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Report No: PAD2854

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF (SDR 14.3) MILLION
(US\$20 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SIERRA LEONE

FOR A

SIERRA LEONE SKILLS DEVELOPMENT PROJECT

September 4, 2018

Education Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 13, 2018)

Currency Unit = Sierra Leonean Leone (SLL)

SLL 8,250.14 = US\$1

US\$1.40 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACC	Anti-Corruption Commission
AfDB	African Development Bank
ASSL	Audit Service of Sierra Leone
AWPB	Annual Work Plans and Budgets
CASPR	Country Assistance Strategy Progress Report
CPF	Country Partnership Framework
DA	Designated Account
DHS	Demographic and Health Survey
EU	European Union
EVD	Ebola Virus Disease
FM	Financial Management
GBAA	Government Budgeting and Accountability Act
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GoSL	Government of Sierra Leone
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HND	Higher National Diploma
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IPR	Independent Post Review
JSS	Junior Secondary Schooling
LFS	Labor Force Survey
M&E	Monitoring and Evaluation
MIS	Management Information System
MOE	Ministry of Education
MoF	Ministry of Finance
MoTHE	Ministry of Technical and Higher Education
MoU	Memorandum of Understanding
NCTVA	National Council for Technical, Vocational, and Other Academic Awards
ND	National Diploma
NGO	Nongovernmental Organization
NTC	National Training Certificate
OJT	On-the-Job Training
PDO	Project Development Objective

PFM	Public Financial Management
PFMU	Project Fiduciary Management Unit
PPR	Procurement Post Review
PPSD	Project Procurement Strategy for Development
PTSC-1	First Productivity and Transparency Support Credit
RAI	Rural Agricultural Institute
REDiSL	Revitalizing Education Development in Sierra Leone
SCD	Systematic Country Diagnostic
SDF	Skills Development Fund
SDSC	Skills Development Steering Committee
SOE	Statement of Expenditures
SSL	Statistics Sierra Leone
SSNP	Social Safety Net Program
SSS	Senior Secondary Schooling
STEP	Systematic Tracking of Exchanges in Procurement
TOR	Terms of Reference
TVEC	Trade or Vocational Centre's
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, Scientific, and Cultural Organization
WASSCE	West African Senior School Certificate Examination

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Sierra Leone	Sierra Leone Skills Development Project	
Project ID	Financing Instrument	Environmental Assessment Category
P163723	Investment Project Financing	C-Not Required

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
25-Sep-2018	31-Oct-2023

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development objective (PDO) is to increase access to demand-led skills training and build the foundations for a demand-led skills development system in Sierra Leone.

B. Key Results

Progress towards meeting the PDO would be measured through the following key outcome indicators:



- (a) Number of people (disaggregated by gender) having successfully completed demand-led skills upgrading programs:
 - Number of people (disaggregated by gender) completing skills training programs provided by Window 1 participating TVET institutions
 - Number of TVET programs participating in Window 1 reaching the milestone of 65 percent of graduates in productive employment after 1 year of completing the training program
 - Number of people (disaggregated by gender) trained and employed by companies/businesses and self-employed in Window 2
- (b) The skills information system operational with increased number of TVET providers reporting annual data on students, teachers, training programs, and facilities
- (c) Number of TVET programs conducting pilot accreditation with industries participation

Components

Component Name	Cost (US\$, millions)
Skills Development Fund	19.00
Capacity Building and System Strengthening	3.00

Organizations

Borrower: Ministry of Finance

Implementing Agency: Ministry of Technical and Higher Education

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	22.00
Total Financing	22.00
of which IBRD/IDA	20.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	20.00
IDA Credit	20.00



Non-World Bank Group Financing

Counterpart Funding	2.00
Borrower	2.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	20.00	0.00	20.00
Total	20.00	0.00	20.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023
Annual	1.02	2.50	4.54	5.89	6.05
Cumulative	1.02	3.52	8.06	13.95	20.00

INSTITUTIONAL DATA

Practice Area (Lead)

Education

Contributing Practice Areas

Social Protection & Labor

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes



SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✓
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓



Indigenous Peoples OP/BP 4.10	✓
Involuntary Resettlement OP/BP 4.12	✓
Safety of Dams OP/BP 4.37	✓
Projects on International Waterways OP/BP 7.50	✓
Projects in Disputed Areas OP/BP 7.60	✓

Legal Covenants

Sections and Description

Schedule 2, Section IB, 1a - Operational Manuals

The Recipient shall prepare, no later than three (3) months after the Effectiveness Date, and thereafter maintain throughout Project implementation, a Project Operational Manual and a SDF Operational Manual, in accordance with terms of reference acceptable to the Association, which it shall furnish to the Association for review before adoption.

Sections and Description

Schedule 1, Section IA, 7b -The PFMU shall be responsible for inputting the relevant Project codes into the accounting software no later than one month after the Effective Date, all in accordance with the Project Operational Manual and this Agreement

Sections and Description

Schedule 1, Section I, C1 - The Recipient shall, not later than September 30 of each year during the implementation of the Project, starting September 30, 2018, or such later date as the Association may agree, prepare and furnish to the Association for its approval, the annual work plan and budget containing all proposed activities (including training and workshops) proposed for inclusion in the Project during the following calendar year, together with the financing plan for such activities and a timetable for their implementation

Sections and Description

Schedule 2, Section IV - Other undertaking - The Recipient shall ensure that, no later than four (4) months after the Effectiveness Date, training on the Association’s financial management and disbursement procedures is provided to PFMU staff

Sections and Description

Schedule 2, Section IA, 1a - Institutional Arrangement.

The Recipient shall designate, at all times during the implementation of the Project, the Ministry of Technical and Higher Education (“MoTHE”), in coordination with Ministry of Finance (“MoF”), to be responsible for oversight and coordination of Project activities and shall cause to be taken all actions, including the provision of funding, personnel, and other resources, necessary to enable MoTHE to implement the Project.

Without limitation to the provisions of Paragraph I.A.1 above, the SDF Secretariat shall manage the implementation of Part 1 of the Project, in accordance with Sections I.A.5 and subject to the oversight of the SDF Grant Committee



in accordance with Section I.A.6 of this Schedule 2.

Sections and Description

Schedule 2, Section IA, 2 a -Skills Development Steering Committee.

The Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Skills Development Steering Committee (“SDSC”) with a composition, mandate, and resources satisfactory to the Association to provide policy guidance and oversight for the Project.

Sections and Description

Schedule 2, Section IA, 3 a - SDF Grant Committee.

The Recipient shall, acting through the Ministry of Finance in consultation with the MoTHE, establish and thereafter maintain, at all times during the implementation of the Project, an SDF Grant Committee, with qualifications and experience satisfactory to the Association to provide oversight for the SDF under Part 1 of the Project.

Sections and Description

Schedule 2, Section IA, 4 a - SDF Secretariat

The Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, an SDF Secretariat to manage the SDF with qualifications and experience and competitively selected under terms of reference satisfactory to the Association.

Sections and Description

Schedule 2, Section IA, 5 a&c - Project Fiduciary Management Unit.

(a) The Recipient shall maintain, at all times during the implementation of the Project, a Project Fiduciary Management Unit (“PFMU”) with a composition, mandate, and resources satisfactory to the Association to provide fiduciary arrangements for the implementation of the Project.

(c) The Recipient shall maintain appropriate administrative and regulatory arrangements throughout the implementation of the Project to ensure smooth collaboration between the PFMU, on the one hand, and MoTHE, the SDF Secretariat and NCTVA, on the other, to ensure implementation of the Project.

Conditions

Type	Description
Disbursement	Notwithstanding the provisions of Part A above, no withdrawal shall be made, namely for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 150,000 may be made for payments made prior to this date but on or after July 25, 2018, for Eligible Expenditures under Category 2



I. STRATEGIC CONTEXT

A. Country Context

1. **Sierra Leone is a small, low-income country with a population of 7.4 million and gross domestic product (GDP) per capita of US\$496 (2016).** The country experienced steady economic growth between 2001 and 2014, with average annual growth of 5.9 percent, spurred largely by growth in agriculture, which grew on average 8 percent per year between 2011 and 2013, and in later years by improved mining production and exports.¹ In 2014, Sierra Leone's economy was severely affected by the Ebola virus disease² (EVD) outbreak and a decline in international iron ore prices. The economy contracted by 21 percent in 2015 and inflation increased to 17.4 percent by December 2016. The economy emerged from recession in 2016 but growth remains slow. Sierra Leone is vulnerable to shocks, as evidenced by the impact of floods and mudslides in 2017, which killed and injured many citizens and resulted in the destruction of infrastructure and disruption to services.

2. **Sierra Leone's population is young and growing rapidly, and a majority live below the poverty line.** Between 2004 and 2015, the population grew on average 3.3 percent per annum, and almost one-half (45.8 percent) of the population is under the age of 15.³ While the poverty rate declined from 66.4 percent in 2003 to 53.8 percent in 2011,⁴ the number of poor remained relatively constant at around 3 million due to population growth. While more than 75 percent of the poor live in rural areas, there has been a significant increase in urban poverty rates. Between 2003 and 2011, the incidence of poverty in the capital of Freetown increased from 14 percent to 21 percent due to urbanization, rural-urban migration, the slow pace of job creation in Freetown, and high rates of inflation.

3. **Despite an abundance of natural resources, Sierra Leone remains uncompetitive.** Although the country is rich in resources, including diamonds, bauxite, rutile, gold, arable land, forests, and fisheries,⁵ Sierra Leone has struggled to improve its competitiveness due to a lack of infrastructure and skilled labor, market inefficiencies, and governance and finance constraints.⁶ The economy is dependent on natural resource exploitation for revenue and subsistence agriculture for employment. Poor economic diversification limits employment opportunities, particularly among youth.

4. **The labor market in Sierra Leone is characterized by relatively high participation and low unemployment, as well as high underemployment and informality.** In 2014, the labor force participation rate was 65 percent⁷ with only 2.8 percent unemployment.⁸ However, the low unemployment rate, particularly in rural areas, is misleading: while 90 percent of the workforce is self-employed, the majority are concentrated in small-scale agriculture (59 percent) and over 35 percent of wage employment and 88

¹ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic, Report No. 115408-SL*.

² <http://apps.who.int/ebola/current-situation/ebola-situation-report-9-december-2015>.

³ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic*.

⁴ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic*.

⁵ It is ranked among the world's least competitive countries (132 out of 138 countries assessed) according to the 'Global Competitiveness Index 2016–2017.' http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.

⁶ World Bank. 2013. *Sierra Leone Growth Pole Diagnostic*.

⁷ Margolis, David, Nina Rosas, Abubakarr Turay, and Samuel Turay. 2016. *Findings from the 2014 Labor Force Survey in Sierra Leone*. World Bank Studies. Washington, DC: World Bank.

⁸ Unemployment is defined using a 'strict' definition, that is, not working, but willing to work and actively searching for employment.



percent of nonagricultural self-employment is in the informal sector.⁹ The youth unemployment rate is two times higher than the average among working-age adults. While the differences in labor market outcomes by gender are small, there are substantial differences in labor market outcomes between urban and rural populations and among individuals with different levels of education.

5. **The March 2018 election ushered in a new government in Sierra Leone.** Transforming the economy and developing human capital form the basis of the new government's manifesto, with a focus on the agriculture, mining, tourism, marine resources, and manufacturing sectors as key drivers of economic growth and poverty reduction. The proposed project's focus on increasing access to quality skills provision will contribute to improving Sierra Leone's economic competitiveness and the promotion of sustainable and inclusive development.

B. Sectoral and Institutional Context

6. **Skills are defined as abilities that enable a worker to carry out tasks and duties associated with a given job.** The core skills that employers value include (a) cognitive skills (the ability to understand ideas and concepts); (b) technical skills (the ability to perform production processes related to a product or service); and (c) socio-emotional skills (the ability to manage one's emotions and work effectively with others).¹⁰

7. **A skill level is defined as a function of the complexity and range of tasks and duties to be performed in an occupation.** It is measured operationally by considering (a) the nature of the work performed in an occupation in relation to the characteristic tasks and duties, (b) the level of formal education defined in terms of the International Standard Classification of Education (UNESCO 1997) required for performing tasks and duties, and (c) the amount of informal on-the-job training (OJT) and/or previous experience required for the competent performance of these tasks and duties.

8. **In general, four broad skill levels are defined:**¹¹ (a) manual (unskilled), (b) semiskilled, (c) skilled, and (d) highly skilled. A more detailed specification of the characteristics of the tasks performed, the types of education and training required, and the examples of jobs associated with each skill level can be found in annex 3.

9. **Skills development is a lifelong process that proceeds in stages, with each stage building on the previous one.** Foundational skills consist of basic cognitive skills, such as literacy and numeracy, which children typically acquire in primary and secondary school and further hone later in adolescence. Technical job-specific skills are usually acquired in technical and vocational education and training (TVET) or higher education institutions or through apprenticeships and OJT. Socio-emotional (soft) skills may be acquired at any point, not only in the education and training system but also in interactions with family members, peers, and/or colleagues.

10. **An efficient skills development system embraces the entire spectrum of individuals and their skill needs and provides opportunities for lifelong learning.** The system should support people to upgrade their skills—from manual to semiskilled, skilled, and highly skilled levels—when there is a demand for these skills from the productive sectors. The establishment of an efficient and effective skills

⁹ The time-related underemployment captures workers who work less than 40 hours but are willing to work more.

¹⁰ <http://www.worldbank.org/en/topic/skillsdevelopment>.

¹¹ http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_172572.pdf.



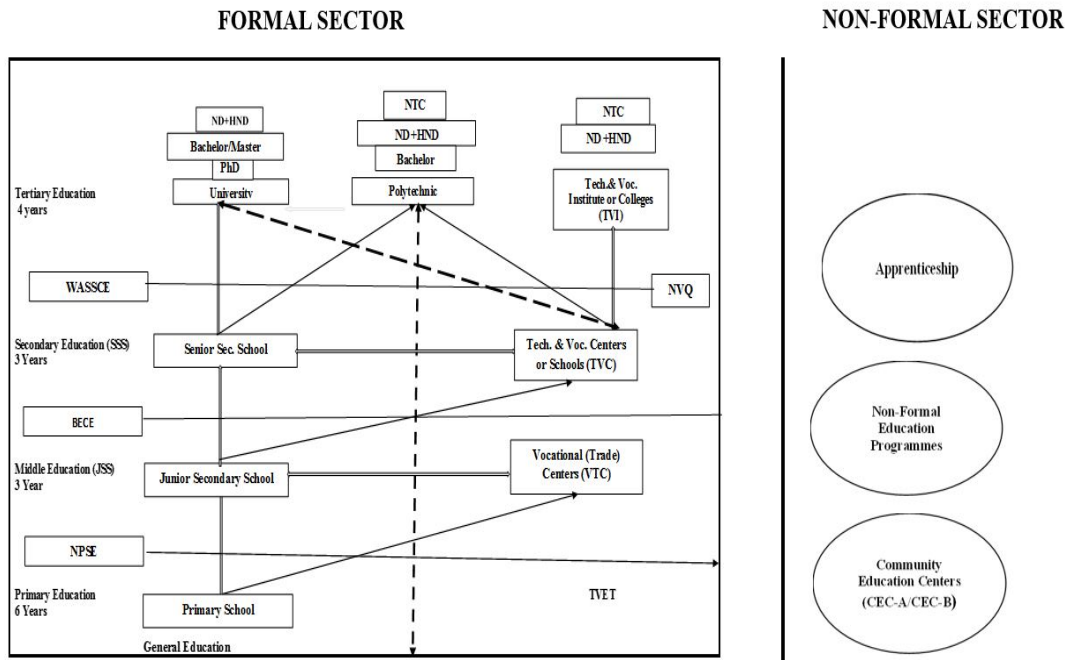
development system takes time and varies by country. While it is important for the Government to think about the longer-term goal of establishing a sustainable system that is responsive to labor market needs, it is also important for Sierra Leone to address the immediate needs of existing firms and the labor force.

11. **Although Sierra Leone presents promising opportunities for private sector growth and investment, key market failures inhibit the ability of firms to maximize this potential and hinder firm productivity.** The poor supply of market-relevant skills serves as a major constraint preventing firms from modernizing and improving product quality. At an aggregate level, skills constraints curtail private sector investment in the economy and limit the extent to which the economy can expand and create employment. A skills gap assessment conducted by the African Development Bank (AfDB)¹² suggests that the workforce in Sierra Leone lacks both foundational and technical skills, and the high cost of training is often prohibitive, especially for small and medium domestic enterprises. Addressing these constraints will require both private and public sector investment in the supply of, and demand for skills. Experience from other countries, including Pakistan, India, and Ghana, has shown that public funding for skills acquisition and technological improvements in strategic sectors, if properly targeted, can offset market failures and move countries toward a higher skills equilibrium while contributing to increased labor productivity. Furthermore, public finance to boost skills acquisition has the potential to catalyze private sector spending for skills enhancement, particularly among larger multinationals who depend on domestic firms to participate in their global value chains.

