deviation
1.	Work-based learning opportunities (n)	162 659	135 000	182 852	<b>Target achieved</b> There is increased commitment from SETAs to provide post-school opportunities to learners. There has equally been a better response from employers in terms of providing work spaces.
2.	New artisan learners qualified per annum (n)	21 151	22 188	19 627	<b>Target not achieved</b> The smaller number of learners registered during the 2015/16 financial year had an impact on throughput, as it takes three years for learners to complete their studies.
3.	New artisan learners registered (n)	32 330	28 750	29 982	<b>Target achieved</b> More industry-funded learner numbers were reported when compared to previous financial years.
4.	National Artisan Learners Trade Test pass rate (including INDLELA)	54%	61%	58%	<b>Target not achieved</b> The introduction of ARPL has impacted on the pass rate at INDLELA for the trades in which ARPL was implemented. More people had to go through ARPL prior to the trade test in eight specific trades but had limited impact on the average pass rate. This was the first time the ARPL was rolled out and it is expected that improvement of the pass rate will become apparent in relation to average pass rate, going forward.
5.	National artisan learners employed or self-employed (%)	60% (54% were employed and 6% self-employed. This is based on a sample size of 7 286 with 4 290 successfully surveyed)	75%	77%	<b>Target achieved</b> The over-achievement is based on the sample size and candidates successfully canvassed. The impact is apparent in the improvement of data collection processes and the usability of the data while conducting the survey. Improvement of Standing Operating Procedures and Data Policy adherence, has contributed towards the over-achievement.
6.	Proportion of SETAs meeting standards of good governance (%)	100%	65%	67%	<b>Target achieved</b> The achievement is within the expected performance parameters as this is the second year since implementation of the Charter and Standards.

The 35 areas in the SETA Governance Charter (SGC) of 2016, used to evaluate performance of the proportion of SETA's meeting standard of good governance, are informed by the PFMA and the Skills Development Act.

However, the DHET Annual Reports do not mention the areas requiring improvement or areas of strengths across the various SETAs in terms of the SGC. The value of the SGC would lay in more in-depth communication of findings, to facilitate lessons learnt and possibly share good data systems amongst the 21 SETA's.

Two areas of particular interest for this preliminary report, based on the SETA Annual Reports for 2017-2019, identified in the SGC are:

1. Were financial statements relayed simply to the public, in accordance with the Generally Recognised Accounting Principles (GRAP)
2. Does the annual report and financial statements fairly represent the affairs of the SETA, its business, financial results, performance against objectives and targets and financial position at year end?

The key reasons for selecting the above two areas are that the following four areas of inconsistencies were identified in attempting to mine financial and non- financial data for the period 2017-2019:

1. In some cases, there is no standardised use of financial terminology across the SETA's financial statements
2. The 2018/2019 Annual Report for FP&MSETA was not available to analyze and has therefore, been omitted from corresponding analysis.
3. An un co-ordinated approach to reporting
  - Generally, there an underreporting on the projects that fall under the discretionary grants. However, for example W&RSETA, amongst others, report on Discretionary Grants Projects in detail.
  - There are different ways reporting "hard" deliverables and numbers against contribution to NSD111 goals.

- Some SETAs, amongst others, for example merSeta and INSETA, W&RSETA report against NSD 111 Goals well with explicit quantitative data to meet targets. However, there is no standard template or format to do.
- Some SETAs do not provide the sub sector employer data

#### 4. Under-Reporting on Provincial data

- Only a few annual reports provide insights into regional data sets / by municipality e.g. Services SETA does provide these insights. W&RSETA does provide the number of people trained per region
- A few SETAs annual reports break down the levy paying employers into various categories, that is size of employer and provincial mandatory levy contribution per size of employer, W and R SETA is a good example of demonstrating the latter.

These key four areas are identified as inconsistent in their presentation of the data in the Annual Report Financial and Non-Financial information across the 21 SETAs for 2017-2019. This has occurred despite the vast and good SETA frameworks and guidelines<sup>22</sup>.

