



Mongolia: Skills for Employment Project

Project Name	Skills for Employment Project
Project Number	45010-002
Country	Mongolia
Project Status	Active
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	Loan 3243-MON: Skills for Employment concessional ordinary capital resources lending / Asian Development Fund US\$ 25.00 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Education - Secondary - Technical and vocational education and training
Gender Equity and Mainstreaming	Gender equity
Description	The project will improve the employability of graduates from technical and vocational education and training (TVET) programs and courses in three priority sectors of the economy in Mongolia: agriculture, construction, and road and transportation. The project, which has several innovative features, will (i) develop an industry-driven TVET system; (ii) upgrade selected TVET providers to implement competency-based training and assessment; (iii) establish training systems for TVET teachers and managers; (iv) support secondary education career guidance and schools that specialize in technology; and (v) establish an effective project management system.

Mongolia's economy has grown rapidly with a two-fold increase in gross domestic product (GDP) per capita from 2001 to 2012, due in large part to the booming mining sector, which boosted its share of GDP from 9.0% to 18.6%. The rapid growth of the economy has significantly changed the structure of employment and the demand for skills. In 2012, the agriculture sector share of GDP (14.8%) was second after the mining sector, while agriculture employed the largest proportion of the labor force (35.0%), but its share of GDP and employment decreased by more than 10 percentage points during 2001-2012. The share of employment in the construction and mining sectors, on the other hand, had almost doubled in the same period, accounting for 5.6% (construction) and 4.4% (mining) in 2012. The three priority sectors (agriculture, construction, and road and transportation) contributed 22.9% of GDP as a whole and employed 45.9% of the labor force; women accounted for a minority of employment (46.8% in agriculture, 21.1% in construction, and 19.8% in transportation and storage).

The supply of skills, however, has not responded flexibly to labor market demand. Despite a strong demand for skilled workers, only 55.6% of TVET graduates found employment in 2012; the labor force participation rate remained at 63.6%, lower than the world average; and the national unemployment rate was 8.2%, with higher rates in urban areas (9.7%), and among youths aged 20_24 (18.3% for women, 16.1% for men). This situation can be partly explained by the country's TVET system whose linkages with industries and employers were weakened considerably during the transition from central planning to a market-based economy, and have never been fully restored.

The shortage of skilled workers constrains growth in some key sectors of the Mongolian economy. First, although Mongolia has unique and abundant agricultural resources, these have remained largely underutilized because of poor product quality and productivity, despite recent favorable government policies to support the introduction of modern technology in the production and the processing of agricultural products. This underutilization can be explained in part by difficulties in finding skilled workers in the sector. Second, the recent growth of public and private investments in housing and public facility development has generated employment opportunities in the building construction sector, which recorded the largest number of job vacancies of all sectors in Mongolia in the first quarter of 2013. Third, Mongolia is large, sparsely populated and landlocked, and the government has invested in road and railway construction projects to improve connectivity, both internally and with neighboring countries. However, serious shortages of skilled workers have often forced contractors to hire foreign workers.

To improve the responsiveness of the TVET system to labor market demand, the government initiated reforms beginning in the 2000s that have involved employers, and industry and professional associations. The amendment to the TVET law in 2009 was a landmark in recent TVET system reforms, establishing a specialized TVET agency, and the National Council on Vocational Education and Training (NCVET) as an institution to actively engage employers, and industry and professional associations in TVET policy development. Four sector subcouncils have been established under NCVET, but NCVET and the sector subcouncils have yet to become functional. With the support of development partners, competency-based curricula (CBC) have been developed for certain occupations, using standards set in collaboration with some employers. However, no standards have been approved by NCVET or sector subcouncils and widely recognized by the relevant employers, and industry and professional associations. CBCs were introduced relatively recently, and remain in an early stage of implementation. Moreover, graduates from TVET programs and courses have not been independently assessed and certified, and competency varies across TVET providers, programs, and courses.

