PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Sindh Skills Development Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>South Asia</td>
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<tr>
<td>Country</td>
<td>Pakistan</td>
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<tr>
<td>Sector</td>
<td>Vocational Training</td>
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<td>Lending Instrument</td>
<td>SIL</td>
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<tr>
<td>Project ID</td>
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<td>Borrower(s)</td>
<td>Government of Pakistan</td>
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<tr>
<td>Implementing Agency (ies)</td>
<td>Benazir Bhutto Shaheed Youth Development Project (BBSYDP) and Sindh Technical Education and Vocational Training Authority (STEVTA)</td>
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<td>Environmental Screening Category</td>
<td>{ }A { }B { X }C { }FI</td>
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<td>Date PID Prepared</td>
<td>January 20, 2011</td>
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<tr>
<td>Estimated Date of Appraisal Completion</td>
<td>February 18, 2011</td>
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<tr>
<td>Estimated Date of Board Approval</td>
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Decision: Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments.

I. Country Context

Pakistan has extraordinary strategic endowments and enormous development potential. Its strategic location, vibrant population and low dependency rates, and extensive irrigation network are potential sources of long-term growth. At times during its history Pakistan has seen episodes of high economic growth rates when it appeared that this development potential would be realized. However, these growth episodes have not been sustained; time and again Pakistan’s economy has exhibited often impressive economic and social performance, soon to find that progress brought to a halt by an external shock, by internal bottlenecks, or by a political inability to sustain good policies. Along the way, its social indicators have lagged both that of its neighbors and what would be expected given its level of income. This cycle was repeated during the previous decade as strong growth and poverty reduction (the share of the population living in poverty halved between 2001/02 and 2007/08) stalled amid economic, political and security turmoil. Regaining macroeconomic stability after the economic crisis and resuming structural reforms are required to support the recovery of strong and sustainable growth. This will require (i) improving economic governance; (ii) improving security and reducing the risk of conflict; (iii) improving infrastructure to support growth; and (iv) improving human development and social protection.

II. Sectoral and Institutional Context

Access to education remains a significant challenge. Net enrolment rates in primary education have increased over the past decade but access remains far from universal. Net primary enrolment rates increased from 42% in 2001/02 to 55% in 2007/08 working toward gender parity. Female NER in 2007/08 stood at 52% compared with 38% in 2001/02. There are also significant regional and rural-urban disparities. Compared to the average in South Asia and other low-income countries, Pakistan is lagging behind in female enrolment at the primary school level. Access issues are even larger at higher levels of education. Only a one quarter of the youth cohort graduates from secondary education and a meager 4% enters the higher education system. Less than 1% of the population, in the age range 10 years and above,
has ever received technical education and vocational training. In addition, the quality of education is weak at all levels of education, drop-out rates are high, and learning achievements are low and varied. This translates to more than three quarters of the youth cohort exiting the education system with some foundational skills, but few or almost no marketable skills and severe difficulties finding employment. With 29% of Pakistan’s 169 million in the 15-24 age range, this amounts to a tremendous education and training challenge.

At the same time, the lack of a skilled labor force is a significant constraint to growth and competitiveness of the country. The lack of suitably qualified people is an impediment to quality of delivered products and services. The Pakistan Competitiveness Report 2009 ranks skilled workforce issues at number 6 (out of 15) among the most problematic factors for doing business in Pakistan. The Bank’s Infrastructure Implementation Capacity Assessment revealed that 67% of stakeholders believed that human resource issues posed a significant constraint to the implementation of large infrastructure projects in Pakistan. Clients, consultants and contractors unanimously identified the lack of suitably qualified people as an impediment to implementation. A majority of firms find themselves in an equilibrium characterized by low availability of skills, low productivity and poor technology adoption. This adversely positions Pakistani firms to compete globally with companies in other low-wage countries that succeed in moving up the value-added ladder, such as Vietnam. Case studies for Sindh find skills shortages within light manufacturing, textiles, hospitality, and extraction industries. There is a need to make the technical and vocational education and training (TVET) sector responsive to this demand to both create jobs for youth and contribute to improved competitiveness of Pakistani firms.

