



Report and Recommendation of the President to the Board of Directors

Project Number: 46064-002
September 2014

Proposed Loans Kingdom of Cambodia: Technical and Vocational Education and Training Sector Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 August 2014)

Currency unit	–	riel/s (KR)
KR1.00	=	\$ 0.0002460
\$1.00	=	KR4,065.00

ABBREVIATIONS

ADB	–	Asian Development Bank
COE	–	center of excellence
CQF	–	Cambodian Qualifications Framework
DGTVET	–	director general of technical and vocational education and training
MLVT	–	Ministry of Labour and Vocational Training
NTB	–	National Training Board
PAM	–	project administration manual
PTC	–	provincial training center
RPLCC	–	recognition of prior learning and current competencies
RTC	–	regional training center
SBP	–	skills bridging program
TVET	–	technical and vocational education and training
VSC	–	vocational skills certification
VSTP	–	voucher skills training program

NOTES

- (i) The fiscal year (FY) of the Government of Cambodia ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Director	N. LaRocque, Officer-in-Charge, Human and Social Development Division, SERD
Team leaders	S. Sindhvad, Education Specialist, SERD S. Mar, Senior Social Sector Officer, Cambodia Resident Mission (CARM), SERD
Team members	I. Ahsan, Counsel, Office of the General Counsel N. LaRocque, Principal Education Specialist, SERD A. Musa, Finance Management Specialist, SERD G. Peralta, Senior Safeguards Specialist (Environment), SERD K. Schelzig, Senior Social Sector Specialist, CARM, SERD S. Tanaka, Senior Economist, Economics and Research Department E. Thomas, Social Development Specialist, SERD
Peer reviewer	D. Ablett, Social Sector Specialist, South Asia Department

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 46064-002	
Project Name	Technical and Vocational Education and Training Sector Development Program (formerly Second Strengthening Technical and Vocational Education Project (STVET II))	Department /Division	SERD/SEHS
Country Borrower	Cambodia Kingdom of Cambodia	Executing Agency	Ministry of Labor and Vocational Training
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Education sector development		7.00
	Technical and vocational education and training		23.00
		Total	30.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development Partnerships Private sector development	Institutional development Institutional systems and political economy Implementation Private Sector Conducive policy and institutional environment Public sector goods and services essential for private sector development	Gender equity (GEN)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty MDG-targeting (TI-M)	Yes MDG1, MDG3	Nation-wide	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: B		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		30.00	
Sovereign Project loan: Asian Development Fund		30.00	
Cofinancing		0.00	
None		0.00	
Counterpart		2.60	
Government		2.60	
Total		32.60	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based loan, and (ii) a proposed project loan, both to the Kingdom of Cambodia for the Technical and Vocational Education and Training (TVET) Sector Development Program.¹

2. The proposed program will assist the Government of Cambodia to meet the objectives of the Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III,² and its National Strategic Development Plan, 2014–2018³ through (i) increased access to TVET programs, particularly for women and the poor; (ii) improved quality and relevance of the TVET system; (iii) increased involvement of employers in TVET delivery; and (iv) strengthened governance and management of the TVET system.

II. THE PROGRAM

A. Rationale

3. Cambodia's gross domestic product grew by more than 7.0% per year from FY2011 to FY2013, despite the 2009 global financial crisis. It is projected to grow by 7.0% in FY2014 and 7.3% in FY2015.⁴ The poverty headcount decreased from 47.8% in 2007 to 19.8% in 2011. However, approximately 75% of Cambodians live on less than \$3 a day and are vulnerable. Agriculture remains vital to employment, particularly for women; however, its share of employment declined from 59% in 2007 to 54% in 2010.⁵ Foreign direct investment has played an increasingly important role in industrial development, creating new investments in automotive parts, electronics, and the agro-industry. Domestic consumption, exports, and investment, especially foreign investment, are projected to drive growth in the medium term. However, investors indicate that an inadequately skilled workforce is a serious constraint to doing business in Cambodia.⁶ Progress in improving the country's skills base has been slow. From 2004 to 2010, increases in school enrollment rates reduced the share of the labor force without any formal education by 6%. However, in 2011/12, the proportion of working-age women (15 years or older) who had completed at least secondary education (25.8%) was below that of males (38.6%), indicating gender inequality in access to education and training.⁷

4. The Government of Cambodia emphasizes the role of skills development to reduce poverty and promote inclusive growth as part of its Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III (footnote 2) and its National Strategic Development Plan, 2014–2018 (footnote 3). A recent study conducted in collaboration with Cambodia's National Employment Agency forecasts an average of 1 million new jobs created annually from 2012–2015.⁸ While low-skilled occupations are forecast to be in highest demand

¹ The design and monitoring framework is in Appendix 1.

² Government of Cambodia. 2013. *Rectangular Strategy for Growth, Employment, Equity, and Efficiency, Phase III*. Phnom Penh.