12. **The acquisition of skills among any given population is linked to the education system.** Figure 1 depicts the structure of the education system in Sierra Leone. The system currently consists of a cycle of primary schooling (six years), junior secondary schooling (JSS) (three years), senior secondary schooling (SSS) (four years), and tertiary/higher education (duration varies). Preprimary schooling (three years and fee based) is optional and is concentrated primarily in urban areas. Primary and junior secondary education is expected to be universal although access remains a major challenge, particularly for girls. At the JSS level, students select two prevocational subjects in the areas of home economics, business studies, introductory technology, or electronics. Upon completion of JSS, students who do not meet the entry requirements for SSS may enroll in a trade or vocational center and/or TVET institutions and, subsequently, may continue their education at polytechnics and/or universities. In 2008, when the last survey of TVET institutions was conducted, there were 370 TVET institutions registered with the Ministry of Education (MOE) with a total enrollment of 27,055 students. However, it is estimated that about one hundred or more institutions were not registered and, therefore, outside the scope of ministerial regulation and quality control. At the tertiary level, enrollment for the 2011/2012 academic year was 31,103, with 1.7 million students enrolled in the entire education system.

¹² African Development Bank, 2013. *Skills Gaps Analysis for Private Sector Development*

Figure 1. Structure of Sierra Leone Education and Training System



Note: ND = National Diploma; HND = Higher National Diploma; NTC = National Training Certificate; TVI = Technical and Vocational Institute; NVQ = National Vocational Qualification; NPSE = National Primary School Examination; BECE = Basic Education Certificate Examination; WASSCE = West African Senior School Certificate Examination.

13. **The main challenges confronting Sierra Leone’s skills development system include** (a) low basic cognitive skills obtained in general education; (b) low access to training programs, particularly for women and rural populations; (c) a supply-driven approach with little or no input from employers’ informing the content of training, curricula, and delivery; (d) inadequate resourcing resulting in poor quality and relevance of TVET programs, duplication of courses, outdated curricula and equipment, and inadequate faculty/instructors; (e) a lack of reliable information on the performance of the system (monitoring and evaluation [M&E]) and poor information regarding labor market outcomes of graduates; and (f) a fragmented and complex system for coordination and management of the system.

14. **Challenges start to present themselves in general education.** One in three Sierra Leonean children is out of school, and there are significant gaps in access in rural areas and for girls particularly at higher levels of education.¹³ In addition to regional and socioeconomic disparities in access, rates of retention are low, and learning outcomes are poor. Results of internationally comparable learning assessments demonstrate very low levels of learning achievement, even when compared to other countries in the region and countries with comparable levels of income.¹⁴ Adult literacy is estimated at 41 percent, which compares poorly with well-performing African economies (for example, Ghana with a rate of 67 percent).¹⁵ Literacy rates vary significantly by province. For example, in the Northern Province, the

¹³ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic*.

¹⁴ An Early Grade Reading Assessment I 2014 found that 87 percent of children in grade 2 were unable to read a single word in a short passage (compared to 40 percent in Gambia and 53 percent in Uganda).

¹⁵ UNDP (United Nations Development Programme). 2011. *Human Development Report 2011*.



illiteracy rate is 33.9 percent compared to a rate of 73.4 percent in the Western Area. Furthermore, illiteracy is higher among women (66.4 percent) than men (45.1 percent).

15. **Skills shortages are significant constraints to private sector development in Sierra Leone.** The *Doing Business 2013* cites an inadequately educated workforce among the most problematic factors in Sierra Leone for doing business, after access to financing, weak infrastructure, and corruption.¹⁶ Private sector stakeholders have difficulty finding ‘employable’ graduates, and there is an acute shortage of technicians, such as auto repairmen and welders; health professionals, including doctors, nurses, birth attendants, and other health workers; science and mathematics teachers; and those with skills in applied sciences, technology, and engineering.¹⁷ A 2013 World Bank report on tertiary education in Sierra Leone found a severe undersupply of skills in the applied sciences, technology, and engineering fields.¹⁸

16. **There is limited access to skills training programs, particularly among girls and rural populations.** In 2011, the official number of students enrolled in registered TVET institutions was approximately 29,000, equivalent to only one-tenth of the number of students enrolled in JSS and less than one-third of the number of students in SSS. In 2011, non-formal education was provided to 126,842 beneficiaries, 80 percent of whom were enrolled in adult literacy courses, with the remainder enrolled in short-term nonaccredited vocational courses. These courses were provided by 116 training organizations throughout the country.¹⁹ In a recent study²⁰, the German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ*) found that males accounted for 60 percent of enrollment in the country’s major TVET institutions. Further, a majority of larger TVET providers are located in urban/semi-urban areas, making access to skills training programs more difficult for rural populations.

17. **Skills development in Sierra Leone is largely supply driven, with little to no input from employers in the design and delivery of skills development programs.** There is currently no formal mechanism to assess the demands for skills in key economic sectors. The 2013 World Bank report on tertiary education concluded that the linkages between higher education institutions and employers were weak and often informal.²¹ For the most part, the Government and other relevant stakeholders identify critical skills constraints based on ad hoc assessments. Industries and businesses have a limited role in defining strategic workforce development priorities. There are weak links between TVET institutions and businesses. Targets related to the relevance and quality of the training programs have not been formalized and institutions are not rewarded for improving the quality and relevance of their programs. The private sector’s role is limited to providing input regarding the design of the training program curricula and the upgrading of facilities on an informal basis (through ad hoc linkages). Industry experience is not an important factor informing the recruitment of instructors, which is almost entirely premised on academic qualifications. Further, instructors receive little in-service professional development once hired.

18. **Financing in support of the TVET sector is limited.** The Government is currently the largest funder of TVET institutions in Sierra Leone. However, the government only provides recurrent funding to public TVET institutions, and no funding is made available for the upgrading and maintenance of training facilities

¹⁶ World Bank. 2013. *Sierra Leone Growth Pole Diagnostic*.

¹⁷ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic*.

¹⁸ World Bank. 2013. *Sierra Leone Higher and Tertiary Education Sector Policy Note*. Report No: ACS4393.

¹⁹ Sierra Leone Education Sector Status Report 2013.

²⁰ GIZ, 2018. *Diagnostic Study of TVET Sector in Sierra Leone*

²¹ World Bank SABER in tertiary education. 2017.



or curriculum development. Private TVET providers rely solely on tuition fees to fund their operations. Many institutions lack key tools and equipment, and, in many instances, machinery is outdated and bears little resemblance to what is used by industry. Training programs are overly theoretical with limited opportunities for students to apply their learning in practice. Without the opportunity or incentives to upgrade their own knowledge and skills, many instructors have limited understanding of current industry practices and the needs of the labor market.

19. **Data on skills demand and supply (TVET and other training providers) are not collected, analyzed and reported systematically,** hampering coordination of skills development, policy development, and resource allocation. The last TVET census was conducted in 2004. Labor force surveys (LFS) have been carried out more frequently (the latest was carried out in 2016) and data support the view that higher skilled individuals have a higher probability of being employed with a higher level of income. Further, data on sector-specific skills requirements are not available, which are needed to guide the further development of the current system.

20. **The Government of Sierra Leone (GoSL) has begun to certify the graduates of formal TVET programs, but the accreditation only covers knowledge acquisition and not practical skills.** The National Council for Technical, Vocational, and Other Academic Awards (NCTVA) accredits and certifies graduates from polytechnics and TVET institutions (as well as teachers from Teacher Training Colleges). Sierra Leone does not have a national qualifications framework or occupation competency standards by sector. In the absence of these skills frameworks, the NCTVA tests trainees graduating from formal TVET programs (both public and private) on their academic knowledge based on often outdated curricula. Moreover, the NCTVA does not have the capacity or resources to conduct assessments of practical skills.

21. **Coordination and management of skills development are complex.** TVET was to be coordinated at the national level by the Directorate of Higher Education Science and Technology in the previous Ministry of Education. However, the TVET unit of the directorate has not been staffed in the last five years. Occasional monitoring and inspection of TVET institutions is performed by the MOE Inspectorate Division. Under the revised Education Act of 2004, the National Council for Technical and Vocational Education was designated as the coordinating body for TVET, but this body has not been established. The subsequent lack of leadership and limited clarity on specific responsibilities has resulted in a proliferation of training institutions pursuing various objectives and the application of different standards and procedures, including for testing and certification.²² The newly elected government has established a new Ministry of Technical and Higher Education (MoTHE) that will be in charge of TVET and this will likely strengthen the focus on this sub-sector of the education and training sector.

22. **The proposed project seeks to increase access to demand-led skills training and develop the foundations for a demand-led skills development system.** Learning from the experience of the IDA-funded Youth Employment Support Project (P121052), the proposed project will move beyond self-employment creation, which is often limited to local welding, carpentry, simple agricultural tool repairs, or sewing. The project will attempt to build a skills development system to produce job-relevant skills demanded by the labor market and target productive sectors where Sierra Leone has a comparative

²² Draft National Policy for Technical and Vocational Education and Training (TVET), 2010, Ministry of Education, Youth, and Sports.



advantage, with the aim of breaking the cycle of low demand, low value, and low pay in which many young people remain trapped.

23. **Sierra Leone has many potentially productive sectors that could contribute significantly to economic growth:**

- **Agriculture** is the dominant economic sector, upon which two-thirds of Sierra Leoneans' livelihoods depend. The country has a strong comparative advantage in agriculture due to its abundant rainfall; varied ecosystems (for example, forest, savanna woodlands, freshwater, wetland, and marine resources); and 5.36 million hectares of arable land. However, agriculture is not performing to its potential. Improving productivity and yields will require workers with higher levels of skills to drive intensification and diversification.
- Sierra Leone's **fisheries**, both natural fishing and aquaculture, demonstrate significant potential, with rich resources of fish, shrimp, lobsters, and other cephalopods. The fisheries sector accounts for 8 percent of Sierra Leone's GDP, and fish is the largest single source of animal protein for many citizens, supplying about 80 percent of the total animal protein consumed in the country. Small-scale artisanal fishing is a significant source of employment, and with major investment and an effective fisheries surveillance system, the sector has the potential to contribute considerably to economic growth and development.
- **Mining** has the potential to generate significant revenues and job creation. It is estimated that more than 400,000 Sierra Leoneans are directly employed in the country's extractive industries sector (government and mining operations), with approximately 300,000 employed in artisanal mining operations. The country has substantial mineral and potential oil reserves and production capabilities. Apart from iron ore, the country has proven deposits of bauxite, chromite, diamonds, gold, platinum, and rutile with several foreign operators invested in these subsectors. However, in many instances, foreign investors recruit foreign skilled workers and employ Sierra Leoneans in low-skilled jobs.
- **Construction** (for example, roads, airports, ports, and residential and commercial housing) is another sector in which the demand for skilled labor is high, accounting for the highest share of wage workers in the country. Deployment of renewable energy, water, and telecommunication infrastructure concurrently improves access to basic services for the population.
- Finally, Sierra Leone used to be an established **tourism** destination, but the country's tourism brand has deteriorated in recent years. This is likely due to the country's image as conflict prone and the recent EVD crisis. Tourism has the potential to generate formal employment.

24. **Given the strong links between the skills and jobs agenda, as well as the focus on various sectors—the proposed project will be closely coordinated with other relevant projects in the World Bank's portfolio** supported by the Education, Agriculture, Energy & Extractives, Finance, Competitiveness and Innovation, Social Protection and Job Global Practices. Specifically, the project will coordinate closely with the IDA-financed Revitalizing Education Development in Sierra Leone (REDiSL) Project (IDA/R2017-0202), Sierra Leone Smallholder Commercialization and Agribusiness Development Project (IDA/R2016-0008), First Productivity and Transparency Support Credit (PTSC-I) Project (IDA/R2017-0345), Sierra Leone



Agro-Processing Competitiveness Project (IDA/R2018-0229), West Africa Regional Fisheries Program Phase 2 in Liberia and Sierra Leone (IDA/R2016-0303, GEF/R2016-0017), Extractive Industries Technical Assistance Project Phase 2 (IDA/R2017-0329), Sierra Leone Safety Nets Project (IDA/R2015-0215), and Sierra Leone Sustainable Tourism Development Project (pipeline).

C. Relevance to Higher Level Objectives

25. **The proposed project is fully consistent with the Country Assistance Strategy Progress Report (CASPR)²³ prepared in 2012.** The report emphasized the centrality of skills to address challenges in the labor market. Two of the CAS pillars, Growth and Human Development, emphasize investment in human development. The recently completed Systematic Country Diagnostic (SCD)²⁴ emphasizes the importance of skills development for improving individual employment outcomes and increasing productivity and growth in line with the Government Economic Development and Poverty Reduction Strategy. The diagnostic will form the basis of the new Country Partnership Framework (CPF) for the period 2019-2023, which is currently being prepared.

26. **The project will contribute to the higher-level objectives of improving the country's economic performance and reducing poverty.** To improve the potential for economic growth, Sierra Leone will need to simultaneously (a) improve productivity in key economic sectors and (b) accelerate the structural transformation between economic sectors. Employment creation is likely to have the largest impact on poverty reduction at the household and individual levels. Education, vocational training, and lifelong learning are central pillars of employability, employment of workers, and sustainable enterprise development. Skills development can also contribute to facilitating the transitions from the informal to the formal economy. Skills development driven by demands from strategic economic sectors has the potential to contribute to improving productivity and employment creation in Sierra Leone.

II. PROJECT DESCRIPTION

A. Project Development Objective

27. The Project Development Objective (PDO) is to increase access to demand-led skills training and build the foundations for a demand-led skills development system in Sierra Leone.

28. The PDO-level Indicators are as follows:

- (a) Number of people (disaggregated by gender) having successfully completed demand-led skills upgrading programs:
 - Number of people (disaggregated by gender) completing skills training programs provided by Window 1 participating TVET institutions

²³ World Bank. 2012. Sierra Leone - Country assistance strategy progress report for the period FY10-FY13. Washington, DC: World Bank. <https://hubs.worldbank.org/docs/imagebank/Pages/docProfile.aspx?nodeid=16528251>

²⁴ World Bank. 2017. *Sierra Leone Systematic Country Diagnostic*.



- Number of TVET programs participating in Window 1 reaching the milestone of 65 percent of graduates in productive employment after 1 year of completing the training program
 - Number of people (disaggregated by gender) trained and employed by companies/businesses and self-employed in Window 2
- (b) The skills information system operational with increased number of TVET providers reporting annual data on students, teachers, training programs, and facilities
- (c) Number of TVET programs conducting pilot accreditation with industries participation

B. Project Components

29. The project has two components: **(1) Skills Development Fund and (2) Capacity Building and System Strengthening.**

Component 1: Skills Development Fund (SDF) [total SDR 13.585 million (US\$19 million equivalent), of which the IDA contribution is SDR 12.155 million (US\$17 million equivalent)]

30. **This component aims to increase access to demand-led skills upgrading in Sierra Leone.** A Skills Development Fund (SDF) will be established under the project and will be the main platform for supporting demand-led skills development. The platform will be shared between private enterprises (employers), training providers, and school leavers (job seekers). The SDF aims to

- (a) Stimulate competition and delivery of innovative program offerings;
- (b) Promote collaboration between enterprises and training centers and institutions;
- (c) Improve the efficiency of training provision;
- (d) Increase the employability of out-of-school youth; and
- (e) Increase skills acquisition among disadvantaged groups.

31. **The SDF supports skills demand and supply through two corresponding windows:**

- (a) **Window 1 targets selected training institutions that wish to improve the relevance and quality of their training programs and to introduce new short-term courses for out-of-school unemployed and underemployed youth, with a focus on girls.** Window 1 is divided into two tiers (sub-windows), focusing on formal and nonformal TVET. The grants from this window can be used to finance eligible expenditures such as (i) the updating of curricula, (ii) purchasing learning resources, (iii) training of trainers/instructors, (iv) industrial attachments, (v) twinning arrangements, (vi) career counselling, (vii) internships, (viii) training needs assessments, and (ix) tracer studies.
- (b) **Window 2 targets businesses in the productive sectors (agriculture/agro-processing, fisheries, mining/extractives, construction, and tourism) that need to address the skills**



gaps to expand their production and markets or to upgrade their production process to climb higher up the value chain. Window 2 is divided into two tiers (sub-windows), one for microenterprises in the informal sector and one for small, medium, and large enterprises in the formal sector. Grants from this window can be used to finance eligible expenditures related to (i) short- to medium-term skills upgrading and development, (ii) technology acquisition and adoption, and (iii) apprenticeships for existing or potential employees or members of an association in the formal and informal sectors. Apprenticeship programs will primarily target youth and women with the aim of offering OJT. It is expected that activities supported by the SDF will result in productivity gains for the recipients of grant funding. As a consequence, applicants will be expected to demonstrate how the proposed training will lead to improvements in productivity of their core business activities.

32. **Skills upgrading initiatives to be supported by the SDF will be selected through a competitive process based on the merit and the labor market relevance of the initiative.** As part of the application process, the applicant will need to demonstrate relevance by assessing the demand for the proposed training and by estimating the expected impact of support from the SDF.

33. **The evaluation of the applications will be carried out in two stages.** The first stage will focus on the verification of eligibility and the relevance of the concept to the SDF objectives. Applicants who pass the concept stage screening will be invited to submit a full proposal. The SDF can provide technical assistance on proposal preparation upon request, but the costs of this assistance will need to be covered by the eventual grant.

Figure 2. Stages of SDF Grant Evaluation



34. **The evaluation of the applications for SDF will be carried out with highest standards of integrity, focusing on** (a) evidence from the training needs assessment and its robustness for assessing the expected labor market absorption of graduates (for Window 1); (b) the likely impact of requested support on labor productivity (competitiveness) for businesses (for Window 2); (c) targeting/inclusion of youth to be trained; (d) alignment between the proposed grant’s objectives, inputs, budget, and human resources; (e) value for money (that is, cost-effectiveness based on a comparison of the unit costs of training and the expected outcomes); and (f) monitorable outputs and results.



