Marshall Islands

National Training Fund

Background

The National Training Council is responsible for monitoring the collection and use of the Foreign Workers Tax (levy) under the 1987 Non-Resident Workers (Fee) Act; a tax intended to support training programs that result in reduced dependence on imported labour. The 1991 National Training Council Act established a National Training Fund, also known as the Resident Workers Training Account Fund, to be resourced by the non-resident workers' tax, and managed by the National Training Council. The mandate of the National Training Council is much wider than the management of the levy. It is the national coordination body for TVET in the country, responsible for setting national TVET standards, and has a major input into the setting of national TVET policy.

Levy and Fund Purpose

What is/are the main purpose(s) of the training levy?	The overall purpose is to provide vocational training to Marshallese citizens so that fewer foreign workers will be required in the future. More specifically, according to the National Training Council, the objective of the levy is: • To generate revenue for initial TVET – increasing the public budget available for TVET providers at the secondary and/or tertiary levels • To increase the incidence of employee training in levy-contributing firms (including through in-firm training, or sending employees on external training courses) • To provide opportunities for the training of workers in the informal economy, including (but not limited to) micro and small enterprises • To fund special government initiatives related to training youth as a means to address youth unemployment • To provide opportunities for the training and employment of disadvantaged and marginalized groups
What is the levy type?	• Levy-grant • Revenue generation

Fund Mobilization

Levy rate, base, exemptions and income

What is the levy base?	Foreign worker permits
What is the levy rate?	USD 250 per employee per quarter
Is it a national, regional or sector levy?	National
Who should pay the levy?	Private enterprise employers (formal sector) of a non-resident worker
What was the total number of levy paying firms?	No information
Does the training fund receive funding from any other source apart from the levy?	Yes – Funds from the US Compact Grant – Supplementary Education Grant.
What was the total amount of levy funds collected in the most recent year data available?	No information

Method used to collect the levy

Who collects the levy?	The Ministry of Finance, Banking and Postal Services – Tax Division. The levy is paid to the national treasury, but there is no dedicated budget line for the training fund. Annual grants are allocated to the training fund which vary each year depending on government spending decisions (and not as a percentage of the levy collected).

What are the main challenges with regard to levy collection and how could these be addressed?	There is a mismatch between the number of non-resident workers and the levy collected. The National Training Council is planning to collaborate with the Ministry of Justice, Immigration and Labour, who are in charge of issuing work permits, the Ministry of Finance, Banking and Postal Services, and Local Governments to make sure the number of non-resident workers and levies collection match, in order to ensure that employers are complying and paying the levy.
Do levy payers pay, and what is the penalty if they do not?	The mismatch between collected levies and number of non-resident workers indicates that some employers are not paying the levy. According to the Non-resident Workers (Fee) Act 1987, 10% interest is due on late payments, in addition to a fine.

Fund Expenditure

Allowable areas of expenditure for the training fund

Training of employees in levy-paying firms	Yes
Training of workers in the informal economy, including small and micro-enterprises	Yes
Training of workers in formal small and micro-enterprises that don't pay the levy	No
Initial training of young people in secondary-level technical and vocational institutes	Yes
Initial training of young people in tertiary-level technical and vocational institutes	Yes
Training as part of special government initiatives related to training youth or disadvantaged and marginalized groups	Yes
Business development and consulting services to enterprises	No
Equipment and infrastructure of public training providers	Yes
Training activities for training fund staff	Yes
Monitoring and evaluation activities	Yes
Administrative management of the training fund	Yes
Levy collection	No

Actual fund expenditure

The Foreign Workers Tax makes up about 50% of the National Training Council's total annual budget. There is no information on expenditure available.

Fund Allocation Mechanisms

All trainings must be aligned to National Training Council Strategic Plan 2019–2021 (National Training Council, 2018). The National Training Council Board of Directors reviews and approves all proposals.

How are funds allocated to levy-paying firms to train their employees? Grants are available to firms to be spent on approved training. An internship programme allows employers to train their employees while the National Training Council pays for their wages for three months.

How are funds allocated to workers in the informal economy, including to small and micro-enterprises? Grants to training providers.

How are funds allocated to training institutions offering initial TVET? (including for direct training costs, as well as staff, equipment and infrastructure). Direct grants to training institutions be spent on approved training. Stipends are paid to students of training institutions.

How are funds allocated to training related programs targeting disadvantaged and marginalized groups? Grants to NGOs or formal training providers responding to calls for tenders for the training of disadvantaged and marginalized groups.

Fund Effectiveness

How effective is the training fund's monitoring and evaluation system at assessing the training and labour market outputs and outcomes of the training fund expenditure?	One of the five strategic objectives in the National Training Council's Strategic Plan 2019–2021 includes to 'conduct regular analyses of… labour market needs and opportunities; use of the non-resident workers tax, and the impacts of [National Training Council] funded training programs and ensure research and evaluation results are used to inform and improve TVET delivery' (National Training Council, 2018: 13).
What evidence exists on the effectiveness of levy-financed training funds?	No evidence exists in the public domain.

Fund Governance and Management

Fund governance

The National Training Council, which monitors the collection and use of the Foreign Workers Tax, is governed by a Board of nine persons, 3 of whom represent private employers. There is a low level of autonomy from government; the Board make decisions based on the priorities of the Government that are aligned with the National Training Council Strategic Plan.

Total number of Board members	9
representatives of government	3
representatives of formal sector employers' organisations / formal sector employers	3
Other representatives (2 from post-secondary institutes, 1 from a private school)	3

Fund management

The levy funds are directly managed by the National Training Council staff. The link between all the Ministries and Agencies overseeing the number of non-resident workers, collection of fund and managing the fund needs to be strengthened. No annual reports or accounts are publicly available.

Impact of COVID-19 on the Training Fund

Impact on levy collection: With the closing of the borders as a result of COVID-19, it was anticipated that there would be a decrease in the levy collection in 2020 as less non-residents could enter the country. Tax exemptions and economic relief funds were approved by the Government to assist businesses.

Impact on levy expenditure / allocation: No changes to allocation plans or eligibility rules as a result of COVID-19 were made in 2020.

References and Further Reading

In addition to the below sources, this country brief is informed by information and data provided by the National Training Council, received by UNESCO on 20.08.20.

National Training Council. 2018. *Strategic Plan 2019-2021*. Majuro, National Training Council.
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Official Website (last accessed)	www.ntcinfo.org (02.04.21)