PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF
SDR 13.4 MILLION
(US$21.0 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

SINDH SKILLS DEVELOPMENT PROJECT

May 4, 2011

Human Development Department
South Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2011)

Currency Unit  =  Pakistani Rupee (PKR)
PKR 85.7  =  US$ 1
US$ 1.57305  =  SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

BBSYDP  Benazir Bhutto Shaheed Youth Development Project
BTE  Board of Technical Education
CPS  Country Partnership Strategy
DAE  Diploma in Associate Engineering
DA  Designated Account
DAO  District Accounts Office
DLI  Disbursement Linked Indicator
DPC  District Program Coordinator
DTE  Department of Technical Education
FANA  Federally Administered National Area
FATA  Federally Administered Tribal Area
FM  Financial Management
FMIS  Financial Management Information System
GoS  Government of Sindh
IBRD  International Bank for Reconstruction and Development
ICT  Information and Communication Technologies
IDA  International Development Association
ILO  International Labor Organization
IMC  Institute Management Committee
KCCI  Karachi Chamber of Commerce and Industries
KP  Khyber-Pakhtunkhwa
M&E  Monitoring & Evaluation
MIS  Management Information System
NAVTEC  National Vocational and Technical Education Commission
NGO  Non-Governmental Organization
NISTE  National Institute for Science and Technical Education
NPO  National Productivity Organization
PMU  Project Management Unit
PSAC  Private Sector Advisory Council
SBD  Standard Bidding Documents
SBTE  Sindh Board of Technical Education
SDA  Special Drawing Account
SDR  Special Drawing Rights
SIL  Specific Investment Loan
SSDP  Sindh Skills Development Project
STTB  Sindh Trade Testing Board
STEVTA  Sindh Technical Education and Vocational Training Authority
STR  Student Teacher Ratio
TEVTA  Technical Education and Vocational Training Authority
TVET  Technical and Vocational Education and Training
TSC  Technical School Certificate
WB  World Bank

Regional Vice President:  Isabel Guerrero
Country Director:  Rachid Benmessaoud
Sector Director:  Michal Rutkowski
Sector Manager:  Amit Dar
Task Team Leader:  Andreas Blom

I. Strategic Context.............................................................................................................................. 1
   (i) Country Context ......................................................................................................................... 1
   (ii) Sectoral and Institutional Context ............................................................................................ 1
   (iii) Higher Level Objectives to which the Project Contributes .................................................. 4
II. Project Development Objectives .................................................................................................. 4
   (i) PDO ............................................................................................................................................... 4
       1. Project Beneficiaries ................................................................................................................ 5
       2. PDO Level Results Indicators ............................................................................................... 5
III. Project Description ....................................................................................................................... 5
    A. Project components .................................................................................................................... 5
    B. Project Financing ....................................................................................................................... 7
       1. Lending Instrument .................................................................................................................. 7
       2. Project Cost and Financing ..................................................................................................... 7
    C. Lessons Learned and Reflected in the Project Design ............................................................. 8
IV. Implementation ............................................................................................................................. 9
    A. Institutional and Implementation Arrangements ....................................................................... 9
    B. Results Monitoring and Evaluation ........................................................................................... 10
    C. Sustainability ............................................................................................................................. 10
V. Key Risks and Mitigation Measures .............................................................................................. 11
VI. Appraisal Summary ...................................................................................................................... 12
    A. Economic and Financial Analysis ............................................................................................ 12
    B. Technical .................................................................................................................................... 12
    C. Financial Management .............................................................................................................. 12
    D. Procurement .............................................................................................................................. 13
    E. Social (including safeguards) .................................................................................................... 14
    F. Environment (including safeguards) .......................................................................................... 15
Annex 1: Results Framework and Monitoring .................................................................................. 16
Annex 2: Detailed Project Description ............................................................................................... 20
Annex 3: Implementation Arrangements ............................................................................................ 29
Annex 4 Operational Risk Assessment Framework (ORAF) ............................................................. 48
Annex 5: Implementation Support Plan .............................................................................................. 52
Annex 6: Team Composition ............................................................................................................. 56
Annex 7: Economic and Financial Analysis ....................................................................................... 57
Annex 8: Summary of Preparatory Studies and the ICR for previous TVET Project in Pakistan
............................................................................................................................................................. 67
Islamic Republic of Pakistan
Sindh Skill Development Project

PROJECT APPRAISAL DOCUMENT

South Asia
SASHD

Date: May 4, 2011
Country Director: Rachid Benmessaooud
Sector Director: Michal Rutkowski
Sector Manager: Amit Dar
Team Leader(s): Andreas Blom
Project ID: P118177
Lending Instrument: SIL

Sector(s): Vocational training (100%)
Theme(s): Education for the knowledge economy (65%); Improving labor markets (15%); Education for all (10%); Export development and competitiveness (10%)
EA Category: C

Project Financing Data:

Proposed terms:
Standard IDA terms (i.e., a 35-year maturity, including a 10 year grace period; maximum commitment charge at 0.5% and a service charge of 0.75% p.a.).

[ ] Loan  [X] Credit  [ ] Grant  [ ] Guarantee  [ ] Other:

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Amount (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
<td>26.00</td>
</tr>
<tr>
<td>Cofinancing:</td>
<td>5.00</td>
</tr>
<tr>
<td>Government of Sindh:</td>
<td></td>
</tr>
<tr>
<td>Total Bank Financing: (US$m.):</td>
<td>21.00</td>
</tr>
<tr>
<td>IBRD</td>
<td>0.00</td>
</tr>
<tr>
<td>IDA:</td>
<td>21.00</td>
</tr>
</tbody>
</table>

Borrower:
Islamic Republic of Pakistan
Economic Affairs Division
Government of Pakistan
Islamabad

Responsible Agency:
The Planning and Development Department, Government of Sindh
Karachi, Sindh
Implementing agencies:
Benazir Bhutto Shaheed Youth Development Program (BBSYDP), Karachi, Sindh
Sindh Technical & Vocational Education Training Authority (STEVTA), Karachi, Sindh

Estimated Disbursements (Bank FY/US$ m)

<table>
<thead>
<tr>
<th>FY</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>3.00</td>
<td>7.00</td>
<td>9.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Cumulative</td>
<td>3.00</td>
<td>10.00</td>
<td>19.00</td>
<td>21.00</td>
</tr>
</tbody>
</table>

Project Implementation Period: June 2011 - June 2014
Expected effectiveness date: June 2011
Expected closing date: December 2014

Does the project depart from the CAS in content or other significant respects? ○ Yes ● No

If yes, please explain:

Does the project require any exceptions from Bank policies? ● Yes ○ No
Have these been approved/endorsed (as appropriate by Bank management)? ● Yes ○ No
Is approval for any policy exception sought from the Board? ● Yes ○ No

If yes, please explain:
Management endorsement for a waiver of the requirements of OP12.00 has been secured for a period of 12 months ending on October 31, 2011 to allow for continued use of DAs for loans and credits to Pakistan. (see ref. paragraph 44.)

Does the project meet the Regional criteria for readiness for implementation? ● Yes ○ No

If no, please explain:

Project Development Objective

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

The key performance indicators are: (i) Percent of trainees of the youth development program who are employed and/or enrolled in continuing education/training three months after completion of training; (ii) Number of financed unemployed youth who complete the youth development program, and (iii) Number of market-driven training programs established in public training institutions.
Project description:

*Component 1: Support to the Benazir Bhutto Shaheed Youth Development Program (BBSYDP) - US$18.75 million (75%):* The program aims to train unemployed youth through short-term training on a contract-basis with performance benchmarks.

*Component 2: Establish Demand-driven Institutional Training Programs US$5 million (20%):* This pilot sector program will competitively select 100 training programs for re-design or creation to meet demonstrated local labor market needs.

*Component 3: Capacity Building of Sindh TEVTA US$1.25 million (5%):* This component will strengthen Sindh TEVTA in implementation of component 2, collecting and using performance information, and policymaking.

Safeguard policies triggered?

| Environmental Assessment (OP/BP 4.01) | ○ Yes ● No |
| Natural Habitats (OP/BP 4.04) | ○ Yes ● No |
| Forests (OP/BP 4.36) | ○ Yes ● No |
| Pest Management (OP 4.09) | ○ Yes ● No |
| Physical Cultural Resources (OP/BP 4.11) | ○ Yes ● No |
| Indigenous Peoples (OP/BP 4.10) | ○ Yes ● No |
| Involuntary Resettlement (OP/BP 4.12) | ○ Yes ● No |
| Safety of Dams (OP/BP 4.37) | ○ Yes ● No |
| Projects on International Waterways (OP/BP 7.50) | ○ Yes ● No |
| Projects in Disputed Areas (OP/BP 7.60) | ○ Yes ● No |

**Conditions and Legal Covenants:**

Effectiveness conditions: None

Legal covenants:

<table>
<thead>
<tr>
<th>Financing/Project Agreement Reference</th>
<th>Description of Condition/Covenant</th>
<th>Date Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1 A. (a)</td>
<td>maintain the “Sindh Skills Development Leadership Team, for the strategic policy guidance and oversight of the implementation of the three components of the Project</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1 A. (b)</td>
<td>cause BBSYDP to maintain a provincial steering committee in order to provide strategic leadership, policy guidance and general oversight to BBSYDP in the carrying out of Component 1 of the Project</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1 A. (c)</td>
<td>BBSYDP to maintain a provincial coordination unit (the “PCU”) headed by an experienced Project Coordinator</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1 A. (d)</td>
<td>maintain a project team (“STEVTA PT”) headed by an experienced Project Coordinator</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1 A. (e)</td>
<td>maintain an independent evaluation committee to carry out the evaluation of programs to be established or upgraded under Component 2</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1 C. 3 (a) - (c)</td>
<td>Upon the selection of short-term training proposals, BBSYDP shall enter into service contracts or Sub-grant Agreements with the respective Training Providers which shall include the following: (a) performance-based system (b) the automatic disqualification, for a period of twelve</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1. C. 5</td>
<td>BBSYDP pay the Stipends/Relocation Allowances to the Trainees in a timely fashion, subject to the Trainees’ on-going compliance with/maintenance of the eligibility criteria.</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1. C. 6</td>
<td>BBSYDP to adopt an easily accessible grievance redressal mechanism.</td>
<td>6 months after effectiveness</td>
</tr>
<tr>
<td>Section 1. C. 7</td>
<td>BBSYDP to implement a comprehensive documentation and record keeping database</td>
<td>6 months after effectiveness</td>
</tr>
<tr>
<td>Section 1. D. 3</td>
<td>STEVTA to ensure that the selection of programs to be established, or upgraded is carried out in an open, transparent and competitive manner</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1. D. 4</td>
<td>STEVTA shall enter into a memorandum of understanding with each selected vocational/technical training institution.</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1. F. (a)</td>
<td>all documents related to Component 1, including: (i) the BBSYDP Operations Manual; (ii) the minutes of the meeting of the Sindh Skills Development Leadership Team; (iii) the list of Trainees; (iv) the list of all prequalified Training Providers detailing those which have actually entered into Sub-grant Agreements and/or performance-based contracts with BBSYDP; (v) the Project Reports; and (vi) the audited financial statements and interim un-audited financial reports, are made available and publicly accessible at the website of BBSYDP</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section 1. F. (b)</td>
<td>all documents related to Components 2 and 3 of the Project,: (i) the STEVTA Operations Manual; (ii) the minutes of the Sindh Skills Development Leadership Team; (iii) the list of selected programs and their respective technical/vocational training institutions; (iv) Memorandum of Understanding with each selected institution, as well as the reports on the institution’s performance; (v) the Project Reports; and (vi) the audited financial statements and interim un-audited financial reports, are made available and publicly accessible at the website of STEVTA</td>
<td>Continuous</td>
</tr>
<tr>
<td>Section II B. 4. (a) and (b)</td>
<td>Departmental Accounts Committee meetings held to discuss audit reports for STEVTA and BBSYDP for FY09 and FY10.</td>
<td>Jun 30, 2011</td>
</tr>
<tr>
<td>Section II B. 4. (a)</td>
<td>STEVTA will appoint a chartered accounting firm to audit financial statements for FY09 and FY10.</td>
<td>Jun 30, 2011</td>
</tr>
<tr>
<td>Section II B. 4. (a)</td>
<td>STEVTA to appoint and thereafter maintain throughout the period of implementation of the Project, an internal audit director.</td>
<td>Jun 30, 2011</td>
</tr>
<tr>
<td>Section II B. 4. (b)</td>
<td>BBSYDP to engage the services of a chartered firm of accountants or a qualified accountant for carrying out Project’s internal audits</td>
<td>Dec 31, 2011</td>
</tr>
</tbody>
</table>
I. Strategic Context

(i) Country Context

1. **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 beneficial 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

2. **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 percent in 2001/02 to 56 percent in 2008/09 working toward gender parity. Female NER in 2008/09 stood at 52 percent compared with 38 percent 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 quarter of the youth cohort graduates from secondary education and a meager 4 percent enter the higher education system. Less than 1 percent 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, drop-out rates are high, and learning achievements are low and varied. This translates into 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 percent of Pakistan’s 169 million in the 15-24 age range, this amounts to a tremendous education and training challenge.

3. **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 percent 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.

4. **The TVET sector in Sindh, as in the rest of 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 (15 percent of these are in Sindh) in the country providing skill development opportunities for around 240,000 students (about 52,000 in Sindh) 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:

- **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 have practical hands-on skills as well as industry exposure.

- **Low public investment:** Only a small part of the public budget allocation is allocated to TVET (5 percent) out of an already low public investment in education; public expenditure on education in 2007-08 stood at 1.6 percent of GDP, one of the lowest in the world. In Sindh, only about PKR 56 million was allocated to the TVET sector in 2008/09 out of which 88 percent was allocated to salary related expenditures. The challenge is to ensure 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.

- **Outdated infrastructure of 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.

- **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.

- **Substantial provincial efforts have been expended in recent years to improve governance of TVET.** At the provincial level, all provinces, including Sindh, 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 trainees, teachers, and institutions.

- 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

5. **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, the role of the federal government is being redefined within TVET with the 18th amendment of the Constitution, which delegates almost all aspects of TVET to the provinces.

6. **The Province of Sindh strongly supports TVET and is taking critical steps to address 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 program has so far provided training to more than 79,000 unemployed youth in the province. To date, 16,200 (20 percent) of the participants have been female. Based on the findings of a tracer study of approximately 3,700 graduates of the first phase of the program, 28 percent were found to have received employment in a relevant field at completion of training.

7. **Several Development Partners support Skills Development in Pakistan, but none provide significant support to the Government of Sindh (GoS).** Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), European Commission (EC), International Labor Organization (ILO) and the Dutch Government support National Vocational and Technical Education Commission (NAVTEC) through a US$ 50 million program. (United States Agency for International Development (USAID) is financing a program that partners with civil society to invest US$80 million in training across the country with a focus on the northern areas of the country. UK Department for International Development (DFID) and China have supported training programs in KP, FATA and Punjab. ADB concluded two projects in 2008 in Balochistan and KP due to administrative difficulties. ILO through EC supports skills development in AJK and country-wide capacity building initiatives. So far, GoS has only received limited assistance for skills development from Development Partners.
(iii) Higher Level Objectives to which the Project Contributes

8. **The Bank’s Country Partnership Strategy for FY10-13 includes this project under the pillar to improve human development and social protection.** The operation will also provide synergies with on-going 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 help address the lack of skilled labor faced by projects in infrastructure, such as the power, roads, and irrigation sector.

9. **Supporting GoS’ strengthening of STEVTA and the BBSYDP program presents a good opportunity for the Bank** because of the need to develop skills of youth in Sindh 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 holds significant potential for assisting young people getting a job. By investing in, and strengthening, BBSYDP, the Bank would assist GoS create a more effective training program that could be scaled-up in addition to informing the skills development programs in other provinces.

10. **The Bank can assist GoS strengthening of its skills development programs by bringing in appropriate international expertise for improved results measuring, creating linkages with employers, implementation support, and investment in 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 in training institutions with institutional reform, linkages with private sector, and results monitoring.

II. Project Development Objectives

11. **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 successful interventions within Sindh and/or in other provinces. Criteria for determining success of interventions will include: (i) achievement of the Project Development Objective (PDO); (ii) effective use of monitoring systems to collect and utilize data for planning and performance management; (iii) institutionalizing linkages with industry and increased participation of private sector; (iv) increased benefit of training for female trainees; (v) timeliness, transparency, and fiduciary compliance of implementation.

(i) PDO

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

13. 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 province-wide information campaigns 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 period. 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. Future trainees enrolled in the established market-driven institutional training program will also benefit from the investments made during the Project. In addition, the program will benefit the competitiveness of the companies hiring the skilled labor.

2. PDO Level Results Indicators

14. The key performance indicators are:

- Percent of trainees of the youth development program who are employed and/or enrolled in continuing education three months after completion of training (Baseline is 28 percent in FY2010 and target is 40 percent by FY2014).
- Number of financed unemployed youth who complete the youth development program (target: 45,000 by FY2014).
- Number of market-driven training programs established in public training institutions (target: 70 by FY2014).

III. Project Description

A. Project components

The Project is structured around three components:

15. Component 1: Improving and Expanding Short-term Training – US$18.75 million (72%). This Component will expand and increase the impact of the existing BBSYDP which has been operating for two years, and has already trained over 79,000 unemployed youth. It will finance the training contracts for delivering training to approximately 45,000 trainees over a 2-3 year period.

16. Training will be 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. Under the Project, as a condition of receiving funding, training providers will commit to a minimum level of job placement and/or entry to further training/education of trainees. This minimum level placement rate is initially 30 percent 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 year before becoming eligible for a new contract. This performance criterion seeks to provide a strong incentive for training 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, social sectors, 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.

17. **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 supported by a mobility allowance of Rs. 4,000 (US$47). The mobility allowance facilitates access for rural youth. The stipend and mobility allowance is conditional upon 85 percent attendance, which is monitored and enforced.

18. **BBSYDP is operating under a good set of Guidelines¹**, which have been implemented satisfactorily over the last three years. The Guidelines have been revised regularly to reflect lessons learnt from implementation. The Project will aim to strengthen administration of the Program further, specifically by strengthening collection and utilization of information on market demand for skills and on performance of training in achieving employment outcomes. Introduction of performance based contracts under the Project is expected to significantly enhance focus on results. During the Project, training needs assessments and feedback from employers, training providers and trainees will be collected to inform BBSYDP and the training providers in continuously improving job-relevance and the quality of training. Regular learning events to share experiences and practices of training providers will be held in an effort to improve overall performance of providers. In addition a net impact study will be conducted to gauge overall benefits of the program. BBSYDP will strengthen its communications to disseminate information on its processes and results to relevant stakeholders in a structured manner. Several tools including media, seminars and consultations with a wide range of relevant stakeholders will be used to share details on program performance.

19. **Component 2: Establish Market-driven Institutional Training Programs - US$5.0 Million (19%).** This component will pilot a sector program to establish market driven institutional training programs in STEVTA administered institutions to better meet the skill demands from employers. This is expected to lead to an increase in the share of trainees finding employment. The average cost of program establishment/upgrade is currently expected to be around USD 70,000, based on which around 70 programs may be set up with support from this component. However, this estimate may vary significantly from the actual cost estimates received from institutions which in turn will determine the final number of programs supported by financing from this component.