³ Government of Cambodia. 2013. *National Strategic Development Plan 2014–2018*. Phnom Penh.

⁴ Asian Development Bank (ADB). 2014. *Asian Development Outlook*. Manila.

⁵ United Nations Development Programme. 2011. *Human Capital Road Map*. Phnom Penh.

⁶ ADB and World Bank. 2012. *Cambodia Investment Climate Survey*. Phnom Penh.

⁷ International Labor Organization. 2013. *Labor market transitions of Young Women and Men in Cambodia*. Geneva.

⁸ Government of the Republic of Korea, Ministry of Strategy and Finance, and Korea Development Institute. 2013. *Policy Agenda for Cambodia in Developing Industrial Skills, Industrial Complex, and Agro-processing Industry*. Seoul.

from 2012–2015 across all sectors, middle-level skilled workers are required to diversify the economy beyond the four traditional growth drivers: garments, agriculture, tourism, and construction (footnote 8). The government identifies the application of technology and business management skills as the main drivers of development for all sectors. The government sees potential for attracting foreign direct investment in light engineering and related industries and therefore prioritizes middle-level skills development in auto mechanics and electrical works (footnote 3). To support the growth of industry in Cambodia, a skilled manufacturing workforce must be developed. The draft TVET strategic plan, 2014–2018, under preparation by the Ministry of Labour and Vocational Training (MLVT), will guide TVET sector development to meet existing and emerging labor market needs.

5. **Issues in the technical and vocational education and training system.** The formal TVET system under the MLVT remains in its infancy, and gaps in TVET access, quality, and institutional capacity constrain Cambodia's workforce development. Progression to formal TVET, which requires grade 9 completion, is less than 1% of secondary enrollments.⁹ Bridging programs providing out-of-school youth a second chance to complete secondary education and pursue TVET are very limited. Further, formal TVET is mainly offered in urban areas. Financial barriers such as course fees constrain participation and completion of formal TVET. Participation of female students and those living in remote regions is deterred by the lack of housing and limited part-time programs.

6. Some public TVET institutions offer certificate and diploma level courses, but only in a limited number of fields.¹⁰ The MLVT will establish regional training centers (RTCs) in five provinces to scale up provincial training centers (PTCs) to offer certificate level courses. There are very few private sector TVET providers at the certificate and diploma levels. Most public TVET institutions lack adequate, industry-relevant equipment and training facilities, and the quality of TVET instructors is low. The formal TVET system emphasizes theoretical knowledge with limited practical application. The Cambodia Qualifications Framework (CQF) was recently formulated to enable uniform certification processes among public and private TVET providers, across ministries, and between the nonformal and formal TVET systems. The voucher skills training program (VSTP) expanded under the ongoing Strengthening Technical and Vocational Education and Training Project¹¹ and the skills bridging program (SBP) initiated under the Piloting the Post-Harvest Technology and Skills Bridging Program for Rural Poor¹² (funded by a Japan Fund for Poverty Reduction grant) provide opportunities for demand-driven skills development. However, skills standards and standard training curricula are not applied to either program, which limits opportunities for trainees to accumulate skills and undertake further training in the formal TVET sector.

7. While the National Training Board (NTB) stipulates that TVET be demand driven, there is limited use of systematic labor market information or employer surveys to identify skill shortages to inform TVET course offerings.¹³ Strengthening capacity for managing and coordinating TVET and involving the NTB in policy formulation and implementation are ongoing

⁹ Annually, 230,000 students drop out before grade 9, and 100,000 school dropouts enter the labor market. In SY2009–2010, secondary enrollment was 908,698 and formal TVET enrollment was 746.

¹⁰ Certificate and diploma level refers to middle-level skills development (levels 2–4 of the Cambodian Qualifications Framework).

¹¹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Grant Assistance to the Kingdom of Cambodia for the Strengthening Technical and Vocational Education Project*. Manila.

¹² ADB. 2009. *Proposed Grant Assistance to the Kingdom of Cambodia for Piloting the Post-Harvest Technology and Skills Bridging Program for Rural Poor*. Manila.

¹³ NTB is the apex body for TVET policy formulation. NTB is chaired by a deputy prime minister.

priorities. Weak management and coordination, inadequate financing, and lack of labor market data have led to weak TVET program development, management, and supervision. Collaboration with the private sector in TVET policy and program development is nascent, and generally limited to the development of skills standards and curricula.