For example, SETAs have a regional segment assigned to government expenditure. The lowest relevant geographical region' denotes to the ward, municipality, district or province where the intended beneficiaries are located. However, the regional data is centralised Nationally. SETAs would require real time data to be decentralised for more informed skills plans and reporting. Although the WCSC acknowledge the importance of latter granular detail for evidence- based funding allocations, just four of the SETA's completed the SFIR survey.

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<sup>22</sup> The Generally Recognised Accounting Practice, the National Treasury Guidelines on the implementation of the SETA Grant Regulations and the Classification Circular 23 – Budgeting and Accounting for amounts received from /paid to the 21 SETAs the Draft Framework for Validation of SETA Quarterly Performance Reports,

## 11. A SNAPSHOT OF LEARNING AND STRATEGIC PROJECTS FUNDED OVER THE 2017/18 AND 2018/19 FINANCIAL YEARS

The learning and strategic projects were highlighted to denote thematic skills areas supported and or funded by the 21 SETA's.

SETA's use the Programme "Learning Interventions" to disburse SETA discretionary grants through special and regular projects for infrastructure development, for pivotal learning interventions and to expand access to skills development in rural and underserviced areas.

Special projects are targeted interventions that meet national and transformational imperatives, whereas regular projects are granted on application in response to advertised opportunities.

Desk top research, focussing on mainly the APP, Annual Reports, Sector Skills Plan and Call for Discretionary Grant Window Applications resulted in 21 cross thematic areas emerging in supporting Learning and Strategic Projects:

### Learning Projects Cross Cutting Themes

- *Adult Education and Training (AET)*
- *Apprenticeship*
- *Learnerships (Artisan-related)*
- *Learnerships (Non-Artisan related)*
- *Skills Programme Bursaries*
- *Work Integrated Learning (WIL)*
- *Recognition of Prior Learning (RPL) RPL*
- *Candidacy*

## Strategic Projects Cross Cutting Themes

- *Support to Cooperatives, NGOs, CBOs and CBCs*
- *Small Business support*
- *Lecturer and Student Support Programs*
- *Rural Development Projects*
- *Institutional-Industry Partnerships*
- *Support to Strategic Infrastructure Projects*
- *Career Guidance and Development Career and Vocational Guidance*
- *Public Sector Capacity Building Support to public sector*
- *Entrepreneurship*
- *Skills Development Centres*

Across the various SETA's some themes stood out as an Innovative response /approach to the skills development challenges in their respective sectors, viz:

- *Municipal linkages to driving skills development*
- *Learners with Disability Project*
- *Transformation*

### 11.1 KEY FINDINGS ACROSS THE VARIOUS THEMES

Skills planning is essential to allow various partners in the skills eco-system to predict, co-ordinate and deliver on the relevant quality and quality to skills to match the signals of demand for skills from the economy, government growth strategies investment policies. To enable this latter process skills development operates on a five-year plan with the SETA's using the with Sector Skills Plans (SSP) to deliver on bridging the gap of supply and demand of skills. The SSP contributes to the targets set by the NSD III goal of "4.1 *Establishing a credible institutional mechanism for skills planning* "(DHET Validation Guidelines).

The SSP provides insight into the skills demand and supply resulting in the skills gaps that exist in a sector. This skills gap (scarce or critical skills) informs the development of PIVOTAL Interventions that address the needs in the sector. The Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) contribute to the compilation of the five-year strategic SSP of the SETA'S, which are done in collaboration with representatives from the various sub-sectors.

