

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: 43454

<b>Project Name</b>	RY-Second Vocational Training Project
<b>Region</b>	MIDDLE EAST AND NORTH AFRICA
<b>Sector</b>	Vocational training (100%)
<b>Project ID</b>	P086308
<b>Borrower(s)</b>	REPUBLIC OF YEMEN
<b>Implementing Agency</b>	
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<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	February 19, 2007
<b>Date of Appraisal Authorization</b>	October 30, 2006
<b>Date of Board Approval</b>	March 27, 2007

1. Country and Sector Background

*Country background*

As the only low-income country in a rich region, the Republic of Yemen faces major development challenges. A country of deep rooted tradition, it is endowed with limited resources -- notably scarce water, limited arable land and declining oil reserves. In the last two decades, it has experienced dramatic external and internal shocks. Nearly half the population of Yemen is below the age of 15 and the population is expected to double over the next 20 years. Despite these constraints, Yemen developed a multi-party democratic system and a relatively free press ahead of other countries in the region.

Although considerable improvements have been achieved over the last 30 years, Yemen still faces the same development challenges of reducing poverty and improving human development indicators. An estimated 42 percent of the population lives in poverty and Yemen ranked 151<sup>st</sup> out of 177 countries on the 2005 Human Development Index. After the civil war of 1994, Yemen undertook difficult economic reforms and saw the benefits through growth in per capita incomes and private investment. This progress stalled between 2000 and 2005, when the momentum on economic and governance reforms was not sustained. Recently, the situation has begun to improve following the implementation of economic reforms in July 2005 and renewed commitment from 2006 to the reform of governance systems.

With continuing high population growth, and facing depletion of its oil reserves over the next decade, Yemen needs urgently to improve its investment climate, develop non-oil sources of growth, and create jobs for the rapidly growing number of young people entering the labor force. Recent economic reports indicate that sectors with the greatest potential opportunities to drive Yemen's future development

include fisheries, industry and manufacturing, construction, services, tourism, transport and communications, and handicrafts.

### *Sector issues*

Within the education sector, the main focus has been on improving access to basic education (“compulsory” Grades 1-9), through the government’s Basic Education Development Strategy which has multi-donor support. Substantial gains have been made over the last decade and the gross enrollment rate in basic education has reached almost 70%. The demand for secondary and tertiary education has consequently expanded: between 1996 and 2004, enrollments in secondary and tertiary education increased by more than 80%, albeit from a very low base. The number of students in basic education increased from 3 million in 1996 to 4 million in 2003/04. Secondary enrollments increased from 324,000 to 589,000 over the same period, but only 30% are girls.

Technical education and vocational training, under a separate ministry, provides courses at post-basic and post-secondary levels. It has also been growing rapidly but is still relatively small, accounting for only one in 200 students at all levels and one in eight tertiary level graduates. Less than one percent of TEVT students are women. The private training sector is extremely small, confined mainly to language and computer instruction. A Sector Profile was carried out in 2003, with support of the World Bank and the EU, and identified the following key issues in the Yemen VT system:

*Access and equity.* While TEVT enrolment has been progressively increasing during the last decade, the current program framework is responsive only to a limited number of citizens and for limited employment opportunities. There is an evident need for the TEVT system to increase public and private training capacities and to be more responsive to the needs of other target groups. The ability to be more responsive is currently constrained by: (i) the small number of TEVT institutions; (ii) an imbalance in terms of geographic distribution; (iii) low utilization levels of existing TEVT institutions. In response to concerns on access and equity, the government is investing substantially in the construction of new training centers throughout the country. However, due to the issues noted below, the capacity to use these centers effectively and efficiently has yet to be established.

*Quality, relevance, and linkage with employers:* The predominant characteristic of the Yemeni TEVT sector at the present time is its strongly supply-driven approach. Despite some attempts at reform, linkages between the TEVT system, labor markets, and private sector enterprises continue to be weak. There is a lack of cooperative training and low use of potential training opportunities in enterprises. Despite initiatives to upgrade curricula, many weaknesses persist. The training capacity and quality of programs is constrained by the lack of tools and equipment required to develop graduates’ competencies that are mandatory for employment in the respective occupational areas. Staffing is a major problem: instructor qualifications are poor and wages are too low to attract trainers with enterprise-based work experience.