8. **Sector development program approach.** The government has requested Asian Development Bank (ADB) support for the three policy themes in the draft TVET strategic plan, 2014–2018: (i) equitable access to TVET, (ii) enhanced quality and relevance of TVET, and (iii) strengthened governance and management of TVET. The sector development program modality will provide policy-based program support to help finance reforms that seek to make the TVET system more relevant to the needs of the labor market. ADB's proposed country partnership strategy, 2014–2018 for Cambodia prioritizes development of the TVET sector.¹⁴

9. **Building on achievements of past ADB support.** The program is the first sector development program focused on TVET. It follows earlier education sector development programs in Cambodia that supported the expansion of basic education and the nonformal TVET system (footnote 11). The program builds on the ongoing Strengthening Technical and Vocational Education and Training Project¹⁵ to continue the development of a formal TVET system by (i) strengthening RTCs to deliver middle-level skills training; (ii) implementing a competency-based curriculum, including assessment; (iii) establishing sector skills councils based on the initial industry advisory groups formed; and (iv) enhancing the VSTP to better serve the majority of the Cambodian labor force who are employed in low-skilled agricultural jobs and/or in the informal sector. The program also builds on the Piloting the Post-Harvest Training and Skills Bridging Program for Rural Poor by enhancing the SBP to better serve out-of-school youth to enter formal TVET (footnote 12).

10. **Lessons.** Program design has been informed by a number of lessons from previous ADB TVET assistance: (i) systemic reforms need to be prioritized in terms of timeframe and capacity of the executing agency; (ii) TVET strategies need to be formulated alongside secondary education development given the large proportion of low-skilled workers requiring secondary education; (iii) capacity building for institutional finance and business planning is essential to address financial sustainability of costs for infrastructure maintenance, training programs, and pro-poor subsidies; and (iv) long-term interventions, which allow for evolution in program focus (e.g., from access to quality and relevance), are more likely to be sustained.

11. **Innovative features.** The program includes several key innovative features. Policy actions and project interventions will develop an assessment system for the recognition of prior learning and current competencies (RPLCC) acquired through nonformal or formal training, or through work and life experience. Flexibility in the recognition of skills and knowledge acquisition will enable increased access to TVET programs. The program also includes innovative strategies for private sector and employer engagement in TVET sector development, such as (i) development of centers of excellence (COEs) that teach a single technical subject in the priority sectors of construction, auto mechanics, electrical works, and manufacturing; and (ii) an apprenticeship program to provide industry experience to TVET instructors.

¹⁴ ADB. Forthcoming. *Country Partnership Strategy: Cambodia, 2014–2018*. Manila.

¹⁵ ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Education Sector Development Program*. Manila; ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Second Education Sector Development Program*. Manila.

12. **Development partner coordination.** Development partners significantly contributing to TVET in Cambodia include ADB and the Japan International Cooperation Agency.¹⁶ The TVET coordination working group, chaired by the MLVT's directorate general of TVET (DGTVE), was established in 2013 to promote policy dialogue and coordinate support in developing and implementing the MLVT's TVET strategic plan. The TVET coordination working group, which consists of representatives from development partners (ADB, Japan International Cooperation Agency, and others) and the Cambodian Federation of Employers and Business Associations, was consulted during program design.

B. Impact and Outcome

13. The impact of the program will be increased employability of TVET-certified workers. The outcome of the program will be an accessible, demand-driven TVET system responsive to continuing and emerging labor market demands. The program is nationwide in scope, reaching poor and disadvantaged youth living in the poorest communes.

C. Outputs

14. The program will deliver four outputs: (i) increased access to TVET programs, particularly for women and the poor; (ii) improved quality and relevance of the TVET system; (iii) increased involvement of employers in TVET delivery; and (iv) strengthened governance and management of the TVET system. Project interventions and policy actions are closely aligned.

15. **Output 1: Increased access to technical and vocational education and training programs.** The program will support a sub-decree, approved by the Prime Minister, to implement the CQF for the development of flexible pathways between different levels of qualifications, leading Cambodians to access education and training opportunities towards lifelong learning and facilitating regional mobilization of Cambodia's skilled workforce. Access to TVET programs will be increased through the following policy actions: (i) introduction of vocational skills certification (VSC) at CQF level 1 as an alternative entry pathway into the formal TVET system; and (ii) assessment policy and certification policy defining the process for RPLCC to allow more qualified Cambodians to enter the formal TVET system.

16. The project will (i) support the development of qualification requirements for piloting the VSC with existing nonformal TVET courses in auto mechanics, construction, and information and communication technology and/or business offered by public TVET institutions; (ii) train 80 staff from the DGTVE, public TVET institutions, and managers of assessment centers to implement RPLCC; (iii) train 200 assessors (10% female) from public TVET institutions to conduct competency assessments required for RPLCC; and (iv) support piloting RPLCC, including competency assessments, for 150 young adults (10% female) enrolled in TVET courses in auto mechanics, construction, and information and communication technology and/or business. RPLCC will be rolled out to assess around 900 Cambodians (70% from the poorest communes and 30% identified as disadvantaged) for competency in the above sectors over a period of 2 years. The project will also support 4,000 poor and disadvantaged youth (30% women) with stipends for middle-level training. Three female dormitories will be built at PTCs. Career mentorship programs will be piloted in these dormitories.¹⁷ Project interventions will support the development of a social marketing campaign to improve the public perception of TVET and vocationally oriented occupations, particularly among women and the disadvantaged.