20. **The training programs to be upgraded will be selected using a transparent competitive fund mechanism.** The main selection criteria will be (i) the potential to cater to local market demand, including explicit buy-in from local employers; (ii) quality of upgrade proposal; and (iii) the poverty level of the district. The application template will be simple and institutions will receive support in developing the proposals and reaching out to local employers. The evaluators will include private sector professionals. The selected institutions will be required to implement a

---

¹ The program is well documented with all guidelines, results, and documentation on the web at www.bbsydp.gov.pk
set of institutional reforms, namely increased private sector participation in institutional management and private sector advice from professionals in curriculum design and industry exposure.

21. 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 which include teacher salaries, and recurrent costs, such as utilities in addition to expenditure directly related to implementation of competitive fund activities. There is some procurement expected for the third EEP which will use procedures acceptable to the Bank.

22. 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 and dissemination of results of the programs. The M&E activities include tracer studies, a net impact study 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 and assessments as well as undertake strategic studies. This component will finance technical assistance, training, operational costs for project implementation, and limited equipment and supplies.

23. Unallocated funds amounts to US$1.0 million (4%). This will finance either unforeseen expenditure necessary to achieve the project’s objective or additional project activities already described under Component 1.-3.

B. Project Financing

1. Lending Instrument

24. The Project proposes to use the Specific Investment Loan (SIL) instrument through a US$21 million IDA credit to provide assistance to the Government of Sindh.

2. Project Cost and Financing

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Project cost</th>
<th>IDA Financing</th>
<th>% Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving and Expanding Short-term Training</td>
<td>18.75</td>
<td>15.00</td>
<td>80</td>
</tr>
<tr>
<td>2. Establish Market-driven Institutional Training Programs</td>
<td>5.00</td>
<td>3.75</td>
<td>75</td>
</tr>
<tr>
<td>3. Capacity Building of Sindh TEVTA</td>
<td>1.25</td>
<td>1.25</td>
<td>100</td>
</tr>
<tr>
<td>Unallocated</td>
<td>1.00</td>
<td>1.00</td>
<td>100</td>
</tr>
<tr>
<td>Total Financing Required</td>
<td>26.00</td>
<td>21.00</td>
<td>81</td>
</tr>
</tbody>
</table>

Note: no contingencies are planned due to the absence of civil works and there are no front-end fees or interest paid during implementation.
25. The financing supports an existing short-term training program, BBSYDP in component 1. The Government of Sindh will continue to finance the majority of the program’s expenditure, and the Bank financing (US$15.0 million) is expected to comprise around 40 percent of the program’s yearly expenditure for a three year period. For component 2, the project finances the piloting of a government sector program to establish market-driven training programs.

C. Lessons Learned and Reflected in the Project Design

26. The proposed approach and design builds upon a large number of national and international lessons. The Bank supported the Pakistani TVET sector from 1981 to 1997, with a focus mainly on investing in training institutions. The latest operation yielded hard learnt lessons summarized in Annex 8. The following lessons have been incorporated into the Project design:

(i) Performance-based contracts with private and public training providers are implementable, stimulate innovation in catering to market demand for skills, and produce skills for employment. This is the lesson from Bank projects in Eastern Europe and Latin America. Component 1 focuses on this innovative approach for South Asia. It shifts the focus from investing in upgrading infrastructure of institutions to a more flexible and results-based financing of training through contracting of private and public training providers. This puts the onus of creating market linkages on training providers. Contracts should include job placement rates with related financial incentives. Payments should be made on a cost per trainee basis or another cost-effective and performance-inducing measure. Independent monitoring must verify reported results to minimize mis-reporting of results.

(ii) Combining institutional reforms with investments in infrastructure to ensure results and sustainability of an institutional modernization program. Component 2 Establishing market-driven institutional training programs will require a set of reforms to ensure the institutions are adequately empowered;

(iii) Starting small and phasing support to avoid large undisbursed commitments. New programs are relatively more time intensive to implement. Phasing support helps tie follow-on financing to demonstration of results, improve project design, and create additional incentives and focus on results;

(iv) Keeping the project simple and focused. Therefore, the two alternatives of (a) a larger, potentially national, project, and (b) development of Qualification Framework and Competency Based Standards were rejected. These alternatives would require substantial inter-agency coordination and would risk slow implementation. Secondly there is a GTZ and EC funded national project aiming at developing a qualification framework.

(v) Designing a balanced project with support to both private and public sector training. While private providers are likely to be more responsive to labor demand, inclusion of potentially less-effective public providers/institutions will allow for provision of better training opportunities in marginalized areas and a larger and more sustainable impact on publicly-financed service delivery.
(vi) Ensuring active involvement of the private sector despite its difficulties. To meet the dual objectives of meeting demand for skills and improving employment outcomes of trainees, it is imperative to involve employers in the planning and implementation stages of TVET programs and institutions.

(vii) The Disbursement Linked Indicators (DLI) approach increases the client’s and the Bank’s focus on delivery of results. The Sindh and Punjab education sector projects have pioneered this disbursement method. This project will apply the DLI approach to the TVET sector.

IV. Implementation

A. Institutional and Implementation Arrangements

27. 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 will be constituted 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 take the lead in the planning process 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.

28. Component 1 will be implemented by the BBSYDP. BBSYDP is a formal entity under the Chief Minister’s secretariat and reports to a Steering Committee headed by the Additional Chief Secretary. 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. To date, BBSYDP has demonstrated adequate capacity to implement by coordinating training of over 79,000 youth through 116 private training providers and 21 government departments which in turn have worked with over 1000 providers to deliver the training. The quality of the training providers varies based on their location (rural vs. urban) and type. The majority are faced with the same challenges of low investments in upgrade of equipment, insufficient training materials and under-qualified instructors outlined above. 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 ensure that project guidelines are respected. To complement, an independent third-party organization will verify, on a sample basis, the employment outcomes of training.

29. Component 2 and 3 will be managed by STEVTA. For Component 2, a team of directors assisted by a recently hired 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 proposals 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 (for instance refrigeration technology) will form a joint task force with STEVTA representation to jointly elaborate the learning outcomes and curricula, and jointly purchase learning equipment. An Institutional Assessment of
STEVTA was undertaken as part of Project preparation (summarized in Annex 8). This assessment has informed design and the need for enhancing the capacity of the authority, which will be implemented through support from Component 3. Implementation of Component 3 will be the responsibility of the academic department of STEVTA assisted by the project coordinator.

B. Results Monitoring and Evaluation

30. The Project focuses on strengthening and supplementing the existing monitoring and evaluation systems used by STEVTA and BBSYDP for credible measurement of the outcomes and results of program activities. Disbursements under both Component 1 (through performance based training contracts) and Component 2 (through DLIs) are dependent upon achievement of results and enhancing the need for credible and timely measurement of outcomes. Component 3 of the Project sets aside funds for activities such as annual tracer and labor market studies of training programs, MIS etc. to invest in enhancing the M&E systems of STEVTA.

31. Component 1: An employment verification system which uses information already being collected by BBSYDP through completion reports submitted by training providers is being set up. This system will build on the existing M&E system of BBSYDP by instituting an employment verification system that verifies the information submitted by the training provider on a sample basis by contacting trainees through a call center to confirm their employment status. In addition, external validations of how well the system is working in collecting reliable information on the employment outcomes of Program graduates may be commissioned which could include visits to employers for a credibility check.

32. Component 2: Two important monitoring and evaluation processes will be integrated into the Project design. First, careful documentation of the completion of each stage of program development (i.e. memoranda of understanding, externally approved curriculum materials, equipment purchased, and trainees enrolled) will be submitted by institutions and maintained by STEVTA. Second, periodic graduate tracer studies of programs financed under this component will be conducted to evaluate the employment outcomes of the supported training programs.

33. Component 3: Will include technical assistance to implement tracer studies of a sample of graduates from all STEVTA training institutions, a net impact study of the BBSYDP Program, and annual labor market surveys. It will also support wide dissemination of the findings of these studies on program performance.

C. Sustainability

34. Sustainability of the intervention. The main risks to sustainability are: (i) political change in the provincial government which launched the program; especially since the Program has a politically-associated name. Achieving, documenting and communicating strong results are the main tool to reduce this risk, since it has worked for other programs in Pakistan; (ii) the constant need for recurrent financing of the short-term contract-based training program (BBSYDP). In a fiscal crunch, it is politically easier to reduce investments in non-salaried components, such as the BBSYDP program; in particular if the stakeholders are poorly organized such as youth; this is also mitigated by the above mitigating action of achieving, documenting and communicating results, and (iii) the autonomy of STEVTA is critical for building strong institutional training institutions in the province that are administrated based upon long-term
education goals and with accountability to society. The mitigating action is a legal covenant requiring STEVTA’s Board to meet at least quarterly and make publicly available the minutes for each Board meeting.

V. Key Risks and Mitigation Measures

35. **Overall the project is rated medium risk based upon likelihood [Medium-L] due to the preventive actions taken during preparation and the implementation of the mitigating actions during implementation.** There are a number of important country, sector and project risks associated with the Project, as outlined below and in Annex 4. However, the sizable risks are mitigated upfront by: (i) keeping the size of the project manageable; (ii) using the majority of the funding to finance an on-going successful program, BBSYDP, which has demonstrated its capacity to train a large number of youth - this substantially reduces the risk of insufficient capacity and slow implementation; and (iii) the up-front substantial reduction of the stipend from an average of Rs. 5,500 (US$65) to a flat Rs. 2,500 (US$29). This significantly lowered the potential gain from dishonest or disinterested participation in training and thereby raised the motivation of the trainee and the impact of the training. Nevertheless, other key risks remain:

- **Low labor market relevance and quality of training** would prepare youth for non-existent jobs. This is mitigated by: (i) a strong weight on relevance in the STEVTA selection of training programs; (ii) strong inclusion of private sector; (iii) performance benchmarks in the BBSYDP contracts with training providers; (iv) conduct of employer surveys and training needs assessments; (v) enhancing accountability for results via the IMCs; and (vi) strong M&E with third party monitoring of employment outcomes.

- **The security situation already poses a challenge, but could worsen.** The sectarian violence in Sindh and the possibility of terrorist attacks affect the implementing agencies’ ability to fully plan and focus on project implementation. Further, it restricts the Bank team’s ability to monitor and support the government on the ground. The teams will: (i) continue to be vigilant with regards to security readiness; (ii) include third party consultants to provide monitoring and implementation support; and (iii) take advantage of distance communication to the extent possible.

- **Corruption and fraud.** Corruptive practices in the project could arise in connection with the payment of the stipend to the trainees and for purchase of goods and training services. Therefore proper policies and monitoring procedures have been established to ensure rule-based admission of trainees and independent testing to determine entry to the program, contracting of training providers, and use of bank transfers of stipends directly to trainees’ bank accounts.

- **Capacity of STEVTA is nascent given its recent creation.** This could lead to slow implementation. However, a team of staff and contract-hired consultants, including a project coordinator has been hired. Further, low capacity is mitigated by technical assistance financed by Component 3.
VI. Appraisal Summary

A. Economic and Financial Analysis

36. The economic rationale for the Project is based on the prospective cost-benefit analysis of the two main components of the Project. The analysis only takes quantifiable cost and benefits into account. As many benefits and some costs are not measurable, it is assumed that the computed IRR is underestimated. Benefits are expected to be derived from an increase in the probability of trainees finding employment and an increase in their salaries after they receive training. This analysis makes the lower bound assumption that benefits accrue to only those individuals who undergo training and graduate—hence the estimates derived from the cost-benefit analysis are conservative and actual benefits are likely to be significantly higher. For Component 1, investing in short term training of 45,000 youth at the average cost of $410/trainee would yield a Net Present Value of US$27.34 million, with an IRR of 21 percent for the base case if the probability of finding employment three months after completing training remains at 28 percent (BBSYDP Tracer Study Finding for FY2010). If the probability of employment goes up to 40 percent as targeted by the Project, the NPV would be as high as US$73.9 million, with an IRR of 36.7 percent. For Component 2, a sensitivity analysis is carried out for cost-benefit calculations where the probability of employment within 6 months is varied under ‘low’ and ‘high’ scenarios. Based on the analysis, re-designed one-year programs have an IRR of 26.9 percent and an NPV (per trainee) of US$1,703 under the low case scenario, with an increase in the IRR to 34.4 percent and the NPV (per trainee) to US$2,560 under the high case. The analysis for both components indicates a strong economic rationale for investment in Project activities.

B. Technical

40. The technical content of the Project has been designed based upon Government of Sindh’s experience and strategy combined with contributions from the Bank’s international experiences, and input from consultations with stakeholders. The main technical issues are:

- The Youth Development Program represents an innovative and promising way to deliver quality training to youth. It follows a sound selection process for the contracting of private and public training institutions. The program has been successful in reaching out to a larger number of unemployed youth, 79,000, in just three years of operation. With this Project, the program will take a further step forward to improve the impact of the training by increasing the job-placement rate.

- Involvement of the private sector in the institutional management: This is a critical element of the reforms package for public institutions. Institute Management Committees (IMC) is being constituted for all institutions with a representative from local industry as its chairperson.

C. Financial Management

41. BBSYDP, responsible for Component 1, will use its existing financial management system which is in accordance with the country’s accounting procedures and policies, as defined in the New Accounting Model (NAM). These policies and procedures are being progressively and consistently applied at the provincial as well as district government levels and conform to
international standards. Staffing is adequate for present needs with the exception of the need for a dedicated Accountant to manage recording and reporting. The position of Chief Internal Auditor that reports to the Audit Committee of the Steering Committee of BBSYDP is also vacant and needs to be filled.

42. STEVTA, responsible for Components 2 and 3, is an autonomous entity and thus lies outside the domain of the country Public Financial Management system. Key vacant positions include: Assistant Director (Accounts and Finance) and a Chief Internal Auditor reporting to the STEVTA Board of Directors. FM arrangements at STEVTA are under development and the Financial Rules, Delegation of Financial Powers and the Financial Management manual are yet to be issued. The entity is therefore subject to inherent risks, which may be effectively mitigated once clearly defined institutional capacity and arrangements are in place.

43. The external audits of both BBSYDP and STEVTA for FY 2008/2009 have been completed by the Auditor General, but the Departmental Accounts Committee meetings for resolving audit issues have not yet taken place; it is expected that these meeting will be held before the project negotiations. STEVTA will appoint a chartered accountant firm to conduct audit of its financial statements for FY09 and FY10 in accordance with the STEVTA Act. During the Project duration, BBSYDP and STEVTA will prepare separate annual financial statements that will be audited by the Auditor-General of Pakistan.

44. There are nine IDA-financed projects in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the “grace period” (i.e., the “lapsed loan” date, normally six months after the Closing Date). Under Bank policy (OP12.00, disbursement paragraph 12), failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans/credits. Management endorsement for a waiver of the requirements of OP12.00 has been secured for a period of 12 months ending on October 31, 2011 to allow for continued use of DAs for loans and credits to Pakistan. It is hereby requested that the waiver be approved by the Board for this Credit.

45. Components 1 and 3. Two separate Designated Accounts, to be opened in USD with the National Bank of Pakistan, will be operated jointly by authorized persons (one designated account for BBSYDP for Component 1 and the other for STEVTA for Component 3). These DAs shall be opened by BBSYDP and STEVTA following the procedures required by the Finance Division, Government of Pakistan relating to the maintenance and operation of revolving fund accounts of IDA/IBRD/ADB credits and loans. For these components, the disbursement method will be based on advances and separate quarterly Interim Unaudited Financial Reports (IUFRs), including cash forecasts for two quarters, will be prepared by BBSYDP and STEVTA following the Report-Based Disbursement Method. These reports will be due within forty five days of each quarter-end.

46. Component 2. Disbursements in USD for Component 2 will be conditional on achieving progress against the Disbursement Linked Indicators. IDA Credits for this Component will be on reimbursement basis and disbursed to the Sindh Government Consolidated Fund Account No. 1.

D. Procurement

47. Procurement under the project would be carried out in accordance with the World Bank’s "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans

48. For Component 1, BBSYDP will be responsible for procurement. The program has been conducting such trainings since 2009, but there has been a rather quick turnover in the program. However, the selection process of the training providers has been discussed, agreed with BBSYDP and documented in the project manual. Further, the selected public training institutions are required to follow the provincial public procurement rules for utilizing all expenditures which place adequate emphasis on transparency, and equal opportunity. These expenditures are subject to audit and shall be verified on a sample basis through post-procurement reviews. Procurement for Component 2 will be administered by STEVTA by setting up committees with participation from the training institutions to carry out the procurement. Disbursement will be linked to indicators (DLI-disbursement) and the Eligible Expenditure Programs (EEP) have been agreed with the government. All procurements under the EEPs shall follow Bank’s procurement guidelines. Component 3 will be executed by STEVTA. In STEVTA, there is a designated Deputy Director Procurement assisted by two staff members. As indicated in the risk section, the procurement risk is rated “Substantial” from a procurement and contract management point of view. This assessment is based upon overall country context, the relatively short procurement experience of the implementing agencies as well as the devolved status of implementation.

E. Social (including safeguards)

49. Ensuring Girls and young women benefit from the skill development is an important aim for the project. Training is key to enhance women’s labor market outcomes, most notably earning an income. As part of the project, a study examining options to enhance girls’ participation and benefit from skills development was undertaken. The study finds an overall high satisfaction rate of the training from girls and their parents, and high interest in participating among potential female trainees. According to the surveyed girls, parents and training providers, the main constraints for participation are: (i) safe transportation to and from the training location. Many girls use a large share of the stipend on transportation, such as rickshaws; (ii) Co-education and the parda (veil) represents an obstacle for around 40% of potential female trainees; (iii) the gender of the trainers, home chores, and timings of training are obstacles for some, but not the majority; (iv) The brother and to a smaller extent the father are the sources of the constraints. The main obstacles for using the acquired skills to earn a living are: (i) the need for the workplace to be deemed appropriate and safe for girls; (ii) relevance and quality of training, and (iii) assistance in finding a job or a self-employment. BBSYDP and STEVTA have already taken several steps to address these constraints and enhance participation and benefit for girls from the training: notably, stipends to pay for transportation, establishing many girl’s only training programs, training in areas where self-employment is possible (such as dress-making and crafts), and information campaigns. To further enhance female participation in, and benefits from the program, the project’s strategy is to: (i) identify the major and emerging sectors and occupations where it is socially acceptable for girls to work and seek to provide training for such occupations; (ii) experiment with targeted information campaigns and orientation sessions for family members to raise the comfort level with training of girls; (iii) consider establishing more
girls-only training programs; (iv) increase career guidance; (v) examine options for training for increased self-employment and/or home-employment.

50. It is anticipated that no adverse impacts will occur due to the activities of this project neither on any persons nor on private or public property, and livelihood.

