## PROJECT INFORMATION DOCUMENT (PID)
### CONCEPT STAGE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Pakistan Skill Development</th>
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<tr>
<td>Region</td>
<td>SOUTH ASIA</td>
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<tr>
<td>Sector</td>
<td>Vocational training (100%)</td>
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<tr>
<td>Project ID</td>
<td>P118177</td>
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<tr>
<td>Borrower(s)</td>
<td>GOVERNMENT OF PAKISTAN</td>
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<tr>
<td>Implementing Agency</td>
<td>Sindh TVET Sindh TVET State Life Building No. 3 Karachi Tel: 92 21 9201005-6 <a href="mailto:rshaikh@yisoem.com">rshaikh@yisoem.com</a></td>
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<tr>
<td>Environment Category</td>
<td>[ ] A [ ] B [X] C [ ] FI [ ] TBD (to be determined)</td>
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<tr>
<td>Date PID Prepared</td>
<td>October 20, 2009</td>
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<tr>
<td>Estimated Date of Appraisal Authorization</td>
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<td>Estimated Date of Board Approval</td>
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1. Key development issues and rationale for Bank involvement

*After a period of steady growth, Pakistan has undergone rapid change since 2007.* The economy grew at 7% on average per year during 2003/04 through 2006/07, driven by solid performances in the services and industrial sectors. Consequently, the poverty rate fell by more than 11 percentage points between 2001/02 and 2005/06, equivalent to 17 million people moving out of poverty. However, external shocks combined with policy inaction and internal turmoil have in the last two years led to macroeconomic imbalances and a slowdown in economic growth. This resulted in rising unemployment and inflation with a negative impact on the number of poor as well as the incomes of the poor and middle-income population. Weathering the crisis without long-term negative impacts is a major challenge for Pakistan.

*Education indicators have improved since the early 2000s, but large challenges remain.* Net primary enrolment rates increased from 42% in 2001/02 to 56% in 2006/07, working toward gender parity. Despite progress in the basic education sector in Pakistan in recent years, less than one quarter of the youth cohort graduates from secondary education and a meager 4% enters the higher education system. 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 as discussed below. With 29% of Pakistan’s 161 million in the 15-24 age range, this amounts to a significant education and training challenge. Developing the general, technical, and professional skills of youth would position them better to obtain a job and a stable future. Further, it would enhance the supply of skilled labor.

*Companies cannot find the demanded skilled labor.* Lack of skills is one of the most significant constraints to growth and competitiveness of the country. 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
both to implementation as well as the quality of delivered products and services. The Bank’s Investment Climate Assessment finds that the majority of firms are in an unfortunate equilibrium characterized by low availability of skills, low productivity and poor technology adoption. This badly positions Pakistani firms to compete globally with companies in other low-wage countries that succeed in moving up the value-added ladder. Government of Pakistan’s industry focus group has equally singled out agro-business and the hospitality sector as sectors with unmet demand for skilled workers. In addition, case studies for Sindh province find skill shortages within the light manufacturing, textiles, and the mining industry. Making the technical and vocational education and training (TVET) sector responsive to this demand would both create jobs for youth and contribute to improved competitiveness of Pakistani firms.

The TVET 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, as well as short-term skills development programs. One third of institutions are public and the remaining are private or NGOs. The main challenges are:

- **Relevance and impact of training is low.** Although a few institutions have high placement rates, many 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. The challenge is to measure employment outcomes, increase accountability for employment results while facilitating linkages between employers and trainers to allow for local improvements in the content of training programs.

- **Training opportunities are few partly due to low public investment.** Despite an increase of 117% in enrolment in TVET from 2001/02 to 2005/06, only an estimated 2.5% of the working force has received vocational and technical training. This is partly due to the small public budget allocation to TVET (5%) out of an already low public investment in education. The challenge is to make sure that existing public investments are effective by linking financing to outcomes, and then gradually increase investment and leverage private funding.

- **Infrastructure of existing public institutions is at best outdated.** Sustainable investments are needed.

- **Policy and program fragmentation combined with low capacity to coordinate and administer institutions.** There are still a large number of federal bodies administrating training programs and several bodies have the responsibility for policy coordination. All four Provinces have now consolidated training programs under a single provincial authority. Synergies across provinces, a potential federal role, are not exploited. Lastly, public administration of institutions is poor in terms of measuring results, establishing incentives and managing teachers. The way forward is a clear division of labor at the provincial and the federal level, increase provincial-federal coordination, stable staffing, and increased capacity building in the new administrative authorities.

- **Few quality assurance mechanisms and no nationally recognized occupational standards or related assessment systems are in place.** This reduces quality, inhibits linking technical education and training with the general education system, and prevents 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.

The Federal Government strongly supports the TVET sector as documented by the establishment of a new national agency, the National Vocational and Technical Education Commission (NAVTEC) under the Prime-Minister’s office and the approval of the NAVTEC National Skills Strategy 2008-2013. The Strategy seeks to align technical education and training to the needs of the local industry and provide a framework for skill development which shifts from supply to demand driven training, and from time bound to competency based training. NAVTEC has a mandate to coordinate and finance training, but seems currently more involved in provision.
Government of Sindh (GoS) equally emphasizes the importance of TVET. GoS recently established Sindh Technical Education and Vocational Training Authority (STEVTA) with the mandate to strengthen vocational training programs in the province and transferred administration of all TVET programs and institutions to STEVTA. The new organization launched the Benazir Bhutto Shaheed Youth Development Program (BBSYDP) in 2008 training more than 40,000 in that year.