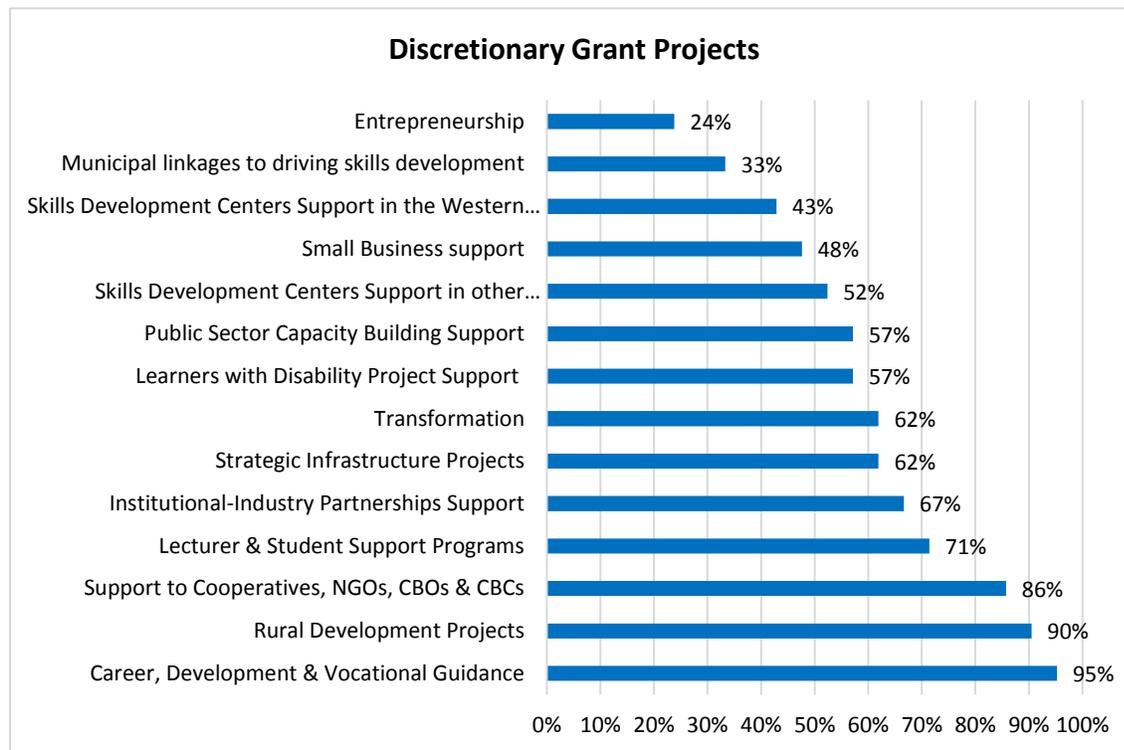
All SETA'S clearly link the SSP into to addressing pathways through education and training and into the workplace.

The Learning Project and Strategic Project Themes identified across the 21 SETA's are represented well in the SSP. The challenges however lay in how the SETAs differ in translating the SSP labour market intelligence and themes into the APP and then in reporting in the Annual Report.

## 11.2 THE FINDINGS OF THEMES ACROSS STRATEGIC AND LEARNING PROJECTS (DISCRETIONARY GRANTS)

The discretionary grant project allocations by all SETA's are the following:

Exhibit 5: Areas of Focus in Reporting



Source: SETA Annual Reports 2017/18 and 2018/19

As per the SETA Annual Reports, the majority of SETA's reported career development and vocational guidance (95%), rural development projects (90%), support to cooperatives, NGOs, CBOs and CBCs and lecturer and student support programmes as the most popular projects. Entrepreneurship was the least reported (24%) followed by municipal linkages (33%) and skills development centre support.

Small, medium, and micro enterprises (SMMEs) are key drivers of economic growth and job creation. SMMEs have the potential to create and expand employment opportunities, develop entrepreneurial skills, and enhance market opportunities.

The Global Entrepreneurship Monitor shows that small businesses are significant contributors to job creation, creating more than 50 percent of all employment opportunities in South Africa. However, it appears from the Annual Reports, only 48% of the SETA's provided some substantive narratives for Small Business Support.

Those SETA's that did report qualitatively on the Support for Small Business and Entrepreneurship ran various interventions that ranged from incubation (CHEITA), funding start-ups and reskilling (Bank SETA) to MERSETA and CATHSSETA supporting CBO' and NGOs to deliver on in communities.

It appears that for the period under review, the following SETA'S have a strong narrative on Supporting Small Businesses:

Table 4

<b>SETA Name</b>	<b>Small Business support</b>
<b><u>merSeta Manufacturing, Engineering and Related Services Sector Education and Training Authority</u></b>	In the 2018/19 financial year, the merSeta supported 693civil society, community-based organisations (CBOs), trade unions, small businesses, and other non-levy-paying entities (NLPEs) to promote skills development and training in different skills.
<b><u>MictSETA Media, Information and Communication Technologies Sector Education and Training Authority</u></b>	SMMEs were supported to implement learning programmes such as bursaries, learnerships, skills programmes, short courses, and internships
<b><u>Service SETA Services Sector Education and Training Authority</u></b>	The Enterprise Development strategy is intended to feed into the organisation's value chain and aims at assisting SMMEs with the entire Accreditation process.

