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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF {SDRXX} MILLION
(US\$50 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

PUNJAB SKILLS DEVELOPMENT PROJECT

February 11, 2015

Education Global Practice
SOUTH ASIA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2015)

Currency Unit	=	PKR
PKR	=	US\$1
US\$	=	SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
ASER	Annual Status of Education
BTE	Board of Technical Education
CBTA	Competency-Based Training and Assessment
CGA	Controller General of Accounts
COO	Chief Operating Officer
CPS	Country Partnership Strategy
CQS	Consultant's Qualifications Selection
DAE	Diploma in Associate Engineering
DA	Designated Account
DAO	District Accounts Office
DBOM	District Board of Management
DfID	Department for International Development (UK)
DLI	Disbursement-Linked Indicator
DoICI	Department of Industries, Commerce and Investment
DP	Development Partner
EEP	Eligible Expenditures Program
EIRR	Economic Internal Rates of Return
FBS	Fixed Budget Selection
FM	Financial Management
FMIS	Financial Management Information System
FY	Fiscal Year
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GP	Global Practice
GoPunjab	Government of the Punjab
HRDP	Human Resource
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
IDA	International Development Association
IDP	Institutional Development Plan
IFP	Investment Project Financing
IFR	Interim Financial Report

ILO	International Labor Organization
IMC	Institute Management Committee
IMF	International Monetary Fund
LCS	Least Cost Selection
LFS	Labor Force Survey
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MIS	Management Information System
MTBF	Medium Term Budgetary Framework
NAVTTTC	National Vocational and Technical Training Commission
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NVQF	National Vocational Qualifications Framework
ORAF	Operational Risk Assessment Framework
PA	Partnership Agreement
PBTE	Punjab Board of Technical Education
PbPPR	Punjab Procurement Rules
P&D	Planning and Development Board (Punjab)
PDO	Project Development Objectives
PEFA	Public Expenditures and Financial Accountability
PF	Partnership Framework
PFM	Public Financial Management
PIFRA	Project for Improvement of Financing, Reporting and Auditing
PIU	Project Implementation Unit
POM	Project Operations Manual
PPP	Public-Private Partnership
PPRA	Punjab Procurement Regulatory Authority
PSA	Punjab Skills Agency
PSCAC	Private Sector Advisory Council
PSDF	Punjab Skills Development Fund
PSDP	Punjab Skills Development Project
PSLM	Pakistan Social and Living Standards Measurement
PSSC	Punjab Skills Steering Committee
PSSCC	Punjab Skills Sector Coordination Cell
P-TEVTA	Punjab Technical Education and Vocational Training Authority
PVTC	Punjab Vocational Training Council
QBS	Quality-Based Selection
QCBS	Quality and Cost-Based Selection
RFP	Request for Payment
SBD	Standard Bidding Documents
SDA	Special Drawing Account
SDR	Special Drawing Rights
SIL	Specific Investment Loan
SME	Small and Medium Enterprise
SoE	Statement of Expenditure
SOP	Standard Operating Procedures

STEP	Skills Towards Employment and Productivity
TA	Technical Assistance
TEVTA	Technical Education and Vocational Training Authority
TLM	Teaching-Learning Material
TOR	Terms of Reference
TP	Training Provider
TTI/TTC	Technical Training Institutes and Centers
TTB	Trade Testing Board
VTI	Vocational Training Institute
WB	World Bank

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PAKISTAN
Punjab Skills Development Project

TABLE OF CONTENTS

I.	STRATEGIC CONTEXT	1
	A. Country and Provincial Context	1
	B. Sectoral and Institutional Context	2
	C. Higher Level Objectives to which the Project Contributes.....	5
II.	PROJECT DEVELOPMENT OBJECTIVES.....	6
	A. PDO	6
III.	PROJECT DESCRIPTION	6
	A. Project Components.....	7
	B. Project Financing	11
	C. Lessons Learned and Reflected in the Project Design.....	13
IV.	IMPLEMENTATION	15
	A. Institutional and Implementation Arrangements	15
	B. Results Monitoring and Evaluation	16
	C. Sustainability	17
V.	KEY RISKS AND MITIGATION MEASURES.....	18
VI.	APPRAISAL SUMMARY	18
	A. Economic and Financial Analysis	18
	B. Technical.....	19
	C. Financial Management.....	20
	D. Procurement.....	21
	E. Governance and Accountability	21
	F. Social (including Safeguards)	22
	G. Environment (including Safeguards)	22
	Annex 1: Results Framework and Monitoring	24

Annex 2: Detailed Project Description	35
Annex 3: Implementation Arrangements.....	54
Annex 4: Operational Risk Assessment Framework (ORAF).....	77
Annex 5: Implementation Support Plan.....	81
Annex 6: Economic and Financial Analysis	85

PAD DATA SHEET
Pakistan
Punjab Skills Development (P130193)
PROJECT APPRAISAL DOCUMENT

SOUTH ASIA
0000009057

Report No.: PAD1010

Basic Information			
Project ID P130193	EA Category C - Not Required	Team Leader(s) Scherezad Joya Monami Latif, Ayesha Khan	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jul-2015	Project Implementation End Date 30-Jun-2020		
Expected Effectiveness Date 01-Jul-2015	Expected Closing Date 30-Jun-2020		
Joint IFC No			
Practice Manager Halil Dundar	Senior Global Practice Director Claudia Maria Costin	Country Director Rachid Benmessaoud	Regional Vice President Annette Dixon
Borrower: Islamic Republic of Pakistan			
Responsible Agency: Industries, Commerce & Investment Dep., Govt. of Punjab			
Contact: Telephone No.: 924299210534-5	Arif Anwar Baluch	Title: Secretary	Email: secyindustries@punjab.gov.pk
Project Financing Data(in US\$ Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	56.30	Total Bank Financing:	50.00
Financing Gap:			

Financing Source	Amount
BORROWER/RECIPIENT	6.30
International Development Association (IDA)	50.00
Total	56.30

Expected Disbursements (in US\$ Million)										
Fiscal Year	2016	2017	2018	2019	2020	0000	0000	0000	0000	0000
Annual	10.50	10.83	10.83	10.83	7.01	0.00	0.00	0.00	0.00	0.00
Cumulative	10.50	21.33	32.16	42.99	50.00	0.00	0.00	0.00	0.00	0.00

Institutional Data

Practice Area (Lead)

Education

Contributing Practice Areas

Social Protection; Trade and Competitiveness

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Vocational training	80		
Education	Tertiary education	10		
Education	Secondary education	10		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for the knowledge economy	75

Human development	Education for all	25	
Total		100	
Proposed Development Objective(s)			
The Project Development Objective (PDO) is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in the Punjab.			
Components			
Component Name	Cost (US\$ Millions)		
Component One: Results-Based Financing	46.00		
Component Two: Project Management, Monitoring and Evaluation, and Technical Assistance	4.00		
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No [X]	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency

Description of Covenant**Conditions**

Source Of Fund	Name	Type

Description of Condition**Team Composition****Bank Staff**

Name	Role	Title	Unit
Scherezad Joya Monami Latif	Team Leader (ADM Responsible)	Senior Education Specialist	GEDDR
Ayesha Khan	Co-Team Leader	Operations Analyst	GEDDR
Khalid Bin Anjum	Procurement Specialist	Senior Procurement Specialist	GGODR
Akram Abd El-Aziz Hussein El-Shorbagi	Financial Management Specialist	Sr Financial Management Specialist	GGODR
Fouad Muhammad Khan	Safeguards Specialist	Consultant	GENDR
Gerard Peart	Team Member	Consultant	GEDDR
Hira Sarfraz	Team Member	Consultant	GEDDR
Margo A. Hoftijzer	Team Member	Senior Economist	GEDDR
Mohammad Usman Khan	Team Member	Consultant	GEDDR
Roderic Murray James	Team Member	Consultant	GEDDR
Rubina Geizla Quamber	Team Member	Program Assistant	SACPK
Salma Omar	Safeguards Specialist	Senior Social Development Specialist	GSURR
Saba Gul Khattak	Team Member	Extended Term Consultant	GSURR
Yevgeniya Savchenko	Team Member	Consultant	SARCE
Juan Carlos Alvarez	Senior Counsel	Senior Counsel	LEGES

Locations

I. STRATEGIC CONTEXT

A. Country and Provincial Context

1. **Pakistan is one of most populous lower middle income countries in the world with a Gross Domestic Product (GDP) per capita of US\$1,299 and a population of 182 million people in 2013.** Pakistan's GDP growth rates are half their levels of five years ago (average of 3.8 percent in the last 4 years).¹ Weak growth and the resulting marked slow-down in poverty reduction² were due to a confluence of factors, including worsening and more volatile macroeconomic, political and security conditions, combined with recent catastrophic natural shocks. The structure of Pakistan's economy has remained fairly constant over the last decade. The services sector (58.1%) has the largest sectoral share in GDP, followed by industry (20.8%), and agriculture (21%). The growth in each sector has recovered after the 2008/2009 global financial crisis and constituted on average 2% in agriculture, 3.5% in industry and 4% in services over the 2010-2013 period.

2. **The Punjab, Pakistan's most economically advanced (52% of Pakistan's GDP) and most populated (56% of Pakistan's population) province, has also experienced a sharp decline in economic growth** since 2004/05, remaining under 4% in each of the last four years. The largest sectoral shares in provincial GDP (2011/12) belong to agriculture (23%), community, social and personal services (18%), wholesale and related trade (17%), and manufacturing (17%). Over the last three years, the highest average growth has taken place in community, social and personal services (7.4%), construction (6.7%), manufacturing (4.4%), and wholesale and related trade (4%).³ Close to half of Punjab's employed labor force is engaged in the agriculture, forestry, and fishing sector (45%), followed by manufacturing (15%), wholesale/retail trade and repair of vehicles (14%), and construction (7%).

3. **Slow progress on improvements in human development indicators undermines Pakistan's, and hence the Punjab's, competitiveness, economic growth, and efforts to alleviate poverty.** Pakistan's net enrollment rates (NERs) remain among the lowest in the region (except Afghanistan) at 68% for primary education,⁴ with large gender and provincial disparities. Low education attainment and poor education quality at the school level pose persistent challenges as these children eventually enter the labor market - a comparison of countries covered by the Skills Toward Employment and Productivity (STEP) surveys reveal that the proportion of adults who do not read or do math in their work or daily life is strikingly high in Pakistan. For instance, in Pakistan, 66% percent of adults report not writing at all for their work or in daily life against 44% in Sri Lanka, 24% in Vietnam and 13% in Laos.⁵ Given the Punjab's size in terms of population and income, its education outcomes largely reflect those of the country, albeit with marginal improvements in some indicators. Primary NER, although higher, has actually decreased from 74% to 72% between 2011/12 and 2012/13. Learning outcomes are

¹ FY 2010/11-2013/14

² the proportion of people living on \$1.25 a day declined from 23 to 17 percent between 2005 and 2009

³ Calculations from data in Punjab Social Sector Public Expenditure Review (2013), the World Bank.

⁴ PSLM 2012/13

⁵ "Employment Challenges faced by Poor and Vulnerable Individuals." Mete, Cem (2014).

higher than national averages as reported in the Annual Status of Education Report (ASER) 2013, but still low in absolute terms.

4. **To address constraints to growth in the province, the Government of the Punjab (GoPunjab) has prepared an ambitious Growth Strategy (2015-18)** which identifies the following challenges - under-utilized manufacturing capacity, stagnant exports, productivity deficits, slowing progress on Millennium Development Goals (MDGs), slow employment generation, under-employment and widening skills gaps, underpinning all of those is the rising security deficit. The Growth Strategy provides a roadmap for addressing these challenges, including skills shortages and mismatches. The Growth Strategy identifies the following industries as priority sectors with high growth potential: textile & garments, light engineering, auto parts, surgical instruments, cutlery, agricultural implants, pumps, sports and fans, construction, pharmaceutical and food processing.

B. Sectoral and Institutional Context

5. **The labor market in the Punjab is characterized by low levels of skills, high informality, and low female labor force participation.** Labor force participation of women is over three times lower than that of men. The majority of workers in the Punjab are employed in the informal sector,⁶ and are largely uneducated and poor. Furthermore, **the rapidly expanding youth workforce in the province has received low average schooling, little or no Technical Vocational Education and Training (TVET), and faces underemployment.** Unemployment rates are the highest (relative to other age cohorts) for 15-24 year olds. Given that most youth in the labor force have about six years of schooling on average,⁷ and the low incidence of TVET – only 8.5% of the working age population (aged 15-64) report having received TVET⁸ – this expanding labor force with low education attainment and limited or no skills poses a significant challenge to improving economic growth in the province. Developing the general, technical, and professional skills of youth would position them better to obtain a job and stable future. This would also increase the supply of skilled labor.

6. **The main challenges in the skills development sector of Punjab include: a limited supply of skilled workers, a weak institutional framework, a lack of evidence-based policy making, low quality and relevance of training, market failures in industry-provision of training, and low access to skills training.** The paragraphs below provide a brief description of these challenges.

7. **Punjab faces significant skills shortages and mismatches, and there is a growing demand for market-relevant, job-specific skills produced by the skills sector, especially in emerging economic sectors.** The GoPunjab is concerned about existing skills shortages and mismatches in the labor market, especially in the priority sectors identified in the Growth Strategy. The STEP employer survey conducted in 2013 corroborates this concern, with almost

⁶ Estimates for Pakistan range from 63% to 72% depending on the methodology used, and the highest number of informal workers are in the Punjab. Calculates from LFS 2012/13 suggest that the estimate for Punjab is 76.5%.

⁷ Calculations from LFS 2012/13

⁸ Calculations from LFS 2012/13.

one-fourth of firms surveyed reporting a lack of skilled employees,⁹ and with acute shortages perceived by firms in the construction (58%) and manufacturing (48%) sectors. Employers value job-specific technical skills (63% of employers surveyed) and previous work experience (73%) side by side with soft skills (e.g. time management – 65% of employers, team work – 54%, communication skills – 46%). Firms also report that the existing skills development system does not produce workers with the kinds or levels of skills required by employers (54%).

8. **The supply of skilled workers from the TVET system in Punjab is limited.** The GoPunjab estimates that the average annual enrollment in the skills training system (both public and private) is only 164,000 graduates against an annual estimated requirement of 500,000 skilled workers in a high-growth scenario.¹⁰ The public sector is the major training provider in Punjab. Job-specific skills development in Punjab takes place in a variety of settings and includes short-term and long-term programs provided by both the public and private sectors, as well as through apprenticeship and firm-based training.¹¹ The two largest training providers in the province, the public Punjab Technical Education and Vocational Training Authority (P-TEVTA) and the public-private partnership Punjab Vocational Training Council (PVTC), accounted for about three-fourths of enrolled trainees in 2013/14. P-TEVTA, the largest public training provider in the province and the regulatory authority for training institutions, manages 369 training institutes (48 technical; 321 vocational)¹² and offers more than 170 different technical and vocational courses. (Please see Box 2 in Annex 2 for a brief description of major stakeholders in the province.)

Table 1. Overview of TVET sector in Punjab, selected providers (2013/14)

Agency	Number of institutions	Number of trades	No. Enrolled			No. Completed		
			Male	Female	Total	Male	Female	Total
P-TEVTA	369	170	62,845	22,675	85,470	24,469	15,171	39,640
PVTC	175	43	18,721	14,941	33,662	16,085 ^a	10,724 ^b	26,809
Private, other government and NGOs ^c	106	249	22,426	17,374	39,800	19,661	16,318	35,979
Total	650	462	103,992	54,990	158,932	60,215	42,213	102,428

Source: P-TEVTA and PVTC.

Note: ^{a,b} - provided by PVTC in terms of ratio (40% of graduates are women, 60% are men); ^c - private, other government and NGO refers to institutions which participated in the PSDF schemes. Total number of private, other government and NGO training providers in the sector is higher since not all of them participate in the PSDF schemes.

9. **The skills development system is characterized by fragmentation and lack of a coordinated strategy.** This is exacerbated by a lack of clarity on the accreditation and regulatory roles of key provincial stakeholders' vis-à-vis the National Vocational & Technical Training Commission (NAVTTTC). Functions pertaining to regulation, coordination and formulation of

⁹ Data from the survey is not statistically representative for the provinces, but calculations show that employers in Punjab respond very similarly to national averages.

¹⁰ Skills chapter from the Punjab Growth Strategy based on 2012/13 numbers

¹¹ There is limited information available on the latter two, and this Project focuses on formal TVET only.

¹² It is difficult to strictly distinguish technical from vocational institutes, as some technical institutes may offer short term vocational courses in addition to technical courses.

policy direction for skills development in Pakistan, although the mandate of NAVTTC, have not been exercised. At the provincial level, P-TEVTA plays both regulatory and training provider roles, which poses a conflict of interest. However, it is unclear how P-TEVTA regulates training providers aside from registering new training providers. Training assessments are carried out by two agencies, the Punjab Board of Technical Education (PBTE) and the Trade Testing Board (TTB), whose functions are overlapping. There is also a lack of coordination of training provision at the provincial level between many departments and agencies, such as the Departments of Agriculture and Industries and several others all of whom are engaged in skills training.

10. **Policy decisions are not made on the basis of evidence or data.** While data is collected at the agency level, there is no consolidated data on the skills sector in the Punjab, either on the supply- or demand-side. The skills policy planning process does not regularly verify national and provincial demand based on information from the labor market and employers. Timely and accurate information about current demand for skills and training opportunities is lacking, as are reliable indicators of emerging needs. Not surprisingly, no regular studies track competencies achieved, and it is not possible to evaluate the performance of training institutions or programs directly.

11. **Skills training especially by the public sector is of low relevance and quality.** Employers in Punjab question the quality and relevance of public and to some extent private training provision. Sixty percent of firms say that the TVET system does not produce enough people with the kinds of skills required by employers, and over half of firms feel that the TVET system does not produce enough people with up-to-date knowledge of methods, materials and technology.¹³ Factors contributing to low relevance and quality of TVET are: (i) outdated curricula; (ii) a lack of competency-based training and assessments; (iii) little or no formal on-the-job training (OJT) incorporated into skills training programs; (iv) absence of national- or provincial-level qualifications frameworks; and (v) weak linkages with employers in terms of training design, delivery and employment placement.

12. **Moreover, skills constraints are a key impediment to industrial performance in the Punjab. Small and medium enterprises (SMEs) face the largest constraints in attracting or training appropriately skilled staff.** A Lahore University of Management Sciences survey (2012) found that lack of skills in the workforce is a barrier especially for small and medium enterprises across all key sectors.¹⁴ Many firms end up having to offer training programs in-house to candidates with very low levels of literacy which raises their costs of production and becomes a particular problem for small and medium sized firms which cannot always afford to have in house training facilities. In the Punjab, nearly 90% of labor force employment is provided by the private sector and the overwhelming number in micro enterprises. Nearly 86% work in units with less than five employees, while 93% are employed in units with less than 10 workers.¹⁵

¹³ Employer survey from STEP 2013.

¹⁴ SMEs in Pakistan constitute 90% of the economic establishments and contribute 30% of GDP and 25% of export earnings and 78% of the non-agricultural labor force.

¹⁵ More specifically, lack of adequately trained workforce is a major constraint in textiles and garments and more so for smaller firms that cannot afford space or material to train workers in-house. The pharmaceutical sector lacks any support in skills training from the government. The larger firms import expertise whereas the small and medium

13. **There is low access to training, especially for women and the poor.** Overall, access to skills training is low, as is social demand, due primarily to the low quality and irrelevant training provided. Men are marginally more likely to complete TVET than women (9.02% and 7.94%, respectively)¹⁶, possibly because women are less likely to have completed five years of schooling (typically the minimum entry requirement for enrollment in a vocational course) and because they do not have the mobility to attend training courses, many of which are offered in urban areas which are not accessible to them.¹⁷ It is also likely that women may opt not to attend TVET courses because of low female labor force participation rates. Women in Punjab are over three times less likely to participate in the labor force than men (25% vs 82%, respectively), two times more likely to be unemployed (10% vs 5%, respectively) and earn 1.7 times less compared to men.¹⁸ Household economic conditions are correlated with the likelihood of receiving education – while 76% of 15-64 year olds in the poorest quintile in the province are uneducated, only 16% in the richest quintile have no education. Only 8.4% of 15-64 year olds in the poorest quintile have received at least middle school education, compared to 74% in the richest quintile. Data on the incidence of TVET by household wealth is not available; however, a larger share of individuals from upper quintiles (richer individuals) compared to the poorest quintile is expected to have received TVET due to TVET entry requirements (at least middle school).¹⁹

14. As a first generation skills development project, the Punjab Skills Development Project (PSDP) aims to support the GoPunjab in several selected areas to address both short-term skills needs and medium- to long-term system needs, taking into account the complex and multiple challenges faced by the sector. These areas include: (i) increasing the number of skilled workers in priority sectors through both public and private sector Training Providers; (ii) improving quality and relevance of trades in priority sectors; (iii) improving certification and testing mechanisms to pave the way for far-reaching system reforms in the skills development sector, and (iv) improving the efficiency and effectiveness of public sector skills training provision.

C. Higher Level Objectives to which the Project Contributes

15. **The PSDP is fully aligned with the World Bank Group's Country Partnership Strategy (CPS FY15-FY19).** Priority areas of focus for the country are reflected in the World Bank's Country Partnership Strategy for 2015-2019. Priority areas for interventions to support these objectives are: (i) the promotion of energy security; (ii) increased productivity to drive growth and job creation, particularly in agriculture and SMEs; (iii) inclusive growth and reduced

ones are deprived of such facilities. The light engineering sector that includes fans, cutlery, surgical instruments, machinery, agriculture equipment and pumps are predominantly small and medium enterprises. All these sectors require industry specific trained workers, which are not being currently produced by TEVTA (public sector) or private sector training institutes.

¹⁶ Based on LFS 2012/13

¹⁷ Cheema et al (2013).

¹⁸ Calculations from LFS 2012/13.

¹⁹ Based on PSLM 2010/11. It is not possible to gauge information about TVET completion by wealth quintile neither from LFS nor from PSLM. The LFS does not provide information about household wealth/assets. The PSLM does not ask about TVET education of individuals. However, According the STEP household survey, no one in the poorest quintile had completed TVET. The TVET completion rate increases by the wealth reaching 3.6 percent in the 4th quintile, but then goes down to 2.8% in the 5th (richest) quintile. There are considerable discrepancies between STEP and LFS TVET completion data, thus STEP data should be used only indicatively.

inequality for marginalized and vulnerable population groups, including women; and (iv) improved service delivery, particularly taking into account the devolved system of governance in the country. The Project is a response to the Government of Pakistan's and the Bank's common strategy, as reflected in CPS pillars 2, 3, and 4. The Project is closely aligned to Pillar 2 – "Private Sector Development" under the CPS, and is expected to contribute to the achievement of Outcome 2.3 in the CPS, i.e. "Improved Youth's Skills for Business", by increasing the number of trainees in skills development programs so that they can perform jobs created by job-enhancing growth efforts. The Project also contributes to objectives under Pillar 3 – "Inclusion" by supporting interventions which promote participation of females and the poor in skills training programs, thus reducing vulnerability of these groups. Lastly, the Project contributes to the objectives under Pillar 4 – "Service Delivery" by supporting reforms which aim to improve the efficiency and effectiveness of skills training providers, and institute reliable quality assurance systems to measure institutional performance.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

16. The Project Development Objective (PDO) is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in the Punjab.

Project Beneficiaries

17. The Project is expected to benefit youth who wish to gain job specific skills and training in order to join the labor market, as well as individuals in the labor force who wish to increase their earnings capacity through in-service training. An estimated 70,000 trainees will directly benefit from the Project, of which at least 15% will be female. Students from poor households are likely to benefit from the Project because of the pro-poor weightage in competitively selecting Training Providers under the increasing access sub-component of the Project. Moreover, due to the disproportionate financial burden of the cost of training, enabling the public sector to open up access to quality skills development programs will be of particular benefit to the poor. Indirect beneficiaries include employers who will be able to recruit more appropriately trained individuals.

PDO Level Results Indicators

18. The following PDO indicators would be used to measure progress of PDO achievement:
- a. Percentage of graduates employed six months after completing training in market-relevant courses
 - b. Establishment and functioning of the Punjab Skills Agency (PSA)
 - c. Number of students passed out from market-relevant courses

III. PROJECT DESCRIPTION

19. The Project is aligned with the GoPunjab's Growth Strategy as well as Punjab's Skills Development Strategy and Vision 2018.²⁰ The Growth Strategy reflects the GoPunjab's vision of inclusive growth and the Skills Strategy complements the Growth Strategy by applying a multi-sector approach to increasing the quantity, quality, and relevance of training provision. The interventions as mandated by the Skills Strategy and Vision are in six strategic areas, including: (i) improving public sector efficiency in training delivery; (ii) facilitating private training provision; (iii) improving access to training for women and the underprivileged; (iv) improving the quality of training; (v) strengthening relevance of training through improved market linkages; and (vi) introducing innovations in delivery mechanisms.

20. The Project, working closely with other Bank Global Practices (GPs) and Development Partners (DPs), would support the implementation of the Government's Skills Development Strategy and Vision 2018. The Project's three strategic areas, i.e., (a) strengthening the skills training system; (b) improving the quality and relevance of skills training; and (c) increasing access to market-relevant trades, supported by five DLIs under two components, are placed within all six GoPunjab Skills Strategy and Vision strategic areas (see Annex 2). Examples of cross-GP collaboration in this Project include: (i) Social Protection and Labor GP in the area of improving access for women and the poor, and skills development and employability of the poor; and (ii) Trade and Competitiveness (T&C) GP in the area of Jobs and Competitiveness, deriving from the Growth Strategy. Please see Annex 2 for more details.

A. Project Components

21. The Project has two components. The **first component**, Improving and Expanding Market-Relevant Skills Training, uses results-based financing (RBF) to support the achievement of GoPunjab's Growth Strategy and the Punjab's Skills Development Strategy and Vision 2018 objectives through five sub-components along three strategic lines: (a) strengthening the skills training system; (b) improving the quality and relevance of skills training; and (c) increasing access to market-relevant trades. For each sub-component, a disbursement-linked indicator (DLI) has been identified with time-bound targets. Targets have been selected as key links in a results chain that incrementally contribute to the achievement of the Project Development Objective. Funds would be disbursed upon the achievement of results. Disbursements are expected to take place in April of each year and against Eligible Expenditure Programs (EEPs).²¹ A detailed description of the DLIs, and protocols for verifying compliance with each, can be found in Annex 1.

22. The **second component** would finance all technical assistance and capacity building required to enable the achievement of the DLIs, and would manage project implementation, using a traditional disbursement mode based on unaudited interim financial reports.

²⁰ The Punjab's Growth Strategy and Punjab's Skills Development Strategy and Vision 2018 are being finalized by the GoPunjab.

²¹ It is expected that the FY 2016 target for DLI 4 would be met by October 2015 and therefore, one disbursement will take place in October/November 2015 but only in Year 1 against DLI 4.