35. **Grant awards will be made to applications that have the highest scores based on the evaluation metrics.** Successful applicants will be notified of the award decision by the SDF Grant Committee and be invited to enter into the Grant Agreement between the SDF and the grantee. The Grant Agreement will define the contractual obligations, financial commitments, and rights of the Government (as financier) and the grantee. The Grant Agreement will bind the grantee to present defined deliverables, progress reports, and data on grant performance. Under Window 2, the Grant Agreement will be a tripartite contract to be signed by the beneficiary of the training, the training provider, and the Government. Under Windows 1 and 2, payments can be made directly to training providers upon satisfactory completion of the agreed training activities. Applicants who are not selected can apply again in subsequent calls for proposals.

36. **As a part of the Grant Agreement, grantees will be required to report periodically on the receipt and use of funds from the SDF as well as on the progress of their projects.** These reports will enable the SDF Secretariat to track the use of grant funds, measure the effectiveness of the grant/project execution, and identify and address problem areas. Timely reporting by grantees and the effective and timely review and feedback to grantee reports will be critical for management of the SDF. The reporting will follow the sequence stated in the Grant Agreement.

37. **If it is determined that resources provided by the SDF are not being used according to agreed conditions and for the intended purposes, the SDF Secretariat will consider terminating the grant,** with or without preliminary suspension, for example, when the grantee has

- Materially breached or failed to perform one or more provision of the agreement in a manner significantly affecting the achievement of its goals and objectives;
- Fraudulently misrepresented material facts during the application or project development process; and/or
- Used funds or equipment purchased with agreement funds for purposes other than those stipulated in the grant agreement without the SDF's consent.

38. **The SDF policies, operating principles, and implementation guidance are outlined in the SDF Operational Manual.** The manual has been developed and will be promulgated by the government in accordance with the GoSL's and the World Bank's policies and procedures and will form the basis for SDF supervision.

Component 2: Capacity Building and System Strengthening [SDR 2.145 million, US\$ 3 million (100 percent IDA financing)]

39. **Component 2 aims at building a foundation for a demand-led skills development system** through (a) establishment of an integrated skills information system to support evidence-based analysis and policy development and (b) piloting the accreditation of skills training programs with the participation of industries.

40. **For the establishment of an integrated skills information system, the project will build on the development of a TVET data platform being piloted with support from the GIZ-managed TVET technical assistance project funded by the European Union (EU).** The project will focus on making sure all TVET



institutions/providers, both public and private, report annually on their students, teachers, training programs, and facilities. A data reporting template will be adopted to enable institutions to report on these key aspects. Specifically, information on students to be collected in the data platform will include total enrollment disaggregated by gender, geographical coverage, age, and prior level of education/training obtained and enrollment by study programs and lengths. Information on teachers/instructors will include age, gender, qualifications, teaching load, and industries' experience. Information on training programs will cover the types of degrees/certificate awarded by sector, the length of training, and admission and graduation requirements. Finally, information collected on training facilities will include data on classrooms, workshops, equipment, information and communication technology (ICT), and so on and their utilization. The project aims at reaching up to 300 TVET providers by midterm and collecting their data annually thereafter. The data will be made available on the Internet. While the project will focus on ensuring the data on the supply of skills are made available and transparent, data on the demand for skills from LFS (conducted by Statistics Sierra Leone [SSL]) or enterprise surveys (conducted by the World Bank) and other relevant skills data can be included as links in this platform. The project will provide technical assistance to support MoTHE analysis and policy formulation using the data generated by the platform.

41. **Also under Component 2, the project will support a pilot certification of graduates of TVET of at least two programs in different sectors to strengthen the accreditation process with industry participation.** The NCTVA will coordinate this pilot with participation of interested TVET institutions (preferably the institutions that are selected to receive SDF grant funding) and industries' associations. The focus will be on certification of TVET graduates. Currently the external examination conducted by the NCTVA covers only paper-based knowledge assessment. The project will support industries/employers' representatives to work with the NCTVA to develop a set of expected competencies and behaviors for the jobs in the selected sector. These competency expectations will be used to develop performance assessment tools to supplement the knowledge assessment tool. Industry experts may serve as examiners or as trainers/coaches to train NCTVA examiners on the use of the performance assessment tools. The proposed project will help document these processes and the actors involved and lessons learned will be disseminated to (a) participating TVET providers, (b) the NCTVA, and (c) other policy makers and stakeholders. While the project will not cover the accreditation of all TVET programs, it will help explore the framework for program accreditation. This may include (a) setting standards for program accreditation, (b) formalizing accreditation processes (self-evaluation and external validation), (c) institutional setup for accreditation, (d) disclosure of accreditation results, and (e) strategies for improving outcomes using accreditation standards.

C. Project Beneficiaries

42. The beneficiaries of the project will include young job seekers, employees, and employers of informal and formal businesses in productive sectors, industry associations, students and staff of public and private TVET providers, and relevant Government agencies engaged in skills development.

Project Costs

43. Component 1 (US\$19 million) will include the financing of (a) grants to TVET institutions/providers (US\$10.5 million), (b) grants to businesses (US\$6 million), and (c) SDF management costs (US\$2.5 million). Component 2 (US\$3 million) will include the financing of (a) the collection of annual reports on students, teachers, training programs, and facilities of all TVET providers (US\$1.5 million); (b) analysis of data and



policy formulation (US\$0.5 million); (c) piloting the accreditation of TVET programs with industries' participation (US\$0.5 million); and (d) component coordination (US\$0.5 million). The project instrument will be an Investment Project Financing (IPF).

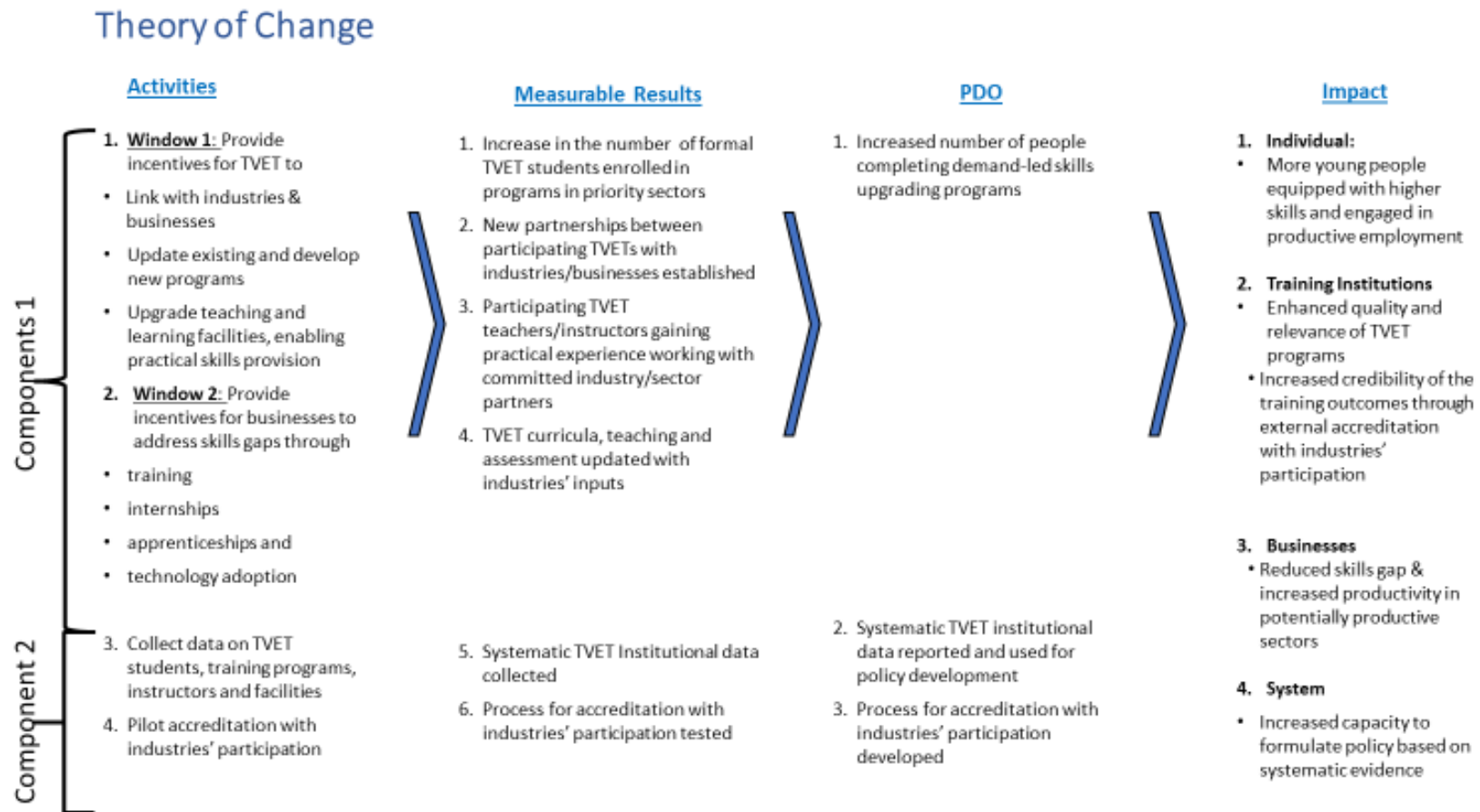
Table 1. Project Cost (US\$)

Project Components	Project Cost	IDA Financing	Counterpart Funding
Component 1	19,000,000	17,000,000	2,000,000
Component 2	3,000,000	3,000,000	0
Total Cost	22,000,000	20,000,000	2,000,000
Total Financing Required		20,000,000	2,000,000



D. Results Chain

Figure 3. Theory of Change





E. Rationale for Bank Involvement and Role of Partners

44. **The proposed project will create synergies with other development partners' projects in skills development and youth employment promotion.** Specifically, the project will build on the work of the current EU-funded, GIZ managed TVET technical assistance project. First, the GIZ-managed project is currently working with several TVET programs to provide in-service training to their instructors. While this project is smaller in scale and will not provide substantial funding directly to these institutions, the technical capacity building provided by GIZ will put these institutions in a strong position to apply for the SDF grants. Second, the GIZ-managed project is designing the platform for the skills data system and piloting the platform with TVET institutions in the GIZ districts. Since the GIZ-managed project will end in 2020, the World Bank-funded project will build on this design to operationalize the data collection, reporting, and analysis nationwide. Finally, the project will coordinate with the Youth Entrepreneurship and Employment Project funded by the AfDB and managed by the Ministry of Youth Affairs. This technical assistance project focusses on providing entrepreneurship skills training and developing career guidance services, both of which are complementary to the interventions in the proposed project.

F. Lessons Learned and Reflected in the Project Design

45. Project design incorporates lesson learned from (a) previous and ongoing education and skills development projects in Sub-Saharan Africa, namely Ghana, Rwanda, and Uganda, as well as projects in other parts of the world, and (b) skills/youth employment projects in Sierra Leone.

- **The main lesson from international experience is to ensure the effective participation of the private sector at the training provider level as well as system-level oversight, quality assurance, and financing.** Skills development efforts can only be demand driven and of high quality if active engagement of the private sector as a main consumer of skills is built into the design of training programs. To meet the demand for skills on the one side and improve employment outcomes of trainees on the other, it is imperative to involve employers in the training and system management processes. Employers are best positioned to define and anticipate the skills workers need and, therefore, encouraging their participation is critical in identifying skills gaps, developing training programs and competency standards, and ensuring practical experience for students and trainers.
- **Improving training service delivery and addressing selected key system-level blockages are essential** for ensuring sustainable and large-scale impact on quality and efficiency. While successful individual training providers or programs can have a catalyzing positive impact on the overall quality of the training system, this may not be sustainable and scalable without system-level reforms.
- **Skills Funds are an effective tool for improving relevance, quality, equity, accountability for results, and the efficiency of TVET and higher education.**²⁵ Best practice examples in SDFs include the Chile Higher Education Fund, Mozambique TVET Fund, and Skills Nets in Ireland. Skills Funds allow for the targeting of support to training providers on a competitive basis, against clear performance criteria. Furthermore, Skills Funds enable private sector involvement in decision making through its participation in the governance/management of

²⁵ Johanson, Richard. 2001. *Sub-Saharan Africa Regional Response to Bank TVET Policy in the 1990s*. World Bank.



skills upgrading. The SDF launched in Ghana in 2011 supported by the World Bank has been instrumental in providing both public and private training providers access to funding support on a competitive basis. This mechanism has introduced relevant training and technology innovation through improved facilities in the labor market.

- **The key lesson accrued through the implementation of skills-related projects in Sierra Leone is that supply-side interventions focusing on infrastructure investment do not necessarily result in skills upgrading.** In fact, the TVET project funded by the AfDB built seven TVET centers that have never been staffed and are not fully equipped. These centers remain nonfunctional to date. Another TVET project funded by the Islamic Development Bank built four TVET centers that have not been fully staffed and equipped. This experience shows that supply-side interventions without commitment from the institutions can result in waste and inefficiencies.

46. **A lesson learned through implementation of the World Bank-funded Youth Employment Support Project (P121052) was that general employability training provided to youth can result in modest increases in self-employment jobs, but at a high unit cost (US\$17,000 per job created).** The self-employment was mainly limited to local services, such as carpentry, masonry, or shop-keeping. These jobs generated low income because the demand for these services was limited to the low capacity of the local communities to pay. The proposed project, therefore, will not focus on general employability training but will anchor skills development efforts in the sectors that have the potential to grow in Sierra Leone.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

47. **The proposed project will be overseen by the Skills Development Steering Committee (SDSC).** The SDSC will be chaired by the Minister of Finance (MoF) and comprises professional heads from relevant ministries: Technical and Higher Education, Planning and Development, Fisheries, Mines, Agriculture, Works, Tourism, Energy, Youth Affairs, NCTVA, TVET Coalition, Anti-Corruption Commission (ACC), Trade and Industries, Labor, Chambers of Commerce, Chair of SDF Grant Committee, and donor partners. The SDSC will have the following roles and responsibilities: (a) providing cross-sectoral strategic oversight of project implementation; (b) reviewing progress reports; (c) advising on key implementation issues, strategic priorities, and the economic sectors to be targeted through the SDF; (d) ensuring that agreed performance targets and time lines for activities under the different components are met; (e) meeting twice a year to review progress reports to be submitted to the Government and the World Bank; and (f) supervising the performance of the SDF.

48. **The SDF Grant Committee, to be appointed by the Minister of Finance in consultation with the Minister of Ministry of Technical and Higher Education (MoTHE), will oversee the activities of the SDF.** Accordingly, the SDF Grant Committee will ensure that the SDF becomes an efficient and credible instrument for strengthening the skills and the competency base of Sierra Leone youth and making the country's private sector more competitive. The members of the Committee are expected to undertake their responsibility with due care and integrity. The specific functions of the Committee will be to:



- Approve plans and arrangements for the dissemination of information regarding the procedures and operation of the SDF, ensuring that all potential target audiences have access to the required information;
- Approve eligibility criteria to fund proposals in each of the windows;
- Approve the procedures for prequalification and approval of applications to the SDF;
- Endorse the quality assurance procedures for skills development initiatives supported by the SDF;
- Oversee the progress of the SDF's operations;
- Regularly evaluate the quality and relevance of the skills training supported by the SDF;
- Recommend to the MoF, MoTHE, and SDSC possible changes in the scope and operation of the SDF, including the reallocation of funds between windows; and
- Investigate and act on complaints received from learners, parents/guardians, employers, and other stakeholders regarding the quality of training, assessment, and the award of qualifications of training initiatives supported by the SDF.

49. The SDF Grant Committee will comprise

- The chairperson, an industry practitioner with considerable knowledge of TVET issues, labor market, and business environment;
- One senior official of the MoF;
- One senior official of the MoTHE;
- The commissioner of the National Youth Commission;
- One senior official of the Local Content Agency; and
- Four private sector representatives with good understanding of the Sierra Leone labor market.

50. The nominated persons must have proven commitment, knowledge, and experience relevant to skills and technology development. The Minister of Finance will appoint the chairperson of the SDF Grant Committee and approve the nominated members. The Sierra Leone Chamber of Commerce and industry associations will be invited to nominate the private sector representatives, with the final decision to be made jointly by the Minister of Finance and Minister of Technical and Higher Education.

51. The SDF will be managed by the SDF Secretariat that will be contracted through competition. The SDF Secretariat will be headed by an SDF fund manager who will be the day-to-day head of the SDF



Secretariat. The SDF Secretariat will be kept lean and receive technical review inputs from independent sectoral experts. Accordingly, the SDF Secretariat will consist of the following technical staff:²⁶

- A fund manager who shall report on fiduciary matters to the Project Fiduciary Management Unit (PFMU) of the MoF and on technical and administrative matters to the chairman of the SDF Grant Committee;
- Two grant specialists (one for each window) to assess the relevance and quality of proposals for each of the two windows from the agreed sectors and conduct on-site monitoring of the implementation of the approved grants;
- A grant officer to assist the grants specialists, in particular for the communication and outreach program;
- An M&E specialist responsible for monitoring the achievements of the individual grants and the results of the SDF in relation to the program indicators; and
- An administrative assistant.

52. **The SDF Secretariat will be responsible for all administration, supervision, and logistics required to operate the SDF** and secure implementation in line with the main principles laid down in the SDF Operational Manual, including the Results Framework for outcomes and outputs. The SDF Secretariat will submit quarterly progress reports and budgets to the MoF (PFMU), the SDF Grant Committee, the World Bank, and the SDSC for approval.