*Institutional capacity:* Until 2001, when the Ministry of TEVT was established, responsibility for training activities was shared by the General Authority for Vocational and Technical Training, the Ministry of Education, and other public providers. Capacity in the new ministry is still very weak. The current structure of the MTEVT shows weak linkages between the different departments, whether in staff or in line. The organizational and regulatory structure for institutes – budgets, programming, enrolments, staffing, operational procedures – are determined by the MTEVT, allowing little means or incentive at the institute level for innovation to improve quality or efficiency.

*Finance:* The current TEVT system operates on the basis of negotiated annual budgetary allocations. While these allocations satisfy immediate operational needs, they are inadequate to address increased

staffing needs, equipment needs, training material development or system upgrading. This results in the delivery of low-quality training, and a consequent low level of efficiency.

*The Skills Development Fund (SDF)* was established in 1995, with support through the first Vocational Training Project, with the aim of enhancing the funding base for TEVT institutions. However, it faced serious shortcomings in fulfilling its mission, including legal ambiguity on its mandate and governance, difficulties and expense in revenue collection, and in particular ambiguity in the respective roles of the MTEVT and the private sector. Although revenue collection is now effective (subcontracted to the internal revenue service), it does not have mechanisms for allocating resources. An in-depth organizational audit of SDF operation in 2005 found the organization to be seriously dysfunctional.

Overall, the sector faces very difficult challenges. There is strong social demand for expanding VT opportunities, in addition to the recognized need for more and better training to support diversified growth of the private sector. However, the on-going substantial public investment in VT infrastructure cannot be expected to translate into sustainable provision of useful training without a viable institutional and financing framework.

## **2. Objectives**

The objectives of the project are to provide the public training system with improved mechanisms for responsiveness to employment needs, and to enhance the capacity and effectiveness of the Skills Development Fund in articulating and financing the training needs of enterprises.

## **3. Rationale for Bank Involvement**

The government is giving high priority to the TEVT sector and recognizes the challenges facing the sector. The benefits of investment in public TEVT programs – and the implementation of Yemen’s TEVT strategy – depend critically on developing appropriate institutional arrangements and capacity. The respective roles of the central ministry, training institutions, and the private sector need to be more clearly and appropriately defined and broadly understood; and capacity building programs are needed to match the respective functions. MTEVT is a young ministry with limited capacity in its core functions of policy development and strategic planning, evaluation, and information management. Public training centers are centrally managed and financed and lack sufficient autonomy or capacity to innovate and adapt to local needs and opportunities. At the same time, the capacity of private sector employers to assess and articulate their training needs or organize effectively is still very weak, contributing to mutual distrust between the public and private sectors.

Responding to strong political pressure to expand training opportunities, the government is financing the construction of new centers through large scale borrowing from regional development banks. However, this does not include assistance in meeting the related “software” needs of program and staff development. The government is aware of this gap, and of the need for reforms that can promote better responsiveness of training programs to employment needs, and has asked the Bank for assistance specifically to address these institutional constraints.

The overall aim of the project, therefore, is to help move the sector in a demand-driven direction. On the basis that interventions are needed on both the demand and supply sides to achieve this, the project includes measures to create and strengthen linkages between employers and training providers from both sides: it will pilot mechanisms within the MTEVT training institutions to involve employers in the design and delivery of training programs; and at the same time it will strengthen the capacity of employers,

through the Skills Development Fund, to assess and meet their training needs. For the benefit of sector policy-making, planning and decisions on resource allocation, the project will also strengthen capacity in the MTEVT to monitor the performance of the training institutes and the costs and outcomes of their programs.

The Bank has substantial experience in assisting governments with designing and implementing reform programs in the education sector in Yemen. The Bank is well-positioned to help identify best practice in other countries with similar development challenges that can help to inform the reform process in Yemen. Having provided continuous support to the first Yemen Vocational Training project and subsequent work on the strategy for TEVT, the Bank is a major development partner and can help strengthen the link between TEVT reform, other education reforms, economic development and growth and reforms in other sectors, including employment, the private sector, export development and budget reforms.

#### **4. Description**

The proposed project would finance three major components, summarized below. The detailed description of components is included in Annex 4.

##### ***Component 1: Monitoring and Evaluation, and Project Management***

This component will provide technical assistance (TA), training, and goods to: (i) develop MTEVT's capacity in planning, monitoring and evaluation; (ii) implement the first phase of a sector management information system; (iii) assist planning and preparation for reform of finance and governance of public training institutions; and (iv) manage implementation of the project.