Component 1: Improving and Expanding Market-Relevant Skills Training (US\$46 million equivalent, 92% of total Project cost)

23. The objectives of this component are to: (i) strengthen the skills training system; (ii) improve the quality and relevance of skills training; and (iii) increase access to market-relevant trades.

24. **Strategic Area One: Strengthening the Skills Training System.** The Project would work to strengthen public institutions in the Punjab to accredit, regulate, certify and deliver skills training services. It would achieve this by: (i) developing a single agency responsible for the accreditation, regulation and certification of all training providers and graduates in the province; and (ii) addressing institutional constraints in P-TEVTA to help it become an efficient and effective training provider of quality and market-relevant courses. Two sub-components would support this strategic area.

25. *Sub-component 1.1: Support to effective regulation and certification of the skills training sector.* The objective of this sub-component is to strengthen assessments of skills training in the Punjab and to issue qualifications that are nationally recognized. The Punjab Board of Technical Education (PBTE) and the Trade Testing Board (TTB) would be merged to become a single independent institution, the Punjab Skills Agency (PSA), responsible for the accreditation, regulation and course-certification of technical and vocational skills training service providers in the province. This would address the challenge of overlapping roles and functions of P-TEVTA, PBTE, and TTB. The PSA would carry out its functions within the framework of the National Skills Strategy, the Pakistan National Vocational Qualifications Framework (PNVQF) and the national introduction of Competency-Based Training and Assessment (CBTA).

26. To support the creation and strengthening of the PSA, the Project would undertake a functional review of the PBTE, TTB and P-TEVTA. The review would make detailed recommendations on the required structure/organogram, functions and standard operating procedures, and would identify the staffing and capacities requirements of a single skills agency. The Project would support development and implementation of a budgeted plan to create a new agency, covering such aspects as the drafting of legal and regulatory documents; human resource recruitment, management and development; housing of the agency; and the procurement of materials and equipment. The TTB and PBTE would cooperate closely from the start to ensure the smooth introduction of CBTA (see Sub-component 1.3) and facilitate the merger. For this subcomponent, release of IDA funds will be linked to the achievement of the following DLI: Establishment and effective functioning of the Punjab Skills Agency (PSA) (DLI1).

27. *Sub-component 1.2: Strengthening the P-TEVTA as a skills training provider.* The objective of this sub-component is to strengthen P-TEVTA to be a more demand-driven, efficient and effective skills training provider. The Project would support P-TEVTA in a three-tiered functional review to develop and implement a four-year Institutional Development Plan (IDP). The review would be carried out in coordination with the functional review undertaken for sub-component 1.1. The three tiers refer to the P-TEVTA Secretariat, its District Management, and its training institutions.

28. The P-TEVTA would first articulate a new vision for a more decentralized organization focused on delivering quality and market-relevant training effectively and efficiently. The P-TEVTA would undertake a functional review to analyze, *inter alia*,: (i) the P-TEVTA's legal framework, organizational structure and functions, and operating procedures; (ii) the amounts, profiles and capacities of human resources; (iii) the network of training institutions, including their powers, resources, information management and their workload in relation to capacity; and (iv) course offerings, including enrolment, pass-outs and placements, as well as how these courses are selected and updated. The P-TEVTA would develop and implement a budgeted Institutional Development Plan with yearly targets. The IDP should include separate schedules of implementation pertaining to the restructuring of the P-TEVTA Secretariat, professional development of Secretariat staff and the number, staffing and autonomy of training institutions. For this sub-component, the release of IDA funds will be linked to the achievement of the following DLI: Improved training provision by the public sector training provider (DLI2).

29. **Strategic Area 2: Improving the quality and relevance of training programs.** The Project would work to raise the quality of skilled graduates through: (i) the introduction of competency-based training and assessment; and (ii) improved collaboration between employers and training providers to increase the industrial relevance of training content. Two sub-components would support this strategic area.

30. *Sub-component 1.3: Competency-based skills training and assessment.* The objective of this sub-component would be to strengthen public provision of skills training and assessment systems to become more effective and demand-driven through the introduction of competency-based training and assessment packages aligned to the Pakistan National Vocational Qualifications Framework (PNVQF).²² The current system follows a syllabus-based and time-bound approach that focuses on candidates meeting theory-based academic requirements of the course and passing an exam. The new approach focuses on candidates being able to demonstrate competencies required in the workplace, as defined by industry. A Competency-Based Training and Assessment (CBTA) package would contain competency standards, rules for a qualification, the curriculum, teaching and learning materials and an assessment package. Competency standards will describe what a worker should be able to do and know to effectively perform a job in the workplace. To support this reform, the P-TEVTA would adapt or develop competency-based training and assessment packages and introduce them in their training institutions. This reform would be closely aligned to the creation and activities of the new PSA which would be responsible for assessing all candidates passing through the CBTA courses. The PSA and its assessors would receive capacity building through this sub-component to conduct competency-based assessments. For this sub-component, the release of IDA funds will be linked to the achievement of the following DLI: Design and effective implementation of CBTA training packages (DLI3).

31. *Sub-component 1.4: Industry Partnership Agreements.* The objective of this sub-component is to improve the quality and relevance of training provision through improved collaboration between the private sector ('skill demand') and training providers ('skill supply').

²² The PNVQF framework has been finalized by NAVTTC in late 2014 with the support of GIZ and in the process of being further developed for implementation by the provinces.

Interventions would focus on, but not be limited to, developing partnerships with small and medium enterprises (SMEs) in priority economic sectors.

32. Under this sub-component, the Department of Industries, Commerce and Investment (DoICI) and P-TEVTA would develop, in close collaboration with the private sector, a Partnership Framework (PF) that provides guidance and parameters for Partnership Agreements (PA) between industry and training providers (TPs). The PF would define the clear measurable criteria that individual PAs must incorporate which would include: (i) the parties that are eligible to engage in a PA; (ii) the potential scope of activities that could be supported through PAs; (iii) the minimum contributions of parties including cost sharing; (iv) the range of expected outcomes (including employment of graduates); (v) monitoring arrangements; and (vi) a template for drafting a PA. The DoICI and P-TEVTA would facilitate the identification of potential areas and parties for a PA, their negotiations, and the drafting of a legally-binding PA. TPs that are party to a PA may be from either the private or public sector, provided they are registered as a TP with P-TEVTA.

33. The DoICI and P-TEVTA would provide technical and limited financial support for implementation of the PAs. The DoICI and P-TEVTA would monitor PA implementation and outcomes, including through third-party evaluations. They would develop a sustainability plan to promote PAs beyond the life of the Project. For this sub-component, the release of IDA funds will be linked to the following DLI: Strengthened collaboration between training providers and employers to improve quality and relevance of training provision (DLI4).

34. **Strategic Area Three: Increasing access to market-relevant trades.** The Project would work through one sub-component to increase enrolment in technical and vocational training courses that produce the skills needed in priority economic sectors identified in the Growth Strategy.

35. *Sub-component 1.5: Increasing the supply of skilled workers in market relevant trades.* The objective of this sub-component is to increase the number of skilled and certified workers in priority trades through a competitive training fund for public and private sector training providers.

36. A training fund would be administered by the Punjab Skills Development Fund (PSDF) to competitively select providers through a public and private window, respectively. The public training providers eligible to compete would include the P-TEVTA, the PVTC, plus other public-sector training providers, such as universities.²³ In the private window, all private, public-private partnerships (PPPs) and not-for-profit training providers would be eligible to compete. Contracts would cover variable course-related costs, including tuition, training materials, uniforms and certification examination fees, plus a stipend. At least 15% of the total trained workers would be female. This fund would be administered by the PSDF in addition to and separate from the fund already being implemented by them. Pro-poor targeting for both windows would be supported in

²³ Public universities in the Punjab also serve as Training Providers (fee charging) usually in specific specialized trades (agriculture, horticulture, IT, etc.) and would be eligible to bid for training funds as part of the public sector window.

two ways. First during the selection of TPs, those which have outreach mechanisms for the poor will receive a higher score. Second, from the pool of applicants who meet course entry requirements, TPs will be required to give preference to individuals with demonstrable poor socio-economic conditions (e.g., if they are BISP beneficiaries or *zakat* recipients). For this sub-component, the release of IDA funds will be linked to the following DLI: Increased access to market relevant trades offered by public and private training providers (DLI5).

Component Two: Project Management, Monitoring and Evaluation, and Technical Assistance (US\$4 million equivalent, 8% of total Project cost)

37. The objective of this component is to support project management, monitoring and evaluation (M&E), and technical assistance (TA) to enable the achievement of the DLIs and ensure efficient and effective management of project implementation. M&E strengthening of the skills development system is embedded within project design and financing for M&E activities would be funded by this component. It would also finance surveys and studies to support the development of policy actions and strategies in areas where technical support could better inform policy makers and Development Partners, specifically, in the areas of increasing women's participation and private sector provision of skills training programs. In addition, this component would finance advisory, technical assistance and capacity building support to achieve DLIs 1-5. It would also finance project operating costs, *inter alia*, personnel costs associated with seconding staff²⁴ to and hiring technical assistance for the Project Implementation Unit (PIU), equipment, supervision costs (transportation and per diems) and incremental operating costs at associated with the work of staff or TA working on project implementation. It would also finance a communication strategies and communications activities to provide outreach to stakeholders, particularly women and the poor, as well as to provide information about project activities and benefits.

B. Project Financing

Lending Instrument

38. The Project would use an Investment Project Financing (IPF) lending instrument based on a results-based funding (RBF) approach. Component 1 would be results-based and project funds would be disbursed against selected line items in P-TEVTA annual budgets (Eligible Expenditures up to capped amounts and contingent on the achievement of agreed DLIs). Component 2 would use a traditional disbursement mode based on unaudited interim financial reports.

39. The choice of RBF as a lending instrument for the Project is based on a careful weighing of the pros and cons of this approach as well as discussions with GoPunjab. The value added of this approach is that it allows a focus on results rather than inputs from the start, especially taking into account the fact that this is the Bank's first intervention in the skills sector in the province. The Bank has played a direct and critical role in supporting the GoPunjab's

²⁴ These will be Project allowances given to those civil servants deputed to the PIU by the GoPunjab. Allowances will be in accordance with GoPunjab's "Policy on Project allowances" No. FD.SR-1/9-20/2006.

development of a draft Medium Term Budgetary Framework (MTBF) for the skills training sector which is close to being finalized in parallel with the Skills Strategy and Vision 2018. As is already taking place in the province in other sectors (e.g., the Second Punjab Education Sector Project), the RBF modality would serve as one umbrella for other Development Partners (DPs), such as DfID and GIZ, which are committed to sharing a results based approach, to contribute to the sector. It bears mentioning that the dialogue led by the Bank, both by the education team on skills development and the larger dialogue on Jobs and Competitiveness which has been a multi Global Practice (GP) effort on the part of the Bank (see Annex 2), has served as a catalyst for DP collaboration.

40. ***Eligible Expenditure Programs (EEPs).*** The World Bank, in consultation with GoPunjab, has appraised the roles and expenditures of the DoICI and P-TEVTA in implementing the Punjab Growth Strategy and selected EEPs for the proposed Project. It has been agreed that selected EEPs would be from the P-TEVTA budget for salaries and training. Both of these are non-procurable items and have a direct relationship to the desired outcomes of the Project.

41. The DLIs reflect GoPunjab's priorities and strategies for skills development. They include intermediate results, implementation performance targets or institutional reform indicators that build incrementally over the life of the Project to improve the quality, relevance and coverage of skills development programs. There are five DLIs, one for each of the five sub-components. Each DLI has time-bound disbursement-linked targets. Some are expected to improve the focus, effectiveness and efficiency of critical institutions in the sector responsible for accreditation, regulation, certification and training or to improve the relevance, quality and scope of training initiatives by strengthening linkages between industry and training providers. Others are linked to increasing access to skills training in priority economic sectors. From a disbursement perspective, DLIs are independent of each other. Non-compliance with a DLI target for one sub-component in a period means that the disbursement of funds associated with that DLI target will be withheld until the target is met, yet it does not affect disbursement against targets of other DLIs. Each disbursement target value is weighted equally at US\$2 million. There are 23 targets in total.

42. Bank financial management guidelines would apply to the entire Project. Bank procurement guidelines would apply only to Component 2.

Project Cost and Financing

43. **The skills training sector is mostly publically financed with contributions from the private sector and donors.** In 2013/14, GoPunjab allocated roughly PKR6.2 billion (US\$61.55 million) to P-TEVTA for skills training (covering both recurrent and development costs), or roughly 0.5% of the total public budget. PVTC received approximately PKR1.7 billion (US\$16.88 million) from *Zakat* funds, donors and employers. The Punjab Skills Development Fund (PSDF)²⁵ received approximately PKR0.6 billion (US\$5.96 million) from DfID and the

²⁵ The PSDF was established in 2010 to support training to the poorest districts in Punjab; it provides funds based on a transparent and competitive process to private, public, and not-for-profit training providers for short term vocational training.

GoPunjab. Roughly PKR0.8 billion (US\$7.94 million) was spent privately on trainings delivered by private sector training providers (through PSDF).

44. The GoPunjab expects that total expenditures in the skills sector would be PKR52 billion (US\$516.23 million) for the period 2013/14 to 2017/18. Funding from other sources for the same period is expected to be approximately PKR23 billion (US\$228.33 million), bringing the total to roughly PKR75 billion (US\$744.56 million). The cost of the Project would constitute approximately PKR5.67 billion (US\$56.3 million) of that total, or 7.6%.

45. To date, public spending for skills development has focused on the financing of supply-driven skill provision, with limited focus on skills constraints faced by employers and industry. The GoPunjab is close to finalizing the Punjab’s Skills Development Strategy and Vision 2018 and an MTBF for the development of a sustainable demand-driven skills system for the province. The Project would support selected interventions under the Skills Development Strategy and Vision 2018. The financing of these interventions would be linked to the achievement of pre-specified results. IDA’s financing constitutes 88.8% of the total cost of the Project. Further details are provided in the table below.

Table 2. Project Financing

Project Components	Project cost (US\$ millions)	IDA Financing (US\$ millions)	% Financing
1. Improving and Expanding Market-Relevant Skills Training	52.3	46.0	88.0
2. Technical Assistance	4.0	4.0	100.0
Total Costs	56.3	50.0	88.8
Total Project Costs	56.3		
Total Financing Required	56.3		
GoPunjab Funding²⁶	6.3		

C. Lessons Learned and Reflected in the Project Design

46. The proposed approach and design builds upon a number of national and international lessons. The Bank supported Pakistan’s TVET sector from 1981 to 1997, mainly focusing on investing in training institutions. The Bank’s current engagement in the sector through the Sindh Skills Development Project, approved in May 2011, incorporates many of the lessons learned in the past. This Project’s design incorporates both these lessons learned and emerging policies

²⁶ GoPunjab counterpart financing includes base salaries of the PIU staff (the Project will only finance the allowances), salaries of instructors teaching CBTA courses, salary and consumable costs related to implementation of Partnership Agreements (PAs), and the counterparts contributions to operating expenditures for the implementation of DLIs 1-4.

under implementation by other donor-funded projects and by the Federal Government and the GoPunjab.

47. ***The Disbursement Linked Indicators approach increases the Client's and the Bank's focus on the delivery of results.*** The flagship Sindh and Punjab education sector projects have pioneered this disbursement method, which is also being used for the Sindh Skills Development Project. This Project will apply this approach to the TVET sector to increase ownership by GoPunjab and keep the focus on the achievement of results.

48. ***Balancing immediate goals with the longer term reform needs of the sector requires the careful identification of achievable targets for the short, medium and long term.*** The project design incorporates short, medium and long term targets over a five-year period which allow for immediate gains in increased numbers of people trained and longer term results in the areas of institutional reform (i.e., testing and accreditation agency and reorganization of P-TEVTA) and curricula roll-out.

49. ***Implementing ambitious reforms, notwithstanding existing political will and commitment, requires the phasing in of key interventions*** to generate quick wins in the short term, where possible, to build ownership and gather stakeholder support and commitment.

50. ***Designing a competitive mechanism using a tried and established system of grant administration between public and private training providers can lead to increased access to skills training.*** A balanced approach between public and private sector TPs is important for assisting public sector training providers to become more competitive. While private providers are likely to be more responsive to labor demand, not to mention competition, the inclusion of potentially less effective public training providers will allow for the provision of better training opportunities for larger numbers of people, including those in marginalized areas (i.e., the rural poor) and will have a larger and more sustainable impact on publicly financed service delivery. The Project will use existing systems such as the PSDF, a successful training fund in the Punjab, to minimize implementation risks associated with this mechanism and pave the way for long-term sustainability.

51. ***A market-driven responsive skills development system is critical for increasing the relevance of public and private training programs through partnerships with industry.*** The Project will support close links between the largest public sector training provider (P-TEVTA) and industry to increase industry and private sector participation in both training design and delivery and to provide feedback on skills demand.

52. ***It is important to have a coordinated and, where possible, complementary approach to relevant Bank projects and donor activities in the sector.*** The use of the results-based modality, close coordination and complementarity with activities already initiated by DPs and the Sindh Skills Development Project (Bank financed), and the use of country systems for the Project will help harmonize activities and joint planning to achieve the GoPunjab's goals for skills development and growth. Moreover, picking up the successful elements of the Sindh Skills Development Project such as already developed competency based curricula packages, will

ensure the optimal of leveraging outputs of Bank-financed projects as well as knowledge exchange between provinces within Pakistan.

53. *A robust M&E system is critical to achieving results.* As demonstrated by RBF projects globally, a robust M&E system is critical for measuring performance and refining interventions through better-informed decision making. To ensure the quality of data and verify DLI achievement, results are to be validated through third-party validations (TPVs).

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

54. The Project's implementation arrangements have been designed to account for the complex and fragmented nature of the sector and its capacity challenges. Implementation arrangements for the PSDP rely on several key agencies. Strategic leadership and guidance for the skills sector, in general, and the Project, specifically, will lie with the Planning and Development Board (P&D), which is the lead GoPunjab department for the development and implementation of the Punjab Growth Strategy. The DoICI will serve as the overarching implementing agency and counterpart for the Project. Other implementing agencies include the P-TEVTA, PSDF, PBTE, and TTB, which will each be responsible those DLIs relevant to them.

55. *Sector Coordination and Strategic Leadership.* Strategic leadership and guidance for the skills sector and the Project will lie with the P&D. A Punjab Skills Steering Committee (PSSC), chaired by the Chairperson P&D, will provide oversight, policy advice and overall strategic direction to the Project and its stakeholders. The Committee will include participation of the Secretaries of Industries, Finance, and representation from the management of implementing agencies. It will serve as a forum for high-level decision making and enabling support to activities under the Project, particularly those related to institutional reform.

56. *Project Implementation.* The DoICI will serve as the overarching implementing agency and counterpart for the Project. Other implementing agencies will include P-TEVTA, PSDF, PBTE, and TTB, which will each be responsible for DLIs within their purview. The Secretary, DoICI, will have overall oversight responsibility for implementation and monitoring of the Project. A PPIU, reporting directly to the Secretary, DoICI, has been created to augment capacity at the DoICI to undertake additional tasks associated with the implementation and coordination of the Project, especially given the fact that DLIs will be implemented by several agencies.

57. The scope of services of the PIU includes: (i) coordination with multiple implementing agencies, i.e., P-TEVTA, PSDF, PBTE, and TTB; (ii) monitoring of activities under each DLI and reporting to the Bank using agreed formats; (iii) provision of technical expertise and support to focal persons in implementing agencies; and (iv) management and execution of Component 2.

58. *Partnership arrangements.* The World Bank has closely coordinated with DfID and GIZ, which are the most prominent DPs in the skills sectors in the province. The DPs are in agreement on the Project's results and targets and, where possible, will be collaborating on common results.

59. DfID, which is currently the largest player in the skills sector in the Punjab, has been involved in the skills sector in Pakistan since 2010, primarily through its support to the GoPunjab's Punjab Economic Opportunities Programme (PEOP). The objective of the PEOP is to alleviate poverty and create inclusive growth in Punjab's poorest districts by increasing the employability and earnings of poor and vulnerable families. DfID support to PEOP consists of £30 million (including £5 million in technical assistance) which finances the PSDF. After PEOP closes in December 2015, DfID plans to continue and expand its engagement in the skills sector in Pakistan, and the Punjab, in the following areas: (i) financing PSDF to ensure sustainability and expansion across the Punjab, as well as supporting the establishment of mechanisms for employment facilitation and robust market research; and (ii) establishing a skills financing window for work in different thematic areas across the country. DfID is also closely exploring the possibility of supporting selected results under the PSDP, particularly those related to skills training system strengthening. Moreover, DfID and the Bank have been in discussions with the GoPunjab concerning strengthening overall skills sector coordination and its monitoring and evaluation through the possible creation of a Punjab Skills Sector Coordinating Cell (PSSCC).

60. The World Bank has also closely coordinated with GIZ, which has been working at the provincial and federal levels in the areas of regulation, curricula change and the development of the overall skills sector policy since 2011 under its national five-year TVET Reform Support Programme.²⁷ The objective of the Program is to assist the Government of Pakistan in the implementation of the National Skills Strategy (NSS). It supports implementation of the NSS through five thematic components: (i) governance; (ii) National Qualifications Framework and human resource development; (iii) effective and innovative training delivery and labor market information and services; (iv) capacity- building of TEVTAs; and (v) cooperative training and green skills. Activities under PSDP will build on existing interventions under GIZ's program, and where relevant, assist piloting/implementation in the Punjab. For instance, CBTA packages developed under Component 2 of the TVET Reform Support Programme will be rolled out under DLI 3 of PSDP.

B. Results Monitoring and Evaluation

61. A robust monitoring and evaluation (M&E) system is key to informing policy makers, monitoring the performance of the skills sector, and at a micro level, the performance of the Project. Disbursements under Component 1 are linked to achievement of pre-specified results which makes timely measurement of outcomes of high importance. Moreover, availability of credible and timely information is crucial for monitoring project performance through the Results Framework (Annex 1). And lastly, M&E strengthening of the skills development system is included in project design and hence, funds under Component 2 could be used towards this end, namely, strengthening M&E of the system and laying the foundation for an integrated skills monitoring and evaluation and labor market information system.

62. Currently, major public players in the sector, such as P-TEVTA, PSDF and PVTC, carry out their own needs-based M&E activities. These agencies have their own management

²⁷ The programme is funded by the European Union, the Kingdom of the Netherlands, the Federal Republic of Germany and the Royal Norwegian Embassy.

information systems (MIS) in place which are at different levels of sophistication and development. All of the agencies collect basic information on the number of students enrolled (disaggregated by gender, by trade, and by center), and the number of students passed-out (disaggregated by gender). In addition, agencies undertake efforts to track the employment of their graduates – P-TEVTA tracks the employment status of its students, PSDF conducts sample-based tracer studies, and PVTC tracks students up to the first employment. However, despite individual agencies' efforts to conduct M&E, there is a lack of overall skills sector monitoring at the higher level. Additionally, there is no sector-coordinated labor market demand side analysis, even though there are some efforts at the agency level to gauge information about skills needs. For example, PSDF conducts sector skills needs analyses, and PVTC consults with local employers and tailors trade offerings to local labor market conditions.

63. The Project would support the development of an integrated skills sector monitoring and evaluation and labor market information system. Initially, the PIU under the DoICI will be responsible for the following Project-specific M&E activities: (a) routine monitoring of project performance; (b) reporting the data necessary to monitor the results framework; (c) providing the evidence for the DLIs; (d) conducting project midterm and completion reviews; and (e) coordinating surveys and evaluations during the project lifetime. The PIU will have a designated M&E officer to carry out the activities described above. Additionally, the PIU M&E officer would coordinate with respective M&E units of skills development agencies. As the Project evolves, it is envisaged that the PIU would be embedded within a larger coordinating body for the sector, most likely supported by DfID and the World Bank. This body would, among other activities, undertake overall sector M&E and labor market information analysis. Lastly, specific third-party independent monitoring activities will be carried out through the course of project implementation to verify results based performance, such as evaluation of Partnership Agreements, employer satisfaction surveys, third party validations of enrollment and pass-out data, and employment tracer studies.

C. Sustainability

64. The sustainability of the Project will be enhanced by several factors: (a) country systems and processes will be used; (b) there is a strong high-level GoPunjab commitment to the PSDP; (c) the IDA contribution to skills development in the medium-term budgetary framework for the sector (under development) is relatively small (slightly over 7% of total commitments for the period 2013/14 to 2017/18); (d) major players in the skills sector are directly responsible for the achievement of results supported by the Project, which is expected to increase ownership and improve the quality of reforms; (e) a more efficient system should bring significant financial savings; (f) components aimed at strengthening systems entail legal amendments which add a sustainability element to the reforms, making them more difficult to overturn; (g) the Project includes a dimension of evaluation to identify subsequent improvements, as well as the development of sustainability plans beyond the life of the Project; and (h) lastly, the Project would also work to improve cooperation with and the mobilization of resources from industry.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	High
Implementing Agency Risk	High
- Capacity	High
- Governance	High
Project Risk	Substantial
- Design	Substantial
- Social and Environmental	Low
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Substantial
Overall Implementation Risk	Substantial

B. Overall Risk Rating Explanation

65. The overall implementation risk is considered Substantial. There is a high likelihood of the occurrence of risks. Key risks are related to stakeholder management, governance, implementation capacity and delivery monitoring and sustainability. However, should they materialize; they are expected to have a low impact on the PDO.

66. The main implementation risks for the Project are: (i) skills sector fragmentation; (ii) weak planning, implementation, and monitoring capacity across public stakeholders; (iii) high staff turnover in public sector institutions; (iv) overlapping or unclear roles of key players in the skills sector; and (v) potential resistance to sector reform both during the Project's life and afterwards, endangering sustainability. These risks are expected to be addressed through the provision of required expertise and inputs funded by Component 2. This would ensure that adequate capacity is available for implementation and that reforms undertaken have strong analytical and technical underpinnings. In order to mitigate risks related to stakeholder resistance to reforms supported by the Project, regular, formal consultations with internal and external stakeholders during early stages of implementation would be held to gather feedback for refining implementation. Reforms supported under the Project already have stakeholder ownership at higher levels, and would be implemented in a phased manner to generate quick wins in the short term in order to further and build stakeholder ownership and commitment.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

67. **Expected Development Impact.** The Project will contribute to increasing the availability of skilled and employable workers, which is necessary to achieve the Punjab's goal of catalyzing employment-intensive growth. The Project is expected to improve the efficiency of the skills development system through supporting a single testing authority in the province and helping the

P-TEVTA to become a demand-driven efficient training provider. The Project would also strengthen market relevance and the quality of training programs through supporting partnerships between training providers and employers and rolling out competency-based training courses and assessments. Finally, the Project would directly contribute to the goals of the Punjab Growth Strategy by expanding access to market-relevant trades in priority sectors. The average wage premium for completing TVET is 11%, and up to 30% in high market-demand ICT courses (see Annex 6). This is expected to translate into increases in population living standards. Workers equipped with more market-relevant skills would be more productive and contribute to the province's economic growth.