¹⁶ Development Coordination (accessible from the list of linked documents in Appendix 2).

¹⁷ Pilot will include outsourcing dormitory management and operation and delivery of the career mentorship program.

17. **Output 2: Improved quality and relevance of technical and vocational education and training system.** The program will support a *Prakas* (i.e., proclamation),¹⁸ issued by the MLVT, for the registration of TVET institutions to ensure compliance with quality standards. To operationalize the registration system, the project will introduce a quality assurance system for public TVET institutions in Cambodia. The program will also support a national TVET policy to guide the development of high-quality, skilled, and capable human resources under the decentralized TVET system to promote economic growth and socioeconomic development through innovation and partnerships with key stakeholders, including the private sector.

18. The project will implement the national TVET policy through (i) the establishment of a competency-based assessment and certification system including the VSC, and (ii) the introduction of competency-based TVET instructor training at the National Technical Training Institute. An instructor apprenticeship program will be developed to allow instructors from public TVET institutions to gain industry experience. Approximately 600 TVET instructors will be trained. Using competency-based training, the project will enhance the quality and relevance of the VSTP and SBP by (i) forming stronger linkages to the labor market, (ii) alignment with the CQF, and (iii) integration of gender inclusive principles in program design. Approximately 35,000 trainees (60% female) will be supported through the VSTP.¹⁹ The existing SBP will be improved to include a gender-inclusive learning module on career opportunities following vocational training.²⁰ The project will also (i) target about 6,400 trainees (approximately 50% female) to enroll in the SBP; (ii) finance the construction of one classroom building and nine workshops, including equipment; and (iii) finance rehabilitation of the DGTVE building.

19. **Output 3: Increased involvement of employers in technical and vocational education and training delivery.** For greater involvement of employers in TVET delivery, the program will support issuance of a circular on “Promoting High Quality and Effective Technical and Vocational Education and Training,” signed by the Prime Minister, which will facilitate public–private partnerships to ensure that access to TVET is equitable, responsive to the demands of the labor market, leads to increased productivity, and contributes to economic development. The program will support an NTB-approved policy to reform internship programs offered by public TVET institutions and to engage the private sector in TVET dialogue.

20. The project will establish sector skills councils composed of industry associations and large employers representing four priority sectors: construction, auto mechanics, electrical works, and manufacturing. Sector skills councils will be engaged to support the development of COEs in priority sectors, as well as to establish (i) sector-specific soft skills training programs in cooperation with COEs, and (ii) an apprenticeship program for TVET instructors in cooperation with the National Technical Training Institute. The project will also support the reform of the internship program in cooperation with industry liaison units and COEs. A total of 200 trainees (20% female) will receive stipends for internships associated with training at CQF levels 2 to 4.

21. **Output 4: Strengthened governance and management of the technical and vocational education and training system.** To facilitate the management of the TVET system,²¹ the program will support a *Prakas*, issued by the MLVT, authorizing specific public TVET institutions to offer fee-based courses to generate revenue from students and employers

¹⁸ A *Prakas* or proclamation is a ministerial or interministerial decision signed by the relevant Minister/s.

¹⁹ The VSTP will promote gender equity through identification of skills needs and training programs for women.

²⁰ SBP training packages will be outsourced to qualified nongovernment organization TVET providers.

²¹ A capacity development technical assistance project is proposed to strengthen the capacity of DGTVE in sector planning, budgeting, and the development of the national TVET policy and gender policy. This will further support strengthened governance and management. The technical assistance will be processed separately.

who finance employees' training. The program will also support a sub-decree, signed by the Prime Minister, to direct the collection and dissemination of labor market information to inform training programs. The project will build the capacity of public TVET institution directors in planning, budgeting, program implementation, and monitoring and evaluation. It will also finance start-up costs for public TVET institutions to deliver courses at CQF levels 2 to 4 in construction, auto mechanics, and information and communication technology and/or business. Each RTC will implement up to 90 courses for approximately 2,700 trainees. Capacity of the 26 PTCs will be strengthened to deliver CQF level 2 training programs in the above sectors. PTCs will deliver around 234 courses for approximately 7,000 participants.

D. Development Financing Needs

22. Program financing is estimated to cost \$32.6 million equivalent (Table 1). The government has requested a policy-based loan and a project loan from ADB's Special Funds resources.²²

Table 1: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (policy-based loan)	7.0	21.5
Asian Development Bank		
Special Funds resources (project loan)	23.0	70.5
Government of Cambodia ^a	2.6	8.0
Total	32.6	100.0

^a Includes government cash contribution of \$2.43 million and in-kind government contribution of \$0.17 million.