53. **A joint MoTHE and NCTVA team, supported by a small number of technical experts, will coordinate the implementation of Component 2.** Specifically, the NCTVA will host the data platform while the MoTHE will work with TVET providers to ensure that their data are collected and reported. The MoTHE will use the data generated by the platform to support policy formulation. The NCTVA will lead the pilot of certification of TVET graduates with the participation of industries. The MoTHE will be responsible for consolidating and preparing the project annual work plans and biannual project implementation reports.

54. **MoTHE, in coordination with MoF, will be responsible for the overall implementation of Project activities.** MoTHE team, the SDF Secretariat and NCTVA team will perform the core technical functions (planning, execution and reporting) of the project implementation.

55. **The PFMU will be responsible for fiduciary arrangements for both components.** The PFMU is established by the Government to consolidate project fiduciary management of all World Bank-supported projects. The PFMU is headed by a unit manager who is responsible for ensuring the overall direction of work at the unit. The PFMU is responsible for the day-to-day financial management (FM) and procurement functions of both Components 1 and 2. The related operational costs of maintaining the PFMU during the life of the project, including computer hardware, stationery, mailing withdrawal

²⁶ More elaborated job descriptions can be found in the SDF Operational Manual.



applications, and printing project FM reports, will form part of the costs that the proposed project will cover.

B. Results Monitoring and Evaluation Arrangements

56. **The project Results Framework (see Section VI) will be monitored and reported biannually to track progress toward the achievement of the PDO and intermediate results indicators.** M&E will be conducted by the SDF Secretariat, MoTHE, NCTVA, and participating training institutions/providers and businesses.

57. **The SDF Secretariat will be responsible for monitoring the results and outputs of the SDF grantees.** Participating training providers will need to report on the number of people receiving training. They will also report on the training programs/curriculum updated, lecturers/instructors obtaining practical experience, and partnerships with industries/businesses that will be established. Participating businesses will need to report on the number of employees receiving training and/or the number of internships and apprenticeships conducted. In addition to monitoring these results, the SDF Secretariat will also conduct regular monitoring of activities to validate that the grantee (training institution, company, organization/association) is utilizing funds received from the SDF in accordance with the objectives and principles stipulated in the contract. The SDF will adopt a management information system (MIS) to facilitate the collection, collation, and reporting of progress toward implementation and the achievement of results in a real-time manner to support evidence-based decision making and management.

58. **The MoTHE and NCTVA will be responsible for reporting on the progress of the system strengthening activities under Component 2,** that is, the integrated skills information system and the pilot accreditation of TVET programs with industry participation.

59. **The SDSC will be responsible for reviewing the results reports submitted by the SDF Secretariat, MoTHE, and NCTVA.** The SDSC will review the results reports submitted and provide guidance to these implementing agencies to ensure that the project is on track for achieving its objectives.

C. Sustainability

60. **At the system level,** the SDF will be the innovative financing platform to develop demand-led skills development programs. The GoSL has expressed a strong interest and commitment in making sure that the SDF is institutionalized into the country system. The Government has committed to providing counterpart funding (in the amount of US\$2 million) to the SDF. The inclusion of the SDF funding in the Government medium-term fiscal framework will ensure that the SDF mechanism can be sustained beyond the project implementation period. Finally, all grantees are expected to contribute to the costs of the grant implementation.

61. **The skills information system** and its utilization by employers, job seekers, and training providers will help facilitate the engagement of different stakeholders to develop the much-needed ecosystem for skills development in Sierra Leone.

62. **At the institutional level,** support to TVET institutions, particularly support for updating training curricula, increasing instructor capacity, and improving the certification of graduate competencies in



partnership with industries, will improve the quality and relevance of skills programs. The competitive process for awarding the grants under the SDF facilitate value-for-money and cost-savings measures that will make these programs more sustainable in the long run.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis

Technical

63. **The proposed project is strategically relevant to the Government's strides toward transforming the economy and improving the livelihood of Sierra Leoneans.** The project design was based on (a) a critical assessment of the capacity of the government structures dealing with TVET and selected public and private TVET institutions; (b) the review and adaptation of experience from countries that have effectively developed skills development systems to support their economic growth and poverty reduction, such as Ghana, Rwanda, and Kenya; and (c) lessons learned from skills and youth employment projects in Sierra Leone.

64. **The design principles include** (a) a strong focus on results, in particular expectations of enhanced coordination and partnership between skills training providers and employers, (b) a focus on the creation of decent jobs through increased competitiveness of supported companies and groups of informal sector operators, (c) value for money through the competitive allocation of skills funding, (d) transparency and integrity with regard to the allocation of funding and fund management, and (e) evidence-based decision making and policy formulation and monitoring.

65. **International experience suggests that Skills Funds, when properly governed and managed, can be effective and efficient tools** to overcome skills shortages and to provide labor market-relevant skills training for youth. The World Bank has, in recent years, developed considerable experience from the design and operation of such funds in many African countries, including Ghana, Uganda, and Rwanda. The Sierra Leone SDF builds on this experience.

Economic and Financial

66. **Expected development impact.** The project will contribute to expanding opportunities for building skilled labor (Window 1 of the SDF) and improving the labor productivity of the existing labor force (Window 2 of the SDF), prerequisites for accelerating economic growth and reducing poverty. In the short term, these interventions are expected to (a) improve labor market opportunities of participating students as training programs to be supported by the project should demonstrate the labor market demand relevance and (b) potentially improve productivity of the firms benefitting from their workers upgrading their skills. Furthermore, the project will contribute to building the foundations for a demand-led skills development system through the establishment of an integrated skills information system and the strengthening of the accreditation process with industry participation. These foundational interventions are expected to pave the way for improved skills development system management, accountability, efficiency, and M&E. A cost-benefit analysis suggests that the project's expected economic benefits outweigh its costs (see annex 2 for details). The estimated net present value of the project is US\$6.48 million (the estimated economic benefit of the project is US\$43.5 million) and



the economic internal rate of return is 13.8 percent. The economic rate of return is comparable with other World Bank financed-education projects.

67. **Rationale for public sector provision.** Public interventions are typically justified by the existence of externalities, which lead to suboptimal investments by individuals/firms, market failures, for example, imperfect financial markets, and redistribution and political concerns. In Sierra Leone, public intervention in the skills sector is warranted for the following reasons:

- (a) Existence of externalities from building human capital that are not internalized by students or by firms/employers.
- (b) Market failures due to underdeveloped lending markets and incomplete information. The costs of TVET are frequently prohibitive for poor populations. Also, aspiring young entrepreneurs often find it difficult to finance start-ups, identify and develop good business opportunities, and invest in managerial capacity.
- (c) The potential for social unrest linked to widespread poverty and unemployment in a post-conflict environment. Since a large share of the country's population is young, high rates of poverty and limited employment possibilities for young people can heighten the potential for social unrest, further threatening growth and stability.
- (d) Current incentive structure of the private sector training providers, which depends solely on student fees, leads to training programs offerings in accounting or commerce that do not require heavy investment in infrastructure. While tailoring to social demand, this perpetuates the cycle of underinvestment in market-relevant skills.
- (e) Previous policy efforts on skills development and knowledge transfer were not successful. For example, the Local Content Policy (2012) aimed to develop the human and institutional capacity of Sierra Leoneans through training and transfer of knowledge and technology from foreign firms to Sierra Leoneans. The Local Content Policy also sought to promote employment of Sierra Leoneans through participation in the private sector. Unfortunately, this policy has not been made functional as foreign businesses employ Sierra Leoneans for simple jobs and bring expatriates for supervisory and technical jobs.

68. **The value added of the World Bank's support.** The World Bank's value added is its global knowledge, expertise, and technical assistance in the design and implementation of skills development projects in Africa (for example, Rwanda, Ghana, Tanzania) as well as in other regions (for example, Europe and Central Asia, South Asia). The project will be implemented with support from a multisectoral World Bank team, including staff from the Education, Agriculture, Energy & Extractives, Finance & Markets, Finance, Competitiveness and Innovation, Social Protection & Jobs Global Practices. Moreover, the World Bank can provide links with ongoing projects across the world and opportunities for South-South exchanges to enable the country to benefit from and build on experiences from similar contexts. The World Bank can also help convene development partners and key stakeholders, particularly through its expertise in the systematic approach to the delivery of skills development projects.



B. Fiduciary

Financial Management

69. The World Bank conducted an FM assessment to determine the adequacy of the FM systems of the PFMU of the MoF. The assessment concluded that the FM systems of the PFMU of the MoF meet the World Bank's minimum requirements for the administration of projects funds under Bank Policy/Bank Directive Investment Project Financing.

70. The PFMU is headed by a unit manager who is responsible for ensuring the overall direction of work at the unit. Under the direction and supervision of the unit manager, the entire PFMU FM team, including a financial management (FM) specialist (a qualified accountant), a finance officer, an assistant finance officer, a finance assistant, and two administrative finance assistants, is responsible for all day-to-day FM functions of specified donor-funded projects.

71. The PFMU has satisfactory planning and budgeting, accounting, internal controls, financial reporting, and external auditing processes in place that will support the effective and efficient utilization of resources for the proposed project. Related operational costs of maintaining the staff during the life of the project, including computer hardware, stationery, mailing withdrawal applications, and printing project FM reports, will form part of the project management costs.

72. The PFMU will open a U.S. dollar-denominated Designated Account (DA) at a commercial bank approved by the World Bank. The project will use report-based disbursements through the submission of quarterly interim financial reports (IFRs) on the sources and uses of project funds. A forecast of the first six months of expenditure will form the basis for the initial withdrawal of funds from the credit, and subsequent withdrawals will be based on the net cash requirements.

73. The project will follow a cash basis of accounting and financial reporting and will submit, within 45 days of each GoSL fiscal quarter, quarterly IFRs of project activities. At a minimum, the content of the IFRs will include (a) a statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances; (b) a statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period; and (c) a Designated Account Reconciliation Statement.

74. Annual audited financial statements of the project shall be submitted to IDA within six months of the end of the GoSL's fiscal year (that is, by June 30 each year). External auditors will conduct audits on the project financial statements on terms of reference (TOR) as agreed with the World Bank.

75. Based on the assessment conducted, the overall FM risks were rated High before mitigation. If the planned risk mitigation measures are properly implemented, the residual FM risk is anticipated to be rated Substantial. A detailed description of the FM assessment is included in annex 1.

Procurement

76. The procurement management risk for this project is rated High, which after mitigation is expected to be reduced to Substantial. The key mitigation measures include: (i) capacity building or



PFMU staff; (ii) systematic planning and tracking of procurement transactions through the STEP system; and (iii) disclosure of procurement plan, procurement progress and complaint handling reports.

77. Procurement under the proposed project will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement Regulations), dated July 2016 and revised in November 2017; the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated July 1, 2016; and other provisions stipulated in the Financing Agreement.

78. **Implementation arrangements.** Procurement under this project will be carried out by procurement staff of the PFMU.

79. The project design has included a window for the Borrower to carry out advance contracting and retroactive financing in accordance with Section V (paragraphs 5.1 and 5.2) of the World Bank's 'Procurement Regulations'. The retroactive financing will be allowed up to 20 percent of the credit covering the expenditures incurred by the project before the signing of the Financing Agreement under the activities agreed with the World Bank.

80. **Procurement planning.** A Procurement Plan has been prepared by the Government and will be updated regularly and agreed upon by the World Bank, detailing the activities to be carried out reflecting project implementation needs. The Procurement Plan for the first 18 months has been reviewed and included in the negotiation package.

81. **Use of country systems.** For procurement involving National Procurement Procedures below the defined thresholds, national procurement systems may be used as defined by the Project Procurement Strategy for Development (PPSD) prepared by the Government. Open competitive approach to the market will be the World Bank's preferred approach as it provides all eligible bidders/proposers with timely and equal opportunity to provide the required goods or services.

C. Safeguards

Environmental Safeguards

82. The project has been assigned an environmental assessment Category C (no assessment), as provided in the environmental assessment policy. The project activities are centered around providing youth with demand-led skills training. The activities are mostly capacity building and the development of skill sets of employees in productive sectors, industry associations, students, and staff of public and private technical and vocational training institutions as well as polytechnics. The activities of the project will present minimal environmental risks since they do not involve any infrastructure development. Due to the minimal risk, no safeguards policies have been triggered, and hence there is no requirement for the preparation and disclosure of any safeguards instruments. The World Bank safeguards team will, however, continue to provide guidance throughout the project implementation. Should the scope of the project change, the World Bank team will assess the potential for additional environmental risks and advise on the need for any further environmental safeguards due diligence or activities that might require changes in project environmental assessment categorization.

Social Safeguards



83. The project will provide grants for skills development, capacity building, and technology transfer for the public and private sectors. The project activities will not result in severe adverse social impacts such as resettlement. The project has been assigned an environmental assessment Category C and does not trigger the social safeguards policy on Involuntary Resettlement (OP 4.12).

84. **Citizen engagement.** While the project presents minimal social risks, stakeholder engagement and grievance redress mechanism (GRM) are critical to ensure inclusion, transparency, and accountability of the SDF grant disbursement. For this reason, the project will put in place information and communication campaigns aimed at deepening public engagement and visibility of the grant activities. A GRM will be established to respond to public concerns from the project activities. The graduate tracer study, as part of the Results Framework, will collect and monitor the feedback from the project direct beneficiaries (graduates) on: (i) their assessment of the quality of the training programs they receive; and (ii) suggestions for improving the delivery of these programs

85. **Gender.** Ensuring equal distribution of opportunities and benefits by gender is central to this project. As part of project preparation, analysis was undertaken of recent large-scale studies that focused on gender issues in the Sierra Leone context, including the recent SCD, 2013 Demographic and Health Survey (DHS), and 2014 LFS. These findings have been used to inform the project's design.

86. While there is gender parity in primary education, the gender gap increases significantly in later years of education with only 25 percent of girls still enrolled by the last year of senior secondary school. Key factors accounting for the high dropout rate include a lack of family planning (resulting in a median age for birth of 19 years) and the tradition of early marriage. According to the 2013 DHS, 16.4 percent of girls were married by the age of 15 compared to 1.3 percent of boys, and by the age of 18, 50.2 percent and 8.8 percent of females and males, respectively, were married. In addition to limiting their educational attainment, early departure from school reduces their opportunities for employment and income in the future.²⁷ The Government's recent decision to prohibit pregnant girls from attending school has made the impact of early pregnancy in terms of school attainment even more challenging. At the tertiary level, only one-third of students are female. This may reflect a family's decision to underinvest in girls' education given the higher likelihood that a boy will find gainful employment. In addition, wages are significantly higher among men than women—in wage employment (three times higher) and self-employment (2.5 times higher), and in agriculture they are twice as high, holding all other things constant.

87. While girls are less likely to have the opportunity to participate in skills training programs because of the factors noted earlier, there are important differences between males and females in skills training—men are more likely to focus on subjects that are more highly valued in the labor market and more likely to have practical training (through internships or apprenticeships). The proposed project, through Window 1 of the SDF, aims to increase access of girls/young women to training programs in priority sectors and to provide them with greater opportunity to engage in practical training activities that often can be a stepping stone to employment within that sector. Specifically, SDF grantees (training institutions and businesses) will be rewarded if they show improvement in girls' access and completion of demand-led skills programs. Under Component 2, the project will ensure that the participation of girls/young women (both as students and instructors) in training programs is tracked at the institutional

²⁷ The 2014 LFS found that working-age women who were teenage mothers had an average of one year less of education and went on to earn on average 25 percent less than women who were not teenage mothers.



and central levels, which can be used to guide activities and policies that aim to increase equitable access to training among women. Finally, at the project level, all relevant indicators will be gender disaggregated to ensure the project is ensuring the participation of women.

Grievance Redress Mechanisms

88. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

89. **Political and Governance: Substantial.** The political risk is considered substantial given the country context and political transition following the recently concluded elections in March 2018. Sierra Leone urgently needs a workforce equipped with skills relevant to the labor market to reduce unemployment and increase productivity. The new country's leadership demonstrates the political will to improve and expand employment and income generation opportunities, but the challenge remains in translating the commitment to actual results. Close collaboration with the government will be maintained in order to mitigate against this risk.

90. **Macroeconomic: Substantial.** After recovering in 2016 from the twin shocks of the EVD epidemic and collapse of iron exports, Sierra Leone's economy witnessed sharp moderation in growth in 2017, reflecting weak recovery of mineral production, particularly iron ore. Economic growth remains volatile because of a lack of diversification in the economy due to a dependence on the mining sector. Macroeconomic imbalance also worsened in 2017 due to high levels of fiscal deficit and rising debts, inflationary pressure, a fragile banking system, and current account pressures. Stabilizing the macroeconomy is a precondition for inclusive growth and poverty reduction. To mitigate against these risks, support will be provided for macroeconomic and sectoral reforms moving forward. Key macroeconomic and sectoral reforms will need to be implemented to reduce the imbalances and to avert downside risks to economic growth.

91. **Sector strategies and policies: Substantial.** Sierra Leone has created skills development and employment policies in recent years, but many of them have not been enforced. Funding to implement these policies is often insufficient and there are overlapping mandates and competition for scarce resources among agencies. Close coordination with the government and clear delineation of responsibilities under the project will mitigate against this substantial risk related to sector strategies and policies.