68. ***Rationale for Public Sector Provision and Financing.*** Public investments in skills are warranted as private individuals underinvest in skills training for various reasons: they do not internalize the externalities that skills create for society or they underinvest due to market failures, such as imperfect financial markets. The cost benefit analysis provides a financial justification for public sector financing (see Annex 6 for details). Under the preferred scenario, the Net Present Value (NPV) of the Project is US\$22.75 million and Economic Internal Rate of Return (EIRR) is 17.4%. The sensitivity analysis shows that EIRR varies from 16.3% to 21.2% and the NPV from US\$17.8 million to US\$47.6 million.

69. ***World Bank Value-Added.*** World Bank involvement in skills development adds value through: (i) global and local technical and operational experience in education and training that brings useful lessons learned for skills sector reform in the Punjab; and (ii) synergies with the Bank's current engagement in general education in the Punjab which will contribute to life-long learning and better labor market outcomes and the on-going Bank-led non-lending Technical Assistance (NLTA) on Jobs and Competitiveness in the Punjab. The Project would be part of a larger package of support to the GoPunjab where the ground work for some of the low hanging reforms being proposed under the Project (DLI 1 and 2) have been laid by the Bank Group's ongoing Jobs and Competitiveness NLTA work. It is highly likely that this work may simultaneously evolve into a provincial Development Policy Credit (DPC) in which institutional reform for the delivery of skills training would be one of the critical policy triggers. Lastly, the Bank is well-placed to provide support, given its technical and operational experience in the skills and training sector, including from ongoing skills projects in Sindh and in Sri Lanka.

B. Technical

70. The technical content of the Project has been designed based on GoPunjab's goals as articulated in its Growth Strategy and Punjab's Skills Development Strategy and Vision 2018 along with the work done so far in institutional framework development at the federal level (the design of the PNVQF) and in other provinces, such as Sindh. Furthermore, the Bank team has several analytic studies which have supported the Project's design.²⁸ This has been combined

²⁸ At preparation the task team has been engaged in the drafting of a policy note on skills development in the Punjab which was used by GoPunjab in the drafting of the Punjab's Skills Development Strategy and Vision 2018. Other analytic work used in Project design includes: "Employment Challenges faced by the Poor and Vulnerable Individuals", Mete, Cem (2014); "Labor Market Policies under a Youth Bulge", Robalino, David, & Cho, Yoonyoung (2012); "Punjab Economic Opportunities Programme: Household and Community Surveys. Baseline Report" Cheema et al (2012); "Revitalizing Industrial Growth in Pakistan: Trade, Infrastructure, and Environmental

with the Bank's experience globally and in the rest of Pakistan through similar schemes and extensive stakeholder consultations. The Project's technical impact would be the successful implementation of GoPunjab's medium term goals as articulated in its Growth Strategy and Punjab's Skills Development Strategy and Vision 2018, such as increased numbers of people trained in identified priority sectors. There would also be an impact on the longer term goals of system reform pertaining to a new assessment and curricula regime (the PSA and CBTA roll-out), as well as greater involvement of the private sector and industry.

C. Financial Management

71. The financial management (FM) arrangements designed for the PSDP will rely on the country's FM systems and the existing systems of implementing entities to the extent possible. An assessment of current FM arrangements was carried out for all implementing entities with a focus on P-TEVTA from whose budget EEPs have been selected. The proposed FM procedures and practices for the Project are satisfactory for meeting the requirements of OP/BP 10.00.

Annex 3 contains the assessment of the Project's FM arrangements. The overall FM risk is rated as Moderate due to the positive progress noted in the Public Expenditures and Financial Accountability PEFA and the Public Financial Management Accountability Assessment of 2012, as well as the acceptable capacity of the FM staff and system at P-TEVTA, provided the outsourcing of Internal Audit and operationalization of the Enterprise Resource Planning System are carried out in a timely manner to mitigate risks pertaining to accounting and internal controls.

72. Component 1 will be DLI-based with the EEPs selected from P-TEVTA salaries and training. The reporting method will be through bi-annual IFRs that will be subject to review by P-TEVTA's external auditor before submission to the Bank by the PIU for reimbursement to GoPunjab. Oversight for this component will rely on existing external audit arrangements, the internal audit that will be conducted by an outsourced audit firm, and review of Interim Financial Reports (IFRs) by P-TEVTA's external auditor before submission to the Bank by the PIU.

73. Disbursements for Component 2 will be on an advance basis. The PIU will open a segregated Designated Account (DA) in US Dollars. The PIU will submit IFRs to the Bank per an agreed format within 45 days of the close of each semester. On the basis of IFRs, the Bank will document expenditures incurred against advances disbursed into the DA.

74. Annually for Component 1 and biannually for Component 2 of the Project, the PIU will submit to the Bank a Withdrawal Application for all disbursements which will be signed by a representative of the Finance Department and the PIU Program Director. The application will include IFRs for both P-TEVTA EEPs and the PIU, and DLI results reports for disbursement and the documentation of expenditure.

Performance," Sanchez-Triana et al (2014); "Promoting Graduation Through Skills Development: An assessment of Pakistan's Waseela-e Rozgar Program," World Bank (2013)

D. Procurement

75. There are no significant procurement activities conducted at the DoICI. DoICI receives its budget from the provincial Finance Department and is subject to separate independent audits by the Auditor General (AG) of the province.

76. The procurement processes of DoICI are governed by the Punjab Public Procurement Rules 2014 (PbPPR 2014). However, staff capacity to implement Public Procurement Rules is weak. Procurement is not identified as a separate and dedicated function and is merged as a sub function in daily operations. This structure of procurement function and available capacity has a major impact in achieving economy, efficiency and transparency. Overall procurement risk is rated as High. Specific risk mitigation measures proposed are the following: (i) independent procurement function; (ii) well experienced procurement staff in place; (iii) periodic procurement trainings by Bank staff to Project staff; (iv) clear and detailed Sanual to be prepared for Procurement and Contract Management functions; and (v) a complaint management system for Procurement specific complaints. Please see Annex 3 for a more detailed assessment of procurement systems for the Project.

77. A procurement specialist housed in the PIU will have responsibility for all procurement under Component 2. Bank guidelines ‘Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants January 2011 (revised July 2014)’, ‘Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011’ will be followed for the implementation of this Project. Project procurement would largely involve the selection of consultants, both firms and individuals, and some goods.

E. Governance and Accountability

78. Corruption risks could arise during implementation of the Project, especially in relation to the procurement of goods, payment of stipends, and training services, given weak capacity of the implementing agency. To mitigate such risks, the Project Operations Manual (POM) outlines procurement methods, rules-based admission of trainees to provide access to poor households and female, and project implementation support arrangements. Further, the DLIs are used for 92% of project financing, which will help strengthen governance and accountability for results orientation. Also, detailed arrangements for guidance (by P&D Board), oversight through M&E system, and the procurement grievance redressed mechanism are defined. The Bank’s Guidelines: Preventing and Combating Fraud and Corruption in Project financed by IBRD Loans and IDA Credits and Grants (revised January 2011) will be followed under the Project.

79. Furthermore there are in built measures which will be part of the project implementation plan to further reduce corruption risks, including the following: (i) existing accountability systems which are deemed satisfactory by several ongoing Bank projects in the province (the implementing agencies of the Project are all governed by these accountability arrangements); (ii) increased accountability through proactive disclosure of information – as required in the Punjab Transparency and Right to Information law, 2013; (iii) the use of proactive citizen feedback mechanisms through tracer studies, student satisfaction surveys and other such proactive ICT-

based means of engagement with identified beneficiaries; and (iv) piloting of other ICT-based mechanisms such as smart phones and tablets to improve attendance verification.

F. Social (including Safeguards)

80. The Project is expected to have mainly beneficial impacts as it would improve skills and employability prospects of trainees and students with a focus on women and marginalized groups.

81. There are no negative implications for social safeguards as no infrastructure activities or relocations are involved. No physical works, construction, reconstruction or rehabilitation activity is envisioned as part of the Project. Therefore, OP 4.12 will not be triggered.

82. The project priorities include reduced inequality for marginalized and vulnerable population groups, including women. This is reflected in relevant components of the Project, namely increasing quality, relevance and access, as well as overall project M&E. The response of the main institutions, namely P-TEVTA and PSDF, to gender inclusion will be strengthened as the Project addresses skills training from a poverty, gender and employability lens. This will be done through including quotas for women and the poor in the access sub-component, and by focusing quality and relevance interventions in gender-friendly courses where possible. Lastly, the communication strategy for the Project will include outreach to women and the poor.

83. The Project has adequate and comprehensive consultation and research-based beneficiary feedback mechanisms (e.g., tracer studies). This will include trainees benefiting from the Project. While individual trainees will provide feedback on the quality and relevance of the training, institutions will also track trainees in terms of completion rates and employability.

84. The M&E component will track inclusion through indicators that cover marginalized groups, including women and the poor, the latter through specific criteria included in DLI5 related to increasing numbers trained. There will be specific measures in the Project to increase female participation in economic sectors where there is evidence of female enrollment (garments for example). Indicators and higher targets for women specific to trades will be specified in the POM.

G. Environment (including Safeguards)

Not applicable.

PAKISTAN: Punjab Skills Development Project
Annex 1: Results Framework and Monitoring

Table A1.1. Monitoring Indicators (including DLIs)

Project Development Objective (PDO): The Project Development Objective (PDO) is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in the Punjab.												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline FY 2015	Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR 1 FY 2016	YR 2 FY 2017	YR 3 FY 2018	YR 4 FY 2019	YR 5 FY 2020	Cumulative Targets by the End of the Project			
(1) Percentage of graduates employed ²⁹ 6 months after completing training in market-relevant courses	<input type="checkbox"/>	%	Male: 50 Female ³⁰			M: 52 F:		M: 54 F:	M: 54 F:	Annual	PIU report based on MIS data of respective agency, which includes tracer studies	PSDF
(2) Established and functioning PSA		Text	Does not exist at the moment					A functioning PSA	A functioning PSA	Annual	PIU report based on agencies input	P-TEVT A, PBTE, TTB
(3) Number of students passed out from market-relevant courses	<input type="checkbox"/>	Number	All: 18,522 M: 15,276 F: 3,246	All: 4,000 M: 3,280 F: 720	All: 6,400 M: 5,248 F: 1,152	All: 8,000 M: 6,560 F: 1,440	All: 10,400 M: 8,528	All: 11,200 M: 9,184 F: 2,016	All: 40,000 M: 32,800	Annual	PIU report based on MIS data from PSDF	PSDF

²⁹ Employed students include those who are wage employed, self-employed, working in family business, or daily labor.

³⁰ Baseline for female graduates will be available and updated in March 2015 after the finalization of the female tracer study on graduates.

							F: 1,872		F: 7,200			
INTERMEDIATE RESULTS												
<i>Strategic Area I: Strengthening the skills training system</i>												
Plan developed based on functional review of TTB and PBTE implemented according to plan		Text	Does not exist			Yes	Yes	Yes		Annual	PIU report based on information from the agencies	TT B, PB TE, PI U
P-TEVTA Institutional Development Plan Targets met	<input type="checkbox"/>	Text	Plan does not exist			Yes	Yes	Yes		Annual	PIU report based on information from P-TEVTA	P-TE VT A
<i>Strategic Area II: Improving quality and relevance</i>												
Number of CBTA curricula introduced	<input type="checkbox"/>	Number	0		3	8	16	30	30	Annual	PIU report based on information from P-TEVTA	P-TE VT A, NA VT TC
Number of institutions offering CBTA courses	<input type="checkbox"/>	Number	0		5	15	35	80	80	Annual	PIU report based on information from P-TEVTA	P-TE VT A, NA VT TC
Number of students passed-out from CBTA courses	<input type="checkbox"/>	Number	All: 0 M: 0 F: 0		All: 600	All: 1,800 M: 1,620 F: 180	All: 4,200 M: 3,780 F: 420	All: 9,600 M: 8,640 F: 960	All: 16,200 M: 14,580 F: 1,620	Annual	PIU report based on information from P-TEVTA and PVTC MIS	P-TE VT A, NA VT TC
Number of industry	<input type="checkbox"/>	Number	0		1	3	4	4	12	Annual	PIU report based on	P-TE

Partnership Agreements signed											agreement signed	VT A
Number of students benefited from industry partnership agreement		Number	All ³¹ : 0		25	125	275	375	800	Annual	PIU report based on MIS data from P-TEVTA	P-TE VT A
Employment rate ³² of students benefited from industry partnership agreement (after 6 months)		%	Male: 50 Female:		M: 52 F:	M: 53 F:	M: 54 F:	M: 55 F:	M: 55 F:	Annual	PIU report based on MIS data	P-TE VT A
Employer satisfaction with graduates from programs which benefitted from CBTA packages and Partnership Agreements		%	CBTA: PA: To be conducted in the first year of the project once trades are identified					Baseline +5%		Annual	PIU report based on MIS data of respective agency	P-TE VT A and PI U
Strategic Area III: Increasing access												
Number of students enrolled in market-relevant courses ³³	<input type="checkbox"/>	Number	All: 23,152 M: 19,095 F: 4,057	A: 5,000 M: 4,100 F: 900	A: 8,000 M: 6,560 F: 1,440	A: 10,000 M: 8,200 F: 1,800	A: 13,000 M: 10,660 F: 2,340	A: 14,000 M: 11,480 F: 2,520	A: 50,000 M: 41,000 F: 9,000	Annual	PIU report based on MIS data from PSDF	PS DF

³¹ The targets will depend on the nature of Partnerships agreement – some trades might not have female enrollment. The gender breakdown will be monitored during the life-time of the project, but the targets cannot be set before the trades are identified.

³² Employment rate will be monitored only for students who were in pre-employment training, excluding workers who were in skills upgrading programs

³³ Additional number of students

Table A1.2. Definitions and Description of Monitoring Indicators

<p>Project Development Objective (PDO): The Project Development Objective (PDO) is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in the Punjab.</p>	
PDO Level Results Indicators*	Definitions
<p>(1) Percentage of graduates employed 6 months after completing training in market-relevant courses</p>	<p>Market-relevant trades are the trades which are used in the following growth sectors as defined in the growth strategy: textile and garments, surgical instruments, sports goods, light engineering, agriculture, construction, automotive and transport, and ICT. PSDF has conducted sector studies for garments and construction, and is currently doing study on light engineering. The WB will help to conduct a sector study on ICT. In addition to growth sectors, PSDF has also conducted study on logistics sector, and is undertaking a study on furniture.</p> <p>Employed graduates are defined as graduates who are involved in the following income generating activities – wage employment, self-employment, working in family business, or daily labor. Percentage of graduates is calculated as ratio of students who are employed 6 month after completing training to students who graduated.</p> <p>The baseline is based on PSDF tracer study of Skills for Jobs 2012 scheme. The tracer study has been conducted for male graduates. Another tracer study for female graduates is being implemented and is expected to be finished by March 2014. The baseline will be updated then.</p> <p>To monitor this indicator two tracer studies (for men and women separately) will be conducted during the project cycle – in year 3 and year 5. PSDF will be responsible for contracting out the tracer study with TORs agreeable to the Association.</p>
<p>(2) An established and functioning PSA</p>	<p>At the baseline, the assessment functions are carried out by two agencies, TTB and PBTE. The end of the project target is to have a functioning single testing authority the PSA. The PIU will provide the evidence.</p> <p>The functioning single testing authority is defined as follows: (i) This is a single authority in Punjab which conducts course accreditation and certification and issues the regulations about how courses should be certified; and (ii) the Authority is considered functioning when the</p>

	<p>structure of the authority is in place; there is OM and HR development plan, the critical staff as described in those plans is appointed; the PSA accredits courses and issues the certificates.</p> <p>In FY 2020 an evaluation of PSA functioning, including, structure, equipment and personnel, will be implemented by the third party according to the TOR acceptable to the Association using TA funds.</p>
Number of students passed out from market relevant courses	<p>Pass-outs are defined as students who received a certificate upon completion of training from training provider which received funds from the PSDF under this project. Market relevant trades are defined as those which are relevant for the priority section identified in Punjab Growth Strategy (e.g. apparel, textile, light engineering, and construction). PSDF sector studies (acceptable to the Association) will be used to define market relevant trades.</p>
<p>INTERMEDIATE RESULTS</p> <p><i>Strategic Area I: Strengthening the skills training system</i></p>	
Plans developed based on functional review of TTB and PBTE implemented according to plan	<p>PIU will be responsible for providing evidence on functional review and implementation of the plan as described in the DLI protocols.</p>
P-TEVTA Institutional Development Plan Targets met	<p>PIU will be responsible for providing evidence implementation of the institutional development plan as described in the DLI protocols.</p>
<p><i>Strategic Area II: Improving quality and relevance</i></p>	
Number of CBTA curricula delivered	<p>A CBTA curriculum is one that has been formally approved by NAVTTC as being competency-based. Approval will be evidenced by the availability from NAVTCC of the full CBTA package, including the curriculum, performance standards and assessment instruction, and teaching-learning materials (TLMs).</p>
Number of institutions offering CBTA courses	<p>An institution may deliver one or more courses, as long as in any given year there is at least the number of such institutions as specified in the target value. The delivery of a course will be evidenced by the issue of nationally recognized CBTA certificates to the graduates of the course.</p>
Number of students passed-out from CBTA courses	<p>A passed-out graduate is a person who has completed a course using a CBTA curriculum and who has been certified by an assessor registered with the relevant authority to assess CBTA course graduates. The certification will be evidenced by the recognized certificate for that course. The relevant authority will be the TTB, PBTE or PVTC until such time that the authority specified under DLI1 becomes the relevant authority.</p> <p>It is assumed that pass-out rate for students from CBTA courses would be 80% (equivalent to current pass-out rate of students from PSDF courses)</p>

Number of partnership agreements signed	P-TEVTA is responsible for working with the industry to develop the partnership agreements as described in the DLI protocol.
Number of students benefited from industry partnership agreement	Number of students benefiting from the partnership agreement is equivalent to number of students enrolled in trades/courses which are covered by the partnership agreement. The targets are based on the assumption that each partnership agreement will be related to at least one trade, the completion of the course in this trade will take 6 month, course would be run twice a year, and 25 students would be enrolled in a course. It is assumed that the partnership agreement would be signed for at least 2 years. It is also assumed that in year 2 of the project at least one course will be completed. Thus, in year 3 of the project additional 50 students would benefit from the agreement signed in year 2, and 75 students would benefit from the 3 agreements signed in year 3. Similar logic applies to other years. The enrollment will be monitored by gender, the targets would be established during the project cycle once the trades for the partnership agreements are identified.
Employment rate of graduate benefited from industry partnership agreement (after 6 months)	The employment rate of graduates will be monitored only for the graduates who participated in the pre-employment training, excluding graduates who participate in partnerships agreements related to skills-upgrading programs for existing workers. The employment will be monitored by gender; the targets would be established during the project cycle once the trades for the partnership agreements are identified. The baseline is based on the PSDF tracer study of Skills for Jobs 2012 scheme. The partnership agreement will include the clause that the institutions which participate in the agreement should track the pass-outs.
Employer satisfaction with graduates from programs which benefitted from CBTA packages and Partnership Agreements	A baseline study will be conducted in year 1 of the project once the trades for CBTA and Partnership Agreements are identified. The second employer satisfaction study will be carried out at the end of the project. PIU will be responsible for contracting out the employer satisfaction survey with TORs agreeable to the Association.
<i>Strategic Area III: Increasing access</i>	
Number of students enrolled in market relevant courses	Enrollment is defined as total number of new students enrolled in a course provided by a training provider which receives funds from the PSDF under this project. Market relevant trades are defined as those which are relevant for the priority section identified in Punjab Growth Strategy (e.g. apparel, textile, light engineering, and construction). PSDF sector studies (acceptable to the Association) will be used to define market relevant

	trades.
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Table A1.3 Disbursement Linked Indicators FY16-20

Disbursement Linked Indicator (DLI)	Baseline (FY 2015)	Target Values for FY 2016 ³⁴	Target Values for FY 2017	Target Values for FY 2018	Target Values for FY 2019	Target Values for FY 2020
1. STRENGTHENING THE SKILLS TRAINING SYSTEM						
DLI 1: A new Punjab Skills Agency (PSA) is operational	There is no single provincial testing authority	The DoICI has completed a functional review of TTB and PBTE.	PSA Board of Directors has approved an organogram, an Operations Manual and an HR development plan for PSA.	80% of PSA staff positions as per the PSA HR development plan and organogram have been duly appointed and all are working at one premise.	PSA has accredited, regulated and course-certified all P-TEVTA and private Training Providers; and 70% of appointed PSA technical staff have received training as detailed in the HR development plan.	
<i>Evidence/Protocol:</i>	<ul style="list-style-type: none"> • The functional review will encompass the structure, functions, capacities and work processes of the existing institutions, and recommend how these would operate in a new, independent authority. The functional review will be evidenced by the final TA report, which will have been widely disseminated and formally discussed by the Boards of both the NAVTTC and the P-TEVTA. The Terms of Reference (TOR) and detailed outline for the functional review can be found in the Project Operations Manual (POM). • The new PSA organogram, OM and HR Development Plan will be evidenced by official PSA documents approved by the PSA Board of Directors, the approval evidenced by official minutes of a Board meeting. • The percentage of staff appointed will be based on senior management and all technical posts identified in the organogram, and will be evidenced by the HR plan produced by the Human Resources Department of the PSA. The evidence would show that the staff are being appointed to the newly created PSA, and thus would include the relevant legislative and regulatory documents that create the PSA. These documents should be included in, or referred to, in the Gazette or relevant GoP circular. • The percentage of technical staff trained as per the HR Development Plan will be evidenced by course completion certificates, to be provided by the Human Resources Department of the PSA. • The accreditation, regulation and course-certification will be evidenced by a sampling of associated official documents of institutions and their course graduates. 					

³⁴ Disbursements against yearly targets will take place each year in April except for the target value for Year 2016 for DLI 4 which is expected to be achieved by October 2015. Hence, once disbursement against DLI 4 target for FY 2016 will take place in October/November 2015.

Disbursement Linked Indicator (DLI)	Baseline (FY 2015)	Target Values for FY 2016 ³⁴	Target Values for FY 2017	Target Values for FY 2018	Target Values for FY 2019	Target Values for FY 2020
	<ul style="list-style-type: none"> In FY 2020 an evaluation of PSA functioning, including, structure, equipment and personnel, will be implemented by the third party according to TOR acceptable to the Association using TA funds in accordance The evidence will be presented by PIU with the TOR, satisfactory to IDA <ul style="list-style-type: none"> Two evaluative reviews will be done for quality assurance purposes at Midterm and before Project closing. The TORs and scope of the evaluations would have to be satisfactory to IDA. 					
DLI 2: Improving training provision by the public sector		The DoICI has completed a functional review of P-TEVTA's organizational structure.	P-TEVTA Board of Management has approved its institutional development plan (IDP) and related IDP targets acceptable to the Association for 2018.	P-TEVTA has met all agreed IDP targets for 2018; and its Board of Management has approved related IDP targets acceptable to the Association for 2019.	P-TEVTA has met all agreed IDP targets for 2019; and its Board of Management has approved related IDP targets acceptable to the Association for 2020	P- TEVTA has met 100% of all IDP cumulative targets set between 2016-2020)
<i>Evidence/Protocol:</i>	<ul style="list-style-type: none"> The functional review will examine organization functions and structure, human resource requirements, and skills gaps. It will be coordinated with the review foreseen under DLI 2. The TOR and detailed outline for the functional review can be found in the POM. The IDP will include at least 3 schedules of implementation, pertaining to the restructuring of P-TEVTA Secretariat; to professional development of Secretariat staff; and to the number, staffing and autonomy of training institutions. Approval of the IDP will be evidenced by a document approved by the Board of P-TEVTA, the approval being evidenced by official minutes of a Board meeting. Each schedule will include detailed and time-bound targets. Schedule 1 targets will include the major milestones required to formally re-structure P-TEVTA and produce a new organogram and operations manual. Schedule 2 targets will include the major milestones required to align the Secretariat work force with the new organogram; and to build the capacities of Secretariat staff based on the skills required by the restructured Secretariat. Schedule 3 targets will include the major milestones required to optimize the number of training institutions and staff and to increase institutional autonomy and effectiveness in terms of budget formation and execution, course offerings, job placement and tracking, and information management. 					
2: IMPROVING QUALITY AND RELEVANCE						
DLI 3: Rolling out of Competency Based Training and Assessment (CBTA) package	The roll-out plan of CBTA is in the process of being approved	P-TEVTA's Chairman has approved CBTA's roll-out plan and implementation schedule; and CBTA has started	3 different CBTA curricula have been delivered in at least 5 public institutions selected under the Project, in accordance with CBTA's roll-out	8 different CBTA curricula have been delivered in at least 15 public institutions selected under the project, in accordance with CBTA's roll-out	16 different CBTA curricula have been delivered in at least 35 public institutions, selected under the Project in	30 different CBTA curricula have been delivered in at least 80 public institutions, selected under the Project in

Disbursement Linked Indicator (DLI)	Baseline (FY 2015)	Target Values for FY 2016 ³⁴	Target Values for FY 2017	Target Values for FY 2018	Target Values for FY 2019	Target Values for FY 2020
		implementation of said plan on a pilot basis.	plan and implementation schedule	plan and implementation schedule	accordance with CBTA's roll-out plan and implementation schedule	accordance with CBTA's roll-out plan and implementation schedule
<i>Evidence/Protocol:</i>	<ul style="list-style-type: none"> • A CBTA curriculum is one that has been formally approved by NAVTTC as being competency-based. An indicative list of CBTA courses to be rolled out per year can be found in the POM. The approval will be evidenced by the availability from NAVTCC of the full CBTA package, including the curriculum, performance standards and assessment instruction, and teaching-learning materials (TLMs). • An institution may deliver one or more courses, as long as in any given year there is at least the number of such institutions as specified in the target value. The delivery of a course will be evidenced by the issue of nationally recognized CBT certificates to the graduates of the course. • The values in the targets for curricula and institutions are cumulative and minimum targets. For example, the 16 curricula targeted in year 4 include the 8 curricula in year 3. • The values provided in evidence will be subject to Third Party Validation which will be conducted according to the TORs acceptable to the Association. 					
DLI 4: Strengthening collaboration between training providers and employers to improve quality and relevance of training delivery	Limited collaboration between training providers and firms results in weak relevance and quality of training provision	P-TEVTA's Board of Management has approved a Partnership Framework and related implementation plan; and at least one Partnership Agreement has been signed.	Three additional Partnership Agreements have been signed.	Evaluation of the 4 Partnership Agreements under implementation against the approved implementation plan and result has been completed; and 4 additional Partnership Agreements have been signed.	4 additional Partnership Agreements have been signed based on the evaluation results from Year 3.	
<i>Evidence/Protocol:</i>	<ul style="list-style-type: none"> • Partnership Framework: This document will define the objectives of the partnership arrangements; parties eligible to engage in a partnership arrangement; potential scope of activities supported through partnership arrangements; minimum requirements in terms of expected outcomes, contributions by both parties, and monitoring arrangements; template Partnership Agreement (contract). Evidence: (1) Partnership Framework, to the satisfaction of IDA; (2) Approval of Partnership Framework by P-TEVTA Board. All of these would be described in detail in the Project Operations Manual. The Partnership Framework must be endorsed by industry before being submitted to the P-TEVTA Board for approval. • Partnership Agreement: Evidence: (1) Signed contract between the parties of the partnership, in line with the Partnership Framework and to the satisfaction of IDA 					

Disbursement Linked Indicator (DLI)	Baseline (FY 2015)	Target Values for FY 2016 ³⁴	Target Values for FY 2017	Target Values for FY 2018	Target Values for FY 2019	Target Values for FY 2020
	<ul style="list-style-type: none"> Evaluation of implementation of Partnership Agreement: (1) Report by third party, to the satisfaction of IDA, assessing the implementation of Partnership Agreement; (2) Minutes of P-TEVTA Board discussion of evaluation report - All PAs to be continuously monitored during implementation by the PIU. Each PA will be formally evaluated in FY 2018 and in FY 2020 by the third party contracted by the PIU according to the TORs acceptable to the Association. 					
DLI 5: Increasing access in market relevant trades offered by public and private sector training providers	52,000 students enrolled, and 41,600 students passed out in market relevant trades offered by public and private training sector providers	At least 5,000 additional students (5,000 cumulative) enrolled, and at least additional 4,000 students passed out (4,000 cumulative) in market relevant trades	At least 8,000 additional students (13,000 cumulative) enrolled, and at least additional 6,400 students passed out (10,400 cumulative) in market relevant trades	At least 10,000 additional students (23,000 cumulative) enrolled, and at least additional 8,000 students passed out (18,400 cumulative) in market relevant trades	At least 13,000 additional students (36,000 cumulative) enrolled, and at least additional 10,400 students passed out (28,800 cumulative) in market relevant trades	At least 14,000 additional students (50,000 cumulative) enrolled, and at least additional 11,200 students passed out (40,000 cumulative) in market relevant trades
<i>Evidence/Protocol</i>	<ul style="list-style-type: none"> The funds for this DLI will be administered by the PSDF. Private and public training providers will compete under this scheme under two separate windows (one for public sector training providers, and one for private sector training providers). Eligibility and competitive selection criteria for both windows including targets for the poor and women (for specific priority sectors) would be described in detail in the Project Operations Manual. Enrollment defined as total number of students enrolled in market relevant trades provided by private and public which are competitively selected by the PSDF under this scheme. Pass-outs are defined as those who received certificate after completion of training. Market relevant trades are defined as ones which are relevant for the priority sectors identified in the Punjab Growth Strategy and include those trades identified by PSDF as being relevant to the priority trades based on analytical work acceptable to the Association. Evidence includes data provided by PSDF from its MIS and signed by CEO (including annual Ernst &Young validation reports) 					

PAKISTAN: Punjab Skills Development Project
Annex 2: Detailed Project Description

1. The Project is aligned with the GoPunjab's Growth Strategy as well as Punjab's forthcoming Skills Development Strategy and Vision 2018 ("Punjab Skills Strategy"). The Growth Strategy reflects the GoPunjab's vision of inclusive growth, including an annual GDP growth target of 8 percent and ambitious targets related to job creation. The priority sectors identified as part of the Growth Strategy which will be the focus of this Project include the following: textiles and garments, light engineering, auto parts, surgical instruments, cutlery, agricultural implants, pumps, sports and fans, construction, pharmaceuticals and food processing.