The TVET (technical and vocational education and training) sector in the country is faced with a number of challenges, notably poor relevance of training and few training opportunities. There are an estimated 3,000 institutions providing skill development opportunities for around 240,000 students in school-based education for trades and medium-skilled professions within technical education (auto-technician, telecommunication technician, etc.), vocational training (tailoring, embroidery, beautician, and general electrician etc.) and commercial trades (sale representative, secretarial services, etc.). One third of the institutions are public and the remaining are private or NGOs. The main challenges in the TVET sector are:

a) **Low relevance and impact of training:** Although a few institutions have high placement rates, most institutions and training programs only have anecdotal evidence of training leading to jobs. Measurement of employment outcomes is not systematic. Linkages between industry and TVET institutions are weak resulting in a mismatch in the skills required in the labor market and those provided by the training programs. This is due to training in less relevant occupations, such as typists, training using outdated technologies, and/or lack of industry exposure crucial to acquisition of soft skills and job-experience. The challenge is to build strong linkages between training programs and employers, allow for local improvements in the content of training programs, and ensure trainees practical hands-on skills as well as industry exposure.

b) **Low public investment:** Only a small part of the public budget allocation is allocated to TVET (5%) out of an already low public investment in education; public expenditure on education in 2007-08 stood at 1.6% of GDP, one of the lowest in the world. The challenge is to make sure that existing public investments are effective by linking financing to outcomes, and then gradually increasing investment and leveraging private funding. The low and irregular financing squeezes expenditure on consumable learning resources, which is especially needed in technical and vocational training to give hands-on skills.

c) **Outdated infrastructure of existing public institutions:** In most public institutions, the learning equipment is from the 1980s or earlier, and either obsolete or out of function. Sustainable investments are needed to upgrade the facilities of public training institutions to enable delivery of quality training.
d) Public administration of institutions is generally poor in terms of measuring results, improving accountability, establishing incentives and managing teachers. There is a need for measuring results, building capacity in training institutions, and building information systems.

e) Substantial provincial efforts have been expended in recent years to improve governance of TVET. At the provincial level, all provinces have assembled financing, administration and regulation in one agency. This is a major step to achieve a coordinated and effective sector policy. With the exception of Punjab, these agencies are new and require capacity building to develop strategies, systems, and practices to efficiently and transparently manage a system with a large number of institutions and teachers.

f) Few quality assurance mechanisms, occupational standards and certifications are in place. A Bank-financed project in the 1990s introduced standards and certification mechanisms, which continue to be in operation, but has not further spread or been updated. This reduces quality, inhibits linking technical education and training with the general education system, and reduces national and international recognition and mobility of TVET graduates. Building this system will require substantial and coordinated capacity building of institutions, industry, quality assurance bodies and government.

**Government strategy**

*The Province of Sindh strongly supports TVET and is addressing these challenges.* There are two important positive developments. The Sindh Technical Education and Vocational Training Authority (STEVTA) was established as an autonomous agency in 2009 by bringing all technical and vocational education institutions under one common umbrella, thus significantly reducing the fragmentation in the governance of the sector. Secondly, the Benazir Bhutto Shaheed Youth Development Program (BBSYDP) was initiated to skill unemployed youth for employment. The program finances training in an innovative, transparent and objective manner through contracts with private and public training providers.

*The Government of Pakistan strongly supports the TVET sector.* This support is demonstrated by the mobilization of external financing to the TVET sector and through the strategy of the National Vocational and Technical Education Commission (NAVTEC). Nevertheless, with the 18th and 19th amendment in the Constitution, which abolished the Concurrent Legislative List and thereby leaving almost all aspect of TVET to the provinces, the role of the federal government is being redefined within TVET.

*Several Development Partners support Skills Development in Pakistan, but none work with the Government of Sindh in a major way.*

**Higher Level Objectives to which the Project Contributes**

*The Bank’s Country Partnership Strategy for FY 2010 - 2013 includes this project under the pillar to improve human development and social protection.* The operation will also provide synergies with ongoing and larger Bank projects in basic and higher education in Pakistan. By training young people for jobs, the project will also contribute to the competitiveness of Pakistani companies. Lastly, the intervention will also help address the lack of skilled manpower faced by projects in infrastructure, such as the power, roads, and irrigation sector.