<p><b><u>Teta SETA Transport Education and Training Authority</u></b></p>	<p>The government promotes the formation of SMMEs as vehicles of growth to address poverty, unemployment, and inequality as per the NDP. Hence in 2014, the Department for Small Business Development was formed. This department and support for establishment of small businesses will affect existing players in the subsectors of the transport industry.</p>
<p><b><u>W&amp;RSETA Wholesale and Retail Sector Education and Training Authority</u></b></p>	<p>The W&amp;RSETA allocated R29 million to implement the Wholesale and Retail Informal Small Business Practice NQF Level 3 Learnership to benefit 500 school-leavers and unemployed youth, of whom 60% will be women.</p>
<p><b><u>CATHSETA</u></b></p>	<p>Through our Strategic Projects Unit, CATHSSETA embarked on several strategic partnership projects with the aim of developing and supporting the small businesses, trade unions, Non-Governmental Organisations (NGOs), Non-Profit Organisations (NPOs) and, Co-ops.</p>

The Services SETA SMME model is a good example of an innovative service delivery. The National Entrepreneurship and Cooperative Development Institute (ECDi) offers innovative skills development content, products, and services to entrepreneurs, both virtually and physically. The Services SETA offers a New Venture Creation and Business Advisory occupational qualifications and provides good insight to the ECDi ecosystem of delivery.

The ECDi Innovative models of delivery include:

- Micro-Entrepreneurship Programme

“Viable business concepts for micro-enterprises developed as businesses-in-a-box for easy and affordable implementation and replication in rural communities and townships. Offering technical know-how and step-by-step guidelines for starting up and growing a micro-enterprise that generates products and services for which there is local demand. “(Services SETA Annual Report, 2018/19).

Finally, the e SERVICES SETA Online Ecosystem for Entrepreneurs is an excellent example of how DEDAT could consider partnering on. The Online Eco-system for Entrepreneurs is innovative and responds in the C-19 pandemic.

Very much like DEDATs JUMP<sup>23</sup> digital virtual assistance to entrepreneurs, the Services SETA Online Ecosystem allows for a single integrated and interactive online government portal for entrepreneurs and ecosystem practitioners that will enable automated matching of supply and demand. This portal integrates e-Tools, eLearning content and e- Services, providing a business to business-to-business internship programme, acting as a virtual incubator. (SERVICES SETA Annual Report 2018/19)

- Skills Development:

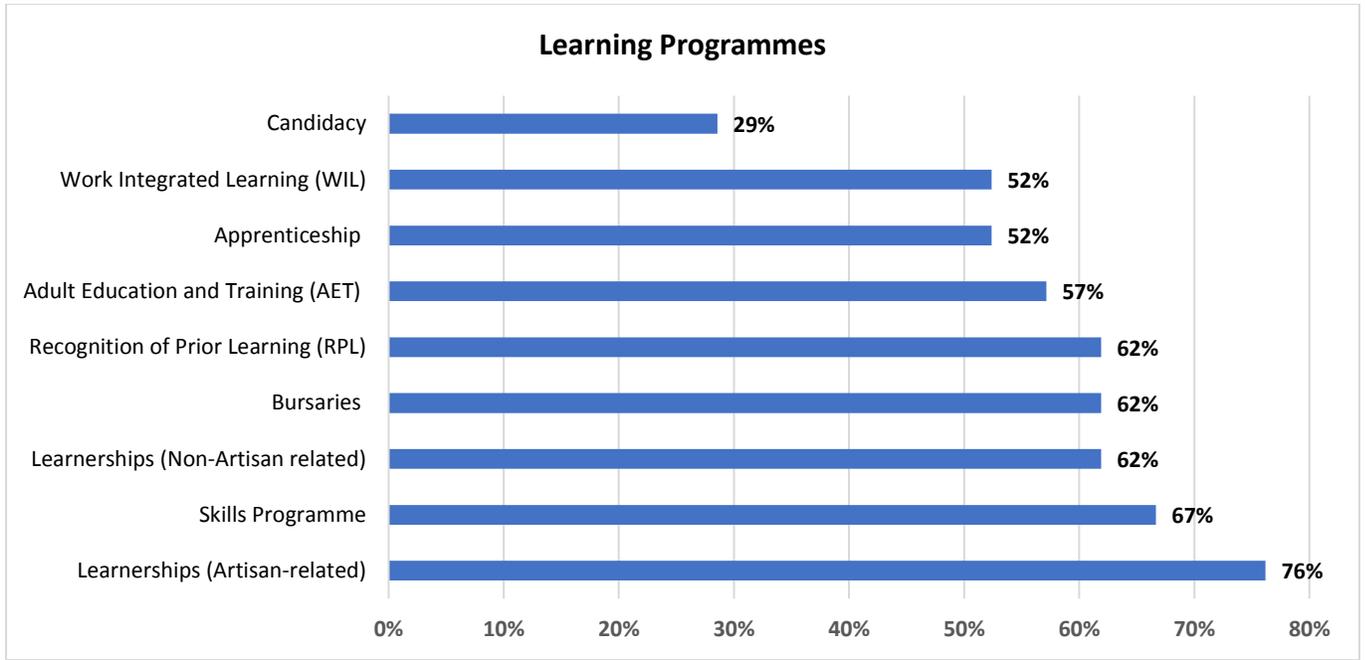
Tools and short-format modular eLearning content are available, aligned to the stages of a business life cycle, specifically to start-ups, for business growth and established businesses.

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<sup>23</sup> <https://www.westerncape.gov.za/site-page/living-disruptedly-dedat%E2%80%99s-digital-economy-unit>

### 11.3 FINDINGS OF LEARNING PROJECTS ACROSS SETA'S

Exhibit 6: Areas of focus in Reporting



Source: SETA Annual Reports 2017/18 and 2018/19

Learnerships (artisan-related) 76%, skills programmes (67%), learnerships (non-artisan) 62%, bursaries (62%), and RPL (62%) are the most popular offerings. Candidacy (29%), WIL (52%), and apprenticeship (52%) are at least. The tight labour market, lack of hiring, and the flat manufacturing sector are reasons that make it difficult for employers to take on learners in these offerings.

The reporting of the Learning Projects clearly aligns to the:

- a. 2014- 2024 **Decade of the Artisan Campaign encouraging**<sup>24</sup> more young people to see artisanship as a career of choice, which include bridging programs to accelerate the training of **artisans**.
- b. The National Development Plans goal of 30 000 artisans per year by 2030
- c. The National Skills Development Strategy Goals to:
  - Increasing access to occupationally directed programmes
  - Promoting the growth of a public FET college system that is responsive to sector, local, regional, and national skills needs and priorities
  - Encouraging better use of workplace-based skills development

Skills Programs and Artisan Related Learnerships have the most detailed reporting across the Learning Project themes.

Artisans are trained through a 4-year apprenticeship programme offered by companies which are accredited as Experiential Training Workplaces. However, an apprentice must successfully complete theoretical training and practical training in the workplace under the guidance of a mentor. Once successfully completing the above a trade test would need to be successfully completed qualify as an artisan.

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<sup>24</sup> DHET, NSD111 Report

The Project themes clearly relay the various pathways<sup>25</sup> to becoming an artisan, viz:

### TVET College

TVET Colleges offer National Certificate (Vocational) and Nated (Technical) National Certificate courses that are linked to artisan trades. The duration of a course is dependent on the programme you register for. It can be anything from a semester to 3 years

### Learnership

Learnerships are work-based learning programmes that eventually lead to a nationally recognised qualification.

### Apprentice

A learning programme in respect of an officially listed trade, which includes a trade-test in respect of that trade. During this process, an Apprentice would work under the guidance and supervision of a qualified artisan. The duration of an Apprenticeship varies from 18 to 36 months. Once a candidate has gathered enough on the job training combined with theoretical knowledge, they then gain access to do a Trade Test.

### Recognition of Prior Learning (RPL)

"Recognition of Prior Learning" is a process whereby people's prior learning can be formally recognized in terms of registered qualifications and unit standards.