2. The draft Punjab Skills Strategy, which is expected to be approved by March 2015, complements the Growth Strategy, and applies a multi-sector approach to increasing the quantity, quality, and relevance of training provision through interventions in six Action Areas. These Action Areas include: (i) improving public sector efficiency in training delivery; (ii) facilitating private training provision; (iii) improving access to training for women and the underprivileged; (iv) improving the quality of training; (v) strengthening relevance of training through improved market linkages; and (vi) introducing innovations in delivery mechanisms. The Project's three strategic areas (skills training system strengthening, quality and relevance, and access), fleshed out in five DLIs, are expected to contribute to all of the six Action Areas of the Punjab Skills Strategy. As is illustrated in Figure A2.1 below, several of the Project's DLIs would contribute to two or more Action Areas of the Skills Strategy. For example, project interventions related to strengthening P-TEVTA are expected to support improved public sector efficiency, and to result in improved quality and relevance of training provision. Similarly, the Project's interventions to increase access to demand-driven training would support training delivery by the public and private sector, as well as increased access for women and the vulnerable. Also, the Project has complementarities with other Bank Global Practices (GPs), such as Trade and Competitiveness (T&C) and Social Protection and Labor (SPL). Please see Box 1 for a summary of support to the skills sector by these GPs.

3. The Project will have two components. The first component will use results-based financing to support the achievement of GoPunjab's skills sector objectives in the Skills Development Vision and Strategy 2018. The component will support the implementation of institutional, quality and relevance-related reforms needed to make the skills training sector more efficient, dynamic and aligned with industry requirements. It will also support the achievement of the Government's targets to increase access to skills training in priority economic growth sectors and improve monitoring and evaluation in the sector. There will be five sub-components structured to support three strategic areas of the Government's priorities. For each sub-component, a Disbursement-Linked Indicator (DLI) has been established with time-bound targets. Targets have been selected as key links in a results chain that incrementally contribute during the implementation cycle to the achievement of the Project Development Objective. Funds will be disbursed upon the achievement of targets. A detailed description of the DLIs, as well as protocols for verifying compliance with each DLI, can be found in Annex 1.

4. The second component would finance project management, monitoring and evaluation, and technical assistance to enable the achievement of the DLIs and ensure efficient and effective

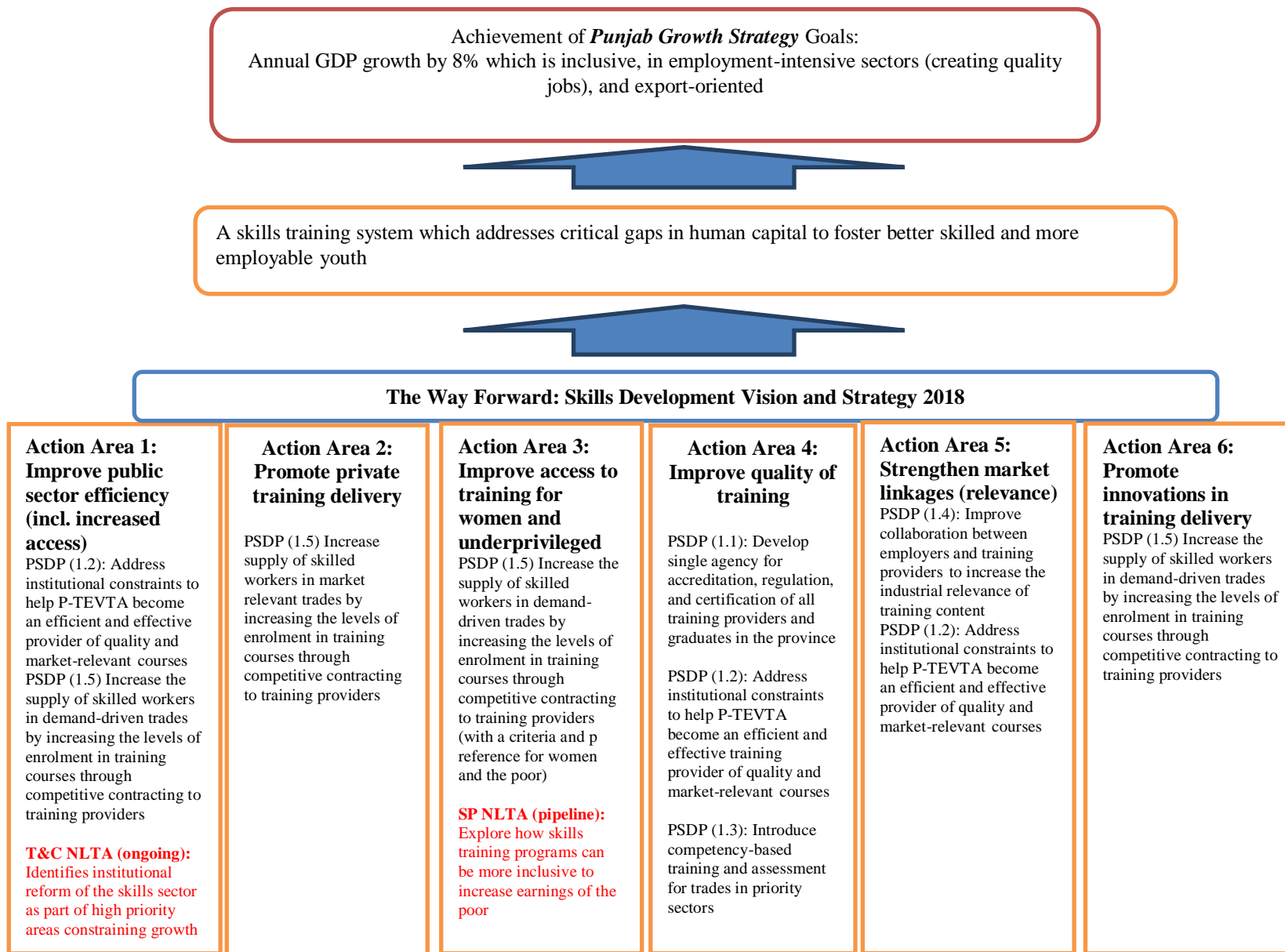
management of the Project. The component will use a traditional reimbursement mode based on statements of expenditures after the completion of activities.

Box 1. Complementarities with other Bank Global Practices.

The Trade and Competitiveness (T&C) Global Practice (GP), in collaboration with DfID, has led a multi-GP engagement with the GoPunjab since November 2013 through a DfID-funded Non-Lending Technical Assistance (NLTA) to assist in the formulation of a time-bound and action-oriented “Jobs and Competitiveness Action Plan for the Punjab” to address constraints to growth. Specifically, the NLTA aims to help the GoPunjab design an action plan with specific high-impact activities across key economic sectors in the province to unleash the competitiveness potential of the province, particularly in the sectors of light engineering and agribusiness. A policy matrix has been drafted to this effect, and discussions are underway with both the Federal level and provincial level governments to support the implementation of these policy actions through a provincial Development Policy Credit (DPC). Policy actions for the skills sector which have been included in the policy matrix will be supported through the PSDP.

An upcoming technical assistance program for the GoPunjab led by Social Protection and Labor (SPL) GP focuses on skills and employability of the poor and will help identify a more comprehensive strategy to improve the earnings of the poor through skills development and other complementary supporting interventions. The TA would complement the PSDP in contributing to the Punjab Skills Vision by improving inclusiveness and quality of the skills training programs.

Figure A2.1. Alignment of the PSDP (and other Bank activities) with the Punjab Skills Vision



5. *Complementarities with other skills interventions.* There are several noteworthy federal and national programs in the skills sector currently underway in the province. in addition to the mainstream TVET programs run by the public sector). These include:

(a) Waseela-e-Roazgar (WeR): WeR, a pilot skills training program intended to help the poorest of the poor to find stable and higher-earning employment, is a national level program run by the Benazir Income Support Program (BISP). BISP, which provides an unconditional cash transfer to the poorest 22 percent of the population in Pakistan³⁵, intends to (i) smooth consumption and prevent households from falling into deeper poverty due to temporary shocks; and (ii) encourage beneficiaries invest their own productive capacity and eventually move out of poverty. To support this secondary objective, BISP has been supporting ancillary programs to help beneficiaries manage shocks and invest in education and income generating activities. Since 2012, BISP has been implementing WeR, which pays the full cost of a 4-6 month course in one of 54 vocational subjects, including tailoring, electrician, welding, mechanics, and beauty therapy. Training is provided by public and private training providers, contracted by the program.

(b) The Punjab Skills Development Fund (PSDF): PSDF channels funds to public, private, and not-for-profit Training Providers (TPs) on a transparent and competitive basis to provide short-term vocational training (and up-skilling the low-skilled) to the poor and vulnerable in the poorest districts of Punjab. While the program originally targeted the four poorest districts, it is now in operation in 14 districts in the province, and the next phase of DfID support plans to expand PSDF's operation throughout the province. PSDF receives funding from DfID and the GoPunjab (matching funds).

(c) The Punjab Vocational Training Council (PVTC): PVTC employs a public-private partnership (PPP) model to deliver short-term vocational training primarily funded by Zakat³⁶ funds to the poorest of the poor. Training is provided at the local level (sub district) through the 175 Vocational Training Institutes (VTIs) with considerable employer involvement in training design and delivery. District zakat committees (which report to the Zakat and Ushr Department at the provincial level) provide a list of zakat-deserving students to PVTC's vocational training institutes (VTIs) every year. Selection into a training program then takes place if a potential candidate passes the VTI admission test.

Component 1: Improving and Expanding Market-Relevant Skills Training (US\$46 million equivalent, 92% of total project cost)

³⁵ The poor are identified by a proxy means test-based poverty scorecard that assesses household wealth based on 13 observable household characteristics.

³⁶ Zakat is an annual contribution of wealth required of all Muslim adults with sufficient means toward the poor, needy or otherwise.

6. The objectives of this component are to: (i) strengthen systems in the skills training sector; (ii) improve the quality and relevance of skills training; and (iii) increase access to market-relevant trades. Accordingly, this component would support all strategic areas as identified in the GoPunjab’s Skills Strategy and Vision (see above), and contribute to the strategy’s aim of increasing training capacity to achieve the ambitious target of skills upgrading of up to two million individuals during the period 2014-2018. Please see Box 2 below for a brief description of the main players in the skills sector in the Punjab.

Box 2. Key Players in the Skills Sector
National Vocational & Technical Training Commission (NAV TTC)
<ul style="list-style-type: none"> • Autonomous body at federal level; regulatory body for all TVET institutions • Functions include development of national occupational skill standards, curricula, and trade testing certification systems for TVET; the regulation of affiliation of skills training providers; the establishment of an accreditation system; and the conduct of performance evaluation of TVET institutes
Punjab Technical Education & Vocational Training Authority (P-TEVTA)
<ul style="list-style-type: none"> • Largest public training provider in Punjab; key registration body private sector TEVT providers; Controlling authority of PBTE and TTB • Functions include provision of technical and vocational education and training, regulation of institutions, curricula development, and the provision of common facilitation centers for the introduction of new technology
Punjab Vocational Training Council (PVTC)
<ul style="list-style-type: none"> • Largest vocational training providing body; set up in collaboration with the private sector; managed by CEO; private sector Board • Employs a public-private partnership (PPP) model to deliver vocational training primarily funded by zakat funds and other donors
Private Sector TVET Institutions
<ul style="list-style-type: none"> • 480 institutions operating across Punjab – out of these, 196 are poly-techniques (these institutions are affiliated with PBTE)
Punjab Skills Development Fund (PSDF)
<ul style="list-style-type: none"> • Not-for-profit company set up in collaboration with DfID (matching funds provided by GoPunjab) to channel funds to public, private, and not-for-profit Training Providers (TPs) on a transparent and competitive basis to provide short-term vocational training (and up-skilling the low-skilled) to the poor and vulnerable • Originally targeted 4 of the poorest districts in South Punjab. Now operational in 14 districts with plans to expand across the province
Punjab Board of Technical Education (PBTE)
<ul style="list-style-type: none"> • Corporate body with PTEVTA as controlling authority; provides affiliation services to P-TEVTA • Conducts final examinations pertaining to TVET and commercial education below degree level, certifies successful candidates • Responsibilities include setting of conditions for recognition of skills providing institutions, as well as the regular inspection of recognized institutions. • Authority to accord, refuse or withdraw recognition to institutes on recommendation of appointed inspection committees.
Trade Testing Board (TTB)
<ul style="list-style-type: none"> • Placed under P-TEVTA; conducts certification for vocational courses only • Core functions also include the affiliation of institutions

Strategic Area 1: Strengthening the Skills Training System

7. The Project will work to strengthen public institutions in the Punjab to accredit, regulate, certify and deliver skills training services. It will achieve this by developing a single agency to fulfill the province’s responsibilities for accreditation, regulation and certification of all training

providers and graduates in the province. It will also address the institutional constraints of P-TEVTA and strengthen it to become an efficient and effective training provider of quality, market-relevant courses. Correspondingly, two sub-components will support this strategic area.

8. The P-TEVTA currently has responsibilities to accredit and regulate training providers (TPs) and their courses. Further, it has authority over and sits on the Boards of the two key agencies responsible for testing and examinations and the granting of qualifications: the Technical Training Board (TTB) and the Punjab Board of Technical Education (PBTE). The TTB designs and conducts examinations for vocational courses (usually of 3-24 months duration) recognized by P-TEVTA, while the PBTE designs and conducts examinations for both vocational and technical training courses (3-36 months). The PBTE also has accreditation and affiliation functions that overlap with those of P-TEVTA. In addition to important duplicate responsibilities between the two Boards, the TTB and PBTE each have their own internal challenges pertaining to outdated and inefficient operating procedures, management systems, staff skills requirements and staffing levels. The PVTC, Punjab's second largest public TP, certifies its own graduates as well as obtaining some certification from PBTE. Some GoPunjab departments also conduct and certify their own training and graduates. In all, there are approximately 37 institutions issuing skills qualifications in the province.

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10. This arrangement of overlapping roles, some in direct conflict with each other, has evolved over time often without design or coordination and has created palpable inefficiencies leading to an ineffective certification, regulation and assessment regime. First, there are a variety of testing standards and procedures of uneven difficulty and quality for the same set of skills. This hinders worker mobility and employability, and stands in the way of the Punjab's desire to export skilled labor. Second, the P-TEVTA and the PVTC have a conflict of interest in that they regulate and certify their own institutions, courses and graduates, rather than being held to standards set and monitored independently.

11. There are reforms underway at the national level to address these challenges. The Government of Pakistan is in the process of introducing the Pakistan National Qualifications Framework (PNQF) and the Competency-Based Training and Assessment (CBTA).³⁷ Together, these will create one framework for classifying, accrediting and regulating all nationally recognized training and qualifications programs, covering all skills levels. At the provincial level, the challenge is to ensure that this framework is operationalized by a single agency. GoPunjab is moving toward the creation of such an agency by merging TTB and PBTE which, in the best case scenario, would take place before the end of 2016. This would require a legal amendment and remove the accrediting, regulatory and certifying functions from P-TEVTA altogether. One sub-component would both develop plans and policies to create a viable agency and support implementation of these plans to carry out its mission over the medium term.

12. Once P-TEVTA's mission has been simplified with the creation of a single agency, significant work will have to be done in order to transform it into an agency that delivers competency-based training that is market-driven and of high quality. The P-TEVTA has in excess of 9,700 employees and the diagnostics and analysis of the sector show that there is considerable room to improve its management of human resources. The total staff to student ratio is approximately 7.3. There is a high ratio of non-academic to academic staff. Many administrative staff are not even directly employed by P-TEVTA, the legacy of a previous merger of different institutions to create P-TEVTA. Many of these are Public Service appointees, who may not have the requisite skills or training to administer a TP and who can be re-assigned at short notice.

13. P-TEVTA also has a large and inefficient network of roughly 370 training institutions. Some operate at capacity with thousands of trainees, but others have just a handful of training staff and largely empty classrooms. These institutions have little autonomy and their information management is antiquated. The rationale for the range of course offerings is not always obvious and there is some duplication. Often there is no clear pathway of progression from lower to higher levels of qualification. Many of the institutions focus on a traditional process of delivering course content, itself often outdated, rather than imparting the skills which students need to find employment. There are widespread shortages of teaching-learning materials. Though P-TEVTA has a system to track graduate placements, it remains largely unresponsive to market demand, with private sector representatives criticizing P-TEVTA for its lack of market relevance and responsiveness.

14. Sub-component 1.2 would focus on enabling P-TEVTA to address these constraints. It would support P-TEVTA to (i) develop a corporate commitment to a new vision focused on becoming a more efficient and effective provider of quality and demand-driven training; (ii) diagnose the impediments that stand in the way of achieving this vision; and (iii) develop and implement an institutional development plan.

Sub-component 1.1: Support to effective regulation and certification of the skills training sector

³⁷ The framework encompasses technical and vocational training as being part of the same continuum.

15. The objective of this sub-component is to strengthen assessments of skills and training in the Punjab and to issue qualifications that are nationally recognized. GoPunjab is in the process of a merger of the Punjab Board of Technical Education (PBTE) and the Trade Testing Board (TTB) to create a single and independent institution responsible for the province's functions of accreditation, regulation and course-certification of technical and vocational skills training service providers operating in the province. The new Punjab Skills Agency (PSA) would carry out its functions within the Pakistan National Qualifications Framework, and the national introduction of Competency-Based Training and Assessment. It would be the agency in the Punjab that manages the responsibilities to accredit courses and certificate candidates in accordance with the nationally recognized training and assessment standards set forth in the PNQF under the authority of the NAVTTC. The PSA would be responsible for a raft of Quality Assurance and control measures on behalf of NAVTTC. These would include oversight of the registration process of training service providers (TSP) as well as instructors/teachers and assessors. The PSA would also ensure that nationally accredited training curricula are used, assessments are made in accordance with course package requirements and that nationally recognized qualifications are issued.

16. The administration of assessments would include: (i) selection, training and accreditation of assessors; (ii) the development of assessment materials; (ii) organization of assessments themselves; (iii) issuance of successfully assessed candidates with PNQF-compliant certificates of qualifications; and (iv) record-keeping on qualifications that have been issued to successful candidates. The PSA would also be responsible for the management of the development of new CBTA packages (competencies, curricula, performance standards, assessment plans and materials, and teaching-learning materials) and their attestation from NAVTTC. It would also monitor other accrediting agencies and match, where possible, their skills recognition to those of the PSA.

17. The Project would support the development of the single agency in parallel with the actions which would result in the merger of the PBTE and TTB (legal action to take place during the first year of project implementation). The Project would undertake a functional review of the PBTE, TTB and P-TEVTA, as well as any other provincial agencies with official authority pertaining to accreditation, regulation and course-certification. The review would analyze the legal framework, organizational structure and functions and staffing and capacities of these institutions in light of the need to create a single skills agency. The review would be overseen by a steering committee that operates under the authority of the Department of Industries and includes membership from the P-TEVTA Secretariat, the PBTE, the TTB and other significant stakeholders. The committee would be chaired by a senior executive of the Department of Industries. The review would make detailed recommendations on the required structure/organogram, functions and standard operating procedures and staffing and capacities for the single skills agency. Based on these, the Project would support the development and implementation of a budgeted plan to create the new agency, covering such aspects as the drafting of legal-regulatory documents; human resources recruitment, management and development; housing the agency; and the procurement of materials and equipment. Each existing institution that will be part of the merger process would create an internal steering committee to facilitate participation in the review and implementation of the action plans. Once

the PSA is created and operating, the Project would evaluate the agency with a view to identifying and remedying any institutional and operational weaknesses.

18. The development and reform of the PSA would be incremental as outlined in the DLI targets for each year and would take up to four years to complete. By the end of the Project, the PSA would be solely responsible for accreditation, regulation and course-certification of all P-TEVTA and private TPs. For the interim period, the PSA creation plan would clearly indicate all transitional arrangements. While TTB and PBTE would initially continue to execute their existing duties, they would cooperate closely from the start to ensure the smooth introduction of CBTA and to facilitate the merger. This critical cooperation would include joint work on managing CBT assessments and sharing premises, starting in 2015.

19. This sub-component is linked to a DLI with targets pertaining to the following: (i) completion of the functional review (in 2016); (ii) approval of the new PSA's Standard Operating Procedures Manual and Human Resources Development Plan (in 2017); (iii) co-location of 80% of PSA staff (2018); and (iv) accreditation, regulation and course-certification of all P-TEVTA and private TPs, as well as the training of 70% of PSA technical staff in accordance with the HRDP (in 2019).

Sub-component 1.2: Strengthening the P-TEVTA as a skills training provider

20. The objective of this sub-component is to strengthen P-TEVTA to be a more demand-driven, efficient and effective skills training provider. The P-TEVTA would support a three-tiered functional review of its institution to develop and implement a four-year Institutional Development Plan (IDP). The review would be done in coordination with the review undertaken for sub-component 1.1, but would have a separate focus on P-TEVTA as a training provider, that is, minus the accreditation, regulation and certification functions it currently retains. The three tiers refer to the P-TEVTA Secretariat, the District Management, and the training institutions themselves.

21. The P-TEVTA would first articulate a new vision for a more decentralized institution focused on quality and market-relevant training delivered effectively and efficiently. The P-TEVTA would subsequently undertake a functional review in light of the new vision that would analyze *inter alia*: (i) the P-TEVTA's legal framework, organizational structure and functions, and operating procedures; (ii) the amounts, profiles and capacities of human resources; (iii) the network of training institutions, including their powers, resources, information management, and amount of work in relation to capacity; and (iv) course offerings, including enrolment, pass-outs and placements, as well as how they are selected and updated. The review would be overseen by a steering committee reporting to the P-TEVTA Board. The review would make detailed recommendations and plans of action pertaining to each of the dimensions, which would form the basis for P-TEVTA to develop and implement a budgeted Institutional Development Plan (IDP) with yearly targets. The IDP should include at least three separate schedules of implementation, pertaining to the following parts: (i) restructuring of the P-TEVTA Secretariat; (ii) the professional development of Secretariat staff; and (iii) the number, staffing and autonomy of training institutions. Part 1 targets would include the major milestones to legally re-structure P-TEVTA and produce a new organogram and manual of standard operating procedures. Part 2

targets would include the major milestones required to align the Secretariat work force with the new organogram, and to build the capacities of Secretariat staff. Part 3 targets would include the major milestones required to optimize the number of training institutions and staff; to increase institutional autonomy and effectiveness in terms of budget formation and execution, course offerings, placements and tracking; and to improve information management.

22. The sub-component is linked to a DLI with targets pertaining to the following: (i) the completion of the functional review (2016), (ii) the approval of the IDP (2017), and (iii) the setting and meeting of annual IDP targets (2018-2020).

Strategic Area 2: Improving the quality and relevance of training programs

23. The Project would work to raise the quality of skilled graduates through the introduction of competency-based training and assessments and to increase the industrial relevance of training curricula through improved collaboration between employers and training providers. Accordingly, there are two sub-components to address this strategic area.

24. The NAVTTC is introducing a National Vocational Qualifications Framework that should allow for the standard grading and recognition of qualifications based on the objective detailing of skills and the classification of the level of those skills. As part of the PNQF, the government is introducing competency-based training and assessment (CBTA); the NAVTTC (with GIZ support) intends to have produced 61 CBTA packages by the end of 2015. As part of the plan, P-TEVTA will be responsible to implement CBTA in its own institutions. As such, the CBTA roll-out is also an opportunity to improve the quality and relevance of its training. One sub-component would, therefore, support the P-TEVTA to integrate CBTA into its training programs.