*Supporting GoS’ strengthening of STEVTA (Sindh Technical Education and Vocational Training authority) and the BBSYDP (Benazir Bhutto Shaheed Youth Development Project) program presents a good opportunity for the Bank* because of the need to develop skills of youth in Sindh youth for better employment opportunities, the existence of demand for skilled labor and the political support for TVET. BBSYDP specifically, as an ongoing, well-documented skills program, with an innovative and flexible approach that promotes focus on performance and outcomes hold significant potential for assisting the
transition of unemployed into the labor market and improving the productivity of the TVET sector. By investing in and strengthening BBYSDP training and institutional training programs, the Bank would assist GoS create more effective training programs that could be scaled-up in addition to informing the skills development programs in other provinces.

The Bank can assist GoS strengthening its skills development programs by bringing in appropriate international expertise within results measuring, linking with employers, implementation support, and investment into administrative capacity. Assisting the recently established STEVTA with results is important to show government and civil society that the Authority can deliver quality services and thereby sustain a continued reform program. The Bank has extensive experience in short term training programs from Eastern Europe and Latin America and global experience in investments into training institutions with institutional reform, linkages with private sector, and results monitoring.

III. Project Development Objectives

A programmatic engagement is envisioned in the sector. The proposed Project would, on a pilot basis, seek to measure and improve the impact of training; implying a focus on the quality and relevance of training. This operation will test the ability of the supported programs and delivery models to produce results. Potential subsequent support from either the Bank or a Development Partner could scale-up the successful interventions within Sindh or/and in other provinces.

The Project will support the Government of Sindh in strengthening its training programs to improve the skills set and employability of trainees.

Project Beneficiaries

The project seeks to benefit 50,000 youth in Sindh through skills development. The trainees will be between 18 and 35 years of age. Beneficiaries will be informed via a province-wise information campaign and selected based on meeting the minimum criteria for the particular training program and testing of basic skills in the case of excess demand. The target group includes semi-literate men and women. Most courses require 10 years of schooling or less. A small share of the trainees will be unemployed youth with 12 years of schooling that will be assisted to transition from school to work. The majority of the trainees, 45,000, will be trained through a short term training program, while around 5,000 will be trained through institutional training programs during the project. There will be a specific focus on selecting youth from the poorer and less developed districts of Sindh. The program will specifically offer young girls opportunities for skills development. Secondly, future trainees enrolled in the established market-driven institutional training program will benefit from the investments. In addition, the program will benefit the competitiveness of the companies hiring the skilled labor.

PDO Level Results Indicators

The key performance indicators are:

- Percent of trainees of the youth development program who are employed and/or enrolled in continuing education/training three months after completion of training (Baseline is 28% in 2009 and target is 40% by 2013).
- Number of financed unemployed youth who complete the youth development program (target: 45,000 by 2013)
- Number of market-driven training programs established in public training institutions (target: 70 by 2013).
IV. Project Description

The Project is structured around three components:

**Component 1: Improving and Expanding Short-term Training – US$18.75 million (75%)** This Component will expand and increase the impact of the existing BBSYDP which has been operating for two years, and has already trained over 40,000 unemployed youth. It will finance the training contracts for delivering training to approximately 45,000 trainees over a 2-3 year period.

Training is short-term (3-12 months) with varying degrees of classroom education and practical training. The training providers are private sector and non-government training centers and enterprises as well as public training institutions. As a condition of receiving funding, training providers commit to a minimum level of job placement and/or entry to further training, of trainees. This minimum level placement rate is initially 30% and will be reviewed annually based upon results in order to gradually and realistically raise the threshold. Programs not meeting the minimum benchmark will be blacklisted for a 1 year before becoming eligible for a new contract. The contracts also contain an incentive to place more than the benchmark percent of trainees into a job. These performance criteria seek to provide a strong incentive for providers to train youth in skills that are in demand, and weed out poor performing providers. Key sectors of employment have for the last two years been: textile, heavy manufacturing, and retail and hospitality services. However, training providers are free to submit training proposals for any trade/occupation. The reported job-placement rate is monitored on a sample-basis by third-party validation. Further, training needs assessments and feedback from employers, training providers and trainees will inform BBSYPD and the training providers in continuously improving job-relevance and quality of training. In addition a net impact study will be conducted. The program administration is well documented with all guidelines, results, and documentation on the web.