92. **Technical design of the project: Substantial.** While Sierra Leone has structures for skills development, the primary focus of interventions in the skills sector has been addressing supply-side constraints (for example, upgrading TVET institutions, or provision of short-term training courses), which has had a limited impact. To be effective, the proposed project will need the focus of the sector to shift toward addressing demand-side issues and ensure that skills training programs respond to the needs of the labor market. This new approach is translated into the design of the proposed SDF to bring together the demand for and supply of skills. The project design has drawn on lessons from SDFs established in other countries (for example, Ghana) where (a) decisions related to awarding grants are made on technical and economic merit and (b) final approval is granted by the SDF Grant Committee led by experienced individuals from the private sector with proven integrity track records.

93. **Institutional capacity for implementation and sustainability: Substantial.** The proposed project will leverage and build on the experience of World Bank project implementation accumulated in Sierra Leone. The newly created MoTHE will, however, need extensive support and capacity building to provide the technical leadership and effective coordination with the MoF, sectoral ministries, training providers, and the private sector. In terms of sustainability, the Government, through the MoF, has indicated that it will allocate US\$2 million of counterpart funding for the project and develop a mechanism that ensures ringfenced tax income will be regularly allocated for skills development.

94. **Fiduciary: High.** For this project, fiduciary risks are related to both grant approval and grant implementation processes. To mitigate against these risks, the Government is consolidating the FM systems and procurement activities of all donor-funded projects under a new PFMU within the MoF. The PFMU is newly established and there is a risk that the proposed project may stretch the procurement and FM capacity of the new PFMU. To mitigate against this risk, the project will strengthen the fiduciary capacity of the PFMU through the recruitment of designated FM and procurement specialists to support project implementation. In addition, the proposed project will put in place mitigation measures that will include building the internal audit capacity in the PFMU.

95. **Stakeholders: Substantial.** Skills development cuts across many economic sectors involving diverse public and private stakeholders. In addition, development partners are supporting skills development activities in different parts of the country and sectors. The project is, therefore, exposed to the risk of duplication and poor coordination. To mitigate against this risk, the project will take steps to improve coordination by using the SDF and the skills information system as the coordination mechanisms.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Sierra Leone

Sierra Leone Skills Development Project

Project Development Objectives(s)

The Project Development objective (PDO) is to increase access to demand-led skills training and build the foundations for a demand-led skills development system in Sierra Leone.

B. Key Results

Progress towards meeting the PDO would be measured through the following key outcome indicators:

- (a) Number of people (disaggregated by gender) having successfully completed demand-led skills upgrading programs:
 - Number of people (disaggregated by gender) completing skills training programs provided by Window 1 participating TVET institutions
 - Number of TVET programs participating in Window 1 reaching the milestone of 65 percent of graduates in productive employment after 1 year of completing the training program
 - Number of people (disaggregated by gender) trained and employed by companies/businesses and self-employed in Window 2
- (b) The skills information system operational with increased number of TVET providers reporting annual data on students, teachers, training programs, and facilities
- (c) Number of TVET programs conducting pilot accreditation with industries participation

Project Development Objective Indicators

Indicator Name	DLI	Baseline 2019	Intermediate Targets					End Target 2024
			1	2	3	4	5	
Increase access to demand-led skills training programs								
Number of people having successfully completed		0.00	500.00	3,000.00	5,500.00	8,000.00	8,000.00	8,000.00



Indicator Name	DLI	Baseline 2019	Intermediate Targets					End Target 2024
			1	2	3	4	5	
demand-led skills upgrading programs (Number)								
Number of people completing skills training programs provided by Window 1 participating TVET institutions (Number)		0.00						5,000.00
Number of TVET programs participating in Window 1 reaching the milestone of 65 percent of graduates in productive employment after 1 year of completing the training program (Number)		0.00						5.00
Number of people (disaggregated by gender) trained and employed by companies/businesses and self-employed in Window 2 (Number)		0.00						3,000.00
Build the foundations for a demand-led skills development system								
The Skills Information System operational with increased number of TVET providers reporting annual data on students, teachers, training programs and		0.00	50.00	300.00	300.00	300.00	300.00	300.00



Indicator Name	DLI	Baseline 2019	Intermediate Targets					End Target 2024
			1	2	3	4	5	
facilities (Number)								
Number of TVET programs conducting pilot accreditation with industries participation (Number)		0.00						4.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline 2019	Intermediate Targets					End Target 2024
			1	2	3	4	5	
Component 1 Skills Development Fund								
Number of participating TVET institutions/providers conducting tracers study (Number)		0.00						30.00
Number of trainers in participating TVET institutions obtaining practical industries' experience (Number)		0.00						100.00
Number of TVET programs updated with industries' inputs (Number)		0.00						10.00
Number of partnerships with industries established by participating TVET institutions/providers (Number)		0.00						30.00



Indicator Name	DLI	Baseline 2019	Intermediate Targets					End Target 2024
			1	2	3	4	5	
Component 2 Capacity Building and System Strengthening								
Structure of the annual report on students, teachers, training programs and facilities by TVET institution developed (Yes/No)		No	No	Yes	Yes	Yes	Yes	Yes
Process for pilot accreditation of TVET programs with industries' participation developed (Yes/No)		No	No	Yes	Yes	Yes	Yes	Yes

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of people having successfully completed demand-led skills upgrading programs			SDF monitoring report		
Number of people completing skills training programs provided by Window 1 participating TVET institutions		Annually	Reports from participating TVET institutions	Reports from participating TVET institutions, validated by SDF Secretariat	SDF Secretariat



Number of TVET programs participating in Window 1 reaching the milestone of 65 percent of graduates in productive employment after 1 year of completing the training program		Annually	SDF reports	SDF reports	Participating TVET institutions
Number of people (disaggregated by gender) trained and employed by companies/businesses and self-employed in Window 2		Annually	SDF reports	SDF reports	SDF Secretariat
The Skills Information System operational with increased number of TVET providers reporting annual data on students, teachers, training programs and facilities			Skills information system reports		
Number of TVET programs conducting pilot accreditation with industries participation		Annually	NCTVA reports	NCTVA reports	NCTVA

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of participating TVET institutions/providers conducting tracers study		Yearly	Participating TVET institutions/providers reports	Reports submitted by participating TVET institutions	SDF Secretariat
Number of trainers in participating TVET institutions obtaining practical industries'		Annually	Reports from participating	Reports from participating TVET	SDF Secretariat



experience			TVET institutions	institutions	
Number of TVET programs updated with industries' inputs		Annually	Reports from participating TVET institutions	Reports from participating TVET institutions	SDF Secretariat
Number of partnerships with industries established by participating TVET institutions/providers		Annually	Reports from participating TVET institutions	Reports from participating TVET institutions	SDF Secretariat
Structure of the annual report on students, teachers, training programs and facilities by TVET institution developed			MoTHE/NCTVA		MoTHE/NCTVA
Process for pilot accreditation of TVET programs with industries' participation developed			NCTVA reports		NCTVA



ANNEX 1: IMPLEMENTATION ARRANGEMENTS AND SUPPORT PLAN

COUNTRY: Sierra Leone Sierra Leone Skills Development Project

A. Project Description

- 1. The PDO is to increase access to demand-led skills training and build the foundations for a demand-led skills development system in Sierra Leone.** The PDO will be achieved by increasing the number of people, in particular, the number of youth (disaggregated by gender) having successfully completed demand-led skills development training programs and by building foundations of a demand-led skills development system through (a) the establishment and operationalization of a skills information system and (b) the pilot accreditation of TVET programs with industries' participation.
- 2. The project will have two components.** Component 1 aims to establish and operationalize an SDF to increase access to demand-led skills upgrading programs. This component will include the financing of (a) grants to TVET institutions/providers (US\$10.5 million), (b) grants to businesses in the productive sectors to address their skills gaps (US\$6 million), and (c) SDF management costs (US\$2.5 million). Component 2 aims to build foundations for a demand-led skills development system through (a) the establishment of an integrated skills information system to support evidence-based analysis and policy development and (b) the pilot accreditation of skills training programs with the participation of industries. This component will include the financing of (a) the collection of annual reports on students, teachers, training programs, and facilities of all TVET providers (US\$1.5 million); (b) analysis of data and policy formulation (US\$0.5 million); (c) pilot accreditation of TVET programs with industry participation (US\$0.5 million); and (d) component coordination (US\$0.5 million).
- 3. Under the SDF, priority will be given to training activities that lead to improved productivity and competitiveness in the formal and informal sectors and provide young people with relevant skills.** Skills upgrading initiatives to be supported will be selected through a competitive process based on the merit and the labor market relevance of the initiative. The applicant will need to demonstrate relevance by conducting an estimate of the demand for training and the expected impact.
- 4. While precedence will be given to applications from the priority sectors** (tourism/hospitality, agriculture/ agro-processing, fisheries, construction, and mining/extractive industries), applications from other sectors will be eligible for support provided there is a robust and well-documented justification in terms of employment opportunities for the graduates. The applicant must provide the documentation required by the SDF to assess the labor market relevance of the application in the form of a demand assessment.

Component 1: Skills Development Fund (US\$19 million)

- 5. This component aims to increase access to demand-led skills upgrading in Sierra Leone.** An SDF will be established under the project, which will be the main platform for supporting demand-led skills development. The SDF will have the two windows as described in the following paragraphs.



Window 1: Provider-Driven Labor Market Relevant Quality TVET (US\$10.5 million)

6. **Objective.** Improved access to good quality demand-responsive TVET programs with special attention to girls and other disadvantaged youth.

7. Window 1 is divided into two tiers (sub-windows), focusing on formal and nonformal TVET respectively.

(a) **Formal TVET** is defined as programs officially recognized and certified by professional associations or the NCTVA. Formal TVET programs are typically full-time; structured (in terms of learning objectives, learning time, or learning support); longer in duration (one to three years); and delivered by a mix of public and private TVET institutions. For the NTC, ND-HND programs, the entry requirement is to have taken the WASSCE exam without success. Formal TVET is provided by both public and private institutions.

(b) **Non-formal TVET** refers to short-term training programs aiming to provide the trainee with a qualification that enables him or her to engage in some sort of gainful employment or self-employment. Non-formal training is not assessed or certified by a higher authority (such as the NCTVA) and there is no formal entry requirement, but typically the trainee receives a certification of attendance. The duration of the training is typically between three and six months but may be shorter. In rare cases, non-formal TVET courses are designed with the purpose of upgrading the competencies of already qualified workers, for example, craftsmen in the informal sector. Non-formal TVET is delivered by a mix of public, private, and NGO providers.

Window 2: Support for Business in Productive Sectors (US\$6 million)

8. **Objective.** The objective of Window 2 is to address skills gaps experienced by companies in the formal and informal sectors in Sierra Leone. The SDF, through this window, aims to support private sector firms to improve their access to quality skills that correspond to their demands and business needs. The fund will co-finance short- to medium-term training aimed at upgrading the skills of current and potential employees/members or businesses in their supply chains. The fund will also co-finance the acquisition and adoption of new technology.

Eligible Beneficiaries for Window 2

9. **Window 2 is divided into two tiers (sub-windows), one for micro enterprises in the informal sector and one for small, medium, and large enterprises in the formal sector.** For sub-window 1, eligible beneficiaries include informal sector member-based organizations, artisan associations, and cooperatives. Eligible beneficiaries can include a single entity (an association or a firm) or multiple entities (a group of firms and a group of associations) with a minimum of 25 proposed trainees across the informal and formal sector. For sub-window 2, eligible beneficiaries will be the employees of small, medium, and large enterprises.



Table A1.1. Overview of Informal and Formal Tiers (Window 2)

	Informal Tier	Formal Tier
Description	Organized groups of self-employed artisans, cooperatives, associations, and so on	Small, medium, large enterprises
Employees/members	50–100+	20–100+
Annual turnover (SLL)	Up to 25 million	Above 25 million
Registration	Local and/or district council	Registered entity with relevant authorities: Corporate Affairs Commission, Office Administrator, and Registrar General
Cross cutting	<ul style="list-style-type: none"> • Established for 2 years+ • Employee/membership should comprise a majority of Sierra Leonean nationality • Employee/membership composition of 25 percent youth and/or women • Must be from the 5 targeted sectors: agriculture, tourism, extractives, construction • Demonstrated commercial viability • The applicant must show how the training is likely to lead to increased productivity and competitiveness 	

10. **The implementation of the SDF is governed by the SDF Operation Manual** that will be agreed between the Government and the World Bank. The SDF Operation Manual covers the following parameters of the SDF:

Overview of the SDF

- Objectives
- SDF Beneficiaries
- Priority Sectors
- Operational Principles

SDF Windows

- Window 1: Provider-Driven Labor Market Relevant Quality TVET
- Window 2: Support for Business in Productive Sectors

Governance and Management

- Skills Development/Program Steering Committee
- Role and Mandate of the SDF Grant Committee
- Management Structure of the SDF
- Responsibility of the MoF and the MoTHE

Operational Details

- Grants Cycle



- Outreach and Communication
- Application Procedure
- Expressions of Interest (prequalification)
- Support to Applicants
- Evaluation of Proposals
- Due Diligence: Verification and Capacity Assessment
- Decision by the Grant Committee
- Procedure for Complaints and Appeals

Grant Execution

- Letter of Grant Agreement
- Orientation for Grantees
- Grant Disbursement
- Procurement by Grantees
- Supervision and Coaching
- Grantee Reporting
- Grantee Financial Obligations
- Amendment Procedures
- Suspension and Termination of Grants
- Grant Closure

M&E

- Monitoring
- Tracer Studies
- Evaluations
- SDF MIS

11. **In addition to the two windows, Component 1 also includes the costs of the SDF Secretariat, that is, consultants, office equipment, training, and operating expenses.**

Component 2: Capacity Building and System Strengthening (US\$3 million)

12. This component aims at establishing a foundation for evidence-based skills policy formulation through the operationalization of the integrated skills information system and by improving the relevance of skills training programs through certification with industry participation.

Subcomponent 2.1: Integrated Skills Information System (US\$1.5million)

13. **TVET institutions/providers will be asked to report on**

- (a) Students (age, gender, general education level, and so on);
- (b) Training programs (by economic sector and jobs/skills levels, admission criteria, duration of training, requirement for practicum/internships, graduation criteria and assessment, and so



on);

- (c) Training faculty (age, gender, qualifications, sector/industry's experience, in-service training, and so on); and
- (d) Training facilities (classrooms, workshops, laboratories, computers, ICT system, Internet, and so on).

14. **Data will be collected using a standard template.** During the first and second years, data collection can be performed by enumerators visiting institutions. Data enumerators will work with institutions to provide the data available from institutional records. From the third year onward, institutions will be expected to report directly into the data platform using the standard template. Once data are collected, a summary TVET digest will be produced to cover (a) the scope of the sector, (b) the number of students enrolling and graduating, (c) the capacity of the faculty/instructors, and (d) the availability of training facilities/resources.

15. **TVET institutions/providers that are grantees of the SDF will be asked to conduct tracer studies of their graduates.** The tracer study will survey graduates on their (a) age, (b) employment status after graduation, (c) transition to work process, and (d) feedback on courses completed. Data from tracer studies will be published on the SDF website and linked with the integrated skills information system.

16. **The MoTHE, with a designated TVET team, will be supported to conduct analytical and policy analysis using collected data.** These studies can cover areas such as skills financing, teacher quality and management, and nonformal skills provision to chart the way forward based on sound evidence and assessment of the situation.

Subcomponent 2.2: Pilot Certification of TVET Program with Industries' Participation (US\$1.5million)

17. **The project will build on the certification of TVET programs conducted by the NCTVA** and improve the credibility and relevance of certification by involving industries/businesses in this process.

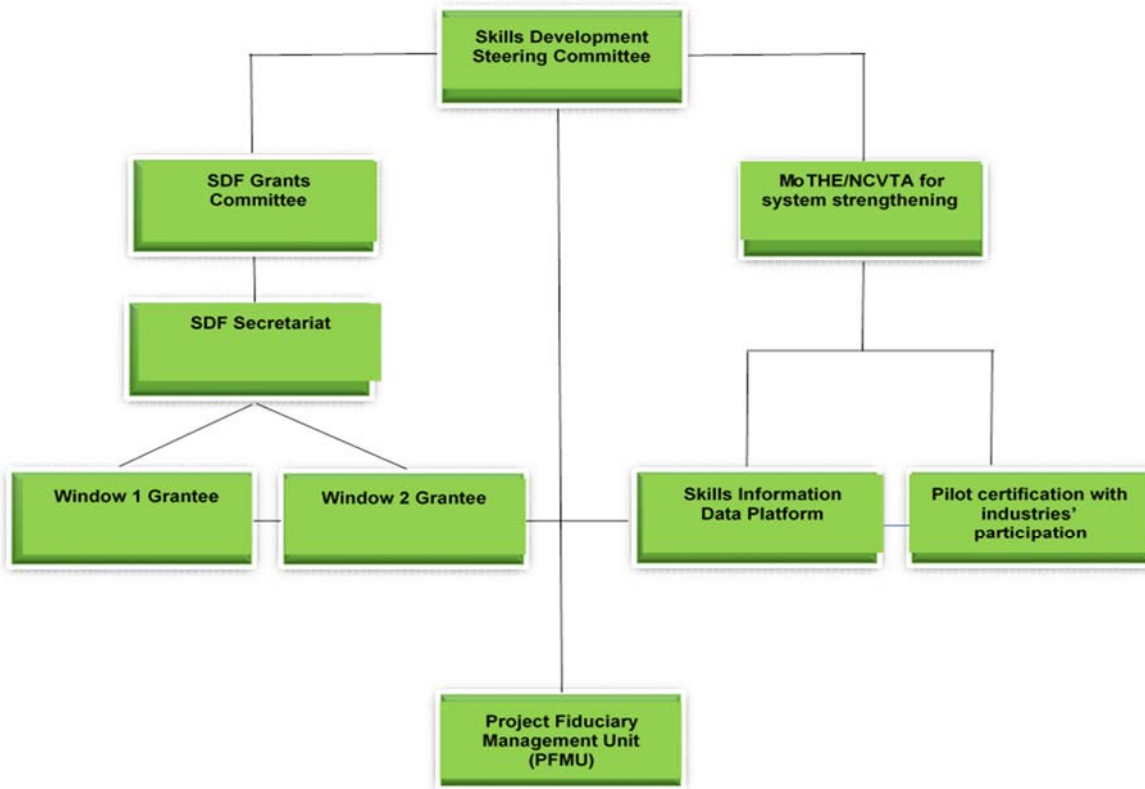
18. **The NCTVA, in consultation with MoTHE, TVET institutions, and industries' associations, will select one or two sectors to pilot this improved certification process.** First, industries' associations will outline the skills and behaviors that are needed for different types of jobs in their sector. They will also advise on the process they adopt for screening and selecting appropriate candidates for jobs. This information will inform the outcome standards for the training programs. Second, industry representatives will be invited to work with NCTVA assessors to develop assessment tools focusing on practical skills and behaviors that are essential for job. Industry representatives will be invited to conduct a direct sample assessment of students as well as train NCTVA assessors in conducting practical skills assessments.