F. Environment (including safeguards)

51. The project activities are environmentally benign, and are not likely to cause any negative environmental impacts. No construction will take place under the project, and only refurbishment of existing class rooms and workshops will be financed.
Annex 1: Results Framework and Monitoring

Project Development Objective (PDO): The Project will support the Government of Sindh in strengthening its training programs to improve the skills set and employability of trainees.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators</th>
<th>Core Unit of Measure</th>
<th>Baseline FY2010</th>
<th>Target Values FY2012</th>
<th>Target Values FY2013</th>
<th>Target Values FY2014</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator One: Percent of trainees of the youth development program who are employed and/or enrolled in continuing education three months after completion of training</td>
<td>%</td>
<td>28(^2)</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>Annual</td>
<td>BBSYDP employment verification system which will include third party verification on a sample basis;</td>
<td>BBSYDP Unit</td>
<td>Used in conjunction with the intermediate outcome indicators, this data will help assess whether the PDOs are being achieved. The indicator will report both overall benefits and disaggregated for those that are employed and those that pursue further education</td>
</tr>
<tr>
<td>Indicator Two: Number of financed unemployed youth who complete a short term training course of BBSYDP. (cumulative over the duration of the project)</td>
<td>No.</td>
<td>0</td>
<td>15,000</td>
<td>30,000</td>
<td>45,000</td>
<td>Annual</td>
<td>BBSYDP database reflecting information provided by training providers in completion reports are verified on a sample basis by BBSYDP and third party; employment verification system</td>
<td>BBSYDP Unit</td>
<td>Data collected on these indicators will help assess if the program is accessible to eligible youth in the province on an equitable basis. In the first two phases of the program, 79,000 youth were trained by BBSYDP.</td>
</tr>
<tr>
<td>Indicator Three: Number of market-driven training programs established in public training institutions</td>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>70</td>
<td>Annual</td>
<td>STEVTA</td>
<td>The target relies on an estimation of average cost of the program upgrade/establishment. This target may be changed after the</td>
<td></td>
</tr>
</tbody>
</table>

\(^2\) The baseline is informed by a tracer study of 3000 graduates of the first phase of the program conducted in FY10.
**INTERMEDIATE RESULTS**

**Intermediate Result (Component One):** Equitable access to short term training programs that equip youth in Sindh with market demanded skills.

<table>
<thead>
<tr>
<th>Intermediate Result indicator one: Share of female participants in youth development program</th>
<th>%</th>
<th>20</th>
<th>22</th>
<th>25</th>
<th>28</th>
<th>Annual</th>
<th>BBSYDP database</th>
<th>BBSYDP Unit</th>
<th>Rural is defined as all participants not coming from the three main cities of Sindh (Karachi, Hyderabad, and Sukkur)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate Result indicator Two: Share of rural participants in youth development program</th>
<th>%</th>
<th>70</th>
<th>70</th>
<th>70</th>
<th>70</th>
<th>Annual</th>
<th>BBSYDP database</th>
<th>BBSYDP Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate Results Indicator three: Percent of trainees of the youth development program externally certified</th>
<th>%</th>
<th>20</th>
<th>22</th>
<th>25</th>
<th>30</th>
<th>Annual</th>
<th>BBSYDP database reflecting information provided by training providers in completion reports are verified on a sample basis by BBSYDP and third party</th>
<th>BBSYDP Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Result (Component Two):** Establishment of market driven institutional training program and improved management of public training institutions (This is a new program which will be implemented on a pilot basis. Establishment/redesign will include revision of curriculum, revision of standards, training of teachers on new curriculum, renovation/procurement of curriculum compliant equipment and enrolment of first class of reformed program which will form the intermediate outcome indicators of this component. The number of programs to be upgraded will be determined on the basis of a competitive selection process (Appraisal estimate is around 70 programs). Disbursements under this component will be linked to achievement of results/DLIs which are articulated below)

<table>
<thead>
<tr>
<th>Intermediate Result indicator One: No. of training programs in institutions with an active Institution Management Committee (IMC) with at least a third of the members from the private sector.</th>
<th>No.</th>
<th>10</th>
<th>60</th>
<th>70</th>
<th>70</th>
<th>Annual</th>
<th>STEVTA Notifications of IMCs; Minutes of quarterly IMC meetings</th>
<th>STEVTA</th>
<th>Establishing IMCs with adequate private sector representation will be the first main activity to be undertaken. This is part of the first DLI as part of the signed MoU. The first disbursement under this component will be made only when 70% of the participating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Intermediate Result indicator

Two: Number of selected training programs for which curricula are updated

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>0</td>
<td>10</td>
<td>60</td>
<td>70</td>
</tr>
</tbody>
</table>

One time STEVTA MIS based on information collected from training institutions

STEVTA

The second disbursement will be made under this component when at least 70% of participating institutions achieve this result. Although 80 programs are estimated to be upgraded, there will only be about 30 new/revised curricula developed because the same curriculum may be used in several participating institutions.

Intermediate Result indicator

Four: Number of selected training programs for which curricula compliant equipment is procured and installed

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td>70</td>
</tr>
</tbody>
</table>

One time STEVTA MIS based on information collected from training institutions

STEVTA

Intermediate Result indicator

Five: Number of selected training programs which enroll first class at 80% of capacity

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>70</td>
</tr>
</tbody>
</table>

One time STEVTA MIS based on information collected from training institutions; third party verification

STEVTA

Intermediate Result (Component Three): Enhanced capacity of STEVTA for more effective policy making and management of public training institutions; and certification bodies to set occupational standards and certification mechanisms

Intermediate Result indicator

One: Stakeholder ratings of STEVTA

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>First trainee and institutional surveys to be conducted in August 2011 to set baseline</td>
<td>Employers: 47%</td>
<td>To be determined after baseline established</td>
<td>Employers: 50%</td>
</tr>
<tr>
<td></td>
<td>Annual</td>
<td>To be determined after baseline established</td>
<td>Employers: 55%</td>
<td></td>
</tr>
</tbody>
</table>

Annual perception surveys conducted by STEVTA on its performance

STEVTA

Stakeholder ratings will help identify how STEVTA is perceived and assist in changing strategies over time. Definition for the employer rating: the share of employers who rates STEVTA institutions as either average, good, or very good).
**Intermediate Result indicator**  
**Two:** Number of STEVTA Board meetings with publicly available minutes

<table>
<thead>
<tr>
<th></th>
<th>No.</th>
<th>0</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Quarterly</th>
<th>STEVTA Minutes of Board meetings</th>
<th>STEVTA</th>
<th>Minutes of STEVTA Board will help assess the attention, ownership and quality of strategic guidance the Board is providing to STEVTA and its programs.</th>
</tr>
</thead>
</table>

**Intermediate Result indicator**  
**Three:** Annual tracer studies of graduates of the short term BBSYDP and tracer studies from at least 50% of the supported training institutions in Component 2

<table>
<thead>
<tr>
<th></th>
<th>Yes/No</th>
<th>Yes/No</th>
<th>BBSYDP conducted a tracer study in FY2010 STEVTA Institutions have not</th>
<th>Annual</th>
<th>Tracer study reports published by STEVTA institutions/BBSYDP</th>
<th>STEVTA/BBSYDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>BBSYDP: Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Result indicator:**  
**Four:** Number and share of girls enrolled in STEVTA supported training programs

<table>
<thead>
<tr>
<th></th>
<th>No. and percentage</th>
<th>To be established after institutions have been selected</th>
<th>Annual</th>
<th>STEVTA MIS</th>
<th>STEVTA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☑</td>
<td></td>
<td></td>
<td>STEVTA</td>
<td></td>
</tr>
</tbody>
</table>
Annex 2: Detailed Project Description

1. The Project will support the Government of Sindh in strengthening its training programs to improve the skills set and employability of trainees. A programmatic engagement is envisioned in the sector. The project is envisioned as a pilot and will initially invest US$21.0 million in the following manner:

- **Component 1: Improving and Expanding Short-term Training** – US$18.75 million (72% of project total) - IDA US$15.0 million
- **Component 2: Establishing Market-driven Institutional Training Programs** – US$5.0 million (19% of project total) - IDA US$3.75 million
- **Component 3: Capacity Building of STEVTA** – US$1.25 million (5% of project total) - IDA US$1.25 Million
- **Unallocated: 1.00 million (4% of project total)** – IDA US$ 1.00 million

**Component 1: Improving and Expanding Short-term Training** – US$ 18.75 million (75% of project total) - IDA US$15.0 million

2. The objective of this Component is to improve the employment outcomes and expand coverage of the existing short term training program, Benazir Bhutto Shaheed Youth Development Program (BBSYDP), which aims to skill unemployed youth for available jobs. The BBSYDP has been operating for two years, and has already trained over 79,000 youth. This component will finance the recurrent costs of delivering training services to approximately 45,000 trainees over a 3 year period. The target group includes the semi-literate with 10 years of schooling or less, including females, with a focus on participants from the interior of Sindh. The participants are between 18 and 35 years of age residing in Sindh. The program provides demand-driven and performance-based skill training by contracting public and private training providers to deliver training. BBSYDP has developed and refined a detailed set of Guidelines that are easily accessible on the web. The program is relatively well-known in the province.

3. **Type of Training:** The program finances short-term training (3-12 months) with the objective to assist participants qualify for an entry-level position within a specific trade, profession or industry. Typical examples of training are construction worker, machine operator, entry-level air conditioning and refrigeration repairman, hotel room attendant, call-center operator etc. The program focuses on imparting both occupational technical skills and some soft skills. Where relevant, the programs include teaching of a set of generic skills such as English and Mathematics. Also, training providers are required to include a substantial part of practical hands-on training. Regular on-the-job training in companies is encouraged but currently limited in scope. The program will work to increase the opportunities for real-life work experience, for example through internships. A review of the importance and feasibility of increasing the training of soft skills will also be undertaken during the first year of the Project. External
certification of obtained skills is pursued to the extent that certification exists for the particular program/occupation. This was the case for 20 percent of the trainees in 2009.

4. **Contracting of training providers:** The program administers training by transparently selecting training providers. On a semi-annual basis, BBSYDP issues an Expression of Interest for conducting short term training that is demand-oriented. Training providers prepare technical and financial proposals. Proposals from training providers include: number of trainees, type and duration of training, qualification criteria for trainees, materials to be provided to trainees and tutors, internal and/or external facilities to be used, estimated market demand for graduates, number of tutors required, possibility of external certification, and financial requirements. Training providers are pre-qualified by a Technical Committee based on the following weighted criteria: faculty (15 marks out of 100), present placement rates of trainees (5), on-job-training facility (10), class room training facility (10), lab/workshop training facilities, if required (10), forward linkages for placement (15), relevant training experience (15), and annual turnover of firm (30). Pre-qualified providers are invited to submit a full training proposal through a Request for Proposal (RFP). The full proposals are evaluated according to the same criteria by the Technical Committee. Training contracts are signed between each training provider and the BBSYDP.

5. **Performance-based training contracts:** The program requires that training providers, as a condition of receiving funding, commit to a minimum level of job placement of trainees (reported and verified three months after program completion). Initially, this minimum performance threshold is 30 percent job placement and/or continuing education/training for private sector providers and 20 percent for public sector providers (STEVTA Institutions). Training programs that do not meet this criterion are blacklisted for 12 months. This seeks to provide a strong incentive for providers to train youth in skills that are in demand, and weed out poor performing providers. The minimum threshold will be revised annually according to the outcomes of the previous round of training. The program will also experiment with a bonus for high performance where providers exceeding the threshold by 10 percentage point or higher placement rate will receive a bonus of 10 percent of the approved budget.

6. **Regular information sharing events** will be held to provide a forum for training providers and employers to share their experiences. This will provide weaker performers to learn from the practices and experience of the better performers in an attempt to improve the overall performance of the system. In addition, BBSYDP will share findings of training needs assessments and other employer related information collected during implementation with its training providers to assist them improve their chances of achieving their performance targets.

7. **Training providers.** The providers can be grouped into two eligible streams: (a) private sector and non-government training centers and enterprises, and (b) public training institutions under STEVTA. All proposals will be evaluated and approved via the above procedure. In the case of the public institutions, they have to account and spent the funds following guidelines acceptable to the Bank. In 2010, each of the two streams roughly offered a half of the training. ³

³ As part of the BBSYDP program, BBSYDP also finances training directly provided by governmental departments (IT, agriculture, education etc.). These are not eligible for Bank funding unless the above selection, monitoring, and fiduciary procedures fully apply). Also, the BBSYDP finances three additional activities to the short term training:
The private training is especially located in and around the urban areas of the province, notably Karachi; while public institutions are overwhelmingly the only training providers in rural areas. Performance of the training providers varies considerably based on their type and location. They generally face challenges related to inadequate facilities and training equipment and limited budgets for training material.

8. **Reporting and monitoring of the training and outcomes.** The training providers are obligated to submit the following reports: baseline and inception report, biweekly attendance report, monthly progress report, a course completion report, and a placement report. In addition, each training provider must have a daily attendance register marking each trainee present, approved absence, or absence, within the first hour of training. The final payment of 10 percent will only be released once the placement report has been received. BBSYDP through its District Monitoring Coordinators and consultants monitor the program on-site on a monthly basis reporting following a standardized format on the provider’s records, instructor quality, training equipment, and other aspects of training. Further, a third party will verify on a sample basis through call centers, the labor market outcomes reported by training providers. In addition a net impact study will be conducted.

9. **Trainees:** The trainees will be between 18 and 35 years of age. Beneficiaries will be informed via province 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. Depending upon the types of training and target occupation, the trainees are required to possess varying degrees of formal education. Most courses require 10 years of schooling or less. BBSYDP is working to increase the intake of female trainees and those with 10 years of schooling to target trainees and families with relatively higher needs. In addition, the BBSYDP has initiated coordination with governmental assistance programs, such as the Benazir Bhutto Income Support Program to offer training to youth from vulnerable and poor households. 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. 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.

10. **Trainee awareness and selection.** Trainees are selected using a transparent public process via announced via print and internet media as specified in the Guidelines. By now, the program is quite well-known across the province, and has been over-subscribed in the past. Specific efforts are planned to target information campaigns to youth in low-income household to raise their awareness of this opportunity. Prospective trainees fill out a simple registration form which includes information on the course(s) they are interested in, personal details, and family details. The applicants are invited to appear for an entry test which is conducted by an independent testing service, the National Testing Service (NTS), following which they are evaluated for entry into their desired program. The names of all selected trainees are made public on the program’s webpage. If selected, the documentation of each recipient is verified and they sign a

---

administrative costs for training, long term training for nurses, and a micro credit program. The project will only finance the costs of short term training for the targeted groups delivered by the private/NGO institutions or agreed and monitored public training institutions.
memorandum of agreement prior to entering the training program. Trainees who have benefitted from earlier training rounds are ineligible for a second training opportunity. This is checked at two levels, before the testing and a second time before placement to ensure that only fresh applicants benefit from the training. Placement is automated; the MIS system will be utilized to place trainees prioritizing placement of female, those that score highest on the NTS test and proximity to the place of residence of the trainee.

11. **Stipends:** Trainees receive a monthly living stipend of PKR 2,500 (US$29). This is assessed to be a reasonable amount given that the average wage for youth in 2007/08 was PKR 3,960 – US$47 (based on estimate from the Poverty Assessment of the World Bank). Further, trainees attending training from more than 75 km away from their home are supported by a mobility allowance of PKR 4,000 (US$47). The mobility allowance facilitates access for rural youth. The stipend and mobility allowance is conditioned upon 85 percent attendance, which is monitored and enforced. The trainee stipend and mobility allowance are in the vast majority of cases paid directly by BBSYDP into the trainee’s bank account.

12. **Financing and costs:** As part of the application process, training providers detail their individual budget consisting of remuneration of instructors, perishable and limited non-perishable goods and materials, training material; wear and tear on learning equipment, rent or equivalent foregone costs of facilities. The total amount of a training contract is calculated based on reasonable costs and negotiated. A unit cost per trainee is established for that program. Direct training costs are invoiced by training providers and paid in installments by BBSYDP to training providers on a schedule determined by duration of the training program and actual attendance. The average cost per trainee including the stipend is approximately PKR 35,000 (US$410). The Bank will finance 80 percent of the costs of the Component.

13. **Measures to enhance Demand-Driven Training:** The main instrument to ensure training is demand-driven is the performance benchmark that each training provider has to commit to and deliver upon. Further, BBSYDP will assist with information regarding skills and occupations in demand derived from tracer studies and province-wide training needs assessments/employer surveys. BBSYDP with the assistance of the Bank will also seek to link with large infrastructure projects that are likely to generate a significant demand for skilled labor in order to customized training sources for such projects. Also, as part of preparations, both a tracer study of over 3,700 trainees from the first phase of BBSYDP, and an employer survey of over 900 employers were conducted to better align skills training with demand. Lastly, a net impact study of the impact of the training will be undertaken.

14. Further information on the program is available in the BBSYDP Guidelines. These may be updated during project implementation as agreed between Government of Sindh and the Bank, based on experience during implementation and to increase the participation of and benefits to female participants as informed by the findings of the ongoing study on issues related to female participation in skills training programs.

Component 2: Establishing Market-driven Institutional Training Programs – US$5.0 million (20% of project total) - IDA US$3.75 million

---

4 http://www.bbsydpensis.gov.pk/ (at the time of project approval)
15. The objective of this component is to establish market-driven institutional training programs in STEVTA administered institutions to better meet skill demands from employers and enhance the job-prospects of trainees. The component will pilot an institutional upgrade program that disburses program expenditures based upon achieved progress of pre-specified indicators (Disbursement Linked Indicators). The pilot sector program will also introduce a set of governance and financing reforms intended to foster more dynamic institutions. The program aims to establish 70 market-driven programs. This target is based on estimated average costs for upgrading or establishing a new program and may vary from the cost requirements submitted by training institutions. The final number of programs will be determined after the selection process for programs to be supported by the competitive fund has been completed. Further, the 70 programs are expected to be implemented in at least 35 institutions and at most 70 institutions out of the 454 STEVTA institutions in Sindh. The pilot would thus benefit 8-15 percent of institutions in the province.

16. Eligibility, Proposals and Selection. STEVTA will competitively select training programs to be revised or established that will meet specifically identified market demand for graduates in Sindh. The following are the eligibility criteria that Institutions must meet:

- **Legal Status and Administrative control**: All institutions must be legally incorporated, ascribed to STEVTA and have a major focus on delivery of vocational/technical training.
- **Established Governing Board with a Chairman and a majority of independent social partners**: The governing board (Center/Institute Management Committee) should consist of at least one third employers and have representatives from civil society as well. In addition, each training program should have a private sector advisory group consisting of professionals within that trade to advice on competences and technologies for the design of the program.
- **Basic infrastructure and teachers**: Institutions must have its own sufficient facilities with functioning utilities for the proposed training program. Further, at least 30 percent of the sanctioned teacher staff must be employed.
- **Identification of a fulltime Career Counselor and placement officer**: whose responsibility it is to strengthen linkages with the industry, find internships, and place graduates.
- **Database of most recent graduates** including mobile phone numbers to enable a tracer study.

Institutions may submit proposals for up to two programs each.