Trainees receive a monthly living stipend of Rs. 2,500 (US$29). Further, trainees attending training more than 75 km away from their home are entitled to a mobility allowance of Rs. 4,000 (US$ 47). The stipend is conditioned upon 85% attendance, which is monitored and enforced. The mobility allowance facilitates access for rural youth.

**Component 2: Establish Market-driven Institutional Training Programs - US$5.0 Million (20%)** This component will pilot a sector program to establish at least 70 market driven institutional training programs in STEVTA administered institutions to better meet the skill demands from employers. This will increase the share of trainees finding employment.

The training programs to be upgraded will be selected using a transparent competitive fund mechanism. The main selection criteria will be the potential to cater to local market demand, including explicit buy-in from local employers, quality of upgrade proposal and poverty level of district. The application template will be kept simple and institutions will receive support in developing the proposals and reaching out to local employer. The evaluators will include private sector professionals. The selected institutions will be required to implement a set of institutional reforms, namely increased private sector participation in institutional management and private sector advice of professionals.

To ensure a focus on results, this program will disburse based upon progress as measured by four Disbursement Linked Indicators (Implementation of reforms, approved curricula and standards, renovated and equipped facilities, and enrolled students); all verified on a sample-basis by an independent third party. The Bank will disburse against eligible program expenditures include teacher salaries, equipment and recurrent costs, such as training consumables. Goods and services will be procured and accounted for using procedures acceptable to the Bank.
**Component 3 – Capacity Building of Sindh TEVTA US$1.25 million (5%)** This component seeks to strengthen Sindh TEVTA through technical assistance to implement Component 2, establish better information systems and policies, improve the capacity to manage its institutions, and enhance monitoring and evaluation services including, but not limited, to tracer studies for institutions, net impact studies of training programs, and employer surveys. The component can also support capacity development of staff as well as strategic policy improvements in the TVET system in the province, for example to develop standards, curricula and assessments. The component will finance technical assistance, and small amounts of equipment and supplies.

V. **Financing**

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<td>Total</td>
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VI. **Implementation**

1. *The Planning and Development Department of Government of Sindh will ultimately have the overall responsibility for implementing and monitoring the Project.* A Sindh Skills Development Leadership Team headed by the Additional Chief Secretary, Planning and Development Department, and consisting of the heads of the two main implementing bodies (BBSYDP and STEVTA). The team will plan and oversee implementation. The Leadership Team will be assisted by a Project Coordinator and Deputy Project Coordinators. The Leadership Team will meet at least quarterly to plan and coordinate project activities.

2. *Component 1 will be implemented by the BBSYDP.* A BBSYDP report to the BBSYDP Steering Committee headed by the Additional Chief Secretary and is the formal entity under the Chief Minister’s secretariat. A capable and large team supervises the implementation on-the-ground and will continue to implement this Component. A BBSYDP Provincial Coordinator is responsible for coordinating, monitoring, and conducting training through contracted public and private sector training providers. The BBSYDP Provincial Coordination unit is supported by District Coordination Officers and Regional Consultants to support proposal development, program implementation, and monitoring. BBSYDP and district officers will supervise that project guidelines are respected. To complement, an independent third-party organization will verify on a sample basis the employment outcomes of training.

3. *Component 2 and 3 will be managed by STEVTA.* For component 2, a team of directors assisted by a project coordinator will facilitate and oversee the implementation of the project in the selected training institutions. As part of the selection, an evaluation committee will be established to evaluate the institutional proposal for the competitive fund. In the selected training institutions, the Centre Management Committee (board of the institution) will be responsible for implementation through the principal and a team of senior faculty. Training institutions that will establish similar training programs (such as refrigeration technology) will form a joint task force with STEVTA representation to jointly elaborate the learning outcomes and curricula, and jointly purchase learning equipment. Implementation of Component 3 will be the responsibility of the academic department of STEVTA assisted by the project coordinator.
VII. Safeguard Policies (including public consultation)

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VIII. Contact point at World Bank and Borrower

**World Bank**
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Tel: 202-458-7351  
Email: ablom@worldbank.org

**Borrower/Client/Recipient**  
Islamic Republic of Pakistan  
Government of Pakistan  
Economic Affairs Division  
Islamabad

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
IX. For more information contact:
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