25. Another key element for increasing relevance is the establishment of close TP-industry linkages that ensure that TPs are meeting the needs of industry. P-TEVTA's performance as a key contributor to developing an appropriately skilled workforce is continuously criticized by private sector representatives on the basis of weak relevance, quality, and practical content of its training provision. Training provision by private training institutions is, in varying degrees, considered to suffer from similar weaknesses. The Skills Strategy and Vision also identifies these challenges and recommends increased involvement of the private sector to improve the relevance and quality of training provision. The private sector is widely assumed to have incentives to contribute to training provision, considering the increased firm productivity that is associated with a (better) skilled workforce. Whether increased private sector contributions to training provision will in fact materialize and generate the desired results, depends on (i) the *willingness of the private sector* to increase their involvement in training provision, which in turn depends on their level of confidence that their interventions will sufficiently improve the demand-responsiveness of training provision; and (ii) the *quality of implementation* of the partnership between the private sector and training providers.

26. The P-TEVTA has broad industry participation in its Board of Directors and many of its training institutions have local industry contacts and track their graduates for placement. PVTC maintains close linkages with industry, and includes work experience as part of its training.

Private TPs are generally acknowledged to have relatively good linkages with industry. Nonetheless, a recurrent complaint of industry is that TPs do not offer the right courses in sufficient quantity and various efforts in the past to promote public-private partnerships have floundered. This has to do with a lack of organization and support to both sides, particularly to small and medium private enterprises, to elaborate a workable partnership that corresponds to the needs and capacities of both parties. In this light, sub-component 1.4 would support employers and TPs to elaborate and implement locally specific solutions to training needs.

Sub-component 1.3: Competency-based skills training and assessment

27. The objective of this sub-component is to strengthen the public skills training and assessment system to become more effective and demand-driven, through the introduction of competency-based training and assessment packages aligned with the Pakistan National Vocational Qualifications Framework. The current system follows a syllabus-based and time-bound approach that focuses on the candidate meeting the inputs requirements of the course and passing an exam. The new approach focuses instead on the candidate being able to demonstrate the competencies required in the workplace as determined by industry. A Competency-Based Training and Assessment (CBTA) package would contain the competency standards, the rules for a qualification, the curriculum, the teaching and learning materials, and the assessment package. The competency standards will describe what a worker should be able to do and must know in order to effectively perform a job in the workplace. The candidate will be assessed on their ability to demonstrate that he or she has mastered the competencies. Packages are being introduced within a new National Vocational Qualifications Framework in which competencies are classified from the basic to the highest level. It sets standards that facilitate the objective classification of skills and levels and can be used to establish recognition of qualifications on a national and international basis. The Framework will also allow for candidates to progress through the levels as a continuum, allowing for exiting with qualifications at each level. To support this reform, the P-TEVTA would adapt or develop at least 30 competency-based training and assessment packages and introduce them in their training institutions. This reform would be closely aligned with the creation and activities of the new PSA, which would be responsible for assessing all candidates passing through the CBTA courses; the PSA and its assessors would receive capacity building through this component to conduct competency-based assessments.

28. While most of the CBTA packages are being developed by the NAVTTC (with support from GIZ), some will have to be developed by P-TEVTA or other registered training institutions and subsequently approved by the NAVTTC. The list of CBTA packages supported by the Project would be selected by the P-TEVTA Secretariat, with preference given to those packages that are relevant to the priority sectors identified in the Punjab Growth Strategy.

29. The instructors would be trained on how to deliver their course using the CBTA approach, with a particular emphasis on ensuring that students have mastered the competencies. The instructor would be provided with a copy of the instructor's guide developed as part of the CBTA package. The instructors would be formally assessed at training completion and certified by the NAVTTC as a CBTA-qualified instructor. For any given curriculum, the assessors would be trained separately (possibly by the same trainer) on how to conduct a CBTA-compliant assessment. Upon successful completion of the training, the NAVTTC would certify the assessor

as being authorized to conduct assessments throughout Pakistan for any topic/skill for which the assessor has nationally recognized qualifications.

30. The teaching-learning materials (TLMs) refer to the student’s printed course materials; these will have been developed as part of the CBTA package. The P-TEVTA would therefore ensure only the reproduction of these TLMs in sufficient quantity to supply all students enrolled in one of the Project-supported CBTA courses during the life of the Project.

31. For some of the CBTA curricula, and in some institutions, the P-TEVTA does not have sufficient equipment to adequately deliver the curriculum. Therefore, it would ensure the supply of such equipment on a selective basis. In general, the equipment and beneficiary institutions would be selected and identified subsequent to a needs analysis, giving priority to high-volume courses that are relevant to priority sectors and for which equipment substitutes are not possible or for which equipment cannot be transferred in from other P-TEVTA training institutions. The selection and identification would be carried out by the P-TEVTA Secretariat. The selection criteria would be elaborated in the POM, to be approved by the Bank prior to effectiveness.

Box 3. Glossary of terms used in Annex 2	
Term	Definition
Instructor	A registered professional who is responsible for delivering a course in a vocational/technical training institution
Assessor	A registered professional who is responsible for certifying that an individual has mastered the competencies of a particular trade
Trainer	An individual who trains either an instructor or assessor on CBTA, in the context of the Project

32. All students who complete a Project-supported CBTA course would be encouraged by the instructor to undergo the certification assessment. The P-TEVTA would cover the cost of this assessment for all such students. The assessment would be conducted by an assessor trained under the Project (as described above), or is an assessor recognized by NAVTTC.

33. This sub-component is linked to a DLI with targets pertaining to the approval and implementation of the CBTA roll-out plan (in 2016), and the delivery of CBTA curricula (three curricula in at least five different training institutions in 2017, 8/15 in 2018, 16/35 in 2019 and 30/80 in 2020).

Sub-component 1.4: Industry Partnership Agreements

34. The objective of this sub-component is to improve the quality and relevance of training provision through improved collaboration between the private sector (‘skill demand’) and training providers (‘skill supply’). The interventions will be targeted to training programs with relevance to the priority economic sectors as identified by the Government of Punjab (textiles and garments, light engineering, auto parts, surgical, cutlery, agricultural implants, pumps, sports and fans, construction, pharmaceuticals and food processing), and to small and medium enterprises (SMEs) as these face the most serious constraints in attracting or training appropriately skilled staff.

35. Whereas initially the focus would be on promoting partnerships between the private sector (firms or firm representatives) and *public* training providers, to increase the relevance of

public training provision, partnerships between firms and *private* Training Providers (TPs) could also be encouraged and supported.

36. The Department of Industries, Commerce and Investment (DoICI) and P-TEVTA would support the development, implementation and monitoring of Partnership Agreements (PA). PAs would be concluded between an industry representative (e.g., an industry association or individual firm), a training institution, and TEVTA. PAs will describe the targets in terms of quality and relevance which the partnership aims to achieve; the inputs, scope of activities and responsibilities of all signatory parties; and monitoring and reporting arrangements. PAs would be compliant with the Partnership Framework (PF), which would be developed at the start of project implementation by P-TEVTA in close collaboration with industry and other stakeholders. The PF would define the clear measurable criteria that individual PAs must incorporate which would include: (i) the parties that are eligible to engage in a PA; (ii) the potential scope of activities that could be supported through PAs; (iii) the minimum contributions of parties including cost sharing; (iv) the range of expected outcomes (including employment of graduates); (v) monitoring arrangements; and (vi) a template for drafting a PA. The DoICI and P-TEVTA would facilitate the identification of potential areas and parties for a PA, their negotiations, and the drafting of a legally-binding Partnership Agreement. TPs that are party to a PA may be from either the private or public sector, provided they are registered as a TP with P-TEVTA. The indicative outline of what would be included in a PF would be elaborated in the Project Operations Manual, which would be complete by the time of negotiations and would be approved by the Bank prior to effectiveness. The PF would be sufficiently flexible to ensure that individual PAs can be negotiated to accommodate the specific needs and inputs of the employers that are party to the agreement rather than prescribing a single model that may not suit all circumstances.

37. Once the PF has been finalized, P-TEVTA with the support of the PIU would facilitate the identification of areas and parties that could benefit from a PA and particular training needs, their negotiations, and the drafting of a legally-binding Partnership Agreement. While the contributions and obligations of the parties to a PA will be specific in each case, in general on the employer side these may include the provision of technical expertise (through e.g. training or training services management) and resources (e.g., access to factory resources or the contribution of training-related equipment), as well as on-site training delivery. On the P-TEVTA side, these may include providing training services, equipment and facilities, revising or introducing new curricula, and, providing long-term leases on premises. TPs that are party to a PA may be from either the private or public sector, provided they are registered as a TP with P-TEVTA. The PA would stipulate monitoring indicators and responsibilities, to enable monitoring of the PA's implementation and performance.

38. The P-TEVTA would provide technical support to the implementation of the PAs, covering for example curricula revisions or the training of trainers. The government may also financially support PA implementation, providing up to US\$ 20,000 per public training institute per year and US\$ 10,000 per private training institute per year. Each case would be decided on its merits by the P-TEVTA with support from TA funds, based on criteria that will be stipulated in the POM which will have a separate section outlining guidelines and criteria for the PAs, including cost sharing by the private sector/industry partner. In cases where financial, material

or other contributions from P-TEVTA are essential to fulfil the agreements of the PA, the P-TEVTA would be a signatory to the PA in addition to the private sector representative(s) and the TP(s). The DoICI and P-TEVTA would monitor PA implementation and outcomes (including employment rates or evidence of placement of graduates of the PAs), including through third party evaluations. The findings of the evaluations would be widely disseminated, in order to promote good (and avoid bad) practice in industry-TP partnerships. The DoICI and P-TEVTA would also develop a sustainability plan to promote PAs beyond the life of the Project.

39. This sub-component is linked to a DLI with targets pertaining to the approval of the Partnership Framework, the signing of 12 PAs and the third party evaluations of selected PAs.

Strategic Area 3: Increasing access to market-relevant trades

40. The Project would partially support GoPunjab's goals in terms of increasing actual numbers trained. The focus of the Project would be to increase the levels of enrolment in technical and vocational training in market relevant courses that produce skills needed in the priority economic sectors identified in the Growth Strategy. To achieve 8 percent annual growth goal by 2018, the GoPunjab estimates the need for creating two million skilled workers by 2018, representing an annual average of 500,000 graduates – a highly ambitious target. This will require more than doubling of the annual number of graduates, which in 2013 is estimated at 164,000. Much of the increase in graduates is expected to be generated by the province's two largest public vocational training providers: the Punjab Technical Education and Vocational Training Authority (P-TEVTA) and the Punjab Vocational Training Commission (PVTC), with enrolments of 85,854 and 53,600 students, respectively, in 2013-14. P-TEVTA offers courses ranging from three months to three years that lead to various vocational and technical certificates, diplomas and degrees. The courses are provided through a network of over 300 Vocational Training Institutes (VTIs), Technical Training Institutes and Centers (TTI/TTCs), Colleges of Technology and Polytechnics. The PVTC offers courses of 6 and 12 months duration, followed by two months of on-the-job training. In 2013-14, the PVTC enrolled students in 43 different trades in 175 training centers. Private sector, PPPs, and other public TPs enroll approximately 40,000 students per year, of which half are self-financed; the other half are financed through the Punjab Skills Development Fund (PSDF).

41. The Growth Strategy indicates several ways to increase the annual output of TPs, including through efficiency measures and adding capacity. For instance, many training institutes, whether in the public or private sector, do not operate at capacity; increasing class sizes and adding on a second shift, with existing staff and premises, would allow a significant increase in enrolment. Further, the GoPunjab plans to increase the total number of trainers from roughly 7,500 to 12,500 over the next five years. But the main constraint on increasing the number of skilled graduates is the recurrent financing required covering tuition, teaching-learning materials and other students' costs. The funds provided from the government budget and existing donor commitments do not cover all requirements.

42. Sub-component 1.5 of the Project would be designed to enable Government to meet the pressing need to increase enrollment by focusing on market relevant vocational and technical courses in priority sectors through both public and private training providers. While overall

social demand for TVET training is not high, the demand for trades in priority sectors is higher than in other trades (training agencies report that number of students applying for trades in priority sectors is higher than number of available seats). The trades in which youth will be trained under this Project are validated by the employers through skills needs studies in priority sectors and employer surveys conducted by the PSDF. One may also note that the increased enrollment will be largely absorbed by private training providers, which are generally acknowledged to be more demand-driven and of better quality. The increase in enrollment supported under the Project would go in tandem with reforms supported in other sub-components to improve the quality and relevance of training and outcomes. There would be a large overlap between the courses targeted under this sub-component and those for which a CBTA package will be introduced. The creation of the new PSA and its introduction of competency-based assessments will affect large numbers of training providers. And lastly, an aggressive communication campaign financed by the Project and partially by PSDF will buttress activities to increase enrollment.

Sub-component 1.5: Increasing supply of skilled workers in market-relevant trades

43. The objective of this sub-component is to increase numbers of skilled and certified workers in priority trades through a competitive training fund for public and private sector Training Providers. The trades would be relevant to the priority sectors identified in the 2015-18 Punjab Growth Strategy, which include the following: textiles and garments, light engineering, auto parts, surgical, cutlery, agricultural implants, pumps, sports and fans, construction, pharmaceuticals and food processing. The sub-component would target courses of 24 months duration or less.

44. The contracting of TPs would be administered by the PSDF, which would select providers on a competitive basis through two windows, public and private. Within each window, the training provider for any given course would be competitively selected on a cost and quality basis once the provider has met certain screening criteria. The public training providers eligible to compete would include the P-TEVTA, the PVTC, and any other public-sector training provider. In the private window, all private and not-for-profit training providers would be eligible to compete. Contracts would cover variable course-related costs, including tuition, training materials, uniform and certification examination fee, as well as a stipend. The training provider would be monitored by a third party and expected to ensure, subject to penalties, that at least 80% of students are certificated after being successfully assessed by an independent Board of qualifications. In total, this sub-component would ensure the training of 50,000 workers, at least 15% of which will be female. Moreover, pro-poor targeting would be done in two ways in both windows: (i) during selection, those TPs applying for funds under the competitive scheme will receive a higher score for having outreach mechanisms for the poor; and, (ii) from the pool of applicants who meet course entry requirements, TPs will be required to give preference to individuals with demonstrable poor socio-economic conditions using the National Socio-Economic Registry (see Box 4 below).

45. The PSDF would select TPs based on competitive criteria which would include quality of training (past performance will be reviewed) and where relevant (trade and priority sector specific), pro-poor targeting. TPs will be rated and selected based on their track record on the

two following outcomes: (i) employment rate among the graduates from the training programs six months after completion of training as measured through tracer studies; and (ii) the share of poor amongst the trainees enrolled in training programs. A trainee can be defined as poor when s/he comes from the bottom 40 percent of household income distribution. Trainees' poverty status would be verified utilizing the NSER database. The minimum share of poor among trainees enrolled in relevant trades would be defined during the first year of implementation of this DLI based on the identification of the priority trades in which training will take place and once a baseline is determined (for specific training programs related to relevant trades).

Box 4. Pro-Poor Targeting: National Socio-Economic Registry

The Government of Pakistan, through BISP, constructed the National Socio-Economic Registry (NSER) of household census between 2009 and 2012. The undertaking was based on the Proxy Means Testing (PMT) approach which is a commonly used method to identify the poor with relatively high accuracy. The advantage of PMT is that a households' poverty status is assessed based on objective and verifiable information such as the location and quality of the dwelling, ownership of durable goods, and the demographic structure. The NSER contains socioeconomic data for over 27 million households nationwide and their corresponding PMT scores. As households can be ranked from the poorest (lowest PMT score) to the richest (highest PMT score), the NSER database has been used to target the poor for safety nets and over thirty other social sector programs. A noteworthy feature of the NSER is that households are already authenticated by the National ID database using the Computerised National Identity Card (CNIC) number of a household head as a unique identifier. For instance, the BISP cash transfer program chose a cut-off score of 16.17, below which all families in the country are eligible for cash assistance, and provided benefits to households in the bottom quintile. Other programs may choose a different cut off score to define a different set of poor households (e.g., bottom 40 percent) according to the context.

46. Key aspects pertaining to courses selection and the contracting of TPs would be detailed in the POM. These would include: (i) analytical work required to identify relevant trades in the priority sectors some of which is already being conducted by PSDF; (ii) identification and selection of training providers eligible to compete in the contracting process administered by the PSDF; (iii) guidelines which would govern pro poor targeting in specific training programs; (iv) criteria by which a training provider is assigned to the public or private window; (v) technical and financial selection criteria to be used by the PSDF; (vi) procedures governing certification of course graduates; (vii) decision rules regarding penalties for non-performance in regard to contractual terms (for example, dropout rates from individual TPs would be monitored in order to ensure the TP meets the pass out rate stipulated as part of the eligibility criteria for TP financing); and (viii) third party monitoring of the TP.

47. This sub-component is linked to a DLI with annual targets pertaining to additional enrolments and pass-outs in market-relevant trades offered by public and private TPs. (See Annex 1 above.)

Component 2: Project Management, Monitoring and Evaluation, and Technical Assistance (US\$4 million equivalent, 8% of total project cost)

48. The objective of this component is to support monitoring and evaluation, technical assistance to enable the achievement of the DLIs and ensure efficient and effective management of the Project. The M&E functions would include both support towards project monitoring and evaluation and achievement of the DLIs as well as laying the foundation for an integrated skills monitoring and evaluation and labor market information systems. The PIU housed at the DoICI

will be responsible for the coordination, management, and implementation of activities under Component 2. Specifically, the Additional Director, PIU, will be responsible for the timely and successful execution of Component 2, including procurement of technical assistance, contract management, and all associated financial responsibilities. He/she will be supported by qualified financial management and procurement staff to be hired as part of the PIU structure.

49. *Achievement of DLIs.* The Project would support the following activities:

- For DLI 1 (pertaining to the creation of the new PSA), project support would include technical assistance and capacity building to undertake the functional review of the PBTE/TB and to develop and implement the subsequent action plan, including the drafting of legal-regulatory documents; the development of standard operating procedures (SOPs) and management and information systems; and the building of staff capacity to implement SOPs and to operate management and information systems.
- For DLI 2 (pertaining to the institutional reform of P-TEVTA), project support would include technical assistance and capacity building to undertake the visioning exercise and the three-tiered functional review of the P-TEVTA, and to develop and implement the Institutional Development Plan, including the drafting of legal-regulatory documents; the development of standard operating procedures and design of management and information systems; and building staff capacity to implement SOPs and operate management and information systems.
- For DLI 3 (pertaining to CBTA), project support would include technical assistance and capacity building to adapt/develop and roll-out CBTA packages. This would include developing (if needed) and adapting all training and teaching-learning materials approved by NAVTTC, as needed; the training of instructors and assessors; and the assessment of the effectiveness of CBTA in terms of improving learning outcomes.
- For DLI 4 (pertaining to industry partnerships), project support would include technical assistance to develop the Partnership Framework and assist the Department of Industries and P-TEVTA in their work with industry and training providers to develop, implement and monitor Partnership Agreements. The Project would also support evaluation of Partnership Agreements to assess the intervention, which will be incorporated in the design of future Agreements.
- For DLI 5 (pertaining to increasing access to skills training in priority sectors), the Project would use existing M&E practices of PSDF for routine monitoring. The PSDF has developed an online MIS system which tracks information about TPs which receive PSDF funding, including data on TPs (infrastructure, HR, etc.) and students (e.g., enrollments, dropouts, examination results by gender). PSDF also conducts a verification of the data provided by the TPs through third party verification which is currently contracted out to Ernst &Young. The Project would use the reports generated by Ernst &Young as third party verification.

50. *Project management.* This sub-component would also finance project operating costs, *inter alia*, personnel costs associated with seconding staff to, and hiring technical assistance for, the PIU, equipment, supervision costs (transportation and per diem), and any incremental operating costs at the DoICI and P-TEVTA associated with the work of staff or TA working on project implementation. It would finance communications activities to engage and inform stakeholders about project activities and the sectoral reforms it supports.

51. *Sector monitoring and evaluation.* The Project would monitor employment outcomes of pass outs through tracer studies. Two tracer studies (for men and women separately) will be conducted during the project cycle – in Year 3 and Year 5. The PSDF will be responsible for contracting out the tracer study with TORs acceptable to the Bank. The Project would also support the piloting and development of surveys (e.g., employer surveys, skills sector studies); selected independent studies on the design and implementation of policy interventions; impact evaluations of interventions; and design and implementation of a labor market information system.

52. *Policy Studies.* The Project would finance a series of analytic studies to support project objectives and help refine government policy in the areas where information is lacking. Areas will include: (i) a study that explores the reasons for low female labor force participation, and (ii) a study that looks at ways to increase both industry and private sector provision of skills training. It is expected that the findings from the analytic work would be used to inform project interventions during project implementation.

PAKISTAN: Punjab Skills Development Project
Annex 3: Implementation Arrangements

Project Institutional and Implementation Arrangements

1. Implementation arrangements for the PSDP rely on several key agencies. Strategic leadership and guidance for the skills sector, and the Project, will lie with the Planning and Development Board (P&D), which is also the lead GoPunjab department for the development and implementation of the Punjab Growth Strategy. The DoICI will serve as the overarching implementing agency and counterpart for the Project. Other implementing agencies include P-TEVTA, PSDF, PBTE, and TTB, which will each be responsible for DLIs relevant to each of them. This Annex outlines arrangements for project implementation, monitoring, technical support, and capacity building.
2. *Project Steering Committee.* A Punjab Skills Steering Committee (PSSC), chaired by Chairperson P&D, will provide oversight, policy advice and overall strategic direction to the Project and its stakeholders. The Committee will include participation of the Secretaries of Industries, Finance, and representation from the management of implementing agencies. It will serve as a forum for high-level decision making and enabling support to activities under the Project, particularly those related to institutional reform (DLIs 1 and 2). The PSSC is expected to meet at least once per quarter, and to conduct biannual reviews of policy and program implementation progress and performance, including identifying bottlenecks and proposing solutions.
3. *DoICI.* The Secretary, DoICI, has overall oversight responsibility for implementation and monitoring of the Project. A PIU, reporting directly to Secretary, DoICI, has been created to augment capacity at the DoICI to undertake additional tasks associated with the implementation and coordination of the Project, especially given the fact that DLIs will be implemented by several agencies.
4. The scope of services of the PIU includes: (i) coordination with multiple implementing agencies, i.e., P-TEVTA, PSDF, PBTE, and TTB; (ii) monitoring of activities under each DLI and reporting to the Bank on the agreed formats; (iii) provision of technical expertise and support to the focal persons in the implementing agencies; (iv) management and execution of Component 2; and (v) coordination of the skills sector, particularly other donors. The last function of the PIU is expected to evolve over the life of the Project to become the Punjab Skills Sector Coordination Cell (PSSCC).
5. The PIU will be headed by a Project Director, who will be assisted by an Additional Director, and three Deputy Directors (Institutional Reform, Quality and Relevance, and Access). Key roles and responsibilities of the PIU are listed in Table A3.1 below. It will have overall responsibility for the Project's TA component, and will be responsible for procurement and management of contracts providing technical assistance to the implementation of the Project. An

M&E team, which collects, analyzes, and publishes data on project monitoring indicators (as agreed in the Results Framework), will report directly to the Project Director.³⁸

6. The Additional Director will work with the Deputy Directors to coordinate all the implementing agencies in order to ensure achievement of DLIs related to the strategic areas: (i) strengthening the skills training system; (ii) improving the quality and relevance of training programs; and (iii) increasing access to market-relevant trades. He/she will also assist the Project Director in all aspects pertaining to financial management, procurement, communications, and human resource management. The Additional Director will be responsible for the timely and successful execution of Component 2, including procurement of technical assistance, contract management, and all associated financial responsibilities.

7. Deputy Director Institutional Reform will: (i) coordinate and monitor implementing agencies (P-TEVTA, PBTE, and TTB) involved in the implementation of activities supported by DLIs 1 and 2, namely the development of a single skills agency, and the reorganization of P-TEVTA; (ii) be the focal point for DLI 1 and 2 evidence collection (working with the implementing agencies) according to the protocols specified; and (iii) oversee and ensure quality output by the firm(s) contracted to provide technical support to DLIs 1 and 2.

8. Deputy Director Quality and Relevance will: (i) liaise and coordinate with P-TEVTA and industry representatives/employers in order to achieve DLIs 3 and 4 that relate to the roll-out of Competency-Based Training and Assessment (CBTA) and strengthening collaboration between industry and public training providers; (ii) be the focal point for DLI 3 and 4 evidence collection (working with the implementing agencies) according to the protocols specified; and (iii) oversee and ensure quality output by the firm(s)/consultant(s) contracted to provide technical support to DLIs 3 and 4.

9. Deputy Director Access will liaise and coordinate with PSDF to monitor and coordinate achievement of DLI 5. He/she will be the focal point for DLI 5 evidence collection (working with PSDF) according to the protocols specified.

10. **PBTE and TTB.** Both these agencies are responsible for the implementation of activities supported by DLIs 1 and 3. PBTE is a corporate body which conducts final examinations for technical, vocational, and commercial education, certifies successful graduates, and provides affiliation services to P-TEVTA (which serves as its controlling authority). TTB is an examining and certifying unit under P-TEVTA which solely focuses on vocational training courses.

11. Under DLI 1, management at each of these agencies will implement the necessary steps to allow for a phased merger to create a single skills agency in the province. The course of action to be taken by each will be determined by the findings of a functional review of both agencies, and P-TEVTA, by a third party to be hired using TA funds. The single agency, the Punjab Skills Agency (PSA), will be responsible for implementing operational and HR plans deriving from the findings of the functional review. Under DLI 3, these testing agencies will be responsible for

³⁸ Please see paragraphs 70-73 in this Annex for details on M&E arrangements.

carrying out assessment according to the guidelines set out in the newly rolled-out CBT&A packages. TA funds will be used to build capacity at these agencies to do so.

12. **P-TEVTA.** P-TEVTA will be responsible for the implementation of activities supported under DLIs 2, 3, and 4. P-TEVTA, a ‘special institution’ under the DoICI, is the largest public training provider in the province, as well as the regulatory authority for training institution regulation.

13. Under DLI 2, P-TEVTA will undertake the reorganization of its structure so that it can serve solely as an efficient, relevant, and high-quality skills training provider. Reorganization will be done in a phased process, with the schedule deriving from the findings and recommendations of a functional review which will take place in the first year of the Project. Under DLI 3, selected P-TEVTA training institutions will first pilot and then roll-out CBTA packages. Under DLI 4, a Partnership Team from P-TEVTA will develop the Partnership Framework (with support from TA), and have this endorsed by the P-TEVTA Board and relevant industry.

14. **PSDF.** PSDF will administer two competitive windows for public and private sector training providers under DLI 5. PSDF is a Section 42 (not-for-profit) company set up by the GoPunjab in collaboration with DfID to channel funds to public, private, and not-for-profit training providers on a transparent and competitive basis to provide short term vocational training (and up-skilling the low-skilled) to the poor and vulnerable in four of the poorest districts in Punjab³⁹. The competitive windows to be used to fund skills training providers will be administered separately for DLI 5, i.e., in addition to its current schemes, and cover the entire province. It will include eligibility and selection criteria as agreed with the Bank. The Bank will provide input to PSDF in the development of these two new schemes, which PSDF will then put forth before its Board for approval.