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<sup>25</sup> <https://nadsc.dhet.gov.za/site/An%20Artisan>

#### 11.4 ALIGNMENT OF SETA AND DEDAT THEMES

The following SETA themes strongly align with the DEDAT driven Apprenticeship Game Changer and DEDAT Program 7's key strategic focus areas:

- Strategic Projects of Municipal linkages to driving skills development, Career Development and Vocational Guidance
- Learning Project Themes of Apprenticeship, Learnerships (Artisan Artisan related), Skills Programs and Work Integrated Learning (WIL)

## **Apprenticeship Game-Changer (AGC)**

The 21 SETAs were part of the Western Cape Apprenticeship Game Changer (AGC) interventions from 2015-2018, focusing on identifying and participating in key interventions that would place young people on a pathway to productive adulthood.

The Tourism, Agri-processing, Oil and Gas, Renewable Energy and IT sectors were prioritised. The AGC partnership's mandate was "Apprenticeships for ALL Occupations, not just traditional TRADES".

The WCSC and AGC partnership resulted in the following:

- Contracting R11 600 540 from SETA's over three years.
- Matching labour demand and supply.
- Supporting skills interventions such as recognition of prior learning, mentorship, and a mathematics support programme.
- Facilitating, hosting, or participating in Career Exhibitions.
- Providing intelligence that fed into the Life Orientation Career Cards, which was distributed across 70 Schools in the Western Cape

The total number of learners on the AGC project in the province are as follows:

<b>Total Learners Placed in SETAs by Region 2019</b>			
<b>Districts</b>	<b>Learners Placed</b>	<b>Districts</b>	<b>Learners Placed</b>
City of Cape Town	13646	Bergrivier	229
Swartland	8071	Beaufort West	227
Unknown	7183	Cape Agulhas	203
Knysna	1197	Mossel Bay	195
Drakenstein	1033	Matzikama	191
Saldanha Bay	957	Swellendam	179
George	829	Langeberg	170
Stellenbosch	731	Hessequa	169
Witzenburg	569	Cederberg	165
Theewaterskloof	556	Kannaland	83
Breede Valley	547	Bitou	74
Overstrand	488	Prince Albert	29
Oudtshoorn	251	Laingsburg	9
<b>Grand Total</b>			<b>37981</b>

## **Garden Route Rebuild Initiative (GRRI)**

Municipal linkages in driving skills development have been expressed in 33 % of the SETA's Annual Report narratives. An expression of SETA municipal linkages in the Western Cape, can be seen in the GRRI.

SETA's' and the Department participated in *The Garden Route Rebuild Initiative (GRRI)*, in response to the devastating fires. The work of developing the strategy was accomplished through a community-driven process involving residents, employers, municipalities, and NGOs.<sup>26</sup>

The Garden Route District Municipality (GRDM), in collaboration with the municipalities and the AGC; supported resolutions from the 2018 Garden Route Skills Mecca Summit, which included:

- Continued engagement with partners, in particular the SETA's and the National Skills Fund, to explore the implementation of projects in districts.
- Fostering cooperation among skills development role-players in all districts.
- Ensuring a digital infrastructure for skills development.
- Linking skills development to investment and economic development opportunities.
- Supporting 21st Century apprenticeships in the districts.

This GRSM partnership demonstrates a shared socio-economic and localised skills development agenda.

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<sup>26</sup> <http://www.gardenrourebuild.co.za/>

### 11.3.1 Interview Findings with Ten SETAs to facilitate a partnership in response to C-19

The section that follows focuses on the implications of COVID-19 -19 on SETAs and possible opportunities for DEDAT to partner to support these

Prior to COVID 19, the Skills Levy collection for the 2020/21 financial year was estimated to be R19, 4 billion. The past financial years were as follows: 2016/17 = R15.3 billion; 2017/18 = R16 billion; 2018/19 = R17.4 billion; 2019/20 = R18.5 billion. (SETA TVET FORUM MEETING: DHET SKILLS BRANCH RESPONSE TO COVID-19, 24 JULY 2020)

President and the Minister of Finance announced the 4 months Skills Dev levy holiday effective from May 2020. The estimate of the 4 months Skills Levy holiday is the loss R6, 4 billion by the system. APPs had to be amended and targets to be reduced as result of an estimated 33% loss of income.