Source: Asian Development Bank estimates.

23. **Policy-based loan financing plan.** To support the foreseen direct and indirect adjustment costs of reforms, the government has requested a policy-based loan in various currencies equivalent to \$7 million from ADB's Special Funds resources. The loan will have a 24-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft policy-based loan agreement. The policy-based loan amount was determined based on (i) adjustment costs in preparing, implementing, and monitoring the proposed policy actions; (ii) MLVT capacity development; and (iii) the relative importance ascribed by the government to TVET sector development. The policy-based loan will be released in two equal tranches, in accordance with provisions set out in ADB's Simplification of Disbursement Procedures and Related Requirements for Program Loans: tranche 1 in the amount of \$3.5 million will be released by loan effectiveness, and tranche 2 in the amount of \$3.5 million will be released by the end of 2017.²³

24. **Project loan investment plan.** The project is estimated to cost \$25.6 million equivalent. The government has requested a loan in various currencies equivalent to \$23.0 million from ADB's Special Funds resources to help finance the project (Table 2). The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft project loan agreement. Interest during implementation, recurrent costs, local transportation, and insurance costs will be covered under the project loan. The government contribution of \$2.6 million will cover supplementary salaries for counterpart staff, taxes and duties, civil works, and other in-kind contributions.

²² Additional financing from the Agence Française de Développement is possible at a later time.

²³ ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

Table 2: Project Investment Plan

(\$ million)		
Item		Amount ^a
A. Base Cost^b		
1. Output 1: Increased access to TVET programs		3.68
2. Output 2: Improved quality and relevance of TVET system		12.81
3. Output 3: Increased involvement of employers in TVET delivery		2.91
4. Output 4: Strengthened governance and management of TVET system		3.88
Subtotal (A)		23.28
B. Contingencies^c		1.58
C. Financing Charges During Implementation^d		0.74
Total (A+B+C)		25.60

TVET = technical and vocational education and training.

^a Includes government cash contribution of \$2.43 million and in-kind government contribution of \$0.17 million. Taxes and duties of \$0.64 million will be financed by the government through cash contribution. The Asian Development Bank will finance taxes and duties for incremental operations and maintenance costs. Inclusion of taxes and duties on Asian Development Bank-financed project expenditures and recurrent costs is consistent with the country partnership strategy. Financing of taxes and duties does not represent an excessive share of project cost and is material to the project success.

^b In mid-2013 prices.

^c Physical contingencies: 5% for civil works and mechanical equipment and 4% for capacity development, training, surveys, and studies. Price contingencies are computed at 1.0%–1.4% on foreign exchange costs and 3.5% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 5-year forward London interbank offered rate plus a spread of 0.5%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

25. The MLVT will be the executing agency. Implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.²⁴

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	January 2015–December 2019		
Estimated completion date	31 December 2017 for policy-based loan; 31 December 2019 for project loan		
Management			
(i) Oversight body	Project steering committee chaired by Secretary of State, MLVT. Members include Ministry of Economy and Finance; Ministry of Education, Youth and Sport; and Ministry of Women's Affairs.		
(ii) Executing agency	MLVT		
(iii) Key implementing agency	DGTNET		
(iv) Implementation unit	Project coordination unit, 78 staff		
Procurement	NCB	29 contracts	\$6.0 million
	Shopping	9 contracts	\$433,000
	ICB	0	\$0
Consulting services	QCBS	494 person-months	\$3.34 million
	CQS	39 person-months	\$472,000
	Individual	156 person-months	\$252,000
Retroactive financing and/or advance contracting	No retroactive financing proposed. Advance contracting proposed for implementation consultants, vehicles, and civil works for year 1.		
Disbursement	The project loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. The SDR 4,533,000 policy-based loan will be disbursed in two tranches, in accordance		

²⁴ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements
	with ADB's <i>Simplification of Disbursement Procedures and Related Requirements for Program Loans (1998)</i> : (i) tranche 1 [SDR2,266,500] by loan effectiveness, and (ii) tranche 2 [SDR2,266,500] by end of 2017.

ADB = Asian Development Bank, CQS = consultants qualification selection, DGTNET = directorate general of technical and vocational education and training, ICB = international competitive bidding, MLVT = Ministry of Labour and Vocational Training, NCB = national competitive bidding, QCBS = quality- and cost-based selection.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Economic and Financial

26. The program's direct economic benefits flow from the increased number of TVET-certified workers and the improved labor market outcomes from more relevant TVET programs.²⁵ The direct beneficiaries of the project will be the more than 40,000 trainees who benefit from interventions aimed at increasing access to, and improving the quality and relevance of, formal TVET in Cambodia. Five main categories of beneficiaries have been identified: (i) recipients of the stipends for training at CQF levels 2 to 4, (ii) recipients of stipends for internships, (iii) trainees of the enhanced VSTP, (iv) trainees of the enhanced SBP, and (v) trainees of public TVET institutions receiving support to deliver courses at CQF levels 2 to 4. Utilization rates are likely to be high because priority skills areas under the project were selected based on an assessment of labor market supply and demand.