Table A3.1. Key roles and responsibilities of Project implementing agencies

Unit	Key roles and responsibilities
Punjab Skills Steering Committee (PSSC) headed by Chairperson P&D	<ul style="list-style-type: none"> • Provide oversight and overall strategic direction to the Project and its stakeholders • Conduct biannual reviews of policy and program implementation progress • Resolve implementation bottlenecks, especially those related to DLIs 1 and 2
PIU housed at DoICI	<ul style="list-style-type: none"> • Coordinate all project monitoring and implementation • Collect and present DLI evidence to Bank • Convene Steering Committee meetings and issue minutes of meetings • Conduct coordination meetings of project stakeholders • Manage implementation of technical assistance including procurement

³⁹ This has now been expanded to a total of 14 districts.

	<ul style="list-style-type: none"> • Prepare regular reports on implementation progress and plans • Consolidate plans and budget estimates, implement and manage project activities and prepare relevant reports • Prepare periodic/quarterly/annual financial reports of EEPs and TA for disbursement purposes • Prepare Budget Execution Reports of the entire Project for monitoring project expenditures • Ensure that accounts are kept and reports on financial and operational progress are prepared in timely manner • Plan and carry out procurement activities and oversee/execute contracts for goods, works and services • Ensure quality and consistency of data collected e.g., through TPVs funded by TA • Produce/oversee, as applicable, production of statistical data reports • Arrange conduct of third party validations, wherever applicable • Coordinate the skills sector, in particular donor support to the sector
PBTE and TTB	<ul style="list-style-type: none"> • Implementation of DLIs 1 and 3
Punjab TEVTA	<ul style="list-style-type: none"> • Implementation of DLIs 2, 3 and 4
PSDF	<ul style="list-style-type: none"> • Implementation of DLI 5

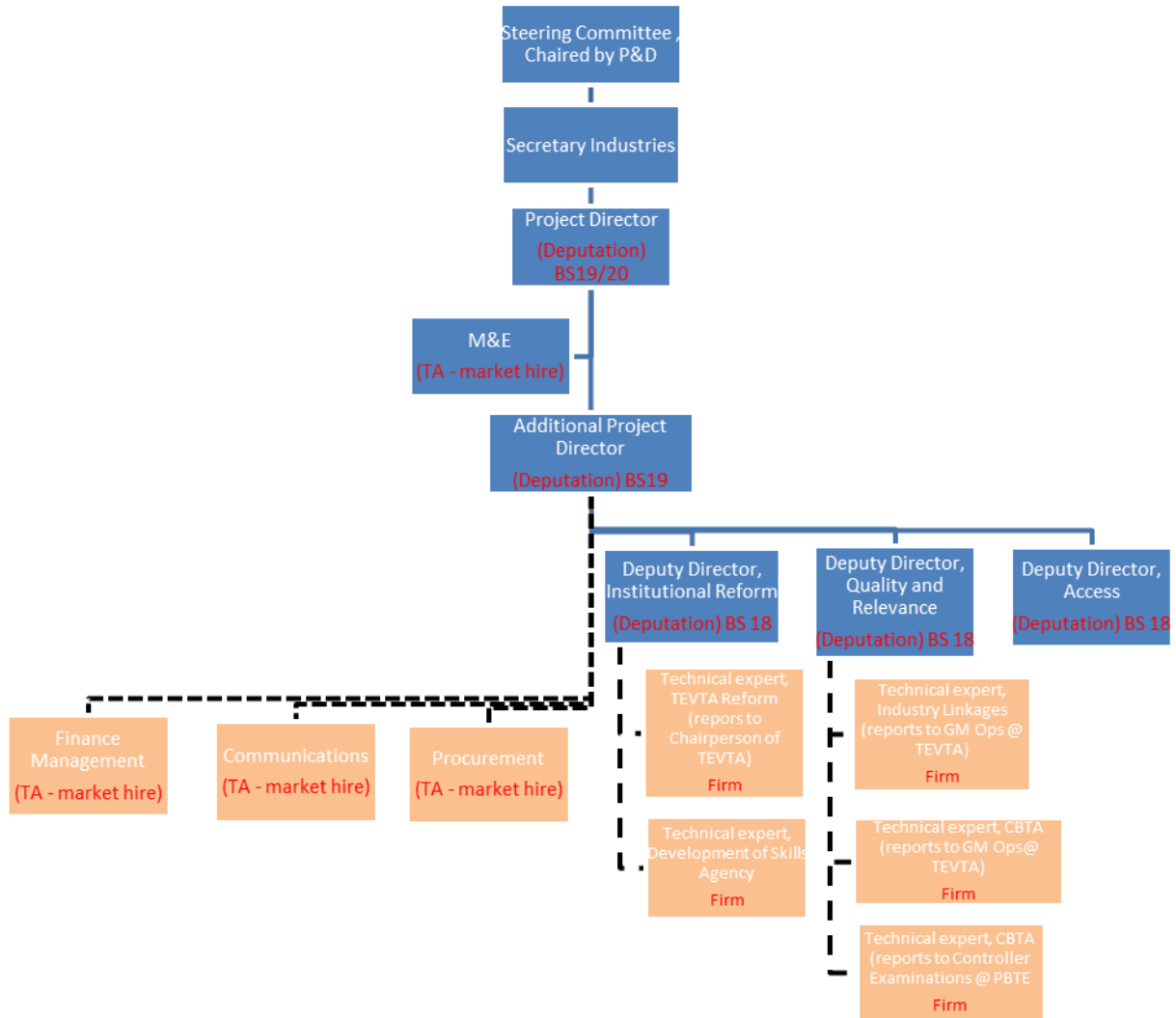
15. *Partnership arrangements.* The World Bank has closely coordinated with DfID and GIZ, which are the most prominent DPs in the skills sectors in the province. The DPs are in agreement on the Project’s results and targets and, where possible, will be collaborating on common results.

16. DfID, which is currently the largest player in the skills sector in the Punjab, has been involved in the skills sector in Pakistan since 2010, primarily through its support to the GoPunjab’s Punjab Economic Opportunities Programme (PEOP). The objective of PEOP is to alleviate poverty and create inclusive growth in Punjab’s poorest districts by increasing the employability and earnings of poor and vulnerable families. DfID support to PEOP consists of £30 million (including £5 million in technical assistance) which finances the PSDF. After PEOP closes in December 2015, DfID plans to continue and expand its engagement in the skills sector in Pakistan, and the Punjab, in the following areas: (i) financing PSDF to ensure sustainability and expansion across the Punjab, as well as supporting the establishment of mechanisms for employment facilitation and robust market research; and (ii) a skills financing window available for work in different thematic areas across the country. DfID is also closely exploring the possibility of supporting selected results under the PSDP, particularly those related to skills training system strengthening. Moreover, DfID and the Bank have been in discussions with GoPunjab in strengthening overall skills sector coordination and its monitoring and evaluation through the possible creation of a Punjab Skills Sector Coordinating Cell (PSSCC).

17. The World Bank has also closely coordinated with GIZ, which has been working at the provincial and federal levels in the areas of regulation, curricula change and overall skills sector policy, under its national five –year TVET Reform Support Programme⁴⁰, since 2011. The objective of the program is to assist the Government of Pakistan in the implementation of the National Skills Strategy (NSS). It supports implementation of the NSS through five thematic components: (i) governance; (ii) National Qualifications Framework and human resource development; (iii) effective and innovative training delivery and labor market information and services; (iv) capacity building of TEVTAs; and (v) cooperative training and green skills. Activities under PSDP will build on existing interventions under GIZ’s program, and where relevant, assist their piloting/implementation in the Punjab. For instance, CBT&A packages developed under Component 2 of the TVET Reform Support Programme will be rolled out under DLI 3 of PSDP.

⁴⁰ The programme is funded by the European Union, the Kingdom of the Netherlands, the Federal Republic of Germany and the Royal Norwegian Embassy.

Figure A3.1. Structure of Project Implementation Unit



Financial Management, Disbursements and Procurement

18. Pakistan has a three tier governance infrastructure for Public Financial Management (PFM) that operates through the federal, provincial and district government(s). Finance Ministry/Department and Line Ministries/Departments at federal and provincial levels have well-defined roles and responsibilities for budget formulation and execution. Controller General of Accounts (CGA), a representative of the federal government, through its associated offices across the country pre-audit the transactions, makes payments and thereafter prepares financial statements. The Auditor General of Pakistan (AGP), being the Supreme Audit Institution of the country, is bestowed by the Constitution to conduct audit of federal, provincial and district government entities.

19. A PEFA was carried out in 2012 in addition to a Public Financial Management and Accountability Assessment that was finalized for the Federal Government 2012 using the PEFA41 Performance Measurement Framework. This was a repeat assessment with a baseline established in 2009. The report noted positive progress as a result of ongoing reforms for improving PFM. Budgeting, accounting and financial reporting have been automated at the federal, provincial and district levels through the nation-wide implementation of the National Financial Management Information System (National FMIS) using the sophisticated SAP application with a uniform chart of accounts that is compliant with international classification standards, namely UN COFOG⁴² and IMF GFSM⁴³. Connectivity is in place for all line ministries/departments to monitor budget execution on a real time basis. GoPunjab has introduced and is close to finalizing a Medium Term Budgetary Framework (MTBF) to bring a multi-year perspective in planning and budgeting. Annual audits are completed on time using international standards and audit reports are laid before the legislature within eight months of the end of the fiscal year. Progress on transparency through public availability of financial information is also noteworthy. The MTBF reforms are focusing on introduction of multi-year planning perspectives in the annual budget formulation and to help the provincial government in prioritizing its expenditures. The on-going implementation of the PPRA Rules 2009 by the provincial government is another step toward increasing transparency in procurement. The procurement is delegated to the departments with Procurement Board supervising the procurement activities. Procurement has been a major concern in the PFM system of the whole country, and the implementation of these reforms is expected to strengthen the PFM.

20. The Punjab Procurement Regulatory Authority Ordinance, 2007 (Ordinance) established the Punjab Procurement Regulatory Authority (PPRA). The Punjab Procurement Rules (PPR) was notified under this Ordinance on October 2, 2009. The Punjab Procurement Regularity Authority Act was promulgated in November 2009 which repealed the Ordinance. The PPRA Board is headed by the Chief Secretary and comprises the secretaries for Finance, P&D, Health,

⁴¹Public Expenditure and Financial Accountability (PEFA). The PEFA Program was established in December 2001 as a multi-donor partnership between the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund. The PEFA PFM Performance Measurement Framework was issued in June 2005 and updated in 2011.

⁴² United National Classification of Functions of Government

⁴³ International Monetary Fund - Government Financial Statistics Manual 1986

Information Technology, and Irrigation and Power; three members of the Provincial Assembly; the Managing Director PPRA; and three members from Lahore Chamber of Commerce and Industry. PPR is applicable to all government entities whether autonomous or otherwise. It defines the standard procurement process and guides contracting authorities in applying the assessment and in completing and processing tender documents.

21. The PEFA assessment finds that almost all audit observations highlight the inability of government departments to follow PPRA rules on: (i) counts of non-compliance with Public Procurement Rules such as procurement mode other than competitive process (Rule 42 of PPR) without providing any justification; (ii) lack of detail specification to allow widest possible competition as per Rule -10; (iii) instances of splitting to avoid higher approval authorities according to Rule -9; (iv) no practice of preparation of procurement plans by the departments under Rule-8; (v) absence of a true independent complaint system; and (vi) lack of awareness of Public Procurement Rules and weak capacity of staff handling procurement. Disclosure and public access to information is also an issue. The Punjab Public Procurement Authority website is provided to increase public accessibility to information; however, it is currently not being optimally utilized for the intended purpose. Currently it is limited to bidding opportunities/advertisement.

22. The assessment identified certain areas for improvement to achieve better PFM outcomes. For improved budget credibility, the government needs to institutionalize the MTBF. For better expenditure control, the commitment accounting functionality available within National FMIS needs to be utilized. The GoPunjab also needs to develop an effective internal audit function and continuing efforts are needed to improve effectiveness of tax collection and the management of cash balances impacting the predictability of availability of funds.

23. ***PSDP Financing and Expenditure Framework.*** Funding for the PSDP will be provided through the GoPunjab's annual budget and will flow through the treasury system. The Bank operation will provide support through selected budget line items that are accounted towards the PSDP. The total budget for the Bank-financed Project over the period 2016-2020 is US\$50 million.

24. ***Implementing Entity.*** The Project's components will be implemented by the Technical Education and Vocational Training Authority (TEVTA), Punjab Board of Technical Education (PBTE), Trade Testing Board (TTB), and the Punjab Skills Development Fund (PSDF). A PIU has been established to coordinate and monitor these implementing agencies, manage and execute the TA component, and coordinate with the Finance Department, the Accountant General (AG) office and the concerned Audit offices.

25. From a Financial Management perspective, the Project consists of a results-based component which uses DLIs, and a TA component. Upon meeting the DLIs, funds will be transferred to the GoPunjab based on the agreed EEPs, which have been selected from the P-TEVTA budget. Therefore, this assessment will focus more on the P-TEVTA FM arrangements.

26. This is a DLI-based project and the identified EEPs are non-procurable (employee-related expenses and staff training) under P-TEVTA. Under the Staff Training EEP, any hiring of a firm(s) for training purposes will be hired as per the Bank's Procurement Guidelines.

Procurement under the TA component will be handled by the PIU under the Industries, Commerce and Investment Department and will be procured using the Bank's Procurement Guidelines. The procurement assessment focuses more on the capacity, processes and systems at the level of the PIU. However, the process of contracting training institutions by the Punjab Skills Development Fund (PSDF) is also reviewed in detail.

27. **Staffing:** P-TEVTA has one head office (TEVTA Secretariat), and is divided into three zones, each comprising of 7 districts⁴⁴. The finance team at the head office is comprised of 26 staff with accounting backgrounds and necessary qualifications at the senior level. In addition, there are two accountants in each zone and each district. FM staffing for P-TEVTA is considered adequate.

28. Although P-TEVTA is autonomous, it has a Board of Directors appointed by the GoPunjab. In addition, it has an audit committee of four members, with qualified accountants among its members. One of the audit committee's main roles is to appoint external auditors and approve annual audit reports.

29. The PSDF FM team is comprised of 6 staff members out of which three are for program costs, one for non-program costs, one program assistant and the CFO. All staff members have the necessary accounting background and qualifications.

30. The Department of Industries, Commerce and Investment is headed by the Secretary. Under the Secretary, Additional Secretary (Administration) oversees the procurement function with the support of Deputy Secretary (Administration). The Section Officer (General) under the Deputy Secretary (Administration) initiates the procurement process under supervision of the DS (Administration). Since there is no significant volume of procurement (except furniture, office stationery, etc.) carried out under the Department, there is a no separate procurement function or unit established for this purpose.

31. PSDF is a guarantee-limited company established by the GoPunjab in collaboration with the Department for International Development (DfID) UK. Hiring of institutions by PSDF is processed by Manager Technical supported by an Assistant Manager, two associates and two management assistants. The committee which evaluates the process is headed by the Chief Operating Officer (COO) and is supported by Manager Monitoring, Manager Human Resource, and Manager Technical. The evaluation committee prepares the evaluation and submits it to the PSDF Board Committee (Program Design and Evaluation Committee) for review and recommendations. Once the Board Committee concurs with the evaluation, it is then sent to the full PSDF Board for approval. PSDF has its own Procurement Guidelines for hiring/contracting of training institutions based on the Public Procurement Rules.

32. **Planning and Budgeting:** GoPunjab has a well-defined budgeting process and reforms are underway to introduce modern practices in financial planning and budgeting. GoPunjab currently implements a Medium Term Fiscal Framework (MTFF) and a Medium Term Budgetary Framework (MTBF).

⁴⁴ This corresponds to all districts in which P-TEVTA has a presence.

33. The budgeting of the Project's expenditures will constitute part of the GoPunjab budgeting process. The function and object codes to capture expenditures for the EEPs with P-TEVTA will be those of the current Chart of Accounts. Expenditures reported by P-TEVTA will form the basis of financial reporting and monitoring of budget allocations, revisions, releases and expenditures. These codes will be used during the ongoing budget cycle to facilitate the budget execution and reporting process for the Project.

34. P-TEVTA's budget comes directly from the GoPunjab in three single budget lines: (a) salaries; (b) non salaries; and (c) development budget. Budget itemization is done by the P-TEVTA technical committee and the P-TEVTA Board members who decide and approve the detailed items that make up the budget. The budget preparation process is based on the planned needs of P-TEVTA at both the head office, zone and district level. The development budget is solely prepared, controlled and used by the head office⁴⁵. The budget cycle is as follows:

Budget call to all concerned offices/institutes;

- Preparation of budget estimates the head and team of each office/institute;
- Consolidation and verification by concerned district manager office, zone manager office and head office.
- Approval of budget estimates by the chairperson and TEVTA board
- Submission of budget to GoPunjab's Finance Department for approval.

35. As per the documents reviewed during the assessment and discussion with implementing entities financial management staff, budget releases from the GoPunjab have been found to be timely.

36. At the Department of Industries, Commerce and Investment there is no formal process of procurement planning. The Department does have annual budget plans but these do not have any information on how and when to initiate the procurement process and complete it for timely delivery.

37. PSDF plans that the fund shall, within one month from the commencement of a financial year, devise annual planning for all proposed procurements with the object of realistically determining the requirements of the fund, within its available resources, delivery time or completion date and benefits that are likely to accrue to the fund in future.

38. **Accounting:** P-TEVTA is using accrual basis of accounting and its accounting records will be maintained using the Enterprise Resource Planning System which is already installed and expected to be fully operational by March 2015. Transfers from the GoPunjab will be maintained using the government-wide integrated Financial Management Information System (FMIS) implemented under the PIFRA and in accordance with the country accounting procedures and policies. P-TEVTA accounting records will be the basis for preparation of the EEP Reports.

⁴⁵ The PSDF and based on its PC1 have to determine their estimated program costs and their operating expenses must not exceed 9% and capital expenses 1% of the estimated program cost. PSDF receives its entire budget from the GoPunjab in three line items for program, non-program and capital budget.

39. Component 2 of the Project will use a simple accounting system to account for component transactions and generate financial reports, which will use cash basis of accounting.

40. *Internal Controls:* According to the 2012 PEFA, Internal Audit remains one of GoPunjab's weaknesses as no such function yet exists.

41. P-TEVTA and the PSDF maintain adequate staff to allow for proper segregation and application of internal controls. FM manuals exist and are applied and updated. The P-TEVTA manual is comprehensive and clearly depicts the accounting and control procedures applied, including reconciliations, assets registrations and controls and chart of account.

42. Currently P-TEVTA is in the process of outsourcing the internal audit function to E&Y, PWC or KPMG. The process which is part of P-TEVTA's due diligence and not the Project is expected to be finalized by March 2015. P-TEVTA's audit committee, which includes chartered accountants, is responsible for the appointment of auditors and review of audit reports before approval by the Board. P-TEVTA has developed Standard Operating Procedures (SOPs) which the finance team uses to conduct internal audit reviews till the outsourcing process is finalized. According to the SOPs, salary expenditures, which will represent the bulk of EEPs under this Project, are subject to detailed review at the district, zone and HQ levels by the finance team.

43. For Component 2, the financial management officer of the PIU will be responsible for developing and maintaining documented control procedures which will be applied for this component.

44. *Contract Management:* At the Department of Industries, Commerce and Investment, there are no contracts of significant value. The Department only issues purchase orders for small items like office furniture and stationery. There is not enough capacity present to manage complex contracts, especially for consulting firms.

45. *Grievance Redressal Mechanism:* There is no formal complaint redressal mechanism for procurement present at the Department of Industries, Commerce and Investment. An independent and formal mechanism is required to be established under the Project.

46. *Procurement Considerations:* The assessment of the Industries Department identified a few drawbacks: (i) lack of capacity of staff to handle procurement; (ii) lack of knowledge of the Bank's Procurement Guidelines and procedures given the Department's lack of experience with Bank operations; and (iii) absence of a separate function or unit for procurement. The overall Procurement risk is rated High. The main source of risk is a gap in procurement capacity, which needs to be upgraded for improved procurement performance required to deliver timely results for the Project. Therefore, the system for procurement performance and compliance monitoring needs to be strengthened, and the Project will support the development of these functions. The PIU will require dedicated full time staff for procurement. This staff will be responsible for procurement monitoring and reporting, training and guidance. The procurement staff will build the Department's in-house capacity and support the development of a capacity building, procurement performance and compliance monitoring program during the first year of the

Project. The staff will also be responsible for supporting the Department in processing the procurement activities under Component 2.

47. **Cash flow arrangements and disbursement arrangements:** Annually for Component 1 and semi-annually for Component 2 of the Project, the PIU will submit to the Bank a Withdrawal Application which will be signed by a representative of the Finance Department and the PIU Program Director. The application will include IFRs for both P-TEVTA EEPs and the PIU, and DLI results reports for disbursement and the documentation of expenditure. For the DLI component, Bank funds will be disbursed to the Punjab Provincial Consolidated Fund Account No. 1 (Non-Food) Account; for the TA component (Component 2), Bank funds will be disbursed to a segregated designated account. Bank disbursements under Component 1 is expected in or around April of each year, after EEPs have been compiled and verified, and DLI targets for the year have been verified. A one-time advance of US\$5 million will be advanced upon effectiveness of the Project under Component 1. Moreover, for the first year, a disbursement of US\$2 million would be made in October/November (2015) as it is expected that DLI 4 Year 1 targets will be achieved at that time.

48. For each year, the amount eligible for disbursement under Component 1 will be the product of the total number of achieved DLIs and the unitary DLI price as given in TableA3.2 below. Where achievement of a DLI cannot be verified, an amount equivalent to the unitary DLI price will be withheld. This amount will be paid at any later date when achievement can be verified.

Table A3.2. Pricing of DLIs (in US\$)

	FY 2015/16	FY2016/17	FY2017/18	FY2018/19	FY2019/20
DLI 1	2	2	2	2	
DLI 2	2	2	2	2	2
DLI 3	2	2	2	2	2
DLI 4	2	2	2	2	
DLI 5	2	2	2	2	2
Total	10	10	10	10	6

49. Fund transfers from GoPunjab to P-TEVTA will follow the normal existing procedures for transfers of salary and non-salary grants through the A.G. Punjab/District accounts officers and PLA of Chairperson P-TEVTA.

50. **Eligible Expenditure Programs (EEPs).** As agreed with the GoPunjab, the Project's EEPs will come from the P-TEVTA budget and will be reported semi-annually to the Bank. The reporting method will be through semi-annual IFRs that will be subject to review by P-TEVTA's external auditor before submission to the Bank for reimbursement to GoPunjab. The format and contents of the IFR will be agreed during Project Negotiations. The Bank will finance, up to a capped amount and subject to any deductions equivalent to the price of unmet DLIs, particular expenditures which are a part of P-TEVTA's budget of eligible activities. The Bank will accommodate withdrawal applications from the Credit as long as the overall expenditures eligible under the EEPs are more than or equal to the amount to be withdrawn from the Credit. However, in any disbursement, only (80%) of the amount to be disbursed will be applied against

reimbursement of expenditures in the EEP for employees' salaries and the remaining (20%) will be applied against training.

51. A brief description of EEPs under the Project is provided below.

(i) *Employee related expenses of P-TEVTA*

Type: P-TEVTA Salary Budget

Code: P-TEVTA expense code 10001-60 and budget income code 10001-51-005-0001

Description. Pay and allowances for employees of P-TEVTA at province, districts, and zones.

Oversight: In addition to the regular annual audit and internal audit procedures in place, this will be subject to review by P-TEVTA's external auditor.

(ii) P-TEVTA Training expenses

Type: P-TEVTA non-salary budget

Code: P-TEVTA expense code A03801.

Description. P-TEVTA staff training

Oversight: In addition to the regular annual audit and internal audit procedures in place, this will be subject to review by P-TEVTA's external auditor.

52. Disbursements under the TA component (Component 2) will be on advance basis. The PIU will open a segregated Designated Account (DA) in US Dollars at the National Bank of Pakistan. The PIU will operate the DA in accordance with the provisions of "Revised Accounting Procedure for Revolving Fund Account (Foreign Aid Assignment Account)" issued by the Finance Division, Government of Pakistan. The Bank will disburse advances into the DA up to a ceiling of 6 months/two quarters cash forecast of the Project TA. The amount of advances will be based on available cash balance and cash forecast for the following two quarters as reported in the semiannual Interim Financial Reports (IFRs). The PIU will submit Interim Financial Reports (IFRs) to the Bank in the agreed format, within 45 days of the close of the semester. On the basis of IFRs, the Bank will also document the expenditure incurred against advances disbursed into the DA. However, the use of Advance method under Component 1 and 2 will be available only when the issue of lapsed loan in the Pakistan portfolio is resolved.

53. Biannually, the PIU will submit a Withdrawal Application for Component 2 of the Project, duly signed by a representative of the Finance Department and the PIU Program Director, along with IFRs for the PIU, to the Bank for disbursements and documentation of expenditure.

54. The Bank financing of the Project will be at 100%, inclusive of taxes. Allocations of Credit proceeds by disbursement category with corresponding financing percentage are in the table below:

Table A3.3. Expenditure Categories and Amounts

Expenditure Category	Amount of Credit Allocation (US\$)	% of Expenditures to be Financed
1. Eligible Expenditure Program under component 1 of the project	46,000,000	100% up to capped or allocated amount
2. Goods, non-consulting services, Consulting Services (including for audit), Training, and Incremental Operating Costs	4,000,000	100%
Total Financing	50,000,000	

55. Counterpart funding (estimated at US\$6.3 million equivalent) will fund salaries of instructors teaching CBTA courses, salary and consumable costs related to implementation of Partnership Agreements (PAs), and contributions to operating expenditures for the implementation of DLIs 1-4 by the responsible implementing agencies.

56. **Financial Reporting.** Disbursements for Component 1 will be made against semiannual Interim Financial Reports (IFRs) prepared by the PIU with P-TEVTA, reviewed by P-TEVTA's external auditor and submitted to the Bank and the GoPunjab within 45 days after end of the semester. Component 2 will be disbursed semi-annually on the basis of the IFRs prepared by the PIU. Format for the IFRs will be agreed during Project Negotiations.

57. Component 1 IFRs will be supported by either the BER or the GoPunjab's Finance Department letter that evidences timely transfer of salary and non-salary budgets to P-TEVTA.

58. **Auditing.** The Project implementing entities currently rely on external audit arrangements to audit their accrual based financial statements in addition to the Auditor General commercial office audit. Audit committees, responsible for the hiring of the external auditor and review of the audit reports before being approved by the P-TEVTA Board, are in place. The 2013 draft audit report of P-TEVTA was reviewed during the assessment and an unqualified opinion is issued. Currently P-TEVTA is in the process of hiring an external auditor for the next 3 years. According to the discussion with P-TEVTA Finance Manager, the selection will be from a list of the biggest three firms in the country i.e., E&Y, KPMG and PWC. PSDF has its external audit arrangements and their financial statements are audited by international firms. Audit reports of the PSDF for the year 2013 were also reviewed during the assessment and unqualified opinions are issued.