19. **The NCTVA will document this process in detail.** The process will describe the perspectives of the NCTVA as the external examiner, the training institution as the skills providers, and industries as the potential employers of the graduates. Following the conclusion of the pilot, the NCTVA will make a recommendation to its management and to the SDSC as to whether this process can be expanded to other sectors.



B. Project Institutional and Implementation Arrangements

Figure A1.1. Implementation Arrangements



20. **The proposed Skills Development Project will be overseen by an SDSC.** The SDSC will be chaired by the Minister of Finance and will comprise representatives from the relevant ministries: education, finance, fisheries, mines, agriculture, works, tourism, energy, water, youth affairs, NCTVA, TVET coalition, ACC, trade, labor, private sector, and donor partners. The SDSC will have the following roles and responsibilities: (a) providing cross-sectoral strategic oversight of project implementation; (b) reviewing progress reports; (c) advising on key implementation issues, strategic priorities, and the economic sectors to be targeted through the SDF; (d) ensuring that agreed performance targets and time lines for activities under the different components are met; (e) meeting twice a year to review progress reports to be submitted to the Government and to the World Bank; and (f) recruiting and supervising the performance of the SDF.

21. **The SDF Grant Committee, to be appointed by the Minister of Finance and approved by the SDSC, will oversee the activities of the SDF.** Accordingly, the SDF Grant Committee will ensure that the SDF becomes an efficient and credible instrument for strengthening the skills and competency base of Sierra Leonean youth and making the country's private sector more competitive. The members of the committee are required to undertake their responsibility with due care and integrity.



22. The specific functions of the SDF Grant Committee will be to

- Approve plans and arrangements for dissemination of information regarding the procedures and operation of the SDF, ensuring that all potential target audiences have access to the required information;
- Approve eligibility criteria for fund proposals in each of the windows;
- Approve the procedures for prequalification and approval of applications to the SDF;
- Endorse the quality assurance procedures for skills development initiatives supported by the SDF;
- Oversee the progress of the SDF's operations;
- Regularly evaluate the relevance and quality of skills training supported by the SDF;
- Recommend to the MoF, MoTHE, and SDSC possible changes to the scope and operation of the SDF, including the reallocation of funds between windows; and
- Investigate and act on complaints received from learners, parents/guardians, employers and other stakeholders regarding the quality of training, assessment, and the award of qualifications of training initiatives supported by the SDF.

23. The SDF Grant Committee will consist of

- The chairperson, an industry practitioner with considerable knowledge of TVET issues, labor market and business environment;
- One senior official of the MoF;
- One senior official of the MoTHE;
- The commissioner of the National Youth Commission;
- One senior official of the Local Content Agency; and
- Four private sector representatives with a good understanding of the Sierra Leone labor market; and

24. The nominated persons must have proven commitment, knowledge, and experience relevant to skills and technology development. The Minister of Finance will appoint the chairperson of the SDF Grant Committee and approve the nominated members. The Sierra Leone Chamber of Commerce, and industry associations will nominate private sector representatives.

25. The SDF will be managed by the SDF Secretariat that will be contracted through a competitive process. The SDF Secretariat will be headed by an SDF fund manager who will be the day-to-day head of



the SDF Secretariat. The SDF Secretariat will be kept lean and receive technical review inputs from independent sectoral reviewers. Accordingly, the SDF Secretariat will consist of the following technical staff:²⁸

- A fund manager who on Fiduciary matters shall report to the PFMU of the MoF and on technical and administrative matters to the chairman of the SDF Grant Committee;
- Two grant specialists (one for each window) dealing with assessment of the relevance and quality of proposals for each one of the two windows from the agreed sectors as well as for on-site monitoring of implementation of the approved grants;
- A grant officer to assist the grant specialists;
- An M&E specialist responsible for monitoring the achievements of the individual grants and the results of the SDF in relation to the program indicators; and
- An administrative assistant.

26. **The SDF Secretariat will be responsible for all administration, supervision, and logistic required to operate the SDF** and secure the implementation in line with the main principles laid down in the SDF Operational Manual, including the Results Framework for outcomes and outputs. The SDF Secretariat will submit quarterly progress reports and budgets to the MoF (PFMU), the World Bank, and the SDSC and SDF Grants committee for approval.

27. **The MoTHE and NCTVA team, supported by a small number of technical experts, will coordinate implementation of Component 2 system strengthening activities.** Specifically, the NCTVA will host the data platform while the MoTHE will work with TVET providers to ensure that data are collected and reported. The MoTHE will use the data generated by the platform to conduct analysis to formulate policies. The NCTVA will lead the pilot of certification of TVET graduates with industries' participation.

28. **MoTHE, in coordination with MoF, to be responsible for the overall implementation of Project activities.** MoTHE team, the SDF Secretariat and NCTVA team will perform the core technical functions (planning, execution and reporting) of project implementation.

29. **The PFMU will provide the fiduciary arrangements for project implementation for both components.** The PFMU will be established by the Government to consolidate project fiduciary management of all World Bank-supported projects. The PFMU is headed by a unit manager who will be responsible for ensuring the overall direction of work at the unit. The PFMU will be responsible for the day-to-day FM and procurement functions of both Components 1 and 2. The related operational costs of maintaining the PFMU during the life of the project, including computer hardware, stationery, mailing withdrawal applications, and printing project FM reports, will be covered by the proposed project.

30. **Training institutions.** Training institutions (both public and private) will participate in Component 1 as well as Component 2 activities (annual report on students, faculty, programs, and facilities).

²⁸ More elaborate job descriptions can be found in the SDF Manual.



Component 1 participation will be determined through competition, while participation in the integrated skills information system will be mandatory for all institutions. Participation in the pilot certification with industries will be determined based on the sectors selected and the willingness of institutions to subject its training outcomes to industries' assessment.

31. **Firms/businesses.** Firms and business organizations/associations in the six productive sectors will be invited to participate in Component 1 Window 2. Firms/business associations that are selected to receive grants are expected to address their skills gaps, improve production or service provision, and provide employment opportunities.

C. Financial Management

32. **An FM assessment of the PFMU of the MoF was conducted in accordance with Bank Policy Investment Project Financing** and complemented with the FM guidelines outlined in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010. The objective of the assessment was to determine whether (a) the PFMU has adequate FM arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) the project's financial reports will be prepared in an accurate, reliable, and timely manner; (c) the entities' assets will be safeguarded; and (d) the arrangements are subject to acceptable audit arrangements by IDA.

33. **The overall FM risk for the project at preparation was assessed as High, but with the expected risk mitigation measures when adequately implemented, the residual FM risk is rated Substantial.**

Country Issues

34. According to the 2014 Public Expenditure and Financial Accountability, which included an analysis of Sierra Leone's Public Financial Management (PFM) strengths and weaknesses, since 2010 the Government has taken considerable steps/actions to improve its PFM.

35. The adoption of new laws has had a positive impact on the regulatory framework for the PFM. The new PFM Law, which replaced the Government Budgeting and Accountability Act (GBAA) 2005, and the Public Debt Law passed in 2011 are two important pieces of legislation contributing to an enhanced legislative framework. The establishment of the Procurement Directorate and the Public Investment Planning Unit of the MoF and capacity improvements in the number and quality of staff within the MoF, the Accountant-General's Department, and the Office of the Auditor-General are positive developments supporting an improved PFM environment.

36. A weakening of budget credibility and predictability for both expenditure and revenue (underestimated), weaknesses in expenditure controls (including payroll), and low levels of transparency are weaknesses to be addressed to ensure a system that is capable of directing resources to priority areas and supporting high-quality expenditure outcomes.

37. PFM reform in Sierra Leone is directed at all dimensions of the PFM system. The PFM Reforms Strategy seeks to develop the basis for the GoSL to accelerate PFM reforms and to establish an efficient, effective, and transparent PFM system that minimizes opportunities for corruption.



38. The strategy is being pursued under the following four themes:

- (a) **Budget Planning Comprehensiveness, and Credibility.** Its primary aims are to establish a credible and stable budget process, particularly through the establishment of a transformational and development fund, public investment program; by linking of investment to recurrent operations; and the maintenance of spending through the MTEF process.
- (b) **Financial Control and Accountability, Service Delivery and Oversight.** The most critical objective is to complete the rollout of the Integrated Financial Management Information System (IFMIS) to major spending ministries, departments, and agencies and bring all CG public accounts, including subvented accounts and development partner project accounts, on to IFMIS.
- (c) **Revenue Mobilization.** (i) Establish more effective tax and control regimes for extractive industries through the Extractive Industries Revenue Act and the Oil Exploration Act and (ii) improve the system for recording and reconciling payment and receipts.
- (d) **Strengthening Local Governance Financial Management through Local Councils for Effective Decentralization.** A critical objective will be the consolidation of implementation of the PETRA Accounting Package in all local councils including real-time processing for transactions by selected councils.

39. The PFM Reform Strategy, if successfully implemented, will put in place appropriate structures and processes to promote transparency and accountability and to mitigate fiduciary risk with regard to the utilization of public funds at both the country and project level. It is expected to have a positive impact on aggregate fiscal discipline, the strategic allocation of resources, and the efficiency of public service delivery. The PFM reform is being supported through a donor-financed PFM project, which includes U.K. Department for International Development, AfDB, and IDA.

40. The bulk of external assistance with regard to programming has been channeled off-budget, in the sense that resource allocations are not reflected in the Government's budget documents and those funds are not disbursed through country treasury systems. This results in a lack of information and the absence of effective instruments to guide the allocation of external financing and seriously undermines the integrity and effectiveness of the budgetary system. There is insufficient transparency in public finances and the budget process. The Public Financial Management Reform Project (P133424) being currently implemented aims at addressing these weaknesses by mobilizing funds from a number of donors to finance a comprehensive PFM overhaul of integrated systems and to ensure the inclusion of donor-funded projects in the Government chart of accounts and budgets so that eventually they are able to use existing country systems.

Project Risk Assessment and Mitigation

41. This section presents the results of the risk assessment and identifies the key FM risks and the related risk mitigation measures.



Table A1.2. Risk Rating Summary

	Risk	Risk Rating	Risk Mitigating Measures	Conditions of Board or Effectiveness (Yes or No)	Residual Risk Rating
Inherent risks					
1	Country Level Weaknesses in legislative scrutiny, low human capacity, declining revenues, and energy challenges affecting timely and adequate intergovernmental fiscal transfers.	H	Efforts are being made to help the GoSL substantially resolve and enhance revenue management framework in the medium term. The World Bank-financed Public Financial Management Improvement and Consolidation project seeks to address the human capacity issues including FM capacity and improve process aspects.	No	H
2	Entity Level The political arm of the entity and/or management may unduly interfere with, and/or override, project FM controls.	H	An independent project FM unit (as part of PFMU) with officers paid by the project will manage the fiduciary aspects of the project to ensure independence. An independent external audit will be carried out annually under the project. The design of the project will include an enhanced accountability framework to ensure control of soft expenditures from possible abuse. Initially, regular FM reviews will be conducted by the World Bank team to provide support.	No	S
3	Project Level Weak FM capacity could result in slow execution of the project and delayed reporting could impact on progress.	H	The PFMU will be staffed by qualified personnel who will handle the day-to-day management for the GoSL. The performance of the staff hired in the unit will be reviewed annually to act as a basis for renewal of their individual contracts.	No	S
Control risks					
4	Budgeting Budget and annual work plan preparations may be delayed and may not be comprehensive. Risk of cost overruns and adverse variations in expenditure could arise due to potential slow	M	The annual work plan would be submitted annually before implementation starts for review by the World Bank team, which would ensure it is realistic and unit cost estimates are reasonable based on industry and	No	L



	Risk	Risk Rating	Risk Mitigating Measures	Conditions of Board or Effectiveness (Yes or No)	Residual Risk Rating
	implementation and padding of the related unit costs of goods and services entailed in the implementation.		global experiences gathered in some jurisdictions that have undertaken similar operations and cross-check the same with the local market. Budget execution reporting through quarterly IFRs will be routinely monitored by IDA with variations in unit costs tracked to ensure major deviations are followed up and investigated. The Budget Office will also monitor budgeted activities to ensure effective use of budgets		
5	Accounting Government accounting system not yet installed at the unit. Use of manual accounting system not generating reliable, accurate, and timely accounting information for project appropriate decision making acceptable to the World Bank.	H	The PFMU will use a customized accounting system. The Financial Procedures in the Operational Manual is being revised to take into account specific design of the project. The World Bank's team will provide support to relevant project staff at the PFMU.	No	S
6	Internal Control Project funds not being used for intended purposes because of inadequate internal control by management and lack of control measures pertaining to soft expenditures and usage of executive override. This may give rise to noncompliance with internal control procedures.	S	Adequate internal control over the disbursement and accountability of funds for eligible expenditures will be further strengthened by the adoption of an enhanced accountability framework for the project and internal audit oversight on the project at the PFMU will be instituted. The internal auditors will be required to generate periodic internal audit reports which should be shared with relevant stakeholders, including the World Bank. The internal controls will also be documented in the FM Manual for the project. Internal and external auditors would be expected to clearly identify and report any cases of breach of internal control procedures by the project management.	No	M



Risk	Risk Rating	Risk Mitigating Measures	Conditions of Board or Effectiveness (Yes or No)	Residual Risk Rating
<p>7 Fund Flow Possible delays in processing withdrawal applications leading to problems in honoring payments to third parties. Submission of withdrawal applications delayed.</p>	S	<p>The PFMU will be responsible for preparing and submitting withdrawal applications, and acceptable service standards for settlement of bills will be established. IDA funds will be disbursed through the US\$-denominated DA to be opened by the PFMU. Simplified flow of funds arrangements will be included in the Project Operational Manual.</p>	No	M
<p>8 Financial Reporting Delays in the preparation and submission of unaudited IFRs and/or unreliable IFRs submitted</p>	M	<p>IFRs shall be submitted to the World Bank within 45 days after the end of each calendar quarter. The content of the IFR will include sources and uses of funds, uses of funds by category, bank accounts reconciliation, and a schedule of amounts drawn from the credit.</p>	No	L
<p>9 Auditing Delays in the submission of audit reports and the timeliness of management follow-up on audit issues</p>	S	<p>The audit TOR will be agreed and a qualified and acceptable auditor appointed with relevant input of Audit Service Sierra Leone (ASSL). Continuous satisfactory performance of auditors will be the basis for continuous engagement. The audit would be done in accordance with International Standards on Auditing and International Public Sector Accounting Standards. The audited financial statement is expected to be submitted to the World Bank not later than 6 months after the end of each fiscal year. The TOR for the external auditors has to be cleared by the World Bank. The World Bank will liaise closely with implementing agencies to ensure that management takes corrective actions on identified weaknesses.</p>	No	M
Overall risk rating	H			S

Note: H: High, S: Substantial, M: Moderate, L: Low.