17. Each proposal will be evaluated according to these evaluation parameters:

- **Labor Market demand and economic rationale for the new training program**: Evidence of labor requirements from enterprises related to the proposed program, description of how this evidence was obtained, and any other evidence of local and/or regional demand for graduates from the proposed program. 35 points out of 100
- **Plan to enhance Industry Exposure, Career Counseling, and Job Placement Services**: Description of career counseling and job placement support for trainees that will be provided by the institution, or available from other organizations. For instance, will the institution organize short term on-job-training and other industry-exposures for students? 15 points
- **Plan to benefit from the established Institute Management Committee and the private sector advisory council**: 15 points
• **Plan to train teaching staff**: Description of how existing, or new staff, will be obtained to teach the new program and their qualifications including academic training and work experience in the private sector related to the proposed program area. *15 points*

• **Overall performance of the Institution**: Description of the institution’s major areas of current instruction and relationship to the program area being requested. *10 points*

• **Poverty/backwardness Index**: Rating of poverty index (based on the Pakistan Social and Living Standards Measurement Survey) in the district. *10 points*

STEVTA will submit to the Bank a summary report of the evaluation procedures, and proposed results for its No Objection prior to announcing the selection.

18. **Support to Institutions in preparing and implementing institutions.** Orientation workshops will be held and consultants will be contracted through Component 3 to work with interested institutions to develop competitive proposals. STEVTA will constitute a professional and independent selection committee, with private sector participation, that will evaluate the proposals. The program guidelines document the implementation and maintenance of the institutional reforms. STEVTA will provide guidelines and staff training to assist the institutions in implementing institutional On the Job Training and Job placement activities.

19. **Eligible Expenditure Programs (EEPs):** For Component 2, the Bank will finance, up to a capped amount, particular expenditures which are a part of STEVTA’s budget of eligible activities, contingent upon achievement of concrete results indicating the successful establishment of market-driven training programs. These expenditures are clearly identifiable in the Chart of Accounts and are referred to as EEPs. A brief description of EEPs under the project is provided below.

i. **A01 – Employee Related Expenses**: This includes salary of management, teachers and staff working at STEVTA headquarter and training institutes. Salaries of employees at training institutes are processed by government accounting offices using country financial management system. Accounting unit at headquarter prepares monthly payroll for headquarter staff and payments are made from the STEVTA’s bank account. Annual audit by Auditor General of Pakistan cover these expenditure.

ii. **A033 – Utilities**: Electricity, Gas and Water charges are budgeted and accounted for under object code A033. The payments for these expenditures at training institutes are made through government accounting offices. At STEVTA headquarter, accounts section processes transactions and payments are made from STEVTA’s bank account. These expenditures are subject to annual audit by AGP.

iii. **Market Driven Training Programs**: Costs associated with this Project will be eligible expenditures. The PC-1 of the Project has been approved by the provincial government and the project will be included in the Government of Sindh budget. In particular, the following expenditures will be eligible for reimbursement Development Plan. The nature of expenditures includes: a) procurement of hardware, equipment, machinery and software; b) Repair and maintenance of training institutes, workshops and equipment and machinery; and c) small civil works. Disbursement is capped at the Component amount.
allocated by IDA (US$ 3.75 million). All expenditures have to be procured according to procedures acceptable to the Bank.

20. STEVTA will provide institutions with funds to allow them to maintain teaching and purchase these items. The required expenditures will vary between training programs and institutions. The Bank will reimburse STEVTA in tranches linked to achievement of the following indicators of progress achieved by the selected training programs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Protocol</th>
<th>Evidence</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1: Implementation of governance reforms (December 2011) – IDA US$0.75 million</td>
<td>Programs selected based on procedures and criteria outlined in the Guidelines. MoU with selected institutions to include: (i) Total amount of funds approved; (ii) Number of teaching staff to be made available by STEVTA and teaching staff for supported program identified; (iii) Composition of established IMCs and PSAGs; and (iv) Adherence to Program Guidelines for implementation.</td>
<td>MoUs signed with supported institutions with STEVTA notification of IMCs, and approved institutional proposal annexed</td>
<td>Disbursement will be made upon the verification of all signed MoUs</td>
</tr>
</tbody>
</table>

| DLI 2: Development of market driven curriculum (September 2012) – IDA US$1.0 million | Approval from Sindh Board of Technical Education or from Sindh Trade Testing Board of curriculum and competence goals for each supported program (with a list of curriculum compliant equipment) Draft tender documents | Notice from Finance Department | Disbursement will be made upon the verification of achievement of both actions by at least 70% of supported programs for 2.1 and 2.2 and the Notice from Finance Department |
### DLI 3: Adequately equipping reformed programs (June 2013) – IDA US$1.0 million

<table>
<thead>
<tr>
<th>DLI 3</th>
<th>Details</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Facilities for supported programs renovated</td>
<td>Facilities renovated in accordance with approved plan</td>
</tr>
<tr>
<td>3.2</td>
<td>Curriculum compliant learning equipment installed</td>
<td>Equipment purchased in accordance with approved curriculum compliant equipment purchase plan</td>
</tr>
<tr>
<td>3.3</td>
<td>Teacher placement and training based on updated curriculum completed</td>
<td>(i) Teacher placement based on approved plan (ii) Teacher training based on updated curriculum and new equipment</td>
</tr>
</tbody>
</table>

### DLI 4: Commencement of training (October 2013) – IDA US$1.0 million

<table>
<thead>
<tr>
<th>DLI 4</th>
<th>Details</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Trainees selected and registered in supported programs with minimum 80% capacity</td>
<td>Application of transparent criteria for trainee selection as articulated in the Guidelines</td>
</tr>
</tbody>
</table>

21. **DLIs that are not met as of the target date will remain eligible for disbursement for up to 1 year after the target date** (with the exception of the first DLI which will only remain eligible for 6 additional months – until June 2012). For example, if STEVTA does not achieve the minimum targeted number of revised curricula by September 2012, the DLI can be met up and until September 2013. If a DLI is not met, the Bank can either cancel that portion of the credit, reallocate, or in special circumstances consider disbursing upon a re-designed DLI.

22. **STEVTA will maintain a simple MIS system to contain all material documenting the achievement of the DLIs (protocol) to keep track of the completion of each of the DLIs.** In addition, each institution will also maintain a file with the protocol for that particular institution. Only the Principal of each participating institution will be responsible for reporting progress for the training program in her/his institution. The Bank will regularly monitor that the achievement of the DLIs are properly documented. Further, third party validation of the progress will be contracted on a need-basis, as indicated in the table.

23. **Linkage with Component 3 for revision of standards and TA for implementation of institutional reform.** Once a program area is selected either for upgrading or new development, technical assistance will be required by the Sindh Board of Technical Education (SBTE) and/or Sindh Trade Testing Board (STTB) to develop or adapt related occupational and training standards, curriculum, training equipment lists and assessments in cooperation with the institutions which have been selected to upgrade or start these programs. Technical assistance related to these activities, and to assist institutions in establishing the IMC, will be procured by
STEVTA and provided to STTB and/or SBTE and institutions. Financing and description for these activities is included under Component 3.

24. **Monitoring and Evaluation.** First, there will be careful documentation at the completion of each stage of program implemented (i.e., memoranda of understanding, curriculum materials, equipment purchased, and trainees enrolled) that will be maintained by STEVTA and made available to the Bank in support of any request for reimbursement from the Project. Second, as noted in the minimum criteria, each participating institution must cooperate with STEVTA in implementing annual graduate tracer studies from all programs at the institution. Third, the reported progress will be monitored by the Bank via third party verification on a sample basis.

**Component 3: Strengthening STEVTA and its Institutions – US$1.25 million (5% of project total) - IDA US$1.25 Million**

25. The objective of this component is to strengthen STEVTA and the funded institutions to implement Component 2, enhance monitoring and evaluation, and strengthening STEVTA’s ability to develop and implement TVET policies. The Component will finance technical assistance and small amounts of equipment and supplies.

26. **Technical assistance** will be provided to achieve each of these institutional strengthening objectives:

- Technical Assistance to implement Component 2, including: (a) Support to Training Institutions to assist them in the development of proposals for financing under Component 2; (b) technical support to upgrading and/or develop around 30 new training standards, curriculum, performance and knowledge assessments and related tutor training for implementation in up to 70 institutions selected under Component 2, (c) Professional development of Institutional management and staff to strengthen implementation and management. This includes members of institutional governing boards and private sector advisory groups. Further, specific training of the full time career counselors and job placement officers will be undertaken.
- Strengthening Monitoring and Evaluation to: (a) implement annual tracer studies of graduates of the institutional training programs, (b) activities to identify trades and occupations in demand and create close linkages with employers, for example a labor market needs assessments/employer survey, and (c) other monitoring and evaluation tasks.
- Strengthening STEVTA through capacity building, policy studies, and possibly strategy development. The Component will also support implementation.

27. **Cost:** The cost of this Component will mostly be a combination of short term international and local consultants, as well as limited short term international and local training as appropriate. Further, around 10% (US$125,000) is for equipment, supplies, and administrative costs associated with Project implementation.

**Unallocated: 1.00 million (4% of project total) – IDA US$ 1.00 million**

28. This will finance either unforeseen expenditure necessary to achieve the project’s objective or additional project activities already described under Component 1.-3.
Annex 3: Implementation Arrangements

a. Project Institutional and Implementation Arrangements

1. The Planning and Development Department will have the overall responsibility for implementing and monitoring the Project on behalf of the Government of Sindh. 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 (STEVTA and BBSYDP) will be set up. The team will plan and oversee implementation. The Leadership Team will be assisted by a Project Coordinator and will meet at least quarterly to plan and coordinate Project activities.

2. STEVTA will be in charge of the overall reporting of Project activities, fiduciary reports and reporting of performance. BBSYDP will provide the information as per schedule agreed in the Leadership Team. STEVTA will house the Project Coordinator. The Project Coordinator will be in charge of combining information from BBSYDP and STEVTA when combined Project reporting is required to the Bank.

3. Component wise implementation arrangements are outlined below:
   - Component 1 is implemented by the BBSYDP
   - Component 2 is coordinated by STEVTA and implemented in the selected technical and vocational institutions
   - Component 3 is implemented by STEVTA

The details of each component are described below.

Component 1:

4. Component 1 will be implemented by the BBSYDP. BBSYDP is a government skills program under the administrative control of the Chief Minister Secretariat, Government of Sindh. The program administration for BBSYDP is well documented and has been continuously refined during the past three years of operation.

5. The Provincial Steering Committee of BBSYDP provides the leadership, oversight, and guidance for all program activities. The committee has four private sector representatives, four governmental representatives, and is chaired by the Additional Chief Secretary. The TORs are in the administrative guidelines.

6. The Provincial Coordination Unit (PCU) implements and monitors the program on a day to day basis. It organizes all aspects of the training, including the marketing, selection, and admission of trainees; the advertisement, evaluation and selection of training providers; the monitoring and following-up on training providers, trainees, the financial transfers, and evaluation of outcomes. In addition, it provides technical assistance to training partners in the implementation process. Further, the PCU maintains up to date records of all trainees, trades, training institutes and funds in management information systems. The organogram and TORs of the PCU are in the guidelines. The PCU is led by a provincial Project Coordinator, a deputy coordinator, and a team of more than 50 staff members. Further, the PCU is assisted by the following committees:
• **The Technical Committee** provides guidance on technical aspects of the program and reviews the Proposals for Training submitted by training providers. The committee functions as an objective expert group evaluating proposals according to the pre-defined criteria for selection of training providers. In addition, the committee can undertake visits of training institutions. The composition and TORs are in the administrative guidelines.

• **Thirty District Coordination Committees (DCC) are responsible for the coordination and monitoring of the training in each of the 30 districts in Sindh.** The District Coordinating Officer, the main civil servant in each district, leads the committee, which in addition consists of a person having background of industrial, a prominent social worker or academician and two persons from the civil society. Further, a BBSYDP hired District Monitoring Officer acts as secretary to the District Coordination Committee. This local committee ensures local capacity, ownership, oversight and coordination in the implementation of the program. District Monitoring Coordinator report to the PCU for the program on day-to-day monitoring of the program within their geographical area, including functioning as the liaison between program management and trainees. In districts with high monitoring needs, the BBSYDP contracts Regional Consultants to assist in the monitoring assignments. The District Monitoring Officer and the Regional Consultants visit the training providers on a regular basis and verify attendance records, request for payments, teacher presence and teaching infrastructure based upon established procedures, templates and the signed training contracts.

7. **Private Sector Participation.** The private sector is the biggest stakeholder in terms of human resource and employment. In order to build a strategic partnership, the private sector complements the activities of the program with:

- Identification of the demand for each trade and industry so that training courses and institutes can be articulated with labor demand.
- Communicating the specific skill requirements and competences of demanded workers.

**Component 2:**

8. **STEVTA** will be responsible for overall administration of this Component through internal units responsible for the different groups of institutions (i.e., technical, commercial vocational education, etc.). The program guidelines describe the procedures for implementation of this program.

9. **STEVTA is an autonomous apex body established in 2009.** The Authority is mandated to lead technical education and vocational training initiatives in Sindh by performing a multitude of functions which include formulation of policies and plans; mobilization of human, physical and financial resources; and strengthening institutional linkages including public private partnerships (PPP) in collaboration with other stakeholders such as the National Vocational and Technical Education Commission (NAVTEC), private service providers, civil society, industry, and other public sector organizations. STEVTA administers all public training institutions in the province.
10. **STEVTA’s Act prescribes a two-tier governance structure comprising of the Board of STEVTA and at the second tier, a management team.** The Board of Directors is chaired by the Minister of Technical Education and Vocational Training. Eight members of the Board are ex-officio government members. In addition there are 4 members from the private sector (industrialists and agriculturists), two members of the Provincial Assembly and representatives of a Provincial University and the National Vocational and Technical Education Commission. Second tier is a Management team headed by a Managing Director. The Managing Director reports to the Board and is responsible for the day to day functioning of the Authority, including management of financial system; human resources; and academic affairs.

11. **The pilot program to establish market-driven training programs will be implemented by the Project Management Unit (PMU) based in STEVTA.** The Project Coordinator will lead this team. In addition, the team will consist of a Deputy Project Coordinator and heads of fiduciary departments. The Project Coordinator will report to the Managing Director and the Directors of the STEVTA departments administering the selected institutions (technical, vocational, and commerce) on at least a monthly basis. The directors will guide and supervise on implementation progress and if necessary intervene with institutions lagging in implementation.

12. **An evaluation committee will evaluate the institutional proposals submitted to the competitive fund.** It will consist of independent high level private sector experts/representatives, impartial STEVTA and other governmental officials, and independent experts from outside the province.

13. **At the institutional level, activities under this component will be implemented by institutional team.** This team will be headed by the principal and including senior faculty for the program(s) to be upgraded will carry out the activities. The team will receive guidance from the Institute Management Committees (IMC). The IMC will be headed by a local leading private sector representative. A Private Sector Advisory Council will also assist the institutional implementation team following the Guidelines developed by STEVTA – notably to give specific input into the detailed design of the training program, including learning objectives/competence, curriculum, technologies, practical training needs, and assist with organization of internships and other industry exposure.

14. **For training programs that are common across two or more institutions, STEVTA will establish a provincial task force team.** This team will consist of senior faculty from the selected institutions, industry-representatives (mostly from the institutional level private sector advisory councils), and STEVTA experts. The expert groups will define the required competences (in an overall manner), revise curriculum and identify necessary learning equipment to establish the market-driven programs.

15. **Project facilitation visits.** The Sindh TEVTA project team, possibly with the help of its regional offices, will on a bi-monthly basis visit each selected institution to take stock of progress, assist with queries and plan next steps.

16. **To assist with implementation capacity of the program and make the associated governance changes effective, technical assistance, financed under Component III, will be**
The technical assistance will help institutions understand and develop proposals, and assist selected institutions implement the required governance and administrative reforms notably training of IMC members, the institutional implementation team, and the private sector advisory council members to discuss expected roles and responsibility as well as procedures.

**Component 3:**

17. The Academic and Training Wing of STEVTA will be responsible for implementing Component III of the Project in coordination with the Project Coordinator and fiduciary staff. This component mostly consists of procurement of technical assistance.

**Implementation Challenges:**

18. The Project aims to build capacity for implementation of Project activities. This is in particular the case for the second implementation agency, STEVTA, which is a newer organization. STEVTA is facing some critical staffing issues. Further, the agency has inherited three set of policies and systems that will have to be gradually merged. STEVTA has recently been assigned the management of TVET institutions and their allied properties including HR administration authority. It is in the process of consolidation and organizing properties and resources and will need to invest in its capacity heavily over the medium term. Also, STEVTA is developing its own policies and procedures including procurement and FM manuals. It is following Government of Sindh rules and procedures till the time it develops its own policies.
and system. For monitoring and evaluation, the Authority currently relies on ad-hoc surveys to assess the TVET system. There is no systematic Monitoring and Evaluation program.

19. *The Bank undertook an institutional assessment to evaluate the capacity and action to enhance the capacity of STEVTA*, summarized in Annex 8. The following actions are required to strengthen capacity:

- In addition, to the already hired Project Coordinator, the Authority needs to hire additional technical and financial staff for the Project. The recruitment of adequately qualified accounting staff and internal auditors, and documentation of policies and procedures is critical.
- As part of the implementation, the Bank will support STEVTA in installing an Enterprise Resource Planning solution to assist management processes.
- Rules of Business need to be finalized to guide the recruitment, procurement and FM functions.
- Component 3 of the Project will invest in the institutional strengthening of STEVTA. The component is designed to improve impact monitoring of Project activities, such as tracer and net impact studies of training programs, and training needs assessments / employer surveys.

20. *The Bank will work with BBSYDP to strengthen the following desirable areas of capacity:*

- Ability to increase the overall impact through increased focus on the employment goal of the program.
- Monitoring and evaluation, including the system to collect reliable labor market outcomes, map the skills of needs of the province, and conduct necessary evaluation of the results that will lead to further strengthening of the program.
- Understand the constraints for female trainees to access training and use the training in the labor market, with an aim to increase participation of girls in the program.
- Training evaluation: The current system could be strengthened further to involve more industry experts in the evaluation to ensure relevant and quality training providers are chosen. This includes consideration of options to including soft skills and increase industry exposure in the training program
- Assistance and support to link with employers and large industry projects that are likely to need skilled labor. Further the teams will explore linkages with social assistances programs to improve targeting and provision training of trainees from vulnerable and poor households.

b. *Financial Management*

21. A Financial Management (FM) assessment was carried out to identify the FM environment and to assess the financial management risks underlying the Project and the capacity of STEVTA and BBSYDP related to the Project financial management arrangements that would need to be in place to meet the fiduciary requirements of the Project.
Weaknesses and Agreed Actions

<table>
<thead>
<tr>
<th>Weakness</th>
<th>Agreed Action</th>
<th>Responsibility</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Vacant posts in internal audit unit</td>
<td>Appoint and maintain throughout the Project, an internal audit director, under terms of reference acceptable to the Bank. Engage a chartered firm of accountants or a qualified accountant, under terms of reference acceptable to the Bank, for the Project’s internal audits.</td>
<td>STEVTA</td>
<td>30 Jun 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BBSYDP</td>
<td>31 Dec 2011</td>
</tr>
<tr>
<td>3. Audit reports not discussed in DAC</td>
<td>Convening Departmental Accounts Committee (DAC) meeting to discuss the audit reports of the financial years 2008-09 and 2009-10 issued by the Auditor General’s Office.</td>
<td>STEVTA/ BBSYDP</td>
<td>30 Jun 2011</td>
</tr>
<tr>
<td>4. FMIS not yet functional</td>
<td>FMIS to Go Live at STEVTA Headquarters level; and at the institutions supported by Component 2.</td>
<td>STEVTA</td>
<td>30 Jun 2011; 30 Apr 2012</td>
</tr>
<tr>
<td>5. FMIS cannot cater for project requirements</td>
<td>Upgrading existing system or procuring a new FMIS</td>
<td>BBSYDP</td>
<td>30 Sep 2011</td>
</tr>
</tbody>
</table>

Country Issues

22. Sindh Public Expenditure and Financial Accountability (Sindh-PEFA) assessment conducted in 2008 concludes that the Public Financial Management (PFM) reforms already underway are developing a strong trajectory for PFM improvement, and indicates successes related to: (i) the full adoption and implementation of the PIFRA budget and accounting modules throughout the Sindh Province, consistent with good practice, (ii) systems loading of budget at the provincial as well as district government levels and enabling of mandatory budget checks at all levels, and (iii) provision of computer terminals to the Line Departments to support on-line budget management activities. The GoS’s strong commitment to PFM improvements including financial accountability reforms via a system of convening productive departmental accounts committee meetings. Nonetheless, sustainability requires a parallel strategy to develop an even stronger PFM institutional capacity agencies including technical education and training that is duly augmented by the recruitment of qualified financial management personnel.