27. Based on conservative assumptions, skills development may increase monthly wages by 18% to 127%, depending on the level of training. Assuming 56% of beneficiaries receive training under the project and utilize their newfound skills and knowledge in the labor market for up to 10 years, average annual earnings could increase by approximately \$6.0 million per year. Estimating these benefits over 20 years and using the total project cost of \$23.6 million plus an annual recurrent cost of \$0.1 million yields an economic internal rate of return of 24.0%.

28. **Financial sustainability.** The MLVT recurrent budget increased from \$13.1 million in 2009 to \$26.9 million in 2013, while the DGTNET recurrent budget tripled from \$5.4 million to \$16.6 million over the same period. Increases in the DGTNET program-based budget can sustain key project interventions. Recurrent expenditures (e.g., additional operating costs of PTCs and RTCs and equipment maintenance costs) can be absorbed by additional revenues from government funding. The average incremental recurrent cost under the project is \$0.5 million per year. The annual government contribution is 16% of the DGTNET recurrent budget. The government's annual commitment to the project is deemed affordable.

B. Governance

29. Financial management systems are sound, and the MLVT has experience in managing ADB disbursements. While the MLVT has the capacity to implement the program, it will face challenges in planning and budgeting within a decentralized TVET system. Considerable work remains on setting specific targets and indicators for rolling 3-year periods and continuously monitoring progress against targets related to specific TVET programs. Capacity building for financial management is critical to the sustained delivery of TVET. Governance challenges relate to (i) financial accountability within a decentralized TVET system, (ii) budget flow, (iii) capacity for budget allocation, and (iv) lack of monitoring and evaluation of program progress

²⁵ Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

and budget impact. There is a need for clarity on budgets, fund flows, and expenditures at the provincial and regional levels, and at public TVET institutions. Such information would inform cost norms and unit costs to facilitate accurate budget planning and resource utilization.

30. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MLVT. The specific policy requirements and supplementary measures are described in the PAM (footnote 24).

C. Poverty and Social

31. **Poverty.** The program prioritizes skills development among the poor and disadvantaged.²⁶ Increased access to TVET will lift labor productivity and lead to higher incomes, thus reducing poverty. Policy actions under the program will ensure equitable access to formal TVET through the introduction of the VSC and more qualified Cambodians entering formal TVET programs through the RPLCC process. Project interventions will provide stipends for disadvantaged youth and women to attend formal TVET programs. Training proposals for stipends from public TVET institutions will include beneficiaries from poor households identified by the Ministry of Planning's Identification of Poor Households Program (IDPoor). Given that a large proportion of the labor force remains employed in the agricultural sector, the project will enhance the VSTP. The SBP will be enhanced to reflect competency-based training principles to support the entry of out-of-school youth into formal TVET. Social marketing of TVET will build awareness of TVET and employment opportunities among poor and vulnerable groups.

32. **Gender.** The program is categorized as gender equity theme.²⁷ It will increase female enrollment, retention and completion of formal TVET, and enhance workplace readiness. The gender action plan ensures that (i) 30% of those receiving stipends for training at CQF levels 2 to 4 are female, (ii) 20% of females receiving stipends for training at CQF levels 2 to 4 are enrolled in nontraditional areas, (iii) 120 women enrolled in training programs at CQF levels 2 to 4 and living in dormitories receive monthly career mentoring, (iv) 40% of the 200 Cambodian youths participating in the competency assessment pilot program are female, and (v) 30% of the approximately 9,000 students trained at CQF levels 1 to 4 by RTCs and PTCs are female.

D. Safeguards

33. In accordance with ADB's Safeguard Policy Statement (2009), the program is classified C for involuntary resettlement and B for indigenous peoples. Civil works will involve small-scale construction, including three women's dormitories, one classroom building, and nine workshops. All construction will be within existing TVET facilities on government-owned land. The MLVT will provide ADB with an involuntary resettlement screening for subprojects involving construction to ensure compliance with ADB safeguard policies. The program is expected to have beneficial impacts on indigenous peoples in border provinces. An indigenous peoples plan has been developed to improve the distribution of benefits to indigenous peoples.²⁸

34. **Environment.** The program is classified category B for environment. Environmental impacts are limited to the construction phase. An initial environmental examination,²⁹ which sets out mitigation and monitoring measures, has been prepared and disclosed on the ADB website.

²⁶ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

²⁷ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

²⁸ Indigenous Peoples Plan (accessible from the list of linked documents in Appendix 2).