In SY2012/13, there were 75 formal TVET providers, 49 of which were public. The government is the largest financier in the TVET sector, enabling public providers to offer tuition-free TVET, with dormitories and teaching learning materials that are largely free. Private TVET providers are also subsidized by the government. Student enrollment was 45,225 in SY2012/13; 45.6% were female. In SY2011/12 program and course enrollment in the three priority sectors was 2,088 in agriculture (27.3% female), 14,528 in construction (5.1% female), and 4,227 in road and transportation (11.9% female). Although both the number of TVET providers and TVET enrollment have increased dramatically in less than a decade, most TVET programs and courses have been offered without adequate training equipment and facilities. With the exception of those that have been supplied training equipment under projects funded by development partners, many TVET providers, particularly in remote areas, have been operating with training equipment that is outdated or can no longer be used, and training facilities that require repairs. Licenses have been given to TVET providers that meet basic requirements, but these requirements are insufficient to ensure quality at program, course, and institution levels. Inadequate training equipment and facilities are major constraints on the development of a TVET system that is responsive to labor market demand.

The lack of both technical and vocational skills and experience among teachers is another constraint faced by the TVET system. In SY2012/13, there were 2,236 full-time teachers; 1,468 (65.7%) taught technical and vocational subjects, but about 92.5% of them had only 0_4 years of industry experience in the subjects they teach. Most TVET teachers have been trained as general secondary education teachers, because qualifications for teachers in the TVET system have not been clearly specified. Institutional mechanisms for in-service training for teachers in technical and vocational skills are almost non-existent. Additionally, most management staff of TVET providers lack the industry experience and skills needed to develop and manage TVET programs and courses in collaboration with employers, and industry and professional associations.

Because of its poor public image, TVET remains a secondary option to most students and parents. The growth of student TVET enrollment has resulted largely from the monthly stipends given to TVET students, rather than their informed choice. Career information and guidance have not been provided for junior secondary students, who must choose between senior secondary education and TVET after graduation. As a result, TVET has enrolled students who are generally academically less successful and come from poorer families.

Notwithstanding academic success, existing senior secondary and tertiary education do a poor job of preparing students for work, as evidenced by the low labor force participation rates for youths aged 15_24, and high unemployment rates for graduates from tertiary education.

Strategic fit. The Government Platform 2012_2016 highlights employment as one of five goals in creating a sustainable and competitive economy. Many initiatives are underway to reform TVET and general education systems in order to better prepare the country's labor force. The project will support the government's reform initiatives in the TVET and secondary education sectors. The project is included in ADB's country operations business plan, 2014_2016 for Mongolia, and is aligned with ADB's interim country partnership strategy, 2014_2016 for Mongolia, which has a focus on achieving inclusive growth and social development through broad-based employment generation.

Impact Increased employment in the three priority sectors.

Project Outcome

Description of Outcome Enhanced responsiveness of the TVET system to labor market demand in the three priority sectors.

Progress Toward Outcome Progress will be assessed during the mid-term review mission planned for 2017.

Implementation Progress

Description of Project Outputs

1. Industry-driven TVET system established in the three priority sectors.
2. Selected TVET providers upgraded to implement CBT&A in the three priority sectors
3. Training systems for TVET managers and teachers established in the three priority sectors.
4. Secondary education career guidance and schools that specialize in technology supported.
5. Effective project management system established.

Status of Implementation Progress (Outputs, Activities, and Issues) The selection of TVET providers from 25 pre-selected TVET providers through self-assessments, quality improvement plans, and on-site visits is ongoing. A consulting firm for CBT&A development and the other for TVET management and teacher training are being recruited. Individual consultants have been engaged for TVET manager competency development as well as senior secondary education reform and career guidance. Learning and career guidance modules for junior secondary education (8th and 9th grades) have been developed and teachers and school management have been trained. Learning and career guidance handbooks for school management, teachers, and parents have also been developed and distributed. Senior secondary advanced elective curricula have been developed and teachers have been trained before the school year 2016-2017. An effective project management system has already been established.