A key focus post lockdown should be workplace-based learning programmes, to address the youth unemployment standing at 58.1% (15-24 years old), since these youth have the highest number of not economically active (“NEA”) population at 7.5 million.

Therefor the 21 SETAs were pro-active in initiating a provisional target of 66,897 Workplace Based Learning Interventions under level 3. These latter interventions were across Universities, TVET Colleges, Skills Programs, Learnerships for the unemployed, Internships and Artisans.<sup>27</sup>

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<sup>27</sup> (SETA TVET FORUM PRESENTATION DHET SKILLS BRANCH RESPONSE TO COVID-19, 24 JULY 2020)

The SETA's interviewed were FM&M SETA, CETA, MerSETA, Services SETA, EWSETA, FAC CET, MICTSETA, BANKSETA, CATHSSETA and INSETA. The interviews explored the SETA responses to C-19 and possible areas DEDAT could partner in.

Key insights were provided around particularly:

- The Innovative Approach to the Funding Model in response to C-19.
- The possibility of funding windows/Special Project Windows DEDAT could possibly apply to this financial year
- Insights into the date/s of the next funding window/s

Some responses to the Innovative Approach to the Funding Model in response to C-19, included amongst others:

- I. There are Special Training Projects for SMME's, to meet C-19 requirements.  
e.g., PPE manufacturing project
- II. There is a focus on supplying PPE to vulnerable business
- III. The focus is on supporting existing learners for completing qualifications, as opposed to initiating new cohorts
- IV. The Funding focus in response to C-19 is most likely available from September after Board Meeting
- V. The Discretionary Grant will focus on C-19 related training (e.g., Workplace safety) and PPE in the Occupation and Artisan space
- VI. Some funds are re-directed and surplus funds to: e-learning, Health and Safety and professional programs to meet C-19 challenges
- VII. Learners funded by Bank SETA have since April, had laptops and data provided to students to assist learners to complete qualifications. The Work Integrated stipends were also instituted
- VIII. Blended learning approaches with a strong Digital component is supported.

The majority of the SETA'S interviewed had some action plan to be pro-active and agile in response to C-19, with a focus on blended learning, PPE, and interventions to support the vulnerable sectors.

Key responses to exploring the possibility of funding windows/Special Project Windows that DEDAT could possibly apply to this financial year included, amongst others:

- I. There is R34 million for National Special Projects. DEDAT can do a Special Projects application, with a focus on PPE in the workplace for learners or employed. This can be presented to the Executive committee
- II. Two SETA's indicated gaps in meeting targets for 2018/19 and 19/20 targets that are still being implementing. The request was that DEDAT send a proposal for the BPO and or Artisan space. Short course training was welcomed
- III. An opportunity arises for wind energy funding in the Western. Cape. This is a need as no funding request received to date from various partners. There is a Gap for Solar panel, entry level training in Multiple skills levels. Malls that use Green Energy are good infrastructure projects. DEDAT must apply through a funding window, however this would be in the 2021/22 financial year.
- IV. DEDAT should apply, as a Special Project to address the Sector skills gaps. This would be a Special Project, to the Board. Key areas are youth unemployed and rural areas.
- V. INSETA is supporting DEDAT with research in the digital space and could assist with this as an ongoing project. INSETA also indicated its interest and assistance in the research of the Final SETA SFIR via its partnership with DUT. However, no funding for DEDAT projects were available in this financial year.

Most SETAs indicated they would only know in late October or November 2020, if Discretionary Grants would be available.

DEDAT has engaged with the various SETAs since the interviews and will be submitting proposals in 2020/21. The DEDAT proposals will align to DEDAT's Skills strategic drive towards a local skills ecology. This aims to ensure that local resources are well utilised

and developed further and coordinated across sectors so that relevant skills are produced by:

- ▶ Pushing for better engagement between the various stakeholders to drive the local economic development agenda.
- ▶ Obtaining commitment from all the players to drive a joint agenda, problem solve
- ▶ Enabling interventions to be tailored to local conditions and to support local initiatives.