Several Development Partners support Skills Development in Pakistan, but none works with Government of Sindh. GTZ, EC, ILO, DFID have agreed to support NAVTEC through an estimated US$ 50 million program. USAID has just initiated a program to partner with civil society outside of government organizations to invest US$ 80 million in training across the country with a focus on the mountainous areas. DFID and China have equally supported training programs in NWFP and FATA. ADB concluded in 2008 two projects in Balochistan and NWFP due to administrative difficulties. ILO through EC supports skills development in J&K. So far, GoS has only received sporadic assistance to skills development.

Bank rationale
The proposed support is fully aligned with the PRSP II and is included in the CAS under preparation. Support to increase employability and help address skills gaps is one of the operational elements under the CAS core area of Investing in Pakistan’s Human Development Resources and Protecting the Poor. In addition, the support would contribute to several cross-cutting issues, notably increased government capacity and transparency, improved gender equality, and increased public-private partnerships. The operation would provide synergies with the on-going and larger Bank projects in basic and higher education in Pakistan. It would also help address the lack of skilled manpower and requests for assistance within skills development faced by projects in the extraction, power, roads, and irrigation sectors. The design would benefit from existing Bank AAA on Pakistan for the labor market, the investment climate, and the vocational education and training (VET) system, and a rich set of Bank-global lessons from skills and youth projects.

Supporting GoS’ strengthening of STEVTA and the BBSYDP program presents a good opportunity for the Bank because of the need to develop skills of Sindhi youth, the existence of demand for skilled labor, the political support for TVET, the existence of a well-documented skills program and capacity in place, the potential for scaling-up within and outside the province, the potential to inform the design of other skills development programs in other provinces, and the pattern of funding from other development partners.

2. Proposed objective(s)
The Project proposes to support the Government of Sindh in strengthening their short term training program to improve the skills set and employability of trainees. Secondarily, the project would seek to pilot reforms of a selected set of training institutions and strengthen management capacity of the TVET system in Sindh.

The primary key performance indicator would be: the share of supported trainees employed three months after receiving training.

Planned intermediate outcome indicators would be: number of trainees independently certified according to industry-driven skills standards, the number of institutional training programs upgraded based upon input from a private sector advisory council, and the existence of a MIS system for STEVTA.

3. Preliminary description
The Project proposes to use the Specific Investment Loan (SIL) instrument to provide assistance to the Government of Sindh through a US$ 20 million IDA credit.
A programmatic engagement is envisioned in the sector. This first project would, on a pilot basis, seek to measure and improve the impact of training; implying a focus on quality and relevance of training and testing the ability of the supported institutions to deliver results. Subsequent support from either the Bank or a Development Partner could scale-up the successful interventions within Sindh and in other provinces.

The proposed project is structured around three components:

**Component I - Support to the Benazir Bhutto Shaheed Youth Development Program (BBSYDP) - US$ 17 million (85%)**: The program aims to train semi-literate and matriculate level youth including a focus on females and youth from the interior of Sindh. The trainees apply for training as per requirement and appear in an entry test. The target for 2009 is 75,000 up from 40,000 in 2008. It is over-subscribed, partly due to a monthly stipend of R. 4-6,000. The stipend enables access for marginalized youth and is conditioned upon 85% attendance, which is strictly monitored. BBSYDP contracts with government departments, public and private training institutions and firms to deliver training. Training is short-term (3-12 months) with varying degrees of formal education, soft skills development and on-the-job training. The program administration is well documented (all guidelines and documentation are on the web). A capable and large team supervises on a regular basis the implementation on-the-ground. Nevertheless, the BBSYDP face the same challenges as other programs in Pakistan: measuring (and probably achieving) employment outcomes, certifying skills learnt, and a close tie-up with employers.

The strategy to improve impact has five elements: (i) to establish a credible employment verification mechanism. A tracer study of graduates to measure impact is well underway with the support of the Bank; (ii) enforce performance criteria in contracts with training providers. Only training providers meeting the required (and gradually raised) performance level would be eligible for renewal of contracts. This seeks to provide a strong incentive for providers to train youth in skills that are in demand, and weed out poor performing providers; (iii) Review program guidelines to ensure competition and introduce best practice such as placement officers and increased on-the-job training, (iv) provide information to training providers regarding occupations and skills in demand. As part of the preparations, the Bank has contracted Karachi Chamber of Commerce and Industry to survey employers regarding demand for skills in the province, and (v) review the cost-effectiveness of the stipends.

**Component II – Upgrading a few selected TVET Institutions US$ 2 million (10%)**: This component proposes to modernize selected training programs in training institutions which show potential and dynamism. These programs must have explicit private sector support for its graduates. Funds are proposed to be allocated through a competitive fund mechanism which allows programs run by training institutions to access funds for upgrading their programs based on transparent criteria. Institutional reform such as increased private sector participation in institutional management, increased sustainability in financing, measurement of outcomes, and limited decentralization would form part of this component.

**Component III – Capacity Building and Institutional Development of Sindh TEVTA US$ 1 million (5%)**:  

4. Safeguard policies that might apply  

[Guideline: Refer to section 5 of the PCN. Which safeguard policies might apply to the project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?]

5. Tentative financing

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<tr>
<td>International Development Association (IDA)</td>
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<td><strong>Total</strong></td>
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6. Contact point
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