²⁹ Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

E. Risks and Mitigating Measures

35. While government is committed to improving financial management for TVET development, a number of TVET sector financial management issues are assessed as high without mitigation, including the lack of TVET recurrent budget, and the level of resources required to implement the draft TVET strategic plan, 2014–2018. Policy dialogue will be promoted with the MLVT and the Ministry of Economy and Finance on these issues. Other high risks include (i) significant off-budget funding, and (ii) weak financial management capacity among public TVET institutions. A proposed technical assistance will support DGTNET capacity development for sector planning and budgeting. Provincial level risks will be mitigated through capacity development of administrators of public TVET institutions. A potential corruption issue involving unclear roles and responsibilities of provincial level TVET authorities was assessed as a high risk without mitigation. Policy dialogue will be promoted with the MLVT and the National Committee for Subnational Democratic Development to define the roles and responsibilities of the Provincial Training Board in the development of the formal TVET system. The overall risk is medium with mitigation measures. The integrated benefits and impacts are expected to outweigh the costs.

IV. ASSURANCES AND CONDITIONS

36. The government and the MLVT have assured ADB that implementation of the program shall conform to all applicable ADB policies, including anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents. The government and the MLVT have agreed with ADB on certain program covenants, which are set forth in the program and project loan agreements. The loan will not be declared effective until the government, through the MLVT, has fulfilled all conditions for the release of the first tranche as set out in the policy matrix (Appendix 4).

V. RECOMMENDATION

37. I am satisfied that the proposed loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the policy-based loan in various currencies equivalent to SDR4,533,000 to the Kingdom of Cambodia for the Technical and Vocational Education and Training Sector Development Program, from ADB's Special Funds resources, with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) the loan in various currencies equivalent to SDR14,895,000 to the Kingdom of Cambodia for the Technical and Vocational Education and Training Sector Development Program, from ADB's Special Funds resources, with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

4 September 2014

Takehiko Nakao
President

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Increased employability of technical and vocational education and training (TVET) certified workers	By 2025: Number of workers in the labor force with TVET qualifications increased by 30% (25% for females) ^a 90% of TVET graduates from nonformal and formal TVET programs who enter the labor force find employment within 3 months of graduation ^a	Labor market information system (LMIS) data Labor force data	Assumptions Economy continues to grow Government sustains priority for labor market skills Risk Demand for middle-level skilled workers in the priority areas weakens
Outcome An accessible, demand-driven TVET system responsive to continuing and emerging labor market demands	By 2019: 30% increase (25% for females) in enrollments for Cambodia Qualifications Framework (CQF) levels 2–4 training courses at public TVET institutions from an estimated baseline of 918 (197 females) in school year 2011–2012 Female enrollments in nontraditional skills areas increases from less than 2% to 10% at public TVET institutions ^a 60% of regional training center (RTC) and provincial training center (PTC) graduates awarded vocational skills certificate (VSC)	TVET management information system (MIS) data Tracer studies Impact study reports from sector skills councils (SSCs)	Risks Poor perception of TVET limits interest in pursuing TVET qualifications Inadequate supply of TVET instructors to deliver CQF levels 2–4 courses hinders TVET quality improvement
Output 1: Increased access to TVET programs	900 Cambodians assessed for competency in priority sectors by 2018 40% of VSC holders enroll in CQF level 2 courses in priority skills areas by 2018 120 female trainees receive accommodation in dormitories at PTCs by 2016 Women constitute 20% of enrollments at Public TVET Institutions in CQF level 2 training programs in priority skill areas by 2019 50% of CQF level 1 enrollees at public TVET institutions assessed for recognition of CQF level 2 competency in the priority skill areas by 2018 4,000 people age 14 to 25 (30% female) receive stipends for CQF levels 2–4 training at public TVET institutions by 2019 (70% from poorest communes and 30% disadvantaged)	Impact assessment Impact assessment Project quarterly reports Project quarterly reports Project quarterly reports	Assumptions Government remains committed to forming alternate pathways into formal TVET system Government remains committed to social marketing of TVET
Output 2: Improved quality and relevance of TVET system	200 staff from public TVET institutions in Phnom Penh and 50 staff from public TVET institutions in all provinces participate in competency assessment workshops for recognition of competencies by 2015 600 RTC and PTC instructors (20% female) trained to deliver competency-based training and assessment for CQF levels 1–4 programs by 2017 50% of TVET instructors at public TVET institutions attain competency according to standards developed under the program by 2018	TVET MIS Midterm study Program quarterly reports	Assumption Government processes cause delay in implementation of key interventions for TVET system