##### ***Component 2: Design and Delivery of Training Programs***

The central purpose of Component 2 is to pilot a series of initiatives – at the pre-service, in-service, and instructor training levels – that will demonstrate the benefits to be gained from collaborating with employers, and incorporating the expectations of employers, in all phases of the process of occupational skills development. Activities are included in each sub-component, designed to monitor implementation, identify constraints and opportunities as they arise, assess the outcomes, and engage the respective MTEVT departments in a manner that will facilitate wider replication of the innovations where benefits have been demonstrated.

##### ***Component 3: Reform of the Skills Development Fund***

The objective of this component of the project is to support the reform and restructuring of the SDF under revised legislation.

#### **5. Financing**

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
INTERNATIONAL DEVELOPMENT ASSOCIATION	15.00
Total	15.00

#### **6. Implementation**

There will be two parallel implementation arrangements, with oversight by a Steering Committee (SC), chaired by the Minister of MTEVT and including: (i) chairman of the SDF Board of Directors; (ii) the vice minister of MTEVT; (iii) four MTEVT deputy ministers; (iv) a representative of the Ministry of Planning; and (v) a representative of the Ministry of Finance.

- Components 1 and 2 will be implemented by MTEVT, with the support of the Project Management Unit (PMU), under the leadership of the Minister, through the existing ministry operational structure. Relevant directorates, departments and training institutes will implement and monitor activities each under their respective responsibility. The PMU will be located within the premises of MTEVT, to facilitate its daily interaction and coordination with MTEVT in providing technical and administrative support for implementation.
- Component 3 will be implemented by SDF under the supervision of its Board of Directors. The SDF General Manager is accountable for the implementation of the component under the SDF implementation structure. The SDF will not have a project unit as such. Procurement, financial, accounting and reporting functions under the Credit will be assigned to competent members of the SDF staff.

## **7. Sustainability**

The proposed project is closely aligned with the national strategic objectives and complements government- and other donor-financed activities. The objective, focus and project components reflect GoY decisions arising from discussions with both the Bank and other cooperating partners, indicating clear ownership. Strong commitment to the project objectives has been demonstrated both at the senior government level and by private sector leaders, including the Board of the SDF. Both the MTEVT and Ministry of Planning and International Cooperation have expressed strong endorsement of the project's focus on institutional development and the resulting priorities in project expenditures, with technical assistance and training accounting for a high share of project costs. The project is designed to help address underlying sustainability issues in the sector.

The impact of the Components 1 and 2 of the project will depend on the sustainability and replication of successful pilot activities after project completion. The government has committed to financing the incremental recurrent costs, including additional posts and other staff-related costs, associated with project activities, during the course of project implementation and after the project closes.

The SDF (Component 3) already has sustainable financing arrangements in place and this component will not have recurrent cost implications. The project will finance TA and staff training to support the institutional sustainability of the SDF.

## **8. Lessons Learned from Past Operations in the Country/Sector**

The project design reflects key lessons learned in similar Bank-supported education projects in the region, including the recent TEVT project in Yemen. In particular: (i) engagement of the private sector in governance and financing requires concrete project activities, TA, and incentives to promote participation – it cannot be assumed to come automatically; (ii) the government's capacity to design and undertake complex sector reform should not be overestimated – the agenda for systemic reform should be realistic; (iii) project design should set priorities, focusing on the country's major labor market needs; and (iv) project readiness for implementation is critical and the capacity of the implementing agency should be established in advance of project effectiveness.

## **9. Safeguard Policies (including public consultation)**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
<a href="#">Environmental Assessment (OP/BP/GP 4.01)</a>	[ ]	[ X]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[ ]	[ X]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[ X]
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	[ ]	[ X]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[ ]	[ X]
Indigenous Peoples ( <a href="#">OD 4.20</a> , being revised as OP 4.10)	[ ]	[ X]
Forests ( <a href="#">OP/BP 4.36</a> )	[ ]	[ X]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[ X]
Projects in Disputed Areas ( <a href="#">OP/BP/GP 7.60</a> )*	[ ]	[ X]
Projects on International Waterways ( <a href="#">OP/BP/GP 7.50</a> )	[ ]	[ X]

## 10. List of Factual Technical Documents

Sector Strategy

Sector Profile

Situational Analysis of Skills Development Fund (April 2005)

Gender Mainstreaming in Technical Education and Vocational Training (November 2005)

## 11. Contact point

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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*