FM Staffing

23. FM arrangements at BBSYDP are well developed. Staffing is sufficient for current needs, however, 2 positions are vacant for which the hiring process has been initiated and is likely to
complete by June 2011. For Project’s financial management, BBSYDP is considering hiring a professional accounting firm.

24. Director (Finance) heads the Finance and Accounting unit (F&A) which is charged with financial management for STEVTA and the Project. The Director holds an MBA with experience in the public sector and has been hired competitively. The Director is supported by a Deputy Director, Assistant Director and two Accounts Assistants. There are two vacant positions, for which hiring is underway. Staff is either on deputation or hired from the market, initially on three year contracts. A dedicated Deputy Project Coordinator (Finance) is in place at STEVTA to manage the financial management matters of the Project.

**Budgeting**

25. BBSYDP has Rs 2.5 billion (US$ 31 million) non-development budget for 2009/2010 that forms part of STEVTA’s budget under the Planning and Development Department (P&DD) of the GoS. A detailed object-wise budget has been prepared on NAM object and function classification to support the single-line budget. The Project Coordinating Unit (PCU) at BBSYDP initially enters the detailed budget linked with New Accounting Model (NAM) chart of accounts for each Project Monitoring Unit (PMU) based on their proposal for training and to record funds released. All PMUs are provided appropriate user profiles for recording their expenditures directly in the system which links expenditures to funds released.

26. Non-development budget of STEVTA for 2009-10 is under the Planning and Development Department (P&DD) and partially under Department of Labor. Rs. 500 million (US$ 6.3 million) is budgeted in various schemes forming part of ADP. There are ongoing schemes for establishment of new institutions. A detailed object-wise budget has been prepared on NAM object and function classification to support the single line budget. This has been approved by the STEVTA Board of Directors.

27. Standard monitoring should include a budget versus actual comparison statement at the end of each month to be submitted for analysis and necessary action to the MD.

**Accounting**

28. Accounts at STEVTA are maintained using modified cash basis of accounting. Peachtree Accounting Software, a basic bookkeeping program, is being used at STEVTA but implementation of an ERP i.e. Oracle E-Business Suite, which includes financial management module, is in process. The financial management module will go live during May 2011. Initially the system will be implemented at Head Quarter level and will be rolled out to cover all training institutes under STEVTA. This system will also cover the financial management aspects of the Project. Furthermore, STEVTA Board of Directors has also approved adoption of accrual based accounting and International Public Sector Accounting Standards (IPSAS). To facilitate the transition from modified cash to accrual, STEVTA is planning to engage a firm of professional accountants. Cash basis of accounting is in use and manual books are maintained at BBSYDP. At present BBSYDP is using a web based application which was developed in-house to generate financial reports. The application has limited functionality and mainly consolidates data entered by various projects under BBSYDP and will require further programming to cover Project activities. The World Bank team recommended management to consider implementing a fully developed Financial Management Information System that captures data at the transaction level.
Internal Controls

29. The Managing Director is the Principal Accounting Officer for STEVTA and appoints the DDOs for the public training institutions under the Authority’s control. The bank accounts are operated by joint signatories. The Rules of Business under STEVTA’s Ordinance and detailed finance and accounting procedures are under development. Assets acquired have been entered in the Stock Register. Physical tagging and verification is to be done. Cash imprest of Rs. 25,000 (US$ 310) is kept at the STEVTA office and all expenditures are currently authorized by the MD. Going forward, rules and procedures regarding responsibilities of various personnel and delegation of financial powers will need to be developed. Operational guidelines have been prepared by STEVTA specifically for this Project, which have been reviewed. Certain amendments relating to financial management were suggested and the management is revising these guidelines on the basis of feedback provided by the Bank.

30. Processes for release of funds and monitoring arrangements for BBSYDP are reasonably defined and reliable. Detailed accounting and financial procedures have been issued by the Finance Department, GoS. However, internal procedures regarding Finance and Accounts, particularly segregation of duties and responsibilities among various officers is yet to be done.

Internal Audit

31. The organizational structure of STEVTA provides for an internal auditor who will directly report to the MD, but as per good corporate practices, Internal Audit should report to the Audit Committee of the Board or in its absence directly to the Board to ensure effective control environment. Currently there is no staff in place at the Internal Audit unit. The process of hiring internal audit staff has started; NTS has conducted written test of candidates and interviews will be carried out shortly. The internal audit staff will be in place by the end April 2011. Project’s internal audit will also be carried out by STEVTA’s internal audit unit.

32. At BBSYDP an internal auditor is in place and the, process to recruit a head of internal audit who, as a matter of good practices will also report to the Audit Committee of the Board of Governors has been initiated. The process is likely to be completed by April 2011. For internal audit of the Project, BBSYPD is planning to engage a firm of professional accountants.

Current fund flow practices

33. STEVTA is operating a non-lapsable Personal Ledger Account (PLA). This is operated jointly by the MD and the Director Finance. Funds are physically transferred to this account against budget releases. Requests for budget releases to the Finance Department are routed through the P&DD. During 2008/2009, the Authority had a budget of Rs.200 million, excluding budget previously administered by line-departments now under STEVTA. When the Authority became functional in April 2009, the entire amount of this budget was released. It was withdrawn and placed on fixed deposit with National Bank of Pakistan. Interest earned thereon was used to meet the operational expenses. Payments of all public institutions under STEVTA’s administrative control are done by the respective District Accounts Offices (DAO).

34. BBSYDP is provided funds in a Special Drawing Account (SDA) – akin to erstwhile Personal Ledger Account. Requests for budget releases to the Finance Department are routed
through the P&DD. Payments for trainee stipends are made directly to trainees through bank transfers. Each institution provides a list of trainees along with bank details and confirmation of eligibility. There is an umbrella arrangement with a commercial bank which allows trainees without existing bank accounts to establish zero balance accounts. Currently no reconciliation issues have arisen and trainees are receiving the stipend in a timely manner.

**Funds Flow and Disbursement Arrangements**

35. The Bank will disburse for Training Cost and Stipend (Component 1), for Eligible Expenditure Programs (Component 2) as well as for technical assistance (TA) activities (Component 3). The report-based disbursement principle will be used and disbursement against Component 1 and 3 will be on quarterly basis. Disbursements for Component 2 will be in line with indicative disbursement schedule below. BBSYDP and STEVTA shall prepare and submit Interim Unaudited financial reports (IUFRs) within 45 days of the end of each quarter. Reimbursements of expenditures for Component 2 will be conditional on the achievement of DLIs. For Component 1 and 3, disbursements will be in advance, based on cash forecasts for the next six months.

36. **Designated Account.** Two segregated Designated Accounts (DA) in United States Dollars (USD) will be established; one for Component 1 that will be operated by BBSYDP and second for Component 3 that STEVTA will operate. These DAs will be jointly operated by the authorized persons from: BBSYDP for Component 1 and for Component 3 by STEVTA. For Component 2, disbursements will be conditional on achieving progress against Disbursement Linked Indicators. IDA Credits for this Component will be disbursed to the Sindh Government Consolidated Fund Account No. 1. The format and content of IUFRs will be agreed during Negotiations. Advances will be provided for the following six months for Component 1 and 3 based on the budgeted/forecast expenditures for that period. Subsequent IUFRs will document expenditures against the advance received and provide forecast expenditures for the further six months on the basis of which the amount of funds to be disbursed will be determined.

37. The actual occurrence of disbursement for the EEPs and amount of funds disbursed will be subject to the achievement of DLIs. The table below presents the allocated IDA financing, inclusive of taxes, of the disbursement categories under the Project:
## Allocation of Credit Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Credit (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>Stipends/Relocations Allowances, Subgrants, fees for training providers, goods, consultants’ services, training and workshop, and incremental operating costs</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Component 2</td>
<td>Eligible Expenditure Programs</td>
<td>3,750,000</td>
</tr>
<tr>
<td>Component 3</td>
<td>Technical Assistance (goods, consultants’ services, training and workshop, and incremental operating costs)</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Unallocated</td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td></td>
<td><strong>21,000,000</strong></td>
</tr>
</tbody>
</table>

38. **Retroactive Financing.** There will be retroactive financing up to US$2 million for Components 1 and 3 only for expenditures incurred between January 1, 2011 and the date of Signing of the Credit.

39. **Disbursement-Linked Indicators (DLIs)** The disbursements for Component 2 of the Project are conditional on the achievement of 4 reform actions or results. These are identified as Disbursement Linked Indicators. The DLIs are equally monetized except DLI #1. The disbursements will be made by the Bank to the Government of Sindh upon achievement of DLIs.

### Indicative Disbursement Schedule for Component 2

<table>
<thead>
<tr>
<th>DLI</th>
<th>Capped Amount (USD)</th>
<th>Expected Disbursement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1: Implementation of governance reforms</td>
<td>750,000</td>
<td>Dec 31, 2011</td>
</tr>
<tr>
<td>DLI 2: Development of market driven curriculum</td>
<td>1,000,000</td>
<td>Sep 30, 2012</td>
</tr>
<tr>
<td>DLI 3: Adequately equipping reformed programs</td>
<td>1,000,000</td>
<td>Jun 30, 2013</td>
</tr>
<tr>
<td>DLI 4: Commencement of training</td>
<td>1,000,000</td>
<td>Oct 31, 2013</td>
</tr>
</tbody>
</table>
**Eligible Expenditure Programs (EEPs):** For Component 2, the Bank will finance, up to a capped amount particular expenditures that are a part of STEVTA’s budget of eligible activities, including training institutes. These expenditures are clearly identifiable in the Chart of Accounts and are referred to as EEPs. A brief description of EEPs under the Project is provided below:

(i) **A01 – Employee Related Expenses.** This includes salary of management, teachers and staff working at STEVTA headquarter and training institutes. Salaries of employees at training institutes are processed by government accounting offices using country financial management system. Accounting unit at headquarter prepares monthly payroll for headquarter staff and payments are made from the STEVTA’s bank account. Annual audit by Auditor General of Pakistan cover these expenditure.

(ii) **A033 – Utilities.** Electricity, Gas and Water charges are budgeted and accounted for under object code A033. The payments for these expenditures at training institutes are made through government accounting offices. At STEVTA headquarter, accounts section processes transactions and payments are made from STEVTA’s bank account. These expenditures are subject to annual audit by AGP.

(iii) **Market Driven Training Programs.** Costs associated with this Project will be eligible expenditures. The PC1 of the Project has been approved by the provincial government and the Project will be included in the Government of Sindh budget and Annual Development Plan. Nature of expenditure includes: (a) procurement of hardware, equipment, machinery and software; (b) Repair and maintenance of training institutes, workshops and equipment and machinery; and (c) minor civil works.

40. All Bank disbursements, for EEPs will be made from the Credit account to the Government of Sindh Consolidated Fund - Account No. 1 (Non-Food), based on a Withdrawal Application (WA) duly signed by a representative of the Finance Department.

**Financial Reporting**

41. Accounting records will be maintained in accordance with the country accounting procedures and policies defined in the New Accounting Model (NAM). These policies and procedures are being progressively and consistently applied at the provincial as well as district government levels. Use of NAM policies and procedures developed under PIFRA Project conforms to international standards and would thus be acceptable to the Bank.

42. The Project reports and financial statements will identify the uses of funds according to the pre-defined eligible expenditure elements and technical assistance costs financed by the Bank as well as by the Government of Sindh. Adequate notes and disclosures consistent with acceptable international practice will be provided. Annual financial statements will be prepared according to Cash Basis IPSAS.

43. Quarterly Interim Unaudited Financial Reports (IUFRs), including cash forecasts for two quarters in a format agreed with the Bank will be prepared for disbursement of funds and monitoring by the Bank. These reports will be submitted to the Bank within forty five days of the end of each quarter. BBYSDP will submit the IUFRs for Component 1 and STEVTA for Component 2 and 3.

44. At present, monthly expenditure statements are regularly prepared and submitted to the AG Office with copies to Finance Department and P&DD.
Auditing
45. Directorate General Audit (Sindh) has carried out regularity audits of both STEVTA and BBSYDP for financial years 2008-09 and 2009-10. However, the audit reports have not been discussed in the Departmental Accounts Committee (DAC) meeting. The DAC meeting will be arranged during March 2011.

46. Annual financial statements of the Project will be audited by the Auditor-General of Pakistan (AGP). Neither BBSYDP nor STEVTA is currently implementing any other Bank financed projects; therefore there are no outstanding audit reports. These audited statements will be submitted to the Bank within six months after the close of the fiscal year ending June 30.

<table>
<thead>
<tr>
<th>Audit Report Type</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Audited Financial Statements for Financial Year ended June 30 each year – Component 1 (BBSYDP)</td>
<td>December 31 each year.</td>
</tr>
<tr>
<td>Project Audited Financial Statements for Financial Year ended June 30 each year – Component 2 and 3 (STEVTA)</td>
<td>December 31 each year.</td>
</tr>
</tbody>
</table>

Supervision Plan
47. Intensive FM supervision will be required in the initial year of implementation as both STEVTA and BBSYDP are young organizations, established nearly 2 years ago. During Project implementation, the Bank will review: (a) the Project IUFRs and audited financial statements, including the budget execution report, together with the management letters; and (b) the Project’s financial management and disbursement arrangements to ensure compliance with the agreed requirements. With the implementation of the sound financial management and monitoring system, the Bank’s normal implementation review procedures will suffice.

c. Procurement
48. Procurement under the Project would be carried out in accordance with the World Bank’s "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011. The Bank’s standard bidding documents for procurement under International Competitive Bidding (ICB), and agreed bidding documents for procurement under National Competitive Bidding (NCB) which are already being used on other Bank financed projects in Pakistan, will be used for procurement of Goods and Works under the Project. The Bank’s Standard Request for Proposal document will be used in the selection of consulting firms. The GoS shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

49. All expected procurement of goods, works and consultants’ services under international competitive bidding will be listed in the Project’s General Procurement Notice (GPN). Specific Procurement Notice (SPN) shall be published for all ICBs for goods and works, and Consultancy
assignments estimated to cost more than US$200,000. Overall procurement arrangements with tentative amounts are given in Table 2. For Component 2 of this Project, disbursement linked indicators (DLIs) and Eligible Expenditure Categories (EEPs) have been agreed with the borrower. All procurements under EEPs shall follow Bank guidelines, and Bank’s standard bidding documents for ICBs and bidding documents agreed with the Bank for NCBs.

Procurement of Works
50. All works under Component 3 and under eligible expenditure category for Component 2 shall be done following the Bank’s procurement procedures. The envisaged civil works are minor rehabilitation of existing buildings under component 2, which are expected not to exceed US$80,000, ICBs are therefore not expected in the Project. These contracts shall be done following the NCB procedures and bidding documents agreed with the Bank. Procurements up to $50,000 may be done through shopping.

Procurement of Goods
51. Procurement of office, laboratory and training equipment is envisaged as an EEP under component 2. Some requirements could be identified under component 3. These are generally expected to remain within US$30,000 per contract; however some larger contracts could be identified due to consolidation of institutes’ requirements.

52. International Competitive Bidding (ICB) procedure would be used for all contracts estimated to cost more than US$300,000 equivalent, using Bank’s standard bidding documents. Goods contracts costing up to US$300,000 would be procured through NCB, using the bidding documents acceptable to the Bank and contracts costing up to US$30,000 may be procured through shopping procedures.

Improvement of Bidding Procedures under National Competitive Bidding
53. The following improvements in bidding procedures will apply to all procurements of Goods and Works under National Competitive Bidding, in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:
   i. Invitation to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;
   ii. bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
   iii. foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
   iv. bidding shall not be restricted to pre-registered firms;
   v. qualification criteria shall be stated in the bidding documents;
   vi. bids shall be opened in public, immediately after the deadline for submission of bids;
   vii. bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
   viii. before rejecting all bids and soliciting new bids, the Association’s prior concurrence shall be obtained;
   ix. bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
   x. contracts shall not be awarded on the basis of nationally negotiated rates;
xi. single bid shall also be considered for award;

xii. contracts shall be awarded to the lowest evaluated and qualified bidder;

xiii. post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;

Selection of Consultants
54. Major consulting services under the Project would be under component 3 which have a total allocation of US$1 million. Several contracts envisaged at this stage are consultancy services for upgrading of new occupational standards, curriculum development and associated services, STEVTA management guidelines, and customized training programs. This component shall be implemented by STEVTA. Consulting firms shall be selected in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants’ Guidelines. Short lists of consultants for services estimated to cost less than $500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Selection of Particular Types of Consultants
55. UN agencies and other institutions may be hired as consultants, where they are qualified to provide technical assistance and advice in their area of expertise. Subject to prior no objection from the Bank, single-source selection may be used if the criteria outlined in paragraph 3.10 of these Guidelines are fulfilled.

Selection of non Consulting Services
56. Component 1 comprises selection of training institutes for various areas of trades offering courses varying in duration. The potential training institutes are from public as well as private sector and within the former, some institutes are subsidiary of STEVTA. The Project shall fund the training cost of the selected youth who shall be placed in the various competitively selected institutes. The fund transfers to public sector institutes shall be considered as a grant. The Bank team has agreed with BBSYDP on the selection criteria including the minimum technical requirements for the applying institutes, the selection procedure, as well are performance indicators. This agreed procedure has been documented in the operations manual. Based on similar experience in other regions, it is determined that QCBS is not the best method to follow for selecting such diverse array of training providers. A simple selection document shall be used for such contracts, with a sample contract for small lump sum payments, which would be implementation friendly for these unique non-consultancy services. The procurement process shall broadly be a quality based selection comprising the following steps:

(i) advertisement inviting expression of interest from training institutions, which shall be required to indicate their capacity, track record and interest. The formats are agreed with the Bank and annexed with the procurement section of the operational manual.

(ii) preparation of a short list of potentially qualified training providers.

(iii) invitation to short listed training providers to provide their financial proposals.

(iv) opening of financial proposals and negotiating a contract with them on a unit rate basis. A number of training providers may be selected to conduct a certain training program, as preference of eligible youth is also a factor in selection.
(v) all advertisements shall be placed in nationally circulated newspapers, as well as the Project web-site and a minimum of 15 days response time shall be mandatory.