59. Since the existing audit arrangements in place for P-TEVTA are acceptable to the Bank, under this Project a copy of P-TEVTA audited financial statements by its independent external

auditor will be submitted to the Bank through the PIU within six months of the close of each financial year.

60. The TA component managed by the PIU will be audited by the Auditor General with terms of reference acceptable to the Bank. Audited financial statements, along with the management letter issued by the auditors will be submitted to the Bank within six months after the close of the fiscal year. Currently, the PIU/DoICI is not implementing any Bank-financed projects.

<i>Audit Report</i>	<i>Due Date</i>
P-TEVTA and PIU Annual Financial Statements for the year ending June 30	December 31 each year

Fiduciary Risk

Fiduciary Element	Risk Rating	Residual Risk Rating	Key Performance Indicator (to be established by the Fiduciary Team)
1. Joint Fiduciary Aspects			
1.1 Fiduciary Capacity			
1.1.1 Is there adequate fiduciary staff based on the profile of the project, in terms of numbers and experience, to implement the project, with clear definition and segregation of functions between PR and FM?	S	M	Qualified staff are in place Experienced Procurement staff are not on board. Need to hire a well experienced staff for Procurement support
1.2 Planning and Budgeting			
1.2.1 Are realistic budgets and procurement plans prepared and reconciled?	S	M	Start preparing Procurement Plan for the activities for first 18 months of the project No
1.3 Internal Control (including Internal Audit)			
1.3.1 Are effective internal controls in place, as jointly assessed by financial management and procurement staff? These include internal audit, clearly defined accountability, quality control processes, and availability of complete records of the procurement and financial management processes.	S	M	As soon as the MIS is fully implemented at P-TEVTA and the IA is outsources the risk will be mitigated
1.4 Contract Management	H	H	Staff to be in place

Fiduciary Element	Risk Rating	Residual Risk Rating	Key Performance Indicator (to be established by the Fiduciary Team)
			for support
1.5. Project Management and Governance:			
1.5.1 Audit Arrangements:			
1.5.1.1 External Audit of Project Financial Statements	M	M	
1.5.1.2 Technical Audits	NA	NA	
1.5.2 Mitigating Fraud and Corruption – Transparency, Accountability and Participation	M	M	
1.5.3 Grievance Redress Mechanisms – complaints handling and grievance redress	H	H	Need to develop an independent and formal system
2. Procurement Processes and Procedures	H	H	SOPs/ Manual needs to be developed
3. FM Considerations			
3.1 Funds Flow	M	M	
3.2 Accounting and Financial Reporting	M	M	
FM Risk rating	M	M	H, S, M, L
Procurement Risk rating			H, S, M, L
Overall Fiduciary Risk Rating		Joint	H, S, M, L

Procurement

61. Procurement for 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 & Grants January 2011 (revised July 2014)’; ‘Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011’, as well as the provisions stipulated in the Credit Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Project, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank task team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as the Procurement Plan is prepared which should be before Project effectiveness.

Procurement of Works

62. No works are envisaged in this Project.

Procurement of Goods

63. There is no other requirement for Goods envisaged so far except for basic furniture for the PIU. Contracts for goods under ICB are not expected at this stage. Procurement methods for goods under the Project will consist of shopping for contracts costing up to US\$50,000, NCB for contracts up to US\$600,000, and ICB for contract costing more than US\$600,000. Direct contracting may be used for any urgently required goods after prior approval of the Bank.

Selection of Consultants

64. Details of firms to be hired are currently being worked out and will be included once finalized.

65. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through Quality and Cost Based Selection (QCBS) for contracts with consulting firms costing more than US\$300,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to US\$300,000. Other methods as mentioned in Section III of Consultants' Guidelines shall be used as required.

Individual Consultants

66. This is envisaged to include any full-time or part-time technical assistance required for the Project. 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, which stipulate that the selection should be made through comparison of at least three CVs that meet the requirements of the Terms of Reference including those for qualifications and experience. 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 the Agency's Capacity to Implement Procurement

67. The PIU housed at the DoICI is responsible for conducting procurement under this Project. PIU/DoICI should ensure that a well-experienced should be hired on urgent basis. The Bank's Procurement Specialist has conducted the capacity assessment for DoICI. The assessment reviewed the organizational structure, staffing and capacity for implementing the project. *The assessment of DoICI is given above in the procurement paragraphs.*

Capacity of Procurement Department (DoICI)

68. DoICI is a GoPunjab department with its procurement function embedded in the Administration unit. A review of documentation and interviews with DoICI staff reveals that DoICI does not fully comply with PPRA and lacks adequate knowledge of procurement. The capacity of the Department has not developed over time as the volume of procurement is not significant. DoICI procures very small items like furniture, office stationery etc. Given the weaknesses identified, the PIU housed at the DoICI will be responsible for all procurement to be carried out under the Project.

69. There is a large gap between the procurement procedures and systems of DoICI and the Bank's guidelines and documents. PIU procurement staff will be trained on the Bank's Guidelines and Documents, especially for the Selection and Employment of Consultant firms as soon as the Project is effective. Since purchase orders are used for the small-sized procurement activities, the department has no experience in managing complex contracts, especially for consulting firms. DoICI requires knowledge of methods like Quality and Cost-Based Selection (QCBS), and should also understand the conceptual basis for quality based selection (QBS/CQS). The risks identified for procurement and contract implementation and mitigation measures are provided below. Given the readiness status of the Project, the overall Project risk for procurement is High.

Market Constraints

70. The assignments shall be developed in a manner so that local and external participation is encouraged and the contract sizes are large enough to solicit a good response. There shall be adequate dissemination of opportunities.

Transparency

71. All procurement notices, bid documents/RFPs, evaluation reports, and award data shall be posted on the DoICI's website. The Bank's guidelines on publication of award paragraph 2.28 of consultancy guidelines and paragraph 2.60 of the procurement guidelines shall be followed for disclosure. These websites shall also be used for posting of grant evaluations, awards, and performance.

Complaints

72. The PIU (DoICI) in consultation with Additional Secretary (Administration) would manage the complaint handling system. This system would include documentation and the addressing of complaints within a period of seven days. DoICI shall keep the Bank informed by forwarding to it any complaints within three days of receiving them. For ICB/international selection of consultants, the Bank-prescribed complaint redressal mechanism will apply.

Table A3.4. Procurement Actions (Summary of the above identified issues and agreed actions)

	Issues	Action	Timeline	Responsibility
i.	Capacity of PIU (DoICI)	Training session	To commence upon the hiring of Procurement staff as soon as the Project is effective.	Bank
ii.	Market Constraints	Adequate packaging Wide circulation	TBD	DoICI DoICI

iii.	Transparency	Disclosure on website	TBD	DoICI
iv.	Complaints	Letter from DoICI notifying Independent complaint redressal mechanism	TBD	DoICI
V	Approve and adopt SOPs	Notification for developing and adopting SOPs	TBD	DoICI
	Other measures (mentioned in Procurement Para above) will be added after agreement of DoICI			

Procurement Plan

73. The PIU would develop a Procurement Plan for project implementation which provides the basis for the procurement methods. This plan will be made available in the Project's database, DoICI's website, and the Bank's external website. The Procurement Plan will be updated in agreement with the Project task team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

Frequency of Procurement Supervision

74. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended frequent supervision missions to the field to carry out post review of procurement actions.

Review of Procurement by the Bank

75. Thresholds for prior review of contracts under eligible expenditures are given in the table below. All other contracts will be subject to post-review by the Bank. The PIU (DoICI) will send 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 the threshold will constitute a sample of about 15-20 percent of the contracts.

Table A3.5 Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value (Threshold) US\$	Procurement Method	Contracts Subject to Prior Review US\$ thousand
1. Civil Works	Not applicable		
2. Goods	> 600,000	ICB	All
	< 600,000	NCB	First two contracts, thereafter as provided in Proc. Plan
	< 50,000	Shopping	First contract, thereafter

			as provided in Proc. Plan
	Regardless of value	Direct Contracting	All
3. Consulting Services			All TORs and Training Programs to be reviewed by Bank's TTL
-3.A Firms	>300,000	QCBS	All
	< 300,000	CQS	First contract by any process and thereafter as provided in Proc. Plan
Individual Consultants	Regardless of value	Single Source	All
		Comparison of 3 CVs	First contract and thereafter as provided in Proc. Plan

Note: ICB = International Competitive Bidding ; NCB = National Competitive Bidding; QCBS = Quality- and Cost-Based Selection; QBS = Quality-Based Selection; FBS = Fixed Budget Selection; LCS = Least-Cost Selection; CQS = Selection Based on Consultants' Qualifications; TOR = Terms of Reference.

Procurement Plan

76. The following is a draft of the Procurement Plan for consulting services to be contracted during the first 18 months of the Project.

Ref No.	Description of Assignment	Estimated Cost (US\$)	Procurement Method	Estimated Start Date
1.	Functional review of PBTE + TTB (review phase)	700,000	QCBS	November 20, 2015
2.	Functional review of PTEVTA (review phase)	700,000	QCBS	November 20, 2015
3.	Development and roll-out of CBT&A	800,000	QCBS	November 20, 2015
4.	Baseline of TPV of enrollment and pass-outs, tracer study of employability	250,000	QCBS	October 15, 2015

Environmental and Social (including safeguards)

77. Mainly beneficial impacts are foreseen as the Project would improve skills and employability prospects of trainees and students with a focus on women and marginalized groups.

78. There are no negative implications for social safeguards as no infrastructure activities and relocation are involved. No physical works, construction, reconstruction or rehabilitation activity is envisioned as part of the project. Therefore, OP 4.12 will not be triggered.

79. The Project priorities include reduced inequality for marginalized and vulnerable population groups, including women. This is reflected in relevant components of the Project, namely increasing quality, relevance and access, as well as overall Project M&E. The response of the main institutions, namely P-TEVTA and PSDF, to gender inclusion will be strengthened as the Project addresses skills training from a poverty, gender and employability lens. This will be done through including quotas for women and the poor in the access sub-component, and by focusing quality and relevance interventions in gender-friendly courses where possible. Lastly, the communication strategy for the Project would include outreach to women and the poor.

80. The Project has comprehensive consultation and research-based beneficiary feedback mechanisms (e.g., tracer studies). This would include trainees benefiting from the Project. While individual trainees will provide feedback on the quality and relevance of the training, institutions will also track trainees in terms of completion rates and employability.

81. The M&E component will track inclusion through indicators that cover marginalized groups, including women and the poor. The latter through specific criteria included in DLI 5 related to increasing numbers trained in priority sectors.

82. **Environment.** Not applicable.

Monitoring & Evaluation

83. The overall Project M&E will be guided by the Project Results Framework (please see Annex 1) which specifies the indicators to be monitored, their baseline and target values, frequency of monitoring, source of the data, and collection instrument. Additionally, disbursements under Component 1 are linked to the achievement of the DLIs which will be closely monitored and verified. To strengthen the sector M&E capacity, GoPunjab could use funds available under Component 2 of the Project.

84. The PIU under the Department of Industries will be responsible for oversight and coordination of monitoring and evaluation activities related to the Project. It will work with the relevant implementing agencies to ensure that complete and accurate information on project outputs and outcomes is collected and provided to all relevant parties in a timely manner. The M&E activities under the Project will include: (a) routine monitoring of project performance; (b) reporting on data necessary to monitor the Results Framework; (c) providing evidence for the DLIs; (d) carrying out project midterm and completion reviews; (e) coordinating surveys and evaluations as required during the Project lifetime; and (f) other relevant activities.

85. The PIU will have a designated M&E team, comprising two M&E officers/specialists to carry out the activities described above, and will report directly to the Program Director. Additionally, the PIU M&E team will coordinate with M&E units and focal persons in each implementing agency responsible for the achievement of the respective DLI to prepare reports on project progress based on the monitoring data/information received. At present, major implementing agencies, such as P-TEVTA, and PSDF, use their own management information systems (MIS) and conduct their own needs-based M&E activities. The level of MIS development varies from agency to agency, but all of the agencies collect basic information on student enrollment and pass-outs. The PIU M&E team will be responsible for ensuring timely and consistent information collection across the agencies.

86. Specific independent third-party monitoring activities will be carried out through the course of the Project to verify results-based performance. These activities will include third party verifications of DLI achievement, evaluation of the Punjab Skills Agency structure, equipment and personnel; evaluation of Partnership Agreements; third party validations of enrollment and pass-out data, employment tracer studies; and other relevant studies. These activities will be coordinated by PIU M&E teams, and will be contracted out by the PIU in accordance with Bank Procurement Guidelines.

Role of Partners

87. The World Bank has closely coordinated with DfID which is the largest player in the skills sector in the Punjab in addition to being the major partner in the non-lending technical assistance work being done under the Jobs and Competitiveness umbrella led by the Bank's GP Trade and Competitiveness. The Bank team has also been working very closely with GIZ which works both at provincial and federal levels in the areas of regulation, curricula change and overall skills sector policy. The development partners are in agreement on the Project's results and targets and, where possible, will be collaborating in terms of common results. For example, the Bank is coordinating with GIZ very closely in terms of CBT roll out and to ensure complementarity in results achieved. Moreover, DfID and the Bank have been in discussions with GoPunjab concerning strengthening the overall skills sector coordination and its monitoring and evaluation through the possible creation of a Punjab Skills Sector Coordinating Cell (PSSCC). It is envisaged the Project PIU would be eventually ensconced within this unit.

**PAKISTAN: Punjab Skills Development Project
Annex 4: Operational Risk Assessment Framework (ORAF)**

Stage: Negotiations

Project Stakeholder Risks						
Stakeholder Risk	Rating	High				
<p>Description:</p> <p>Reform resistance: There may be resistance to project activities and outcomes by status-quo proponents to reforms that aim at changing institutional structures and improving transparency and accountability in the system.</p> <p>In addition, attempts by the public sector at strengthening linkages with industry may be met with disinterest or mistrust. The public sector may also not have the requisite flexibility to be responsive to private sector training requirements.</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> Ongoing regular, formal consultations with internal and external stakeholders during the design phase to build ownership and facilitate implementation; planned regular, formal consultations with stakeholders during the piloting/implementation phase to gather feedback for refining/adapting design/implementation. Proposed reforms would be implemented in a phased manner to generate quick wins in the short term where possible to build ownership and gather stakeholder support and commitment. The Project will support the testing of various partnership models between public training providers and industry with the intention to disseminate good (and bad) practices to gradually build knowledge and confidence among potential implementation partners to promote increased numbers and effectiveness of partnerships through results (higher numbers employed in relevant trades). 					
	<p>Resp: Both</p>	<p>Stage: Both</p>	<p>Recurrent: <input checked="" type="checkbox"/></p>	<p>Due Date:</p>	<p>Frequency: CONTINUOUS</p>	<p>Status: In Progress</p>
Implementing Agency Risks (including fiduciary)						
Capacity	Rating	High				
<p>Description:</p> <p>Planning, implementation, and monitoring capacity is very weak across public stakeholders at the provincial level, and various lower level administrative levels. Staff changes at the managerial level are frequent, and recruitment of qualified persons to fill vacancies at leadership levels is very slow. Because of this, a select few individuals hold several</p>	<p>Risk Management:</p> <ul style="list-style-type: none"> The main counterpart for the Project is the Planning and Development Board, GoPunjab, as is the case for all Bank-funded Projects in the province. This is the same government institution responsible for the development and implementation of the Punjab Growth Strategy, in which skills development is an important area of reform. It is expected that the Board would maintain an adequate level of focus on Project activities as part of its larger provincial strategy. The Chairman, P&D Board, will also serve as the Chair of a Project Steering Committee to be set up for the Project. This Committee will provide oversight and strategic guidance to the DoICI and other implementing agencies under the Project. 					

<p>portfolios, thus reducing their effectiveness. This can cause delays in Project preparation and implementation.</p>	<ul style="list-style-type: none"> In addition, the main implementing agency identified for the Project is the DoICI, which is the parent department for bodies such as the Punjab Technical Education and Vocational Training Authority (PTEVTA), the largest public skills training body, and the Punjab Board of Technical Education (PBTE), the largest and most prominent certification agency. The DoICI would provide a formal platform to interact with key implementing agencies in the sector, as well as the private sector. In order to perform the substantial additional tasks associated with the implementation and coordination of the proposed Project, the DoICI will establish a Project Implementation Unit (PIU). This PIU will augment the capacity of the DoICI to coordinate and monitor activities supported under the Project. TA would be made available through the Project to facilitate capacity building and provide the necessary external technical assistance to support implementation. 					
	Resp: Both	Stage: Both	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS	Status: In Progress
Governance	Rating		High			
<p>Description:</p> <p>The main governance risks pertain to overlapping or unclear roles of key stakeholders in the skills sector. PTEVTA was originally meant to be the regulatory authority for skills provision in the province, but this role has to be reviewed since the establishment of NAVTTC as the national regulatory body for skills. In addition, PTEVTA serves not only regulatory and registering functions but also is the largest provider of skills training, a direct conflict of interest. The main testing agency, PBTE, is not independent as it reports to PTEVTA and is frequently staffed with serving PTEVTA staff during its own staff shortages.</p> <p>Also, PTEVTA inherited three streams of staff when it was formed as a result of the merger of three government departments. It has yet to sort out complex human</p>	<p>Risk Management:</p> <p>There is a TVET policy under development at the national level which, once finalized, is expected to clarify the roles of provincial and national skills bodies. This policy is being developed with technical assistance from GIZ, and in consultation with the provinces.</p> <p>Successful implementation of the proposed Project is expected to also contribute to improving governance of the skills sector. There is also a mandate from the current government to implement key reform in the skills and training sector. Particular activities under the Project that are expected to promote good governance include:</p> <ul style="list-style-type: none"> The competitive allocation of funds to both public and private training institutions providing demonstrable high quality training in priority sectors through PSDF; A DLI-based component focused on institutional and quality reforms which would encourage a separation of training provision from regulation, and independent certification of skills graduates; and Component 2 would fund the necessary technical staff and expertise to support the implementation of challenging reforms in the sector. 					
	Resp: Both	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: CONTINUOUS	Status: Not Yet Due

resource issues and streamline processes for recruitment and termination, performance evaluation, etc.						
Project Risks						
Design	Rating	Substantial				
Description: The Bank has not supported the skills sector for the last two decades, and the client may be unfamiliar with certain components of the Project, i.e. using Disbursement Linked Indicators (DLIs).	Risk Management:					
	<ul style="list-style-type: none"> The Bank has a successful history of working with the Government of Punjab on DLI-based projects in the education sector, and this experience is expected to facilitate preparation and implementation of the Project. The Bank would provide intensive technical support through the task team and TA to ensure that the necessary technical expertise is available to implement the competitive grants mechanism. Where relevant lessons learned from similar programs in the Region (most recently the Sri Lanka Skills Development Project for example) and the country were incorporated in Project design. 					
Resp:	Stage:	Recurrent:	Due Date:	Frequency:	Status:	
Both	Preparation	<input checked="" type="checkbox"/>		CONTINUOUS	In Progress	
Social and Environmental	Rating	Low				
Description: There are no important social or environmental safeguards issues.	Risk Management:					
	Resp:	Stage:	Recurrent:	Due Date:	Frequency:	Status:
		<input type="checkbox"/>				
Program and Donor	Rating	Low				
Description: The main DPs working in the skills sector in Punjab, namely GIZ and the International Labor Organization (ILO), have a long relationship with the government and ongoing projects in the sector. DfID plans to continue its support to PSDF in the coming year, and expand its program to support institutional reform in the sector. Given the high level of consultation and coordination amongst the	Risk Management:					
	The task team would continue to engage regularly with other DPs working in the skills sector. The Bank team has also been part of cross donor and government discussions having to do with the setting up for a skills coordination council.					
Resp:	Stage:	Recurrent:	Due Date:	Frequency:	Status:	
Bank	Both	<input checked="" type="checkbox"/>		CONTINUOUS	In Progress	

DPs, no donor risks are anticipated, especially since there is no co-financing anticipated.						
Delivery Monitoring and Sustainability	Rating	Substantial				
<p>Description:</p> <p>Monitoring arrangements and capacity are weak across the skills sector. Sustainability may be undermined by resistance from insider groups and other special interest groups (see also Stakeholder Risk above).</p>	Risk Management:					
	<p>Proposed project activities are to a large extent at setting up systems in the skills sector to allow long-term developments and improvements well after the life of the Project. The institutional reform component of the Project aims to do this. Monitoring of project implementation is expected to be facilitated by Component 2 where necessary. The PIU to be established under the Project will be staffed with the requisite skills mix to allow strong monitoring of Project activities and outcomes.</p> <p>Where possible, the Project uses existing systems/mechanisms in the province. For instance, the merger of existing certification agencies is proposed as opposed to the establishment of a new agency; and PSDF (which has been in operation since 2010) will be used to administer the competitive allocation of funds to the public and private sectors to deliver trainees in priority sectors. This will increase the probability of sustaining Project outcomes well after the life of the Project, and ensure their ownership by sector stakeholders.</p>					
	Resp:	Stage:	Recurrent:	Due Date:	Frequency:	Status:
Both	Both	<input checked="" type="checkbox"/>		CONTINUOUS	In Progress	
		<input type="checkbox"/>				
Overall Risk						
Implementation Risk Rating: Substantial						
<p>Comments: The overall implementation risk is considered Substantial. There is a high likelihood of the occurrence of risks. Key risks are related to stakeholder management, governance, implementation capacity and delivery monitoring and sustainability. However, should they materialize; they are expected to have a low impact on the PDO.</p>						

Annex 5: Implementation Support Plan
PAKISTAN: Punjab Skills Development Project

Strategy and Approach for Implementation Support

1. The strategy for implementation support (IS) takes into account the varying capacities of the five Implementing Agencies involved, the nature of supported project activities and the risk profile of the Project. It aims to make the implementation support to the client more flexible and efficient and focuses, in addition to strong technical support, on the risk mitigation measures defined in the ORAF.
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 strong technical guidance, this will include focus on strengthening the monitoring and evaluation systems; including building in regular third party monitoring mechanisms. Supervision will comprise of: (i) Joint Review Missions; (ii) regular technical meetings and field visits by the Bank between the formal joint review missions; (iii) Implementing Agency reporting based on internal monitoring and built-in third party monitoring; (iv) independent third party verification; and (v) internal audit and FM reporting.
3. With respect to Component 1, as highlighted in the ORAF, there are considerable risks associated with the ambitious nature of the reforms and the low capacity of the implementing agencies namely, PBTE and TTB and P-TEVTA not to mention the political economy of the reforms (DLI 1 and 2). In addition, the newness of involving industry in more formal public private partnerships (DLI 4) will require intensive support and frequent follow up and implementation support visits. The Bank's task team is based in Pakistan and will in addition place a Lahore based consultant to provide dedicated, timely support to the implementing agencies and the PIU in the initial stages of the Project (at least eight months). The Bank task team will also have a senior TVET specialist on the team who will help to guide the technical aspects of the Project. The degree of risk will reduce once the technical assistance firm is hired and on board to facilitate implementation of the key sector reforms.
4. The Bank, together with the Implementing Agencies, will formally review project implementation semi-annually (September and February). More frequent visits are expected in the initial two to three years of the Project to first, initiate implementation of the key reforms and also to ensure that the Project is being steered in the right direction, particularly in terms of the policy dialogue on the legal changes in the key reforms related to the creation of the Punjab Skills Agency (PSA). These joint review missions will be complemented by: (i) regular visits from the Bank's Country Office based task team; (ii) support from locally based technical consultant(s); and (iii) continuous support both in person and through audio/video communication by a Senior TVET consultant (Bank).
5. In addition to the joint review missions, several technical missions will be carried out throughout the Project. 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 industry, private sector Training Providers and employers.

6. If, for any reason, the security situation in the Punjab 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: (a) the use of audio and video conferences as well as continuous communication via email, and (b) expansion of the monitoring work performed by third parties, including additional field visits by firms hired to provide third party validation support; and (c) the use of firm(s) to provide technical support on the ground.

Implementation Support Plan

7. The critical members of the Bank task team 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 two to three years of the Project. Detailed inputs from the Bank team are outlined below:

8. **Technical inputs.** Technical inputs are required to review the preparation of all technical documents related to CBTA, PSA and P-TEVTA reorganization. The team's TVET specialist will conduct site visits on a semiannual (more if required) basis throughout project implementation.

9. **M&E Specialist.** Strengthening the IA's monitoring capacities is critical for the successful implementation as well as sustainability of project activities and outcomes. An M&E Specialist will provide focused support throughout the Project 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 the entire Project (aside from Component 2 which is much smaller in scale).

10. **Fiduciary requirements and inputs.** Training will be provided by the Bank's fiduciary specialists before the start of the project implementation. Both the FM and procurement specialists will be based in the country office to provide timely support. Specifically:

- a. Intensive FM supervision will be required in the initial years 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: (i) the project IUFs and audited financial statements, including the budget execution report, together with the management letters; (ii) the Project's financial management and disbursements 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 PIU, the Bank's normal implementation review procedures will suffice.

- b. A Bank procurement specialist will participate in the Bank’s Joint Review Missions every six months, and will provide support as needed more frequently in the early stages of the Project as larger TA contracts get off the ground. In addition to the prior review, the Bank’s supervision mission will carry out 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 PIU, providing guidance on the hiring of TA primarily, as and when needed.

11. For both procurement and financial management, the team will follow-up on progress in identifying capacity building needs to strengthen FM capacity and to improve procurement management efficiently.

12. **Safeguards.** At present, inputs are not expected from an environment specialist. However, inputs from a social development and gender specialist are required. Studies looking at female participation and gender biased curricula will be undertaken by the Bank team. The social development specialist would support the IAs where relevant in finding ways to encourage female participation (DLI 5) during project implementation. Field visits will be required on a semiannual basis to determine implementation performance.

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

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

Time	Focus	Resource Estimate	Partner Role
First 12 months	Technical Support	TVET Specialist...8 SWs M&E Specialist...8 SWs	NA
	FM Training and Supervision	FM Specialist...8 SWs	
	Institutional arrangements and implementation support coordination	Operations Officer 20 SWs	
	Social monitoring and reporting	Social Development Specialist...1SW	
	Team Leadership	Task Team Leader ...18 SW	
12-60 months	Technical Support Operational Support	TVET Specialist...8 SWs M&E Specialist....6 SWs Operations Officer...8 SWs	
	Social monitoring and reporting	Social Development Specialist...1 SW	
	Financial management Disbursement and reporting	FM.....3 SWs	
	Procurement management	Procurement management...2 SW	
	Team Leadership	TTL....12 SWs	

15. Staff skills mix required is summarized below.

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Operations Officer	20 SWs annually	Field trips as required	Country Office (CO) based
TVET Specialist	8 SWs annually	Two	HQ based
M&E Specialist	6 SWs annually	Two	HQ based
Procurement Specialist	2 SWs annually	Field trips as required	CO based
Social Specialist	1 SW annually	Field trips as required	CO based
FM Specialist	3 SWs annually	Field trips as required	CO based
Task Team Leader	18 SWs the first year then 12 SWs annually in the following years	Field trips as required	CO based

Annex 6: Economic and Financial Analysis
PAKISTAN: Punjab Skills Development Project

1. This Annex summarizes the economic rationale for Punjab Skills Development Project and is organized as follows: (i) sector context; (ii) public intervention rationale; (iii) cost benefit and fiscal impact analysis; and (iv) the World Bank’s value-added.