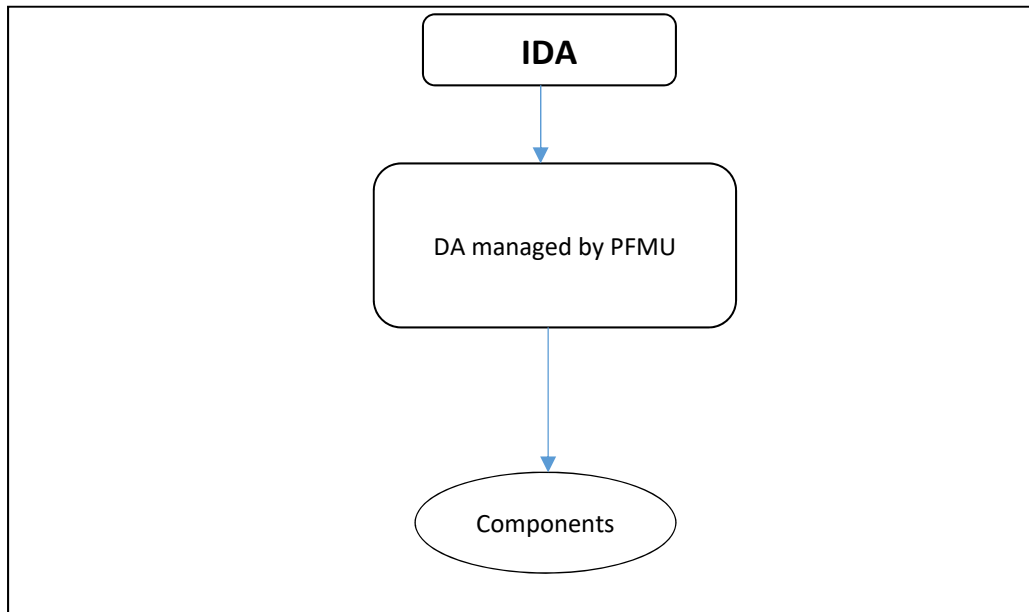
42. **A summary of the key findings of the FM assessment** as well as the FM arrangements under the project as conducted is presented in the following paragraphs.
43. **Planning and budgeting.** Annual Work Plans and Budgets (AWPB) will be prepared and approved based on the policy guidelines and strategy planning laid out in the Project Operational Manual and consistent with the provisions of the GBAA 2005. This budget will be activity based and in line with the cost tables of the project. The AWPB is expected to be prepared in a participatory way and will be approved before each new financial year begins. The financial component of the AWPB will be monitored during project implementation using unaudited IFRs. The PFMU will ensure timely preparation, review, consolidation, and approval of the annual work programs.
44. **Accounting policies, system, and procedures.** The PFMU will set up and maintain books of accounts specifically for this project. Books of accounts will include a main cash book, ledgers, fixed asset registers, and contracts register. The PFMU will use a customized FM system (TOM2PRO) and will ensure that codes for the transactions are adequately reflected in its books.
45. **The accounting systems will contain the following:** (a) a chart of accounts and a coding system capable of capturing transactions classified by project components and IDA disbursement categories, (b) use of the cash or modified cash method of accounting, (c) a double entry accounting system, and (d) the production of annual financial statements and quarterly IFRs in a format acceptable to IDA.
46. **An accounting policies and procedures manual as part of the project operational manual will be prepared** to include the project financial transactions procedures at each of the implementing agencies. The manual will detail the necessary internal controls including internal checks and segregation of duties.
47. **Internal audit and control.** The internal audit unit of the MoF will carry out periodic internal audit reviews of activities carried out in the implementation of the project and share copies of their reports with the World Bank.
48. Segregation of duties and full compliance with the provisions of the PIM, especially pertaining to internal control aspects, will remain a key ingredient in the implementation of the expenditure processing activities at the PFMU and the executing agencies during the life of the project.
49. **Governance and anti-corruption.** The World Bank's Anti-Corruption Guidelines ('Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006 and revised in January 2011 and as of July 1, 2016) apply to this operation. Sections of these guidelines, especially those relating to conflict of interest, procurement and contract administration monitoring procedures, procedures undertaken for replenishing the DA, and use of the project's assets, shall be provided as an annex to the project's Operational Manual. Additional mitigation measures will include advocating good governance, close monitoring and spot checks by the internal audit units of the implementing entities, and enhanced social responsibility by the Government and implementing entities.

Flow of Funds

50. The flow of funds is depicted in figure A1.2.



Figure A1.2. Flow of funds



51. **DAs.** To facilitate funds flow to the GoSL, a segregated DA will be opened in U.S. dollars at a commercial bank acceptable to the World Bank and managed by the PFMU. The DA will cater to the implementation requirements for all the components.

52. **Disbursement arrangements.** The report-based disbursement method will be used as a basis for the withdrawal of credit and grant proceeds. The project provides for the use of ‘advances, reimbursements, direct payment, and special commitments’ as applicable disbursement methods, and these will be specified in the Disbursement Letter.

53. **Supporting documentation will be retained** by the implementing agencies for review by the IDA missions and external auditors. The PFMU will be responsible for the preparation and submission of quarterly IFRs for the project, to be submitted within 45 days after the end of the quarter to which they relate. The PFMU will also be responsible for the preparation of the annual financial statements and the auditing of these reports. The information in these reports will be clearly linked with the chart of accounts for the project.

54. **The following quarterly IFRs and annual financial report will be produced:**

- A statement of sources and uses of funds for the reported quarter and cumulative period from project inception, reconciled to opening and closing bank balances
- A statement of uses of funds (expenditures) by project activity/component, comparing actual expenditures against budget, with explanations for significant variances for both the quarter and cumulative period



55. **The annual financial statements should be prepared in accordance with International Public Sector Accounting Standards** (among other things, the application of the cash basis of recognition of transactions) and International Standards on Auditing within six months after the end of each fiscal year.

56. **The Financing Agreement will require the submission of audited financial statements to the World Bank within six months following the end of each financial year.** These financial statements will comprise

- A statement of sources and uses of funds/cash receipts and payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the project entities and separately identifies payments by third parties on behalf of the project entities; and
- A statement of affairs/balance sheet as at the end of the financial year, showing all the assets and liabilities of the project.

57. **The accounting policies adopted and explanatory notes.** Explanatory notes should be presented in a systematic manner with items on the statement of cash receipts and payments being cross-referenced to any related information in the notes. Examples of this information include a summary of fixed assets by category of assets and a summary of the withdrawal schedule, listing individual withdrawal applications and a management assertion that IDA funds have been expended in accordance with the intended purposes, as specified in the relevant World Bank Legal Agreement. Indicative formats of these statements will be developed in accordance with fiduciary requirements and agreed with the country FM specialist.

58. **External audit.** The Audit Service of Sierra Leone (ASSL) is by law responsible for the audit of all government finances and projects. However, in view of capacity constraints, it is likely that the ASSL could outsource these services to a private firm of auditors with qualifications and experience acceptable to IDA.

59. **The PFMU will be responsible for preparing the project financial statements on which the auditor will issue a single opinion covering project accounts, the usage of SOEs, and the management of DAs.** In addition, a Management Letter outlining any internal control weaknesses will also be issued by the external auditor together with the audit report.

60. **The project financial statements will be audited annually in accordance with International Standards on Auditing by independent auditors acceptable to IDA based on TORs acceptable to IDA, as annotated above.** The auditors should be appointed before the first audit period to allow the auditors to be able to submit the audit report by the due date. Audited financial statements will be submitted to IDA within six months following the end of each fiscal year. The cost of the audit will be financed from the project proceeds.

61. **Fraud and corruption.** Inefficient service delivery due to poor governance practices and a weak PFM environment is an inherent issue. Possibility of circumventing the internal control system such as colluding practices, bribes, abuse of administrative positions, and misprocurement, among other considerations, are critical risks that may arise. Other internal control incidences that may expose the project to fraud and corruption include but are not limited to (a) late submission of supporting documents,



(b) poor filing and records, (c) lack of work plans and or budget discipline, (d) unauthorized commitment to suppliers, and (e) bypassing budget and expenses vetting procedures. The project shall mitigate these potential fraud and corruption-related risks through the following: (a) strengthened project monitoring; (b) specific aspects on corruption auditing to be included in the TORs for the external audit; (c) targeted FM procedures and internal control mechanisms across the project activities to be detailed in the project Operations Manual; (d) strong FM staffing arrangements, (e) periodic FM supervisions; (f) IFRs’ reviews and monitoring; and (g) measures to improve social accountability and transparency to be integrated into the project design and consistent with the social mobilization thematic area in Component 1 of the project, including ensuring that project reports are available to the public.

62. **Implementation Support Plan.** As the overall FM risk rating of the project is High, implementation support for project FM will be performed at least twice a year. The implementation support of the project will closely monitor FM aspects and will include, but not be limited to, operation of DAs, an evaluation of the quality of budgets, project financial monitoring and management reviews of financial reports, quality of IFRs, relevancy of the FM Manual, internal controls, work and document flow and quality of financial records, and follow-up to audit and mission findings. The review will also conduct random reviews of statements of expenditures and compliance with covenants. Based on the results of implementation support, project risk will be reassessed and the frequency of supervision recalibrated.

FM Action Plan

Table A1.3. Agreed FM Action Plan

	Action	Date Due by	By Whom
1.	Refresher course/training of PFMU team on the World Bank FM and disbursement procedures	Not later than four months after project effectiveness	PFMU
2.	Preparation of the Project Operational Manual incorporating the FM policies and procedures	Three months after the date of effectiveness	PFMU
3.	Input of the relevant project codes into the accounting software	Not later than one month after project effectiveness	PFMU

63. **Conclusion.** The conclusion of the assessment is that the FM systems of the PFMU meet the World Bank’s minimum requirements for the administration of projects funds under Bank Policy/Directive: IPF. The overall FM residual risk of the project is Substantial.

D. Procurement

64. **Procurement under the proposed project** will be carried out in accordance with the World Bank’s Procurement Regulations, dated July 2016 and revised in November 2017; the ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’, dated July 1, 2016; and other provisions stipulated in the Financing Agreement.

65. **Implementation arrangements.** Procurement under this project shall be carried out by the PFMU that is under the MoF. This single fiduciary management unit manages all World Bank-financed projects. A highly qualified and experienced head of the procurement department will be hired and experienced team leaders will be recruited from an existing pool of staff who are currently managing procurement in different ministries. It is proposed that all procurement staff handling World Bank-financed projects will



be transferred to the PFMU and that these staff have a reasonable track record in implementing World Bank-funded projects.

66. **The procuring entity as well as bidders and service providers, that is, suppliers, contractors, and consultants, shall observe the highest standard of ethics** during the procurement and execution of contracts financed under the project in accordance with Section I and Section II of the Procurement Regulations.

67. **Project design provides a window for the borrower to carry out advance contracting and retroactive financing** in accordance with Section V (paragraphs 5.1 and 5.2) of the World Bank's Procurement Regulations for IPF Borrowers of July 2016 and revised November 2017. The retroactive financing will be allowed up to 20 percent of the credit covering the expenditures incurred by the project before the signing of the Financing Agreement for the activities agreed with the World Bank.

68. **Preparation of a PPSD.** As part of the preparation of the project, the borrower has prepared a PPSD, which describes how procurement activities will support project operations for the achievement of PDOs and deliver value for money. The procurement strategy is linked to the project implementation strategy to ensure the proper sequencing of the activities. The PPSD considers institutional arrangements for procurement, roles and responsibilities, thresholds, procurement methods, prior review, and the requirements for carrying out procurement. It also includes a detailed assessment and description of the PFMU's capacity for carrying out procurement and managing contract implementation, within an acceptable governance structure and accountability framework. Other issues to be considered will include the behaviors, trends, and capabilities of the market (that is, market analysis) to respond to the Procurement Plan.

69. **Procurement planning.** A Procurement Plan, which outlines the procurement procedures to be used to plan and monitor implementation of investment activities has been prepared and will be updated and agreed upon with the World Bank. The Procurement Plan for the first 18 months has been prepared detailing the activities to be carried out.

70. **Use of country systems.** For procurements involving National Procurement Procedures below the defined thresholds, national procurement systems may be used as defined by the PPSD. The project activities will also require strong technical capability to prepare proper technical specifications to avert lack of, or inadequate, market response; this capability or a plan to enhance it will be described in the procurement strategy. Open competitive approach to the market will be the World Bank's preferred approach as it provides all eligible bidders/proposers with a timely and equal opportunity to provide the required goods or services.

71. **Procurement management risk assessment.** Given the country's fragility, the procurement management risk assessment found that while the current staff in the PFMU are doing procurement for World Bank-funded projects, (a) the capacity of the existing pool of staff remains low despite several training and capacity-building workshops being conducted by the World Bank, (b) there are substantial delays in internal approvals on procurement decisions because the technical teams are in different project implementing ministries and agencies and procurement team is in the PFMU, (c) there is limited knowledge of the World Bank's Procurement Regulations and use of the World Bank's Systematic Tracking of Exchanges in Procurement (STEP), (d) there is a need for establishment of the record keeping system,



(e) there are inefficiencies and delays in procurement process, (f) there is insufficient competition in procurement, and (g) complaint redress systems is weak. The procurement management risk for this project is rated High, which after mitigation is expected to be reduced to Substantial. To address the risks and weaknesses identified, mitigation measures have been discussed and agreed with the PFMU, as shown in table 1.4.

72. Procurement post reviews (PPRs) and independent post reviews (IPRs) by the World Bank.

Based on the assessed agency implementation risk for procurement, which is assessed as High, the World Bank will carry out PPRs or IPRs for all contracts based on the approved Procurement Plan for contracts not having been subject to prior review by the World Bank using a sample of 20 percent. Based on the continuing assessment of risk and the success of risk mitigation measures implemented, the sample size may be reduced as risk mitigation measures are successfully implemented. Note that based on the risk rating, the sample size for the PPRs or IPRs is as follows: 5 percent for low risk rating, 10 percent for moderate risk rating, 15 percent for substantial risk rating, and 20 percent for high risk rating.

Table A1.4. Project Procurement Risk Factors and Mitigation Measures

Risk Factor	Mitigation Measure
Capacity building of procurement staff	<ul style="list-style-type: none"> Attend training in World Bank procurement procedures Conduct training on new World Bank procurement procedures Regular supervision, support, and monitoring
Substantial delays in internal approvals on procurement decisions	<ul style="list-style-type: none"> Conduct regular meeting to identify delays and provide solutions Technical and procurement teams to work together regardless of the structures and chain of command in different ministries and agencies
Limited knowledge in the World Bank's Procurement Regulations and use of STEP	<ul style="list-style-type: none"> Conduct regular procurement clinics Regular support to the team on use of STEP
Record keeping and documentation	<ul style="list-style-type: none"> The implementing agency will establish and maintain all procurement records and catalogue these records to ensure access to information.
Inefficiencies and delays in procurement process	<ul style="list-style-type: none"> Regular monitoring through Procurement Plan through STEP
Insufficient competition in procurement	<ul style="list-style-type: none"> Aggregate smaller contract packages wherever feasible Sensitization of private sector to bid for public tenders
Weak complaint redress system	<ul style="list-style-type: none"> Disclosure of complaint redress procedures Biannual report of all complaints received and actions taken
Fraud and corruption risks (including collusion and outside interference) in contracting process	<ul style="list-style-type: none"> Disclosure of Procurement Plan Disclosure of contract awards Create awareness regarding the effects of fraud and corruption Regular reviews such as PPR, internal audit, external audit, and so on

Table A1.5. Procurement Action Plan

No.	Action	Date Due By	Responsibility
1	Designate procurement focal staff in the PFMU	Immediately	Borrower
2	Train designated procurement officers in World	Three months after	World Bank



No.	Action	Date Due By	Responsibility
	Bank's Procurement Regulations	effectiveness	
3	Strengthen capacity for the use of the Systematic Tracking of Exchanges in Procurement (STEP) tool, which is being used to manage all procurement transactions and related documentation	Immediately	World Bank
4	Develop a Project Operational Manual to include procurement procedures and implementation arrangements for the project along with the standard and sample documents to be used	Three months after effectiveness	PFMU
5	Develop records and contract management systems to ensure efficient and effective contract management	Three months after effectiveness and continuous monitoring	PFMU

E. Monitoring and Evaluation

73. **The project's Results Framework will be monitored and reported biannually to track progress on PDO-level and intermediate results indicators' targets are on track to be achieved.** A robust M&E system has been developed to ensure adequate information flows among participating agencies, ministries, and other relevant institutions and to document progress and impact of project activities in a timely and effective manner. Indicators will be tracked through this comprehensive M&E system set up under the project. Both process and impact evaluations will be conducted. At the midterm review of the project, an assessment will be conducted to determine if the project objectives are being achieved. The M&E will be conducted by the SDF Secretariat, MoTHE, and NCTVA, and participating training institutions/providers and businesses.

74. **The SDF Secretariat is responsible for monitoring the results and outputs of the SDF grantees.** Participating training providers will need to report on the number of people receiving training. They will also report on the training programs/curriculum updated, lecturers/instructors obtaining practical experience, and the partnerships with industries/businesses that will be established. Participating businesses will need to report on the number of employees receiving training and/or the number of internships and apprenticeships conducted. In addition to monitoring these results, the SDF Secretariat will also conduct regular monitoring of activities to validate that the grantee (training institution, company, organization/association) utilizes the funds received from the SDF in accordance with the objectives and principles stipulated in the contract. The SDF will adopt an MIS to facilitate the collection, collation, and reporting of progress of implementation and achievement of results real time to support evidence-based decision making and management.

75. **The MoTHE and the NCTVA will be responsible for reporting on the progress of the system strengthening activities,** that is, the integrated skills information system and the pilot accreditation of TVET programs with industries' participation.

76. **The SDSC will be responsible for reviewing the project result reporting,** providing guidance for improvement and, when appropriate, engaging external evaluators to monitor the project progress.



F. Implementation Support Plan

77. **The project will require intensive supervision especially during the first two years of implementation as the SDF is a new concept for Sierra Leone and the MoTHE is also newly established.** The World Bank team will need to provide technical support in the areas of (a) skills need assessment, (b) TVET and skills program improvement, (c) TVET/skills data system operationalization, and (d) TVET program accreditation. The World Bank team will also provide implementation and fiduciary support to the GoSL (MoF and MoTHE) and participating SDF grantees to ensure timely, efficient, and cost-effective implementation of the proposed project activities.

78. **The task team will include** (i) education/training specialists, (ii) private sector development specialist, (iii) social protection/jobs specialist, (iv) fiduciary/governance specialists and (v) safeguard specialist. The team will be supported by a senior skills/TVET consultant who has experience supporting skills development systems in countries facing similar challenges like Sierra Leone.