57. The technical criteria, selection process, formats for advertisement, evaluation sheets, and contract forms have been agreed and annexed with the operational manual. All public sector institutes are required to follow Sindh Public Procurement Rules for incurring their expenditures. STEVTA shall provide a simple procurement operating procedure based on SPPR rules to the public sector institutes for ease of implementation. Compliance to these rules shall be monitored on a sample basis by the performance monitoring entity.

Selection of Individual Consultants
58. Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Assessment of Agency’s Capacity to Implement Procurement
59. As indicated in the risk section, the Project is rated “Substantial risk” operation from procurement and contract management point of view. This assessment is based on the previous performance of implementing agencies as well as the devolved status of implementation. For component 1, BBSYDP will be responsible for the procurements. The program has been conducting such trainings since last three years. Component 2 will be run by STEVTA where institutions will also be involved in the procurement process. Component 3 shall be executed by STEVTA. There is a designated Deputy Director Procurement with STEVTA reporting to the Project Coordinator and assisted by two other staff. BBSYDP has a structure of PC PCU, assisted by two deputy program officers for public sector; and private sector & training.

60. In order to ensure efficiency and transparency in procurement, the following measures would be taken for implementation of the Project:

(i) **Procurement sections** on the STEVTA and BBSYDP website will be used to provide the overall procurement plans and updates. The dissemination shall include Project specific procurement plan, procurement notices, invitation to bid/EOIs/training services, bid documents and Request for Proposal (RFPs) as issued, latest information on procurement contracts, status of evaluation, complaints and actions taken, contract award and performance under the contracts and other relevant information related to procurement. The website would be accessible to all bidders and interested persons equally and free of charge.

(ii) **Procurement training** sessions will be held for all STEVTA as BBSYDP personnel engaged with the program, to ensure that the Project procurement design, procedures and requirements are clearly understood at the very commencement of the Project. Bank has held procurement discussions at the pre-appraisal stage (January and February 2011) and will hold a training session after the project becomes effective.

(iii) **Procurement Plans** will be prepared by STEVTA for all EEPs of component 2 and all activities of component 3. Implementation of Component 1 shall follow the general agreement on the work plan. ICBs shall be processed if the local markets are found
deficient/limited for certain specialized areas of expertise. Packaging shall be done in a cost effective manner optimizing on economies of scale. Principally, packaging will be done for inputs into upgrade of training programs of the same trade/technology (i.e. auto-mechanics etc.). No procurements shall be processed unless included in the procurement plan and approved by the Bank. Procurement plan updates shall be included in the quarterly progress reports.

(iv) Adequate dissemination for training plan and all procurements shall be done to ensure market awareness and effective implementation. If required workshops for potential training providers shall also be done to ensure a pro-active response which is aligned with the market demands. BBSYDP shall identify training needs and the Bank shall assist in training.

(v) Procurement Section of the Operational Manual documents the operating procedures agreed for the Project, including: (a) the internal arrangements of the borrowers for approvals of goods, works and services procurements, including timelines and service standards, and (b) the technical and commercial criteria for selection of training institutes, as well as performance indicators.

(vi) A credible system of handling complaints would be put in place. STEVTA would manage the complaint handling system with overall oversight by the Secretary /Board. This system would include maintenance of a database, a standard protocol with appropriate triggers for carrying out investigations, and taking action against involved parties. STEVTA and the Bank agreed on the basic arrangements of this which is included in the operations manual. The second tier of appeals would be created under the STEVTA Board. The system shall be fully functional by July 31, 2011. For ICB/international selection of consultants the Bank prescribed complaint redressal mechanism will apply. Status report for complaints handling mechanism shall be included in the quarterly progress reports.

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>Procurement training for Project staff</td>
<td>Bank</td>
<td>After effectiveness</td>
</tr>
<tr>
<td>ii.</td>
<td>Dissemination for service providers</td>
<td>STEVTA</td>
<td>As required</td>
</tr>
<tr>
<td>iii.</td>
<td>Complaint handling system</td>
<td>STEVTA</td>
<td>6 months after effectiveness</td>
</tr>
</tbody>
</table>

61. With these above arrangements, the procurement under the Project is likely to be effective and transparent resulting in smooth implementation of the Project leading to achievement of the Project development objectives. At this stage procurement risk rating of the Project is kept “substantial”.

Procurement Planning
62. The Borrower has developed a Procurement Plan for Project implementation which provides the basis for the procurement methods. This plan will be available at the borrower’s website. It will also be available in the Project’s database and in the Bank’s external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.
Review of Procurement by the Bank

63. Thresholds for prior review of contracts under eligible expenditures are given below. These thresholds would be reviewed in supervision missions and adjustments upwards or downwards would be made based on implementation experience, and the same shall be documented in the detailed procurement plans.

(i) All ICB contracts for works and goods;
(ii) All single source selections or direct contracts;
(iii) First NCB contract for Goods, irrespective of value, awarded by each implementing agency; and thereafter each contract for goods estimated to cost US $ 300,000 equivalent or more;
(iv) First NCB contract for works, irrespective of value; and thereafter each contract for Works estimated to cost US$300,000 equivalent or more;
(v) First contract procured through shopping, for goods and works by each implementing agency;
(vi) The first Consultants’ Services contract with consulting firms, irrespective of value, awarded by each implementing agency, and thereafter all contracts with firms estimated to cost US$200,000 equivalent or more;
(vii) First consulting services contract with individual consultants, irrespective of value, awarded by each implementing agency, and thereafter all contracts with individuals estimated to cost US$100,000 equivalent or more.

64. All other contracts will be subject to Post-Review by the Bank. Each implementing agency will send to the Bank a list of all contracts for post-review on a quarterly basis. Post reviews as well as the implementation reviews would be done six monthly. Such review of contracts below threshold will constitute a sample of about 15 percent of the contracts.

Procurement Information and documentation – Filing and database

65. Procurement information will be recorded and reported as follows:

(i) Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence etc., will be maintained by the implementing agencies in an orderly manner, readily available for audit.
(ii) Contract award information will be promptly recorded and contract rosters as agreed will be maintained by each implementing agency.
(iii) Comprehensive quarterly reports by STEVTA indicating: (i) revised cost estimates, where applicable, for each contract; (ii) status of on-going procurement, including a comparison of originally planned and actual dates of the procurement actions, preparation of bidding documents, advertising, bidding, evaluation, contract award and completion time for each contract; and (iii) updated procurement plans, including revised dates, where applicable, for the procurement actions.
(iv) A Database would be developed supporting the procurement website that would register relevant information in a database format that would be suitable for analysis. The database would include the above information and in addition other relevant information such as contract performance. The database would be designed and supervised by the
STEVTA in accordance with the format agreed with the Bank. This database could be used as a resource by the implementing agencies to plan for future projects.

Details of the Procurement Arrangements

Consulting Services

<table>
<thead>
<tr>
<th>Ref. No.</th>
<th>Description of Assignment</th>
<th>Estimated Cost (US$)</th>
<th>Selection Method</th>
<th>Review by Bank (Prior/Post)</th>
<th>Expected Proposals Submission Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Curriculum Development</td>
<td>300,000</td>
<td>QCBS</td>
<td>prior</td>
<td>Jun 5, 2011</td>
</tr>
</tbody>
</table>

d. Monitoring & Evaluation

66. Data collection and reporting for the Project will be the responsibility of Sindh TEVTA with and BBSYDP for the main outcome indicator and Component I. Data for Component II and III will be collected directly by Sindh TEVTA.

67. Component I: BBSYDP has a comprehensive monitoring system in place to measure the performance of the private sector training providers contracted by the Program. This system will be applied to all STEVTA and Departments which are to receive Project funding and will be providing BBYSDP financed training. Comprehensive monitoring forms have been developed to collect information on how effectively the training providers conduct training activities. These forms take into account attendance of the trainers and trainees in addition to progress against course activity plans. At the time a training institution is selected under the Program, it submits a detailed inception report which contains information on the trainees placed at the institution by the Program and on the course content and activity plans offered by the institution. Subsequently, for the private sector component, the training institutions submit weekly reports to the Program on progress of activities and a consolidated monthly report that is logged into the system at BBSYDP. All private sector training institutions contracted under the BBSYDP to provide training are visited at least once in a month by BBSYDP Program Officers or District Program Coordinators (DPCs). At the end of the course, a course completion report is submitted by the training institutions which documents information on percent of its trainees that have successfully completed the course.

68. A web-based MIS has been developed by BBSYDP where data collected from the training providers is entered. In addition to information related to training providers, data on applicants is also entered into this MIS at the time a potential trainee applies to the Program and is updated regularly as accepted applicant’s progress through the different stages of the training process. The database needs considerable strengthening to (a) include information on employers and training providers; and (b) to link up with national databases such as NADRA to cross-check the information provided by the applicants/trainees. This support to strengthen the MIS of BBSYDP will be financed through Component 3 of the Project.
69. In addition, to further strengthen the BBSYDP monitoring system to collect credible information on the trainees, an employment verification system that tracks the BBSYDP graduates will be instituted. The proposed employment verification system is not expected to present any significant financial burden on the Program as it is using systems already in place at the Program to collect additional information. This employment verification system will have three tiers:

(i) Training providers will be required to provide information on the employment outcomes (including whether self-employed or pursuing further education/training) of the BBSYDP trainees enrolled in their courses at the end of the course and submit an updated report at the end of three months. This information will be entered by BBSYDP in their central database. This information could be collected through the course completion report that is already required from the training providers and will only require changes to a few fields in the form.

(ii) As a second verification, a random sample of beneficiaries of the BBSYDP will be contacted by phone to confirm their employment status. BBSYDP has already contracted a call center to inform applicants of their acceptance to the Program and could use the same mechanism to collect information on employment outcomes.

(iii) A third party validations (TPV) of the employment status of BBSYDP beneficiaries may be conducted on a periodic basis to verify the accuracy of the information collected through the employment verification system, at least for the first year. This could be financed from Component 3 of the Project.

70. Further, tracer studies will be conducted on an annual basis to measure the outcomes of the program on the employment and salary of participants of BBSYDP. The first tracer study was completed in FY 2010 which has provided the baseline data for the Program. And one net impact study, comparing BBSYDP participants with similar non-participants, will be completed within the duration of the Project.

71. Component 2: There are several important monitoring and evaluation processes that will be integrated into the Project design. First, there will be careful documentation of the completion of each stage of program development cited above (i.e. memoranda of understanding, curriculum materials, equipment purchased, and trainees enrolled) that will be maintained by STEVTA and made available to the Bank to support of any request for reimbursement from the Project.

This necessitates development of a comprehensive database that documents and keeps track of data on institutions, their governance structures, applicants and trainees of the financed programs, and employers of the trainees. The development of this database to track progress of Project activities will be financed from Project funds.

73. Second, as noted in the eligibility criteria described in Annex 2, each participating institution will be required to cooperate with STEVTA in conducting annual graduate tracer studies of the supported programs of the institution.
## Annex 4

**Operational Risk Assessment Framework (ORAF)**

### Project Development Objective(s)

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

### PDO Level Results Indicators:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Percent of trainees of the youth development program who are employed and/or enrolled in continuing education three months after completion of training.</td>
</tr>
<tr>
<td>2.</td>
<td>Number of financed unemployed youth who complete the youth development program</td>
</tr>
<tr>
<td>3.</td>
<td>Number of market-driven training programs established in public training institutions.</td>
</tr>
</tbody>
</table>

### Risk Category | Risk Rating | Risk Description | Proposed Mitigation Measures |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Stakeholder Risks</strong></td>
<td>Medium - I</td>
<td>Reduction in government ownership: The main component of the Project supports a flagship short term training program of the current political government. In the event of a change in the political leadership of the province, the implementation arrangements of the short term training program, BBSYDP, may come under scrutiny and/or be changed substantially (unless the risk is mitigated).</td>
<td>Producing and proactive communication of results will build broad based support for the program implemented by BBSYDP, which would mitigate this risk. This has shown to be effective for other high profile programs in Pakistan in the face of political regime changes.</td>
</tr>
<tr>
<td><strong>Implementing Agency Risks</strong></td>
<td>Medium-L</td>
<td>There is a risk related to implementation of the Project being driven by short term political or personal goals and not long term education and training goals. At the same time, private sector representation on the Board of STEVTA is limited which increases the incidence of this risk.</td>
<td>The Project introduces several reforms that encourage participation of the private sector in the management of public training institutions. There will be significant private sector representation in the Management Committees of the supported institutions under component 2. Component 1 is</td>
</tr>
</tbody>
</table>
Insufficient staffing and/or decision making for implementation of the three components of the Project, could lead to delays in implementation. Further, the agency has inherited three sets of policies and systems that will have to be gradually merged. STEVTA has recently been assigned the management of TVET institutions and their allied properties, including HR administration, in the province. It is in the process of consolidation and organizing properties and resources and will need to invest in its capacity heavily over the medium term.

Increasingly using private sector institutions for imparting training.

To coordinate the activities of the implementing agencies, 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 (STEVTA and BBSYDP) has been established. The team will plan and oversee implementation and provide support and accountability as necessary to keep implementation on track.

Plans for recruitment of adequately qualified accounting staff and internal auditors, and documentation of policies and procedures are underway and will be completed before Project signing. In addition, an ERP solution to assist management processes is being installed.

Component 3 of the Project will invest in the institutional strengthening of STEVTA.

<table>
<thead>
<tr>
<th>Project Risks</th>
<th>Medium-L</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Although performance based contracting has been used for the private sector, a competitive selection process with results based contracts has not been used for public sector institutions before and could present a hurdle during implementation.</td>
<td>The Project is introducing performance contracts for the public sector starting from a low target of 20% which will be increased gradually. This will ensure that the public sector develops a level of comfort before higher performance is demanded from them. In addition, support will be provided to them through Component 3 to develop and articulate applications to compete for BBSYDP contracts. For instance by providing information</td>
<td></td>
</tr>
<tr>
<td>Component 2</td>
<td>The competitive fund mechanism proposed under component 2 has not been tested before and may be complex for a nascent organization like STEVTA to implement. However, it will introduce a bottom-up approach, transparency and innovation to the program.</td>
<td>on demand for skills. Technical assistance is included to help institutions prepare proposals and STEVTA to conduct a merit-based and transparent evaluation.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Social and Environmental</strong></td>
<td>Low</td>
<td>No construction or resettlement will be undertaken under this Project. Access of training opportunities to girls: Girls will not sign for the training or they will not subsequently use the skills acquired. The Project has commissioned a study to explore innovative ways to encourage female participation in training and enhance the utility of training for employment or self-employment. The Project will incorporate the findings of this study during implementation to ensure better performance in terms of increased participation and benefits for girls.</td>
</tr>
<tr>
<td><strong>Program and Donor</strong></td>
<td>Low</td>
<td>The Project is currently being co-financed solely by IDA, and no other development partners. It intends to pilot interventions that will have potential for scale-up as well as replication in other provinces. Other donors could potentially partner with the Bank once the Project has shown results. The team has kept donors in the sector informed during the Project preparation process and intends to continue this practice by proactive sharing of implementation experience and results of Project activities.</td>
</tr>
<tr>
<td><strong>Delivery Quality</strong></td>
<td>Medium-I</td>
<td>There is a risk of reduced demand for skilled labor as a consequence of low economic growth. This would reduce the employment rate of trainees. Low quality and/or relevance of financed training in BBSYDP and STEVTA would also negatively impact the employment rate. The overall economic activity is beyond the scope of the Project, but the risk can be mitigated by flexibly shifting training to occupations and niche areas that would remain in demand in a recession. Low quality and/or relevance is mitigated by: (i) including a strong weight on relevance in the STEVTA evaluation and selection of training programs; (ii) strong inclusion of private sector; (iii) performance benchmarks in the BBSYDP contracts; (iv) undertaking employer surveys and training needs assessments; (v) enhancing accountability for results via the IMCs; and (vi) strong M&amp;E with third party monitoring of employment outcomes.</td>
</tr>
</tbody>
</table>
Contract management by BBSYDP of training providers

<table>
<thead>
<tr>
<th>Overall Risk Rating at Preparation</th>
<th>Overall Risk Rating During Implementation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-L</td>
<td>Medium-L</td>
<td>There are a number of important country, sector and Project risks associated with the Project, as outlined above. However, the risks are mitigated upfront by: (i) the manageable size of the Project; (ii) the majority of the funding finances an on-going successful program that has demonstrated its capacity to train a large number of youth; and (iii) the up-front substantial reduction of the stipend to Rs. 2,500.</td>
</tr>
</tbody>
</table>
Annex 5: Implementation Support Plan

Strategy and Approach for Implementation Support

1. The strategy for implementation support (IS) takes into account the varying capacities of the two main implementing agencies involved, the nature of supported Project activities and the risk profile of the Project described in the ORAF. It will aim at providing the right mix of technical, fiduciary and safeguards implementation support in a responsive manner with the aim to implement the identified risk mitigation measures efficiently while maintaining the flexibility to be able to respond quickly to an evolving operational environment and client needs.

2. Providing adequate support to the client during implementation will also form the main thrust of the supervision strategy for the Project. In addition to providing technical guidance, this will include focus on strengthening the Implementing Agency’s own monitoring and evaluation systems, including building in regular third party monitoring mechanisms. Supervision will comprise of: (a) Joint Review Missions; (b) regular technical meetings and field visits by the Bank between the formal joint review missions; (c) Implementing Agency reporting based on internal monitoring and in-built third party monitoring; (d) independent third party verifications; and (e) internal audit and FM reporting.

3. With respect to Component One implementation, a Japan Social Development Fund grant in support of the same program, implemented by BBSYDP and administered by the World Bank, was activated in January, 2011. Lessons from implementation of grant activities will feed into the implementation arrangements for the larger IDA supported Project component. Both the BBSYDP and Bank teams will endeavor to adjust arrangements for implementation of component activities based on experiences of the grant.

4. With respect to Component Two, as highlighted in the ORAF, there are considerable risks related to the low capacity owing to the relatively recent set up of the Implementing Agency, STEVTA. In addition, the slightly more complicated design of the competitive fund as well as the Bank’s disbursement arrangement will require intensive support and frequent follow-up in the initial stages of implementation. The Bank will work with a sector expert (consultant), based in Karachi, to provide dedicated, timely support to the STEVTA team in the initial stages (first six months). The risk will reduce significantly once the selection process for participating institutions has been completed.

5. The Bank, together with the Implementing Agencies, will formally review Project implementation semi-annually (in March and October). More frequent visits are expected in the first year of the Project to initiate implementation of the competitive fund set up under Component 2 of the Project and provide oversight and support through the selection process. These joint review missions will be complemented by: (i) regular visits from the Bank’s Country Office staff; (ii) support from locally based technical consultants; and (iii) continuous communication and follow-up between missions through video conferencing which has been used effectively during preparation.
6. In addition to the joint review missions, several technical missions will be carried out throughout the Project period. During the technical missions, extensive field visits will be undertaken to determine reform outcomes, and to take corrective actions for improvement at the provincial and institutional levels. The Bank team will also hold regular consultations with relevant stakeholders including trainees, private and public sector training providers (administrators and well as instructors) and employers.

7. If the security situation deteriorates to the extent that joint review missions are not possible or the scope of supervision during these missions has to be limited, the following measures are proposed to maintain continuity in the extent and quality of supervision: (i) use of audio and video conferences as well as continuous communication via emails; and (ii) expansion of the monitoring work performed by third parties, including additional field visits by firms hired to provide third party validation support; and (iii) use of firms to provide technical support on the ground.