Geographical Location

Safeguard Categories

Environment C

Involuntary Resettlement C

Indigenous Peoples C

Summary of Environmental and Social Aspects

Environmental Aspects The project is classified category C for the environment. The project involves minor civil works, limited to the rehabilitation of existing buildings under outputs 1 and 2. A simplified environmental assessment and review framework was prepared, defining eligibility criteria for civil works, as well as environment management, supervision, and reporting responsibilities of selected TVET providers and contractors during minor civil works to avoid negative impacts on the environment, and health and safety.

Involuntary Resettlement The project is classified as category C for involuntary resettlement. The project involves minor civil works that will be carried out on existing government land and no land acquisition and resettlement impacts are anticipated.

Indigenous Peoples The project is classified as category C for indigenous peoples. The assessment determined that indigenous peoples will not be negatively impacted.

Stakeholder Communication, Participation, and Consultation

During Project Design During PPTA consultations with key stakeholders such as central government agencies, employers, industry and professional associations, teachers, students, and job teachers have been conducted and results of the consultations have been incorporated into the project design.

During Project Implementation A communication specialist has been engaged to prepare communication strategies and plans which will be supported under the project.

Business Opportunities

Consulting Services	All consultants will be recruited according to ADB's Guidelines on the Use of Consultants. The terms of reference for all consulting services are detailed in the PAM. One consulting firm (CBT&A development) for estimated 38 person-months (international, 8 person-months, national, 30 person-months) of consulting services will be engaged through the QCBS using the quality and cost ratio of 90:10 and the simplified technical proposal procedures. The 90:10 ratio can be justified on the grounds that the assignments are highly complex and a greater priority for quality is required. Two consulting firms (TVET management and technical and vocational skills training, TVET facilities upgrading) for estimated 57 person-months (international, 4 person-months; national, 53 person-months) of consulting services will be engaged through the CQS. The use of CQS can be justified on the grounds that (i) highly specialized expertise is required; (ii) recruitment time is critical and the assignment is short-term; (iii) few consultants are qualified; and (iv) preparing and evaluating competitive proposals is unjustified. In addition, 4 international consultants (12 person-months) and 10 national consultants (43 person-months) will be recruited through the ICS to provide expertise in public communication, gender, equipment, career guidance, senior secondary education, various technology subjects, project management and M&E. The following justifies the use of the ICS: (i) collective responsibility is not a requirement; additional outside (home office) professional support is not required; and (iii) individual experience and qualifications are the main requirements.
Procurement	All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines. International competitive bidding (ICB) will be applied to goods contracts estimated to cost \$500,000 and more, and works contracts estimated to cost \$1 million and more. Goods contracts worth less than \$500,000 and works contracts worth less than \$1 million will follow national competitive bidding (NCB). Shopping will be used for contracts for works and goods valued less than \$100,000. NCB procurement will be carried out in accordance with the Mongolia Procurement Law, subject to modifications agreed with ADB. Before the start of any procurement ADB and the Government will review the public procurement laws of the Government to ensure consistency with ADB's Procurement Guidelines. All procurement under the project will be carried out by the MOL and the MEDS and coordinated by the PIU.

Responsible Staff

Responsible ADB Officer	Maruyama, Asako
Responsible ADB Department	East Asia Department
Responsible ADB Division	Urban and Social Sectors Division, EARD
Executing Agencies	<i>Ministry of Labor</i> <i>M_JADAMBA@HOTMAIL.COM</i> <i>Government Building #9, Peace Avenue- 16,</i> <i>Bayanzurkh District, Ulaanbaatar City</i> <i>Mongolia</i>

Timetable

Concept Clearance	19 Dec 2012
Fact Finding	14 Apr 2014 to 30 Apr 2014
MRM	20 Jun 2014
Approval	16 Dec 2014
Last Review Mission	-
Last PDS Update	26 Mar 2017

Loan 3243-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
16 Dec 2014	08 Apr 2015	02 Oct 2015	30 Nov 2019	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	28.59	Cumulative Contract Awards			
ADB	25.00	16 Dec 2014	1.56	0.00	7%
Counterpart	3.59	Cumulative Disbursements			
Cofinancing	0.00	16 Dec 2014	1.90	0.00	8%

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