## SUMMARY

The preliminary SETA SFIR reveals the following:

1. There are good examples of how SETAs are partnering with DEDAT and can partner in the future to facilitate an improved entrepreneurship eco-system and employability of youth.
2. SETAs are required to move to increased, reliable tracer studies, facilitating job creation and or meaningful exits.
3. An integrated approach to skills funding and planning is lacking at national, provincial, and municipal levels. It makes it a challenge to ensure that funding for skills development is responsive to the needs of the economy and local communities.
4. Those SETA's that provided granular level data for e.g., the sub sector employer that contributed to Skills Levies and municipal data, generally provided good qualitative and financial reporting, reflecting evidence-based interventions.
5. There are broad governance frameworks, of SETAs in terms of financial and non-financial reporting, however there is little enforcement.
6. There are few in-depth monitoring and evaluation or regular impact assessments of the cost-benefits of the skills development levy expenditure.

7. Little or no enforcement of Standard Operating Procedures with regards to the collection, integration, and analysis of data. Even though technical indicators do exist for the various areas of performance. It appears as if the methods of collection and checks are not rigorously interrogated across SETAs in a standardised fashion.
8. Little or no sharing of data intelligence among SETAs to prevent possible duplication of activities.
9. The lack of integrated reporting and centralised housing of the publication of provincial skills development data by SETA's.
10. SETA's SSP for a provincial focus is sometimes secondary to the national skills agenda.
11. A general uncoordinated approach to providing the required data sets down to a geographical level, required in the SETA reporting.
12. A challenge to meet the set targets due to a combination of the Skills Levy Income being less than anticipated as well as the cost of training for certain trades and occupations being high.

## RECOMMENDATIONS

Specific to this study, we offer the following recommendations:

1. There should be a consolidated arm in the NDHE that would be able to improve, standardise as much as possible and enforce Standard Operating Procedures with regards to the collection, integration, and analysis of data.
2. A "SETA Learning Forum" could be considered, with blended learning approaches and virtual tours of projects facilitated, to create a platform for sharing data intelligence and encourage areas of partnership.
3. Improved and regular integrated reporting made possible partly by a centralised publication of provincial skills development data by SETA's.

4. The Premier of the Western Cape consider signing a MOU with the NDHE.
5. Capacity building and enforcing of vital governance and monitoring and evaluation frameworks.
6. Capacity Building around the value of data intelligence. This includes the importance of acquiring a provincial focus to the identification of provincial training needs, the economic and labour market profiles of provinces, the drivers of change in provinces; provincial priority occupations and skills gaps; and provincial skills development priorities is required. This will allow for greater impact for localised skills interventions and supporting regional competitive advantages.
7. SETA should incorporate PGDPs into their sector skills plans, strategic plans, and annual performance plans.
8. An Annual SETA report documenting, analysing, and consolidating financial and non-financial data and trends. This annual consolidated report across the 21 SETA's should include the amount the unclaimed portion of the mandatory grants from SETA's that is swept into the discretionary grant "pot", as well as the training purchased with these funds.
9. There should be stronger oversight of SETAs by the DHET.
10. The SETA Annual Reports generally do not elaborate on improved areas of governance, and this should change, to allow for greater accountability.
11. There should be targets regarding consultations between SETAs and the Provinces, with measurable outcomes, to facilitate Provincial alignment of skills planning and funding. This would allow for improved or joint skills development projects in Provinces to remove duplication of efforts.

## CONCLUSION

The preliminary SETA SFIR has highlighted various challenges in the presentation and interpretation of the financial and non-financial data across the 21 SETAs. The recommendations aim to provide further discussions amongst the Western Cape SETA Cluster and DEDAT, to pave a way for an improved method of implementing the relevant frameworks and guidelines that govern the SETAs reporting.

The ultimate success of the recommendations being possibly considered or implemented by the SETAs is dependent on three factors: (i) NDHE willingness to enforce existing governing frameworks and policies (ii) a leadership holding its staff accountable to report accurately with evidence-based decision making (iii) the foresight to want to collaborate across the skills value chain between SETAs and the WCG, in the aim of achieving value for money during and beyond the economic crises.

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