Implementation Support Plan

8. Most of the Bank team members will be based in the Pakistan Country Office and other country offices in the region to ensure timely, efficient and effective implementation support to the client. Formal supervision and field visits will be carried out semi-annually, with more frequent technical implementation support missions during the first year of the Project. Detailed inputs from the Bank team are outlined below:

- **Technical inputs.** Technical inputs are required to review the preparation of the proposals and bids to ensure fair competition through proper technical specifications and fair assessment of the technical aspects for both components. The team’s TVET specialist will conduct site visits on a semi-annual basis throughout Project implementation.

- **M&E Specialist.** Strengthening the IA’s monitoring capacities is crucial for the successful implementation as well as sustainability of Project activities and outcomes. An M&E Specialist will provide focused support throughout the Project period to ensure that this function is performed satisfactorily and that obligations to provide information are met efficiently and reliably. This aspect has added importance since disbursement under verification of results will determine disbursements under component 2 of the Project.

- **Fiduciary requirements and inputs.** Training will be provided by the Bank’s FM specialist and procurement specialist before the start of Project implementation. Both the FM and the procurement specialist will be based in the country office to provide timely support. Specifically:

  - Intensive FM supervision will be required in the initial year of implementation given the challenges and the capacity of the sector’s financial management staffing. Supervision of FM will be carried out semi-annually. During Project implementation, the Bank will review: (a) the Project IUFRs and audited financial statements, including the budget execution report, together with the management
letters; and (b) the Project’s financial management and disbursement arrangements to ensure compliance with the agreed requirements. With the implementation of the sound financial management and monitoring system by the professional staff proposed for the STEVTA implementation team, the Bank’s normal implementation review procedures will suffice.

- A procurement specialist will participate in the Bank’s Joint Review Missions every six months, however, more frequently in the early stages of the Project, with. In addition to the prior review, Bank supervision missions would carry out for post review of procurement actions. The Bank’s procurement specialist based in the Country office in Pakistan will be available to discuss procurement issues with the implementing guidance as and when needed.

For both procurement and financial management, the team will follow-up on the progress on the identified capacity building needs to strengthen FM capacity and to improve procurement management efficiency.

- **Safeguards.** At present, inputs are not expected from an environment specialist. However, inputs from a social development specialist are required. A study to understand the factors that determine female participation in TVET programs and also to identify ways in which it can be enhanced is being conducted by the Bank team. The Social Development Specialist/firm would assist in drafting a strategy to encourage female participation based on the findings of the report and oversee implementation. Field visits will be required on a semi-annual basis to determine implementation performance.

- **Operation.** An operations officer, based in the Pakistan Country Office will provide day to day supervision of all operational aspects, as well as coordination with the client and among Bank team members.

9. The main focus of implementation support is summarized below.

<table>
<thead>
<tr>
<th>Time</th>
<th>Focus</th>
<th>Resource Estimate</th>
<th>Partner Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>First six months</td>
<td>Technical Review/Support</td>
<td>TVET Specialist</td>
<td>4 SWs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M&amp;E Specialist</td>
<td>3 SWs</td>
</tr>
<tr>
<td></td>
<td>FM training and supervision</td>
<td>FM Specialist</td>
<td>4 SWs</td>
</tr>
<tr>
<td></td>
<td>Institutional arrangement and project supervision coordination</td>
<td>Operations Officer</td>
<td>6 SWs</td>
</tr>
<tr>
<td></td>
<td>Team leadership</td>
<td>TTL</td>
<td>6 SWs</td>
</tr>
<tr>
<td></td>
<td>Technical Review/Support</td>
<td>TVET Specialist</td>
<td>6 Ws/12m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M&amp;E Specialist</td>
<td>6 Ws/12m</td>
</tr>
<tr>
<td>7-48 months</td>
<td>Financial management disbursement and reporting</td>
<td>FM Specialist</td>
<td>6 Ws/12m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Operations Officer</td>
<td>12 Ws/12m</td>
</tr>
<tr>
<td></td>
<td>Procurement management</td>
<td>Procurement Specialist</td>
<td>4 SW/12m</td>
</tr>
<tr>
<td></td>
<td>Team leadership</td>
<td>TTL</td>
<td>12 SW/12m</td>
</tr>
</tbody>
</table>

Note: SW – Staff-Week
10. **Staff skill mix required is summarized below.**

<table>
<thead>
<tr>
<th>Skills Needed</th>
<th>Number of Staff Weeks</th>
<th>Number of Trips</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Officer</td>
<td>12 SWs annually</td>
<td>Fields trips as required.</td>
<td>Country office based</td>
</tr>
<tr>
<td>TVET Specialist</td>
<td>6 SWs annually</td>
<td>Field trips as required.</td>
<td>Local/Sindh based</td>
</tr>
<tr>
<td>Procurement Specialist</td>
<td>4 SWs annually</td>
<td>Fields trips as required.</td>
<td>Country office based</td>
</tr>
<tr>
<td>M&amp;E Specialist</td>
<td>6 SWs annually</td>
<td>Field trips as required.</td>
<td>Local/Sindh based</td>
</tr>
<tr>
<td>Financial Management Specialist</td>
<td>6 SWs annually</td>
<td>Fields trips as required.</td>
<td>Country office based</td>
</tr>
<tr>
<td>Task Team Leader</td>
<td>12 SWs annually</td>
<td>Three (annually)</td>
<td>HQ based</td>
</tr>
</tbody>
</table>
Annex 6: Team Composition

World Bank staff and consultants who worked on the Project:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andreas Blom</td>
<td>Senior Education Specialist/TTL</td>
<td>SASED</td>
</tr>
<tr>
<td>Huma Ali Waheed</td>
<td>Operations Officer/ CoTTL</td>
<td>SASED</td>
</tr>
<tr>
<td>David Fretwell</td>
<td>Employment and Training (consultant)</td>
<td>SASED</td>
</tr>
<tr>
<td>Elfreda Vincent</td>
<td>Program Assistant</td>
<td>SASHD</td>
</tr>
<tr>
<td>Rubina Geizla Quamber</td>
<td>Program Assistant</td>
<td>SASED</td>
</tr>
<tr>
<td>Zunee Muhtashim</td>
<td>Senior Investment Officer</td>
<td>CGMP</td>
</tr>
<tr>
<td>Naveed Saeed</td>
<td>Financial Management Specialist (consultant)</td>
<td>SARFM</td>
</tr>
<tr>
<td>Uzma Sadaf</td>
<td>Senior Procurement Specialist</td>
<td>SARPS</td>
</tr>
<tr>
<td>Martin Serrano</td>
<td>Senior Counsel</td>
<td>LEGES</td>
</tr>
<tr>
<td>Javaid Afzal</td>
<td>Senior Environment Specialist</td>
<td>SASDI</td>
</tr>
<tr>
<td>Zia Al Jalaly</td>
<td>Senior Social Development Specialist</td>
<td>SASDS</td>
</tr>
<tr>
<td>Chau-Ching Shen</td>
<td>Senior Finance Officer</td>
<td>CTRFC</td>
</tr>
<tr>
<td>Amandeep Trana</td>
<td>Senior Financial Management Specialist</td>
<td>SARFM</td>
</tr>
<tr>
<td>Syed Waseem Abbas Kazmi</td>
<td>Financial Specialist</td>
<td>SARFM</td>
</tr>
<tr>
<td>Mariam Nusrat</td>
<td>Implementation Consultant</td>
<td>SASED</td>
</tr>
</tbody>
</table>
Annex 7: Economic and Financial Analysis

A. Economic Analysis

1. This annex summarizes the economic rationale for the Skills Development Project, focusing on the economic analysis of the two main components of the Project. Component 1: “Improving and Expanding Short-term Training” (IDA US$ 15.0 million) will aim to expand and increase the impact of the existing short term training program targeting youth, and will finance the training contracts for delivering training to approximately 45,000 trainees; and Component 2: “Establish Market-driven Institutional Training Programs” (IDA US$ 3.75 Million) will pilot a sector program to establish about 70 market driven institutional training programs in STEVTA administered institutions to better meet the skill demands of the market. It will primarily finance STEVTA expenditures on (re-)designing and operationalizing existing or creating new training programs in selected training institutions.

Labor Market and Skills in Sindh, Pakistan

2. The majority of the labor force in Pakistan is employed in agriculture related activities. The distribution of the labor force across major industries has not varied significantly over the last few years despite the increasing contribution of the services sector to the growth of the economy. These trends are common to Sindh, which houses 24 percent of Pakistan’s population.

![Figure 2 Distribution of Labor Force across Major Industries](image)

Source: Labor Force Survey 2008/09

3. The graph above, however, does not take into account the large numbers of Pakistanis who go overseas for employment. Jobs abroad have become a major source of employment and income for Pakistan. By 2009/10, remittances grew by more than 270 percent since 2001/02, and accounted for over 5 percent of GDP. About 58 percent of remittances came from Saudi Arabia, the UAE, and other GCC countries. There are approximately 7 million Pakistanis working and living abroad, and it is believed that economic migrants constitute a large part of the Pakistani diaspora.

5 Component III is Technical Assistance.
Distribution of employment and skills in the labor force

4. Typical of Pakistan, the employed labor force in Sindh is engaged primarily in the agriculture sector, which accounts for 45.4 percent of the labor force.\(^6\) Outside the agriculture sector, employment is far more common in the informal sector in Pakistan, employing seven of every ten workers.\(^7\) In 2005, the informal private sector in Pakistan was estimated at over 62 percent of GDP. Ninety-nine percent of the 3.249 million businesses operating in Pakistan are categorized as small, with a low capital and revenue base. There are only 15,840 firms with more than 50 employees. Most businesses in the private sector show little or no growth and are characterized by low levels of technology and skills.\(^8\) The unemployment rates by age cohort in Sindh are lower than corresponding national averages, while labor force participation rates are similar.

<table>
<thead>
<tr>
<th>Age Cohort</th>
<th>Unemployment Rates (%)</th>
<th>Labor Force Participation Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sindh</td>
<td>Pakistan</td>
</tr>
<tr>
<td>15-19</td>
<td>4.49</td>
<td>9.45</td>
</tr>
<tr>
<td>20-24</td>
<td>4.96</td>
<td>7.32</td>
</tr>
<tr>
<td>25-29</td>
<td>3.25</td>
<td>4.27</td>
</tr>
<tr>
<td>30-34</td>
<td>1.68</td>
<td>2.55</td>
</tr>
</tbody>
</table>

Source: Labor Force Survey 2008/09

5. According to the labor force survey (LFS) of Pakistan 2005-06, less than 1 percent of the population, in the age range 10 years and above, has ever received technical education and vocational training. The age specific distribution of the population that has received skills training reflected in below shows that only 2 percent of the population in the age range 20 to 49

\(^7\) Labor Force Survey 2008-09  
\(^8\) Investment Climate Assessment, Pakistan, 2008, Vol II (Annexes)
has received skills training. At the same time, less than 1 percent of females receive skills training.

Figure 5 Percentage of Population (Age 10 years and above) with Technical and Vocational Training

![Chart showing the percentage of population with technical and vocational training by age and gender.](chart)

Source: Based on LFS 2005-06

6. Figure 6 below shows that the majority of people who receive technical training have also completed secondary school. Very few people with less than 10 years of education have reported receiving technical education and vocational training.

Figure 6 Population (10+) with technical training by level of Education and Gender

![Chart showing technical training by level of education and gender.](chart)

Source: Based on LFS 2005-06 data

7. The manufacturing, wholesale/retail trade, transport and services sector are reported as the major employers of the TVET population (Figure 7). Almost 2/3rd of the TVET population is
employed in the formal sector and 1/3rd is reported as self employed (sole proprietors), unpaid family help, and a very small number is reported as employers (Figure 8). Traditionally, men receive training in intensive technologies such as electrical, mechanical, construction, masonry, etc while female participants opt for training in garments, textiles, embroidery and apparel design and manufacturing.

![Figure 7 Distribution of Technically Trained Employed by Industry](image1)

*Figure 7 Distribution of Technically Trained Employed by Industry*

Source: Based on LFS 2005-06

![Figure 8 Distribution of Technically Trained by Employment Status](image2)

*Figure 8 Distribution of Technically Trained by Employment Status*

Source: Based on LFS 2005-06.

8. **Supply of Skills Training**: There are 469 private and public TVET institutions in Sindh, with an enrolment of 57,506.
9. Capacity utilization of TVET institutions is low in Sindh (52%); even when compared with other provinces in Pakistan with NWFP at around 68%, followed by Punjab at 65% (National Productivity Organization, 2005). Capacity utilization in individual institutes ranges from under 20% to 100% (NPO 2005).

10. The Sindh Board of Technical Education (BTE) is the main agency responsible for developing, streamlining and regulation of TVET programs in Sindh. BTE is responsible for affiliation of institutions, registration of students, conducting examinations, award of diplomas and certificates, updating curricula in cooperation with NISTE, introduction of new courses, and interaction with industry. Based on the latest available information, there are 446 affiliated institutions offering one to four year programs and short term programs, leading to DAE, Technical School certificate (this is the vocational stream), and other certificates and diplomas. The pass rate of examinations conducted by BTE varied from 66.8 percent to 67.7 percent for morning and evening classes, respectively.

Low level of skills, skills gap and skills mismatch

11. The lack of a skilled labor force is a significant constraint to growth and competitiveness of the country. Only 2 percent of the population in the age range 20 to 49 has received skills training. The lack of suitably qualified people is an impediment both to implementation and quality of delivered products and services. 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 majority of firms find themselves in an 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. Case studies for Sindh find skills shortages within the light manufacturing, textiles, and the mining industries. There is a need to make the vocational education and training (TVET) sector responsive to this demand to both create jobs for youth and contribute to improved competitiveness of Pakistani firms.

Proposed activities of the Sindh Skills Development Project

12. The Project supports the Government of Sindh’s ongoing initiatives to strengthen its TVET sector. BBSYDP is an ongoing, well-documented skills program, with an innovative and flexible approach that promotes focus on performance and outcomes and hold significant potential for assisting the transition of unemployed into the labor market and improving the productivity of the TVET sector. The Project supports an increase in access to TVET courses by financing the recurrent costs of delivering training services to approximately 45,000 trainees.
under Component 1. Under Component 2, the Project will provide a competitive fund that public training institutions can apply to for financing to upgrade selected programs to cater to labor market demands, thereby increasing the market relevance of the TVET courses offered. Component 3 (Technical Assistance) aims to strengthen governance and training policies and services, to improve the capacity and efficiency of TVET managed by STEVTA and delivered by its institutions, increasing By investing in and strengthening BBYSDP training and institutional training programs.

**Cost-Benefit Analysis of Component 1**

**Component 1** accounts for 75 percent of total Project financing. It is expected to affect youth employment positively in two dimensions: (i) the probability of employment and (ii) wages for employed youth. Below is a cost–benefit analysis for this component to determine the economic rationale for investing in BBSYDP.

13. The target group for BBSYDP includes the semi-literate with 10 years of schooling or less, including females, with a focus on participants from the interior of Sindh. Some programs cater to unemployed graduates with an intermediate degree (12 years of schooling). The participants are between 18 and 35 years of age residing in Sindh.

14. The program finances short-term training (3-12 months) with the objective to assist participants qualify for an entry-level position within a specific trade, profession or industry. Trainees receive a monthly living stipend of Rs. 2,500 (US$29). Further, trainees attending training more than 75 km away from their home are entitled to a dislocation allowance of Rs. 4,000 (US$ 47). As part of the application process, training providers detail their individual budget consisting of remuneration of instructors, perishable and limited non-perishable goods and materials, training material; wear and tear on learning equipment, rent or equivalent foregone costs of facilities. The total amount of a training contract is calculated based on reasonable costs and negotiated, and a unit cost per trainee is established for that program. Direct training costs are invoiced by training providers and paid in installments by BBSYDP to training providers on a schedule determined by duration of the training program and actual attendance. The average cost per trainee including the stipend is approximately Rs.35,000 (US$410).

**Assumptions:**

i. Annual wages are average wages of ‘skilled’ and ‘unskilled’ workers as defined by “Pakistan Employment Trends – Skills” (2007)\(^9\). Skilled workers are those belonging to any of these categories: clerks, service workers/shop and market sales workers, skilled agriculture and fishery workers, and craft and related trades workers. Unskilled workers are those with elementary occupations. It is assumed that those individuals participating in a technical education program emerge as skilled workers on completion of the program. In the analysis, the benefit streams are generated by lifetime earnings and reflect the wage premium of a skilled worker (having graduated from the program) over an unskilled worker.

---

\(^9\) Wage data from Ministry of Labor and Manpower.
ii. The base year is 2009. Wages are expected to increase (in real terms) at an annual rate of 5.6 percent for unskilled employed workers, and at an annual rate of 6.4 percent for employed individuals with vocational training. These real growth rates are based on a 3-year historical average growth rate of the wages of skilled and unskilled youth from 2005-2007 (figures for 2005, 2008, 2009 based on extrapolation from data).

iii. A participant in the training program is assumed to retain skills acquired in the program and earn a wage premium for these skills for the remaining duration of his/her employed life, which is 40 years for the purpose of this analysis.

iv. The pass rate of technical training programs in Sindh is around 67 percent.\(^{10}\)

v. Twenty-eight percent of a sample of graduating trainees obtained employment within three months of graduation (BBYSPD Tracer Study).

vi. No data is available to estimate the probability of employment after a search period of 3 months for unskilled workers, so it is set at 15 percent to reflect the hypothesis that unskilled workers have to search for longer periods than skilled workers to find employment.

vii. A discount rate of 12 percent is used while calculating the Project’s NPV, reflecting both long-term savings bond rates as well as inflation.

<table>
<thead>
<tr>
<th>General assumptions</th>
<th>Assumption</th>
<th>Symbol/Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual wage of unskilled worker</td>
<td>US$654</td>
<td>w</td>
</tr>
<tr>
<td>Probability of employment after search period of 3 months, if unskilled</td>
<td>15%</td>
<td>e</td>
</tr>
<tr>
<td>Expected wage if unskilled</td>
<td>w*e</td>
<td></td>
</tr>
<tr>
<td>Annual wage of skilled worker</td>
<td>US$820</td>
<td>W</td>
</tr>
<tr>
<td>Probability of employment at 3 months from completing the program</td>
<td>Base (28%), High (40%)</td>
<td>E</td>
</tr>
<tr>
<td>Pass rate of individuals in technical programs (Sindh)</td>
<td>67%</td>
<td>p</td>
</tr>
<tr>
<td>Expected wage if individual completes program (trained)</td>
<td>W<em>E</em>p</td>
<td></td>
</tr>
<tr>
<td>Months of traineeship</td>
<td>3</td>
<td>m</td>
</tr>
<tr>
<td>Costs</td>
<td>US$410</td>
<td>c</td>
</tr>
</tbody>
</table>

15. The NPV and IRR are estimated for a base case, where the probability of employment 3 months after graduation is 28 percent (based on the BBSYDP Tracer Study). The target set by the Project is 40 percent, which is the High case.