ANNEX 2: ECONOMIC AND FINANCIAL ANALYSIS

COUNTRY: Sierra Leone

Sierra Leone Skills Development Project

1. This annex summarizes the economic rationale for the Sierra Leone Skills Development Project and is organized as follows. First, it provides a brief overview of the labor market, focusing on project-specific sectors. Second, it presents the rationale for public investment. Third, it describes the expected development impact of the project. The last section focuses on the World Bank's value added.

Overview of the Labor Market

2. **The labor market picture in Sierra Leone is complex—characterized by relatively high participation, low unemployment on one side, and high underemployment and informality on the other.** In 2014, the labor force participation rate was 65 percent²⁹ with only 2.8 percent of labor force participants unemployed.³⁰ This low unemployment rate reflects the fact that majority of population works in subsistence agriculture with 90 percent of the workforce being self-employed, mostly in small-scale agriculture (59 percent). Informality is widespread: over 35 percent of wage employment and most (88 percent) non-agricultural self-employment jobs are in the informal sector.³¹ The youth unemployment rate is two times higher than that among adults. While the differences between genders in labor market outcomes are small, there are substantial differences in labor market outcomes between urban and rural populations with rural populations having higher labor force participation rates and mostly being employed in subsistence agriculture.

3. **The promising growth sectors and potential employers, as identified by the 2013 growth poles diagnostic,³² are agriculture, mining, and tourism.** Sierra Leone's economy was spurred in the three years before the crisis (2011–2013) by large mining production and exports, which had resulted in GDP growth accelerating from 6.3 percent in 2011 to 20.7 percent in 2013. In 2014, it was severely affected by the EVD³³ outbreak and decline in international iron ore prices. The economy contracted by 21 percent and inflation to 17.4 percent by December 2016 largely due to the depreciation of the currency. The growth resumed in 2016 after the end of the Ebola outbreak and the reopening of the largest iron ore mine. Agriculture growing at 8 percent per year between 2011 and 2013, was the main driver of the GDP growth. Agriculture employs the largest number of Sierra Leoneans by sector, and increasing investment in supporting infrastructure for agriculture and extending the agriculture value chain can significantly increase overall employment and wages, particularly the link between small holder farmers and established commercial agribusiness. The potential tourism market is also largely untapped despite having world-class resources that offer the foundation for a strong and lucrative tourism sector that would promote sustainable growth.

²⁹ Margolis, David, Nina Rosas, Abubakarr Turay, and Samuel Turay. 2016. *Findings from the 2014 Labor Force Survey in Sierra Leone*. World Bank Studies. Washington, DC: World Bank.

³⁰ The unemployment is defined using 'strict' definition, that is, not working but willing to work and actively searching.

³¹ The time-related underemployment captures workers working less than 40 hours but are willing to work more.

³² World Bank. 2013. *Sierra Leone Growth Pole Diagnostic*.

³³ <http://apps.who.int/ebola/current-situation/ebola-situation-report-9-december-2015>. EVD resulted in the deaths of many people, including skilled workers.



4. **Education and literacy levels of the working-age population are relatively low with large variations by gender and rural/urban.** According to the 2014 LFS, more than half the working-age population has never attended school with differences between gender and rural/urban. Women are more likely than men to have never attended school, 64 percent versus 45 percent. Similarly, those who live in rural areas are less well-educated than those in urban Freetown: in rural areas, 66 percent of the working-age population has never attended school, while, in urban Freetown, it is only 17.5 percent. Lack of education translates into low literacy rates: more than half the working-age population (57 percent) and almost all (97 percent) of those individuals who have never attended school can neither read nor write, which classifies them as illiterate.

5. **Education is highly correlated with the quality and industry of employment.** More educated individuals are more likely to work in more stable jobs. For example, according to the 2014 LFS, among tertiary educated individuals, approximately 90 percent of persons with higher education worked in wage jobs and none in self-employed agriculture or unpaid work. However, approximately 70 percent of those with no education were employed in self-employed subsistence agriculture and only 2.5 in wage employment. In terms of industry of employment, as one would expect, larger shares of individuals (71 percent) with no education work in labor-intensive low-skilled types of industries, for example, agriculture, fishing and forestry, compared to 1.3 percent of individuals with tertiary degrees. On the other hand, tertiary educated individuals are more likely to work in services (94 percent) compared to those with no education (25 percent).

6. **While only a small share of working-age populations has participated in vocational training, those who went through training have higher earnings.** Only 5.5 percent of the working-age population has participated in vocational training. Men are more likely than women to participate in vocational training, 7 percent versus 4 percent, and individuals living in urban areas are more likely to have participated in vocational training, in urban Freetown - 13 percent, in other urban areas - 10 percent, while in rural areas - only 3 percent. Out of those who have received vocational training, 60 percent have received at least some secondary education, 25 percent have not participated in formal education, and less than 15 percent had some primary education but have not attended secondary education. Overall, obtaining vocational training pays off in Sierra Leone; median earnings of those with vocational training were SLL 618,000 compared to SLL 600,000 of those without training, a 3 percent premium. What matters even more is receiving certification as median earnings of those who received vocational training certification were SLL 675,000, significantly higher than just attending training.

7. **The links between training institutions and industry are weak, and employers, especially in manufacturing, identify lack of skills as one of the major constraint to business growth and development.** The findings of the recent TVET diagnostic study by GIZ in Sierra Leone³⁴ highlight that the link between the training institutions and industry is weak: TVET curricula do not correspond to the needs of the industry, there is very little input from employers into curricula revision and development, there is no in-service teacher training, including industrial experience, and very little, if any, practical training of students in the industry. The recent Sierra Leone Enterprise Survey (2017)³⁵ reveals that 14 percent of

³⁴ GIZ. 2017. "Diagnostic Study of the TVET Sector in Sierra Leone." Presentation at the validation workshop on December 11, 2017.

³⁵ <http://www.enterprisesurveys.org/data/exploreconomies/2017/sierra-leone>. This survey was carried out in four regions of Sierra Leone, that is, Western Urban, Bombali, Kenema, and Bo, between July and September 2017. The survey covered 152 firms from manufacturing and services sectors.



firms identified lack of skilled labor as a major constraint to business growth and development. This constraint is especially acute for manufacturing firms, where 25 percent of firms identified lack of skills as a major constraint. Furthermore, according to the GIZ 2017 diagnostic study, all interviewed employers noted that they need to retrain the staff to their standards regardless of where they come from. While 70 percent of employers noted that TVET graduates possessed technical skills, 62 percent report that these graduates struggle to apply skills and knowledge. Furthermore, only 50 percent of TVET graduates possess 'soft skills'.

Rationale for Public Sector Provision

8. Public interventions are typically justified by the existence of externalities, which lead to suboptimal investments by individuals/firms, market failures, for example, imperfect financial markets, and redistribution and political concerns. In Sierra Leone, public intervention in the skills sector is warranted for the following reasons:

- (a) **Existence of externalities from building human capital which are not internalized by students or by firms/employers.** According to the 2014 LFS, significant private returns to education exist. Margolis et al. (2017)³⁶ report significant earning gaps between individuals with technical degrees or certificates or with tertiary degrees and individuals with less education in wage employment and agricultural self-employment; even graduates of upper-secondary school earn 85 percent lower wages. Furthermore, preliminary findings from the 2016 LFS show positive association between cognitive ability and socioemotional skills and labor market outcomes. Not only education, training, and skills benefit individuals in the form of private returns, they also bring larger social benefits to the economy as a whole. A skilled labor force helps improve a country's growth and competitiveness; it also increases firm productivity and helps reduce poverty. But private providers and individuals that make education and training choices often do not internalize the country's development and growth objectives and firm productivity externalities, which may result in private sector underproviding skills and in individuals underinvesting in education and training.
- (b) **Market failures due to underdeveloped lending markets and incomplete information.** The costs of TVET are frequently prohibitive for poor populations. Also, aspiring young entrepreneurs find it difficult to finance start-ups, identify and develop good business opportunities, and invest in managerial capacity.
- (c) **The mitigation of a potential for a return to social unrest from widespread poverty and unemployment in a post-conflict environment.** Because a large share of the country's population are young people, high rates of poverty and limited employment possibilities for young people can heighten the potential for social unrest, further threatening growth and stability. Providing youth with market-relevant skills is expected to facilitate their transition into the labor market and mitigate potential for a return to social unrest.

³⁶ Margolis, David, Nina Rosas, Abubakarr Turay, and Samuel Turay. 2016. *Findings from the 2014 Labor Force Survey in Sierra Leone*. World Bank Studies. Washington, DC: World Bank.



- (d) **Current incentive structure of the private sector training providers perpetuates the cycle of underinvestment in market-relevant skills.** As private training providers depend solely on student fees, this leads to training programs offerings in accounting or commerce which do not require heavy infrastructure investments. Tailoring to social demand perpetuates the cycle of underinvestment in market-relevant technical skills.
- (e) **Previous policy efforts on skills development and knowledge transfer were not successful.** For example, the Local Content Policy (2012) aimed to develop the human and institutional capacity of Sierra Leoneans through training and transfer of knowledge and technology from foreign firms to Sierra Leoneans. It also seeks to promote employment of Sierra Leoneans through participation in the private sector. Unfortunately, this policy has not been made functional.

Expected Development Impact

9. The project will contribute to expanding opportunities for building skilled labor (Window 1 of the SDF) and improving labor productivity of the existing labor force (Window 2 of the SDF), which is a requirement for accelerating economic growth and reducing poverty. In the short term, these interventions are expected to (a) improve labor market opportunities of participating students as training programs to be supported by the project should demonstrate the labor market demand relevance and (b) potentially improve productivity of the firms benefitting from upgrading skills of the workers. Furthermore, the project will contribute to building foundations for demand-led skills development system through establishing of integrated skills information system and strengthening of accreditation process with industry participation. These foundational interventions are expected to pave the way to improved skills development system management, accountability, efficiency, and M&E.

Costs

10. The GoSL invests a small share of its education budget in TVET. Table A2.1 demonstrates that the TVET budget allocation in 2017 was less than 1 percent of total education budget. Furthermore, the budget only finances recurrent expenditures of TVET and does not make any capital investments in the TVET sector. This undermines the ability of TVET institutions to deliver quality training.

Table A2.1. Budget Allocation (million SLL and million US\$)

	2013	2014	2015	2016	2017	2018 (Projected)
Education, SLL	136,980.0	168,916.0	202,613.9	209,990.5	257,305.0	369,573.7
Education, US\$	17.3	21.4	25.6	26.6	32.6	46.8
TVET, SLL	1,000.0	1,400.0	1,930.3	2,149.4	2,149.4	2,861.3
TVET, US\$	0.1	0.2	0.2	0.3	0.3	0.4

Source: MoF.

Note: Exchange rate is SLL 7,902 = US\$1.

11. The total cost of the project is expected to be US\$22 million over the five-year project period, out of which US\$20 million (90 percent) will be financed by IDA and US\$2 million (10 percent) by the Government or private enterprises benefitting from the SDF. The Government and/or private sector



financing will be in the form of financial or in-kind contributions of entities applying for grants under the SDF (10 percent of total grant amount application).

Benefits

12. The project is expected to have individual, sectoral, and societal benefits. For individuals, the project is expected to increase the employability of TVET graduates and the productivity of those who undergo in-service training. At the sectoral level, project-supported interventions are expected to build the foundations for the effective functioning of skills development system, including (a) developing an integrated information system, (b) piloting the TVET certification system with the industry participation, and (c) expanding private participation in the delivery of training programs by creating incentives and a more favorable environment. For society, the project benefits would include (a) a more productive labor force with quality labor market-relevant skills, (b) improved firm productivity through the more qualified labor force, and (c) potentially reduced school-work transition times for TVET graduates.

13. The cost-benefit analysis suggests that economic benefits outweigh the costs. To calculate the economic internal rate of return and net present value of the project, the following basic assumptions were made: the expected working life period is 35 years; the exchange rate is set at US\$1 = SLL 7,902; the discount rate is 12 percent; and the inflation rate is 4.8 percent (averaged between 2006 and 2016). Under the preferred case scenario: the productivity growth of workers, who benefitted from training under the SDF Window 2, is expected to be 10 percent; the completion rates under Window 1 Tier 1 - 90 percent, Window 1 Tier 2 - 95 percent, Window 2 Tier 1 - 90 percent, and Window 2 Tier 2 - 95 percent; the employment rates six months after graduation under Window 1 Tier 1 - 80 percent, Window 1 Tier 2 - 75 percent, and Window 2 - 100 percent (because this is in-service training). Under these assumptions, the estimated net present value of the project is US\$6.48 million (the estimated net present value of the economic benefit of the project is US\$43.5 million) and the economic internal rate of return is 13.8 percent. The economic rate of return is comparable to other World Bank skills development projects.

Fiscal Impact Analysis

14. The project will support two components: (a) Skills Development Fund; and (b) Capacity Building and System Strengthening. The cost of Component 1 is US\$19 million and the cost of Component 2 is US\$3 million. The Government counterpart (US\$2 million) will go towards the SDF. To maximize the fiscal sustainability of proposed interventions, the Government is expected to gradually increase its allocation to the skills development sector, which has been historically underfunded (see table A2.1). The functioning of the SDF can serve as a proof of concept to operationalize the skills tax mechanism, which is already in place but not implemented.

15. **The value added of the World Bank's support.** The World Bank's value added is its global knowledge, expertise, and technical assistance in the design and implementation of skills development projects in Africa (for example, Rwanda, Ghana, and Tanzania) as well as in other regions (for example, Europe and Central Asia, South Asia). The project will be implemented with support from a multisectoral World Bank team, including staff from the Education, Agriculture, Energy & Extractives, Finance, Competitiveness and Innovation, Social Protection & Jobs Global Practices. Moreover, the World Bank can provide links with ongoing projects across the world and opportunities for South-South exchanges to enable the country to benefit from and build on experiences from similar contexts. The World Bank can



also help convene development partners and key stakeholders, particularly through its expertise in the systematic approach to the delivery of skills development projects.



ANNEX 3: SPECIFICATION OF SKILLS LEVELS

COUNTRY: Sierra Leone

Sierra Leone Skills Development Project

Skills Levels		Characteristics of Tasks Performed	Types of Education and Training Required	Examples of Jobs
1	Manual	Simple and routine physical or manual tasks; may require the use of handheld tools involving tasks such as cleaning, digging, lifting and carrying materials by hand, sorting, storing or assembling goods by hand (sometimes in the context of mechanized operations), operating nonmotorized vehicles, and picking fruit and vegetables; Only require basic skills in literacy and numeracy	Completion of primary education or the first stage of basic education may be required. A short period of OJT may be required for some jobs.	Farm laborers, construction laborers, freight handlers, kitchen assistants, and cleaners
2	Semi-Skilled	Less simple tasks such as operating machinery and electronic equipment, driving vehicles, maintenance and repair of electrical and mechanical equipment, and manipulation, ordering and storage of information; Ability to read information such as safety instructions, to make written records of work completed, and to accurately perform simple arithmetical calculations; Many occupations at this skill level require relatively advanced literacy and numeracy skills and good interpersonal communication skills; Many occupations at this skill level require a high level of manual dexterity	Completion of the first stage of secondary education; some occupations require the completion of the second stage of secondary education which may include a significant component of specialized vocational education and OJT. Some occupations require completion of vocation-specific education undertaken after completion of secondary education; in some cases, experience and OJT may substitute for formal education.	Bus drivers, secretaries, accounts clerks, sewing machinists, dressmakers, sales assistants, hairdressers, building electricians, motor vehicle mechanics, fish handlers and processors, mill operators
3	Skilled	Complex technical and practical tasks that require an extensive body of factual, technical, and procedural knowledge in a specialized field; for example, ensuring compliance with	Completion of courses for a period of up to three years in higher educational institutions following completion of secondary education. In	Surveyor, site supervisor, laboratory technicians, tour operators, hoteliers, customer service supervisors, chef, nurseries



Skills Levels	Characteristics of Tasks Performed	Types of Education and Training Required	Examples of Jobs
	<p>health, safety, and related regulations; preparing detailed estimates of quantities and costs of materials and labor required for specific projects; coordinating, supervising, controlling, and scheduling the activities of other workers; and performing technical functions in support of professionals. Require a high level of literacy and numeracy and well-developed interpersonal communication skills. These skills may include the ability to understand complex written material, prepare factual reports, and communicate verbally in difficult circumstances.</p>	<p>some cases, extensive relevant work experience and prolonged OJT may substitute for formal education.</p>	<p>technicians, livestock veterinarians</p>
<p>4</p>	<p>Highly skilled</p> <p>Complex problem solving, decision making, and creativity skills based on an extensive body of theoretical and factual knowledge in a specialized field. The tasks performed typically include analysis and research to extend the body of human knowledge in a field, diagnosis and treatment of disease, imparting knowledge to others, and design of structures or machinery and of processes for construction and production. Require extended levels of literacy and numeracy, sometimes at a high level, and excellent interpersonal communication skills. These skills usually include the ability to understand complex written material and communicate complex ideas in media such as books, images, performances, reports, and oral presentations.</p>	<p>Study at a higher educational institution for 3–6 years leading to the award of a first degree or higher qualification. In some cases, extensive experience and OJT may substitute for the formal education or may be required in addition to formal education. In many cases, appropriate formal qualifications are an essential requirement for entry to the occupation.</p>	<p>Irrigation project manager; construction project manager, agro-chemical engineer, agro-processing engineer, events manager, hotel/resort manager, electrical engineer, marine engineer</p>