A. Skills Sector Background

2. Education and training are generally regarded as essential investments for increasing employment and earnings, and are thus necessary for growth. GoPunjab’s Growth Strategy (2015-2018) envisions that Punjab will become a “secure, economically vibrant, industrialized and knowledge-based [province], which is prosperous and competitive wherein every citizen enjoys high quality life” by 2018. The key to achieving this vision is catalyzing employment-intensive growth which places job creation and skills development at the core of the strategy. To achieve the goal of doubling the province’s GDP growth rate from 3.5 to 8 percent by 2018, the Growth Strategy estimates the need to produce 2 million skilled workers by 2018 which is a highly ambitious goal. With an average age of 21 years, Punjab’s population currently comprises a very large share of mostly unskilled working age youth not ready for high quality productive jobs. Since the capacity of the higher education system is limited, the Government envisions using the TVET sector to close much of the country’s skills gap which is outlined in the GoPunjab Skills Vision for 2018.

3. *Training provision.* Punjab’s skills development sector is complex and comprises multiple public, private and NGO training providers. It is difficult to estimate the exact total enrollment capacity of the sector since training is provided by many different public departments/institutions and there is no central, provincial coordination. Rough estimates suggest that as of 2013, the sector enrolled around 164,000 students⁴⁶. Public providers are responsible for training of the majority of students (76 percent). The major public training providers are Punjab Technical and Vocational Education Training Authority (P-TEVTA) and the Punjab Vocational Training Council (PVTC). Specialized training is also provided by other departments, for example the Departments of Agriculture, Health and others. Finally, there are almost 500 registered private training providers operating in the province⁴⁷.

⁴⁶ Punjab Skills Vision 2017-2018 presentation

⁴⁷ Affiliated with PBTE

Table A6.1. Overview of TVET sector in Punjab, selected providers (2013-2014)

Agency	Number of institutions	Number of trades	No. Enrolled			No. Completed		
			Male	Female	Total	Male	Female	Total
P-TEVTA	369	170	62,845	22,675	85,470	24,469	15,171	39,640
PVTC	175	43	18,721	14,941	33,662	16,085 ^a	10,724 ^b	26,809
Private, other government and NGOs ^c	106	249	22,426	17,374	39,800	19,661	16,318	35,979
Total	650	462	103,992	54,990	158,932	60,215	42,213	102,428

Source: P-TEVTA, PVTC

Note: ^{a,b} - provided by PVTC in terms of ratio (40% of graduates are women, 60% are men); ^c - private, other government and NGO refers to institutions which participated in the PSDF schemes. Total number of private, other government and NGO training providers in the sector is higher since not all of them participate in the PSDF schemes.

4. P-TEVTA, the largest public training provider in the province and the regulatory authority for training institutions, manages 369 training institutes (48 technical; 321 vocational)⁴⁸, and offers more than 170 different technical and vocational courses across the province. P-TEVTA-run institutions enrolled over 85,000 trainees in 2013-14⁴⁹, around 27 percent of whom were girls (Table). Of these, about 50% are enrolled in technical courses and 49% in vocational courses. It is the only public training provider which offers technical education, primarily in the form of three-year Diploma of Associate Engineers (DAE) degrees. In addition to these degrees, it offers vocational courses which run from three months to 24 months. In 2013, around 40,000 students passed-out from P-TEVTA run institutions (38 percent girls). The annual number of graduating students is much lower than the overall enrolled students since some courses take more than one year to complete. Unfortunately, it is impossible to assess the pass-out rate of students since the enrollment and passing-out databases are not compatible yet⁵⁰.

5. PVTC employs a public-private partnership (PPP) model to deliver short-term (six and 12 months plus two months of mandatory on-the-job training) vocational training primarily funded by Zakat⁵¹ funds to the poorest of the poor. Training is provided at the local level (sub district) through the 175 Vocational Training Institutes (VTIs) across province with considerable employer involvement in training design and delivery. PVTC enrolled around 53,000 students in

⁴⁸ It is difficult to strictly distinguish technical from vocational institutes, as some technical institutes may offer short term vocational courses in addition to technical courses.

⁴⁹ Enrollment includes both new enrolled students in a given year and those who continued studies from previous years, for example, second and third year students from DEA degrees.

⁵⁰ Enrollment MIS system is operated by P-TEVTA MIS division, while passing-out data are obtained from PBTE and TTB records. P-TEVTA envisions merging these two data bases in the future.

⁵¹ Zakat is an annual contribution of wealth required of all Muslim adults with sufficient means toward the poor, needy or otherwise. District zakat committees (which report to the Zakat and Ushr Department at the provincial level) provide a list of zakat-deserving students to PVTC's vocational training institutes (VTIs) every year. Selection into a training program then takes place if a potential candidate passes the VTI admission test.

44 trades in 2013/14 out of which around 33,000 (44% girls) were enrolled in technical and vocational courses while the rest in entrepreneurship, soft skills and basic literacy. The pass-out rate from PVTC technical and vocational courses was 80% in 2013.

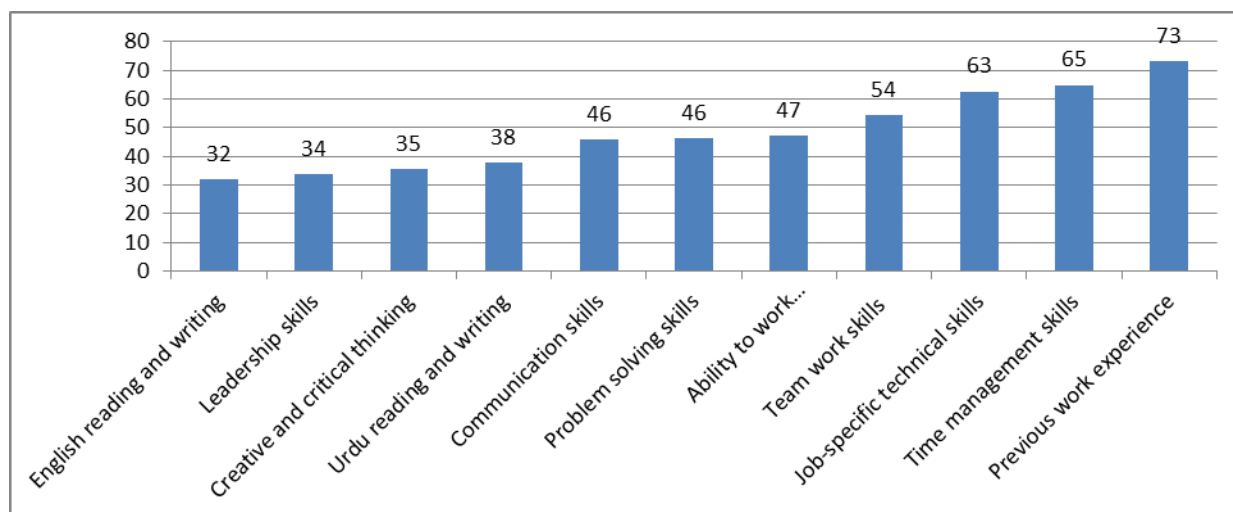
6. Another major player in the skills development sector is the Punjab Skills Development Fund (PSDF) which provides funding to public and private training providers on a competitive basis for training in market relevant fields. PSDF is funded by DfID and GoPunjab. In 2013/2014 approximately 40,000 students (44% girls) were enrolled in the programs run by public (excluding PVTC and P-TEVTA) and private training providers funded by PSDF in 14 districts of Punjab. PSDF has strict funding criteria which contribute to high completion rates – approximately 90% in 2013-2014.

7. *Training certification.* Punjab Board of Technical Education (PBTE) and Trade Testing Board (TTB) are two major testing and certification authorities in Punjab both affiliated with P-TEVTA. PBTE tests and certifies students from both technical and vocational courses; TTB is responsible for testing of vocational students only. In 2013, students from 660 institutions were affiliated with PBTE and 228 with TTB. PVTC tests and certifies its own students. Students from other public and private training providers can also get certified by other certification bodies, such as City and Guilds.

8. *TVET system regulation.* There is a lack of clarity with respect to the regulation of training provision in Punjab due to overlapping regulatory functions of national and provincial authorities in the province. At the federal level, the regulation, coordination, and formulation of policy direction for skills development in Pakistan is the mandate of the autonomous National Vocational & Technical Training Commission (NAVTTTC). Its functions include the development of national occupational skill standards, curricula, and TVET trade testing certification systems; regulation of affiliated skills training providers; establishment of an accreditation system; and performance evaluation of TVET institutes. At the provincial level, regulation of training institutions is the mandate of P-TEVTA, whose functions as a regulator are very similar to NAVTTTC, e.g., regulation and registration of training providers, curricula development and certification through PBTE and TTB. While federal legislation supersedes provincial legislation, NAVTTTC has not taken on a regulatory role in any of the provinces, and it is unclear how P-TEVTA regulates training providers aside from registering new training providers.

9. *Skills demand.* Realization of the GoPunjab strategy goals to stimulate growth in industry and agriculture calls for skilling new labor market entrants and increasing productivity and employability of existing labor market participants. Urbanization, rural-urban and foreign migration, demographic change and increasing number of students with primary and secondary education create additional skills demand pressures for populations to be effectively absorbed in the labor markets. An Employer Survey conducted in 2013 reveals that almost one-fourth of firms report a lack of skilled employees, with the most acute shortages perceived by firms in the construction and manufacturing, and education sectors. Employers value soft skills (for example, team work – 54%, communication - 46%), side by side with previous work experience (73%), time management skills (65%), and job-specific technical skills (63%) all of which are highly valued by employers when making decisions regarding employee retention (Figure A6.1).

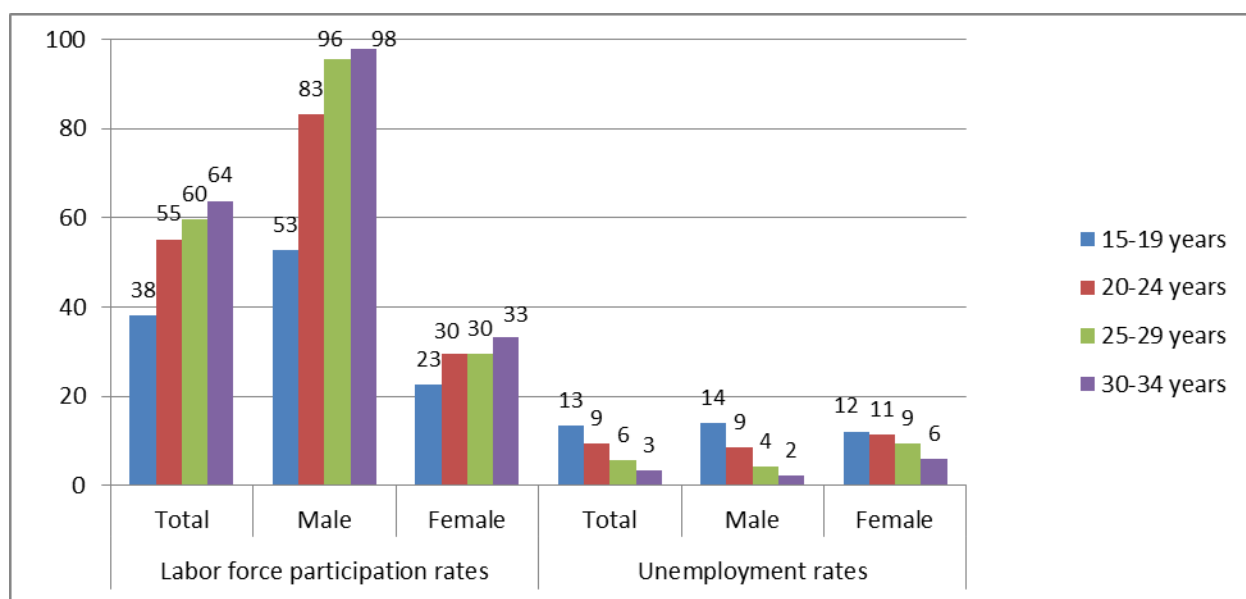
Figure A6.1. Skills under consideration by firms with regards to employee retention (% of firms in Punjab)



Source: Pakistan Employer Survey 2013

10. *Labor market outcomes.* The labor market in Punjab is characterized by low labor force participation, primarily attributed to women, and high unemployment rate of youth. Labor force participation of women is 2-3 times lower than that of men. Unemployment rates are the highest for 15-24 year olds (Figure A6.2). This age group is also characterized by low levels of schooling (below Matric), and the highest levels of underemployment (worked less than 35 hours a week and actively seeking alternative/additional work). Close to half of Punjab’s employed labor force is engaged in the agriculture, forestry, and fishing sector (45%), followed by manufacturing (15%), wholesale/retail trade and repair of vehicles (14%), and construction (7%).

Figure A6.2. Labor force participation and unemployment rates of 15-34 year olds in Punjab



Source: LFS 2012-2013

11. *Distribution of skills in the labor force.* In 2013, 11.8% of working age (15-64 year old) population received some kind of technical or vocational training in Punjab with 3.3% receiving it on-the-job and 8.5% off-the-job⁵². Men had a higher likelihood to obtain TVET than women, 15 versus 8.8%, respectively. Those who received TVET were much more likely to participate in the labor force (76.4%) than those who did not (50%). The unemployment rate of TVET graduates was slightly lower (6.3%) than that of those who did not graduate (6.6%). TVET graduates were also more literate than their non-TVET counterparts, 72.5 versus 58.5%, respectively. TVET graduates were in high demand in mining and manufacturing, as 49.8 and 41.1% of workers in those industries had TVET, followed by electricity, gas and water, construction and transport and communication sectors. High proportions of plant and machine operators (62.5%), crafts workers (53.3%) and technicians (27.8%) had TVET.

B. Rationale for Public Investment in Skills

12. Public investments in skills are warranted as private individuals underinvest in skills training for various reasons: they do not internalize the externalities that skills create for society, or underinvest due to market failures, such as imperfect financial markets. Individual benefits can be measured by returns to training and skills. The social benefits of public investment in skills can be represented by growth and productivity externalities and positive spillovers that skills could create in other sectors, e.g., health, social cohesion and security. Moreover, public interventions may help to create efficiency gains in the skills production sector through policy reforms and to address market failures, such as credit constraints.

13. *Returns to training.* For the past decade, returns to intermediate education have increased, while returns to primary, middle and matriculation have decreased. Returns to tertiary education were more than 100% higher compared to intermediate (high school). Returns to TVET were stable around 11% which means that given any level of education those who also completed TVET were paid 11% more than those who did not. When looking at returns depending on the field of training, the data reveal even higher returns to certain technical, market-demanded trades in growth sectors. For example, returns to computer science courses are around 30%. This suggests a strong and stable market demand for job-specific skills produced by the TVET sector.

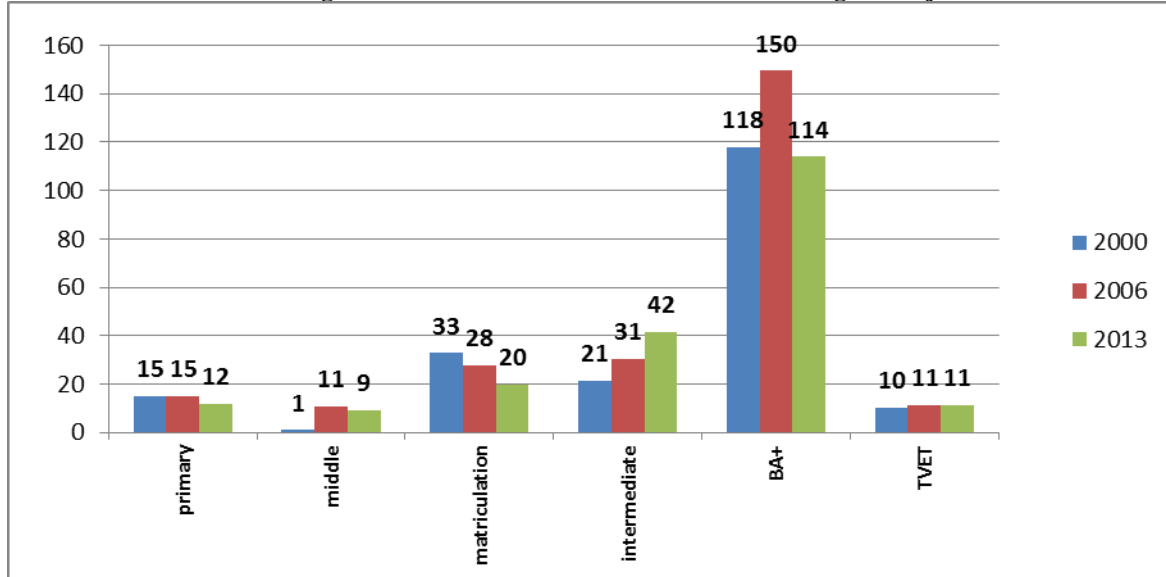
14. *Social benefits.* The benefits of education, training, and skills not only accrue to individuals in terms of better labor market outcomes; they also benefit society as a whole. A skilled labor force contributes to improved growth and competitiveness for a country; it also increases firm productivity and helps reduce poverty. The following reasons warrant public skills development interventions:

- a. *Growth and productivity externalities:* An educated and well-trained labor force is one of the major drivers of firm productivity and country growth. When making educational and training choices, the fact that individuals do not account for the externalities produced by education and training may lead to underinvestment in education and training. Creating incentives for individuals to invest in training, e.g.,

⁵² The LFS questionnaire does not ask whether off-the-job training was pre-employment or not. The assumption is that it is most likely pre-employment training.

public provision of skills training, and stipends for economically and socially disadvantaged groups and for private providers to expand training provision, may help to optimize the supply of educated and trained workers.

Figure A6.3. Returns to Education and Training in Punjab



Source: LFS 1999-2013

Note: Returns are relative to previous level of education, e.g primary to no education, middle to primary, matriculation to middle, etc. The premium for TVET is relative to non-TVET. The wage premiums are calculated based on regression of log monthly wage on basic controls (education, TVET, gender, urban, age, and age squared).

- b. *Efficiency gains from policy reforms:* System-wide and institutional reforms focused on improving efficiency and making the skills development system market-demand-driven are essential to generate the market-relevant skills required by a changing economy and help Punjab achieve its development goals. These reforms include making P-TEVTA more efficient by separating regulatory and training functions, supporting a single testing authority, and fostering public-private partnerships.

15. Public interventions are crucial to address these challenges. Private providers and individuals that make education and training choices often do not internalize the country’s development and growth objectives and firm productivity externalities, which may lead the private sector to under-provide skills and individuals to under-invest in education and training. Also, since 76% of students receive their training from the public sector, public sector reforms are necessary to improve system performance.

C. Development Impact Rationale of the Project

16. The GoPunjab has prepared a Skills Development Strategy 2014–18 as part of its larger Growth Strategy with the overarching goal of training two million skilled workers who meet labor market needs and to achieve growth and development goals of the province. The proposed Project would support the overall Growth Strategy and its Skills Development Strategy.

17. **Financial Analysis and Fiscal Sustainability.** Total expenditure in the TVET sector in Punjab is difficult to track since multiple departments provide training. P-TEVTA and PVTC receive block grant allocations from the provincial government. In 2012/2013, P-TEVTA received an allocation of PKR 6,353 million (US\$64.02 million⁵³) which represented roughly 0.64% of GoPunjab's total expenditure. Over the same time period, PVTC received PKR 350 million (US\$3.53 million) which is 0.04% of GoPunjab's total expenditure. Government financing represented around 23% of total PVTC expenditure, 60% was financed through Zakat funds, and the remaining 17% from other sources such as GIZ, PSDF and others. Recurring expenditures of public training providers represent on average 80-88% of total expenditures and are mostly spent on teacher salaries⁵⁴.

18. The GoPunjab expects to spend PKR 52 billion (US\$516.23 million⁵⁵) over the next five years to reach the target of training two million workers. Assuming that funding would be proportional to numbers of students trained in each year, TableA6.2. presents extrapolated funding projections. In each given year, the Bank contribution is between 4 and 10% of total projected expenditure.

TableA6.2. Projected enrollment and expenditure (in nominal PKR million), 2014-2018

	2014-2015	2015-2016	2016-2017	2017-2018	Total
Enrollment targets	310,652	445,102	571,799	728,511	2,056,064
Government expenditure for TVET	7,857	11,257	14,461	18,425	52,000
DFID	1,994	2,858	3,671	4,677	13,200
WB	1,250	1,250	1,250	1,250	5,000
GIZ	151	216	278	354	1,000
Zakat	680	974	1,251	1,594	4,500
Total	11,932	16,555	20,912	26,301	75,700

Source: Enrollment and total expenditure are based on Skills Vision 2018 presentation

Note: Assume that spending is proportional to enrollment for all sources of funding, except for WB

19. **Cost-benefit analysis.** The Project is expected to have individual, sectoral, and societal benefits, even though it is not possible to exactly identify project-specific benefits because it is designed to support overall Skills Development with multiple interventions.⁵⁶ For *individuals*, the Project is expected to increase access to training programs and strengthen the employability and earnings of TVET graduates by improving the quality and relevance of the skills they acquire. At the *sectoral level*, Project-supported interventions are expected to (i) improve TVET system management and sector financing efficiency through organizational and managerial reforms; (ii) enhance the quality and relevance of TVET programs by rolling out competency based training and increasing employer involvement in program design and delivery; and (iii)

⁵³ Exchange rate as of June 28, 2013

⁵⁴ PVTC budget data

⁵⁵ Exchange rate as of January 8, 2015.

⁵⁶ The key assumption of Project benefits is the availability of jobs. However, if jobs are not available, the project benefits described below would be overestimated.

expand private participation in the delivery of training programs by creating incentives and a more favorable partnership environment. For *society*, Project benefits would include (a) a more productive labor force of workers with market-relevant quality skills; (b) strengthening firm productivity and competitiveness through the more productive labor force; (c) heightening the performance of the economy because of more productive workers and firms; (d) potentially reducing school-work transition times for TVET graduates; and (e) potentially improving the security situation in the province.

20. *Cost-benefit analysis.* The Project is a US\$50 million IDA credit out of which Component 1 comprises US\$46 million and Component 2 US\$4 million. DLI 5 of Component 1 is linked to an increasing number of workers trained in market relevant trades. Other interventions under Component 1 are related to improving system efficiency and quality and relevance of training programs, thereby potentially contributing to an increase in pass-out rates, better employment and earning outcomes of trainees. Component 2 would be used to strengthen the capacity of agencies implementing different interventions.

21. *Assumption to calculate Project benefits.*

- Pass out-rate: In the base scenario, the Project pass-out rate is 80%. This number is calculated based on 2013 pass-out rates of major public training providers. For other scenarios, it is assumed that the pass-out rate would go up to 85% due to improved efficiency of training provision and/or improved incentives (better job prospects, better links with employers) for students to graduate.
- Share of students employed after graduation: In the base scenario, the proportion of students who get employed shortly after graduation is 39% based on an SMS tracer study conducted by the Bank in 2011. Under other scenarios, it is assumed that the share of employed students would go up to 44% as a result of improved linkages with employers (DLI 4), more relevant training (DLI 3) and additional students graduating in trades relevant for growth sectors which demand skilled workers.
- Improvement in earnings: In the base scenario, in Punjab monthly earnings of 15-29 year olds with TVET were PKR 10,272 (US\$104⁵⁷) and without TVET were PKR 8,531 (US\$86⁵⁸)⁵⁹. It is assumed that the same relative wage differential will persist over the work life. In the optimistic scenario, it is assumed that earnings of TVET beneficiaries under the Project would be 1% higher than otherwise due to better quality of training provided under the Project. The reason for assuming such a small increase is due to the fact that the Project directly supports an increase in the supply of trainees with market relevant skills. This would probably create a downward pressure on wage offers.

⁵⁷ Exchange rate as of June 28, 2013

⁵⁸ Exchange rate as of June 28, 2013

⁵⁹ LFS 2013 data

- Other assumptions: The inflation rate is assumed to be 7.7% as in 2013. Workers who enter the labor force are expected to work for 30 years. A discount rate of 12% is used to calculate the Project's NPV.

22. An Economic Internal Rates of Return (EIRR) analysis was conducted for six different cases based on the assumptions described above and varying outcomes such as pass-out rate, employment rate and earnings. Table presents a summary of different scenarios. Under the base case scenario, a cumulative number of 50,000 students would be enrolled in market-relevant trades. Assuming that the pass-out rate and share of students employed after graduation remains the same as in the baseline, the NPV of the Project would be US\$17.78 million and EIRR would be 16.3%. Under a preferred scenario, it is expected that the pass-out rate go up to 85% and the share of students employed shortly after graduation to 44%, which would translate into an NPV of US\$22.75 million and EIRR of 17.38%. This is a preferred case because the Project supports interventions which would impact market relevance of courses and potentially incentivize students not to drop out from the programs (e.g., expectation of having a higher chance of being employed after graduation due to closer linkages with employers). In the optimistic scenario, when as a result all these parameters (Project pass-out rate, probability of getting a job, and earnings of TVET graduates) increase, the NPV is US\$47.58 million and EIRR 21.18%.

Table A6.3. EIRR analysis

Summary	EIRR	NPV (US\$ million)
Base case: passout rate 80%, employment 39%	16.30%	17.78
Case 1: passout rate 85%, employment 39% by 2019	16.65%	19.37
Case 2: passout rate 80%, employment 44% by 2019	17.01%	21.04
Case 3: passout rate 85%, employment 44% by 2019	17.38%	22.75
Case 4 passout rate 80%, employment 39% , wage increase of TVET grads by 1% by 2019	20.02%	40.49
Case 5: passout rate 85%, employment 44% , wage increase of TVET grads by 1% by 2019	21.18%	47.58

D. World Bank Value-Added

23. The GoPunjab requested World Bank support for enhancing the performance of the skills development sector and helping Punjab achieve its goal to produce a skilled labor force in market relevant fields. The Bank is actively engaged in the province in primary and secondary education and has extensive local expertise on education and skills development. It also has technical and operational experience in the skills and training sector, including from an ongoing skills project in the Sindh. In addition, this Project would also be well-aligned to the Bank's support to improvements in Punjab's trade and competitiveness through a proposed provincial Development Policy Credit (DPC), in which institutional reform for the delivery of skills and training would be one of the critical policy triggers.

24. The Bank's global and local technical and operational experience in the education and training sector can bring useful lessons to Punjab's policy makers as they attempt to design reforms for the skills development sector. The Bank is currently engaged in a number of skills

development projects in the region, e.g., Sri Lanka, India, and Bangladesh, from which lessons can be learned, and can bring expertise from countries such as Malaysia, Korea, and Australia.