<table>
<thead>
<tr>
<th></th>
<th>IRR</th>
<th>NPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base case (E = 28%)</td>
<td>21.1%</td>
<td>US$27.34 million</td>
</tr>
<tr>
<td>High case (E = 40%)</td>
<td>36.7%</td>
<td>US$73.9 million</td>
</tr>
</tbody>
</table>

\(^{10}\) Janjua and Irfan (2008)
16. For the base case, increasing enrolment in BBSYDP in 2009 by 45,000 trainees can produce an NPV of US$27.34 million, while for the high case the NPV is as high as US$73.9 million, with an IRR of 36.7 percent.

**Cost-Benefit Analysis of Component 2**

17. The objective of this component, which accounts for 20 percent of total Project financing, is to establish market driven institutional training programs in STEVTA administered institutions to better meet the skill demands from employers and thereby enhance the probability of trainees entering employment. This component will consist of a “fund” to finance STEVTA’ expenditures to (re-)design and operationalize existing or new training programs in selected reformed training institutions. The program aims to establish 70 market-driven programs using a Competitive Fund of approximately US$50,000 for each program. *The following analysis estimates the NPV and IRR for Component 2 per trainee.*

18. For the purpose of this analysis, it is assumed that target programs will be 1 year training programs. The cost to the government per trainee composes of the cost to government, as well as the Competitive Fund. The cost of the Competitive Fund is spread out over 10 years, the period for which the (re-)designed program is assumed to have market relevance. The cost of the fund is spread over only those students expected to graduate (67 percent) out of an average class size of 75 students annually.

19. Sixty percent of graduating trainees are expected to obtain employment within six months of graduation, based on an ADB impact evaluation study of TVET projects in 1999. Bearing in mind the significant period of time which has elapsed since then, unemployment rates in 1999 have been compared with the current rate and have been found to be approximately the same. This high probability also reflects in theory the greater employability of trainees who have undergone 1 year training under a re-designed program, as opposed to those trainees under Component 1. A sensitivity analysis is carried out, using E = 50 percent as well. We also assume a 20 percent probability of an unskilled worker finding a job within 6 months, revised upwards from the assumption in the analysis for Component 1 to reflect a longer search period.

**General assumptions**

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Symbol/Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual wage of unskilled worker</td>
<td>US$654</td>
</tr>
<tr>
<td>Probability of employment after search time of 6 months</td>
<td>20%</td>
</tr>
<tr>
<td>Expected wage if unskilled</td>
<td>w*e</td>
</tr>
<tr>
<td>Annual wage of skilled worker</td>
<td>US$820</td>
</tr>
<tr>
<td>Probability of employment at 6 months after graduation, skilled</td>
<td>20% (50%), High (60%)</td>
</tr>
<tr>
<td>Pass rate of individuals in technical programs (Sindh)</td>
<td>67%</td>
</tr>
<tr>
<td>Expected wage if skilled</td>
<td>W<em>E</em>p</td>
</tr>
<tr>
<td>Average class size</td>
<td>75</td>
</tr>
<tr>
<td>Expected time redesigned/new program will remain relevant to market demand</td>
<td>10 years</td>
</tr>
<tr>
<td>Duration of training</td>
<td>1 year</td>
</tr>
</tbody>
</table>

64
20. The following table shows the results of the cost-benefit analysis based on High and Low cases:

<table>
<thead>
<tr>
<th></th>
<th>IRR</th>
<th>NPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low case (E = 50%)</td>
<td>26.9%</td>
<td>US$1,703</td>
</tr>
<tr>
<td>High case (E = 60%)</td>
<td>34.4%</td>
<td>US$2,560</td>
</tr>
</tbody>
</table>

21. For the Low case, (re-)designed programs under Component II have an IRR of 26.9 percent and an NPV (per trainee) of US$1,703, while under the High case the IRR increases to 34.4 percent and the NPV (per trainee) to US$2,560.

Non-quantifiable economic benefits

22. An improvement to Sindh’s TVET system is expected to generate both monetary and non-monetary benefits. It is widely acknowledged that TVET forges a link between those who could not complete formal education with the labor market, promoting social inclusion, poverty alleviation, and contributing to sustainable development. Based on experiences from other countries, the Project is expected to generate benefits at both the individual and societal levels through the production of demand-driven skills.

23. Short-term training courses can raise productivity in a large number of young people in a short period of time, and can also be adapted to changing market demands.

24. Investing in skills yields high private returns, increasing individual employability and wages. Increased employability will stem from enhanced human capital, specifically the possession of skills demanded by the market. For firms, a skilled labor force translates to higher productivity and competitiveness, and possibly even increased profitability.

25. Externalities: New growth literature explicitly considers the spill over effects from education and training activities and places such effects at the heart of self-sustaining growth at the macroeconomic level. Positive production externalities are expected to result from skills development; for instance, technically skilled individuals in a firm may improve the productivity of their co-workers. The presence of a large skilled labor force is likely to attract foreign and domestic direct investment, which in turn will create more job opportunities in the country. These positive effects on industrial competitiveness and economic growth make the social return to investment in skills far greater than private returns.

26. Information failures: Information failures may occur when individuals lack information when making decisions related to private investment in skill acquisition and development,
resulting in underinvestment. To counter this, public funding of skill development as well as the public provision of the ‘right’ kind of skills (market demand driven) is necessary.

27. **Employment, economic growth, and poverty reduction:** A skilled labor force can be absorbed by the services and manufacturing industries, two sectors with high contributions to economic growth. These sectors, along with wholesale/retail trade and transport are major employers of TVET graduates.

**B. Financial Analysis**

28. Total expenditure on education has increased gradually over the past few years but is still lower than the average expenditure on education of 3.2 percent of GDP among other countries in South Asia. It is difficult to track actual expenditure on the TVET sector in Pakistan due to the fragmented infrastructure and governance mechanism. Nevertheless, spending on TVET is relatively low as compared to total spending on general education. On average 5.5 percent of the total education budget was spent on TVET since the 1980s. In FY 2008-09, government expenditure on the TVET was estimated to be between 8-10 percent of the total education budget.

29. Budget allocations for Sindh TVET are reported in Table 1 below. The percentage distribution of salary and non-salary related expenditure is similar to Punjab and NWFP; 88% for salary and 12% for non-salary component.

<table>
<thead>
<tr>
<th>Costs</th>
<th>(Rs. Million)</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>50</td>
<td>88%</td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td>6.808</td>
<td>12%</td>
</tr>
<tr>
<td>Total Costs</td>
<td>56.808</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Sadiq 2009

30. TVET institutions receive funds from the provincial government in case the institution is under provincial administration or by districts in case it is administered by the latter. Funds are released by the provincial finance department as per the demand of the District Coordination Officer (DCO) in each district. The majority of funds come from the provincial government with some cost recovery through student tuition fees, contributions from the Student Union Fund (SUF), admission card fee and exams fees.

31. Initiatives taken under the Project are not expected to significantly add to Sindh TEVTA’s recurring costs. Increases in recurring costs may arise from additional teacher training.

32. For sustaining outcomes envisaged by the Project, especially the development or redesigning of training programs catering to market demands, it is important that the TVET sector continuously receives adequate funding. It is important also to revisit budgetary allocations to the TVET sector based on the cost of trainings, which may vary over time according to market demand.
Annex 8: Summary of Preparatory Studies and the ICR for previous TVET Project in Pakistan

1. Three preparatory studies were undertaken for the Project preparations:
   - STEVTA Institutional Assessment
   - BBSYDP tracer Study
   - Employer Survey (with Karachi Chamber of Commerce and Industry and BBSYDP and STEVTA)

Further, the design of the project follows the lessons learnt from the Bank’s previous engagement in the TVET sector in Pakistan in the 1990s, also summarized below. In addition a study on how to enhance girls’ participation and benefit from training was in the final stages of conclusion at the time of approval of this project.

Summary of STEVTA Institutional Assessment (with STEVTA)

2. Providing quality training that leads young people to jobs is critical for the economic and social development of the Province of Sindh, Pakistan. This working paper assesses the strengths and weaknesses of the Sindh Technical Education and Vocational Training Authority (STEVTA) as a provincial apex body in Technical Education and Vocational Training (TVET). The recent establishment of STEVTA was a major step to reduce fragmentation of training policies and programs. The paper assesses the Authority’s legal foundation, governance, management, organization, human resources, financial resources and management, and networking with external organizations. The Institutional Assessment finds that Government of Sindh and STEVTA need to: (i) strengthen its Governance by establishing a clearer reporting structure for the management of the Authority’s director, and by increasing the involvement of the private sector in the Board, (ii) enhance its institutional capacity through hiring of teachers in its institutions based upon increased funding and a sustainable HR rationalization plan for the system that is coordinated with planned physical investments in institutions, and (iii) build strong operational capacity by establishing rules of business and management information systems, and drafting a strategic plan. Lastly, to fully achieve its mandate, continued and consistent governmental support is essential to give STEVTA stability and funding to fulfill its mandate: Employment through Skills.

Key Points and Conclusion from the BBSYDP Tracer Study (with BBSYDP and ILO)

- Though Phase-I of the BBSYDP was kicked off in a hurried way with some shortfalls and loopholes in planning and implementation aspects, it has partially achieved its targets of poverty alleviation and reduction of unemployment;
- Healthy changes at all the levels are not only being welcomed but gradually being incorporated in order to overhaul and improve the performance of the Program;
- A positive participation rate by respondents in the study (i.e. 68%) was observed which can further be improved through effective planning in the next study, particularly from the female participants.
• Active participation from all specializations may be ensured so that true outcomes may be evaluated;
• Around 56% of graduates are still unemployed and are seeking jobs for which their productive mobility should be facilitated;
• Actual employment of graduates has been noted as 27% of the total graduates members empowered;
• There is the need for training courses to be made more related to specializations and employment.
• Proactive role of “employment exchange and similar organizations” in BBSYDP should be ensured for productive results;
• Jobs placements and training facilities should be improved;
• Future training activities should be research based under an organized mechanism i.e. study and report on the basis of market based demands of jobs and specializations;
• Training proposals/requests should be considered in the light of research reports on demanding specialization under healthy competitions among private and public facilitators who are not only capable but willing to deliver as well;
• Quality be preferred over quantity; though both should be considered;
• Program’s MIS call should be more efficient, organized and equipped while field offices are expanded and made efficient, and
• Further study at micro-level is recommended.

Summary of Employer Survey (with Karachi Chamber of Commerce and Industry and BBSYDP and STEVTA)

3. Identification of employment opportunities, a provision of appropriate training, promotion of effective employment policy from the government, and a close match between the skill set of graduates and demand for skills is critical for a TVET system. In order to identify which skills and occupations where, this survey analyzed the results of the employer survey conducted in November 2009 of over 900 employers. The results of the survey provide various benchmarks which can be used over time to: (i) measure how STEVTA and BBSYDP can improve existing program outcomes, and (ii) to monitor changes in labor market demand so that STEVTA and BBSYDP can shift resources appropriately. We conclude this paper with eight findings and recommendations: (i) rising demand for skills indicates the need for skills program, (ii) need for training of specific skills such as on-the-job training and communication skills, (iii) need for specific trainings for occupations demanded, (iv) improved employment prospects, (v) trainees’ need for direct contacts to firms and preparation for interviews, (vi) need for an increase in visibility of BBSYDP, (vii) need for a reform in public institutions, and (viii) current focus of firm’s internal trainings on educated and skilled employees.
4. **Introduction.** This was the second IDA project in the vocational training sector in the Islamic Republic of Pakistan. The project was designed to complement and supplement the First Vocational Training Project (Credit 1109-PAK), which closed on December 31, 1987. The project became effective on April 1, 1987 and closed on December 31, 1996. The project was restructured in 1993. When the closing date was first extended, in May 1995, SDR 3.2 million (US$ 5.0 million) was cancelled. The project achieved mixed success in achieving its objectives and the sustainability of sectoral and policy-related project gains remains in doubt.

5. **Project Objectives.** The main objective of the project was to improve the quality and expand the capacity of the National Vocational Training System (NVTS) to meet skilled and semi skilled labor requirements for the industrial and agricultural/rural sectors. The enabling objectives were to: (i) increase the capacity of existing Vocational Training Centers (VTCs) and establish new VTCs; (ii) expand the apprenticeship/in-plant training programs; (iii) strengthen instructor training program; (iv) strengthen the capacity of the National Training Board (NTB) and the Provincial Training Boards (PTBs); (v) establish a pilot and experimental component of Women Technical Training Centers (WTTCs); and (vi) assist the Government in establishing a clear policy for cost recovery.

6. **Evaluation of Project Objectives.** The project was designed to continue and build upon the work undertaken under the first project. It was timely, but its original objectives were too general, and they unwittingly led to the expansion of supply-driven institutions-based training in the public sector. The project design was over-ambitious, and took insufficient account of limited implementation capacity. To overcome these problems, the restructured project rightly reduced the physical scope of institution-based training components, and encouraged the diversification of enterprise-based training. The restructured project, however, underestimated the time and effort needed to develop the institutional base for implementing the reforms. The establishment of prototypes of women training programs in modern, income-generating skills was well conceived in view of growing marginalization of women employability as a result of excessive reliance on traditional training in stitch-craft. Finally in light of dwindling operation and maintenance resources the objective of partial cost recovery addressed the need of the hour.

7. **Implementation Experience.** The project started slowly due to delayed acquisition of sites for new VTCs, centralized and inefficient construction management, continuing gaps among project management staff and lack of communication and coordination between federal and provincial implementation agencies. Because of poor implementation record the project remained in the problem projects category for more than four years and was upgraded only in 1994. Due to major changes in the requirement of the job market and keeping in view the limitations of implementation capacity, the project was restructured in 1992-93 with focus on reduced physical infrastructure and greater induction of employers and provincial governments in project implementation. The project restructuring was based on a comprehensive training needs assessment study conducted by external consultants. The restructured project was approved formally by the Government in February 1994 and the Development Credit Agreement was amended in March 1994. The post-restructuring implementation of the project developed a relatively faster pace.

8. The Credit disbursements trailed the appraisal estimates by a wide margin for most of the project's life. Due to major deviations from IDA's Procurement Guidelines, construction of 3 new
VTCs was excluded from IDA’s financing and further in line with the revised requirements of the restructured project an amount of SDR 3.21 million (about 5 million dollars) was cancelled. At the close of the project an amount of about SDR 5.45 million out of the revised Credit Allocation of SDR 33.39 million remained un-utilized and was accordingly cancelled. The total project cost is estimated to be Rs. 2880 million (US$ 110.36 million), which corresponds closely to the revised PC-I cost of Rs. 2882 million.

9. Results. The project achieved mixed results. The new VTCs could not be operationalized by project closure due to delayed construction, but the existing VTCs increased their enrolment capacity by almost 50 percent through provision of new equipment, introduction of additional trades and extension of second shift programs. The instructor training capacity quadrupled but the backlog of untrained instructors could be reduced by only 40 percent. The apprenticeship training capacity doubled, but its full potential could not be achieved due to delay in the promulgation of revised legislation. The training boards were restructured but without legislated empowerment they failed to deliver their full normative charter. A new national training policy and a broad based training curriculum were developed, but their implementation remained slow. New employer-led councils and committees were created to decentralize and diversify training provisions but their sustainability is unassured. Although women training pilot in income-generating skills commenced in only two of the five planned WTTCs, its acceptance and success have enhanced the potential of its replicability. The planned support to the informal sector through mobile training did not materialize, but in-service workers benefitted extensively through the trade testing and re-training facilities set up under the project. A monitoring and evaluation infrastructure was established, but it has yet to develop full capacity for assembling and updating labor market information. Short, market-oriented courses launched by the Skill Development Councils (SDCs) and Institute Management Committees (IMCs) eminently established the potential for cost recovery, but this successful experience was not transferred to regular, full-time training programs. Substantial technical assistance resources were invested in management and staff development, but frequent changes in top decision-makers have inhibited adequate returns to the planning, policy-making and managerial processes of the NVTS. On balance, in addition to significant capacity building in physical and qualitative terms the project has laid a foundation for sectoral reforms, but their full realization lies in the future.

10. Achievement of project objectives. In physical terms the project achieved about 70 percent of the capacity expansion targets and about 60 percent of quality improvement targets. A significant success of the project lies in creating elements of an enabling environment for sustained growth and development of the training sector. Whether this enabling environment will add up and deliver will depend upon how the institutional gains of the project are sustained by the Government in the post-project period. Given that construction was still underway at the closing date, the new participatory structures were being developed, and that funds remained in the Credit, a limited further extension of the Credit life could have enhanced the sustainability of project outcomes at a crucial stage in the evolution of the training sector. However, the long project life spread over 10 years and its lack of fully satisfactory implementation progress did not justify a departure from the current Bank policy on Credit closure. A significant failure of the project was the non-mobilization of partial cost recovery from trainees of regular programs. Another failure was the non-mobilization of direct support to the informal sector envisaged under the restructured project.
11. **Sustainability of the Project Gains.** Increased budgetary constraints make it unlikely that adequate Operation & Maintenance (O&M) resources would be available to service the expanded infrastructure unless supported by a policy of partial cost recovery. Without empowering the NTB and the PTBs through amended legislation, their normative charter is likely to remain underdelivered. Similarly unless the existing legislation on apprenticeship training is revised to make it less coercive and more voluntary and incentive-based, these programs are unlikely to mobilize full capacity. The sustainability of the SDCs and the IMCs is also unassured without continued public sector support for another 2-3 years and without a decisive move towards decentralized management. On the other hand the instructor training infrastructure, the trade testing mechanisms and various national standing committees have developed the intrinsic strength to survive and remain productive. Women’s training in nontraditional trades is gradually developing firm roots and it possesses a good potential for replication.

12. **Overall Assessment of Outcomes.** On balance the Project outcomes were unsatisfactory, measured against the original targets. However, achievements since restructuring under the reoriented objectives gave partially satisfactory outcomes at closing, with the promise of more satisfactory outcomes in the post-project period.

13. **Summary of Findings and Major Lessons Learnt.** If a Vocational Training project were to be designed today to meet the (laudable) objectives of this operation, it would take a very different form. The following are the major findings and the key lessons learnt:

- Public sector interventions in the training sector should essentially be catalytic in nature to create a participative environment in which the training providers and the employers in tandem can plan and deliver training programs in response to the market forces - the corollary being that public sector training monopolies lead to gross inefficiencies, rapid obsolescence and rampant un-employability of trained labor.
- Policy-makers and planners need a greater understanding of the dynamics of job creation and job-related training, if costly labor shortages and surpluses are to be avoided.
- The informal sector complemented by enterprise-based training will continue to remain a major source of trained labor in Pakistan for a long time to come. However, lack of experience and proven knowledge is a major constraint in developing appropriate support to the informal sector.
- The expansion of training sector should not be governed by compulsions of social demand for vocational training opportunities but instead by the imperatives of economic demand. Vocational guidance services should be established to inform and educate the people for the purpose of enabling them to make correct choices.
- Multi-sectoral policy-setting and coordinating bodies entrusted with a normative charter but without legislated empowerment have little potential of coming to life.
- The recurrent operational budgets are likely to remain short-funded in the short and medium term which implies prudent investments in further expansion of the publically supported training sector. Further in this scenario, partial cost-recovery is an inescapable option.
- Full benefits of mid-term restructuring of a project can accrue only if sufficient time is allowed for the restructured components to develop institutional strength.