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>10% of urban voucher skills training program (VSTP) courses and 10% of skills bridging courses outsourced to non-state TVET providers by 2016</p> <p>35,000 trainees (60% female) supported to participate in VSTP</p> <p>6,400 trainees (approximately 50% female) supported to participate in skills bridging program (SBP)</p>	<p>Program quarterly reports</p> <p>Tracer study</p>	
Output 3: Increased involvement of employers in TVET delivery	<p>Internship program in public TVET institutions revised in collaboration with SSCs by 2016</p> <p>200 public TVET institution trainees (20% female) engaged in internships by 2019 (70% from poorest communes and 30% disadvantaged)</p> <p>In collaboration with SSCs: (i) instructor apprenticeship program developed by 2016; (ii) four centers of excellence (COEs) representing four priority skill areas developed by 2016; (iii) CQF level 2 training course in basic manufacturing processes developed and piloted by 2016; (iv) soft skills training program for CQF levels 1–4 developed and piloted by 2016; (v) VSC and CQF levels 1–4 training programs in the four priority skill areas developed and piloted by 2017; and (vi) internship program for CQF levels 3–4 for middle-level workers and supervisors established by 2017</p>	<p>Program quarterly reports</p> <p>Midterm study</p> <p>Pilot studies</p>	<p>Assumption Political will for government to collaborate with industry associations and employers for TVET development continues</p> <p>Risk Formal agreements with industry associations and employers are delayed</p>
Output 4: Strengthened governance and management of the TVET system	<p>9,700 Cambodians (30% female) trained at CQF levels 1–4 by PTCs and RTCs by 2019</p> <p>20% of RTCs and PTCs engage in revenue-generating activities related to business development plan submitted to the directorate general of TVET (DGTVE) by 2017</p> <p>60% of public TVET institutions use expanded TVET MIS and LMIS to inform TVET programming by 2018</p>	<p>Program quarterly reports</p> <p>Consultant reports</p> <p>Midterm study</p>	<p>Assumption Government ensures required staff for operation and management of public TVET institutions, including RTCs and PTCs</p>
Activities with Milestones		Inputs	
<p>Output 1: Increased access to TVET programs</p> <p>1.1 Introduce the VSC</p> <p>1.1.1 <i>Prakas</i> and CQF guidelines issued by 2015</p> <p>1.1.2 Competency standards developed, and VSC courses offered by PTCs, by 2015</p> <p>1.2 Develop policies for recognition of prior learning and current competencies (RPLCC)</p> <p>1.2.1 Staff trained on RPLCC implementation by 2015</p> <p>1.2.2 RPLCC and competency assessments piloted by 2015</p> <p>1.2.3 Assessors trained in competency assessments by 2016</p> <p>1.2.4 Assessment and certification policy endorsed by 2017</p> <p>1.2.5 Training modules for RPLCC developed by 2017</p> <p>1.3 Establish stipend program for TVET training at CQF levels 2–4</p> <p>1.3.1 Staff trained to implement stipend program by 2015</p> <p>1.4 Pilot women's dormitories with career mentorship program</p> <p>1.4.1 Women's dormitories constructed by 2016</p> <p>1.4.2 Dormitory management and operation procured by 2016</p> <p>1.5 Promote social marketing of TVET</p> <p>1.5.1 Social marketing agency contracted by 2016</p>		<p>Policy-based loan ADB: \$7,000,000</p> <p>Project loan ADB: \$23,000,000</p> <p>Government: \$2,600,000</p>	

1.5.2	Marketing messages developed by 2017	
1.5.3	Roadshows presented by 2019	
Output 2: Improved quality and relevance of TVET system		
2.1	Strengthen TVET quality assurance system	
2.1.1	Quality assurance system for public TVET institutions piloted by 2017	
2.1.2	Directors of public TVET institutions introduced to components of quality assurance system by 2017	
2.1.3	DGTNET staff participates in study tour to build knowledge about quality assurance systems by 2017	
2.1.4	Internal audits of public TVET institutions conducted by 2018	
2.1.5	Results following pilot reported by 2018	
2.2	Establish TVET competency-based assessment and certification system	
2.2.1	Revised competency assessment and TVET certification system developed by 2017	
2.2.2	Competency assessment units or centers established and tools developed by 2017	
2.2.3	Assessors and 10 managers of competency assessment units or centers trained by 2018	
2.2.4	Assessors accredited and competency assessment conducted by 2019	
2.3	Improve TVET instructor training system	
2.3.1	TVET instructor training and instructor assessment introduced by 2016	
2.3.2	Curriculum and learning materials for training instructors developed by 2016	
2.3.3	Instructor assessment program, inclusive of assessment tools, developed by 2016	
2.3.4	Instructor apprenticeship program developed, piloted, and implemented by 2017	
2.3.5	TVET instructor training and instructor assessment rolled out to all RTCs by 2018	
2.4	Enhance voucher skills training program	
2.4.1	Process for training and employment needs assessment revised by 2016	
2.4.2	Community development specialists trained by 2016	
2.4.3	Standardized curricula, skill standards, and guidelines for VSTP courses developed by 2016	
2.4.4	Modules for revised VSTP implementation and participation guidelines kit developed by 2016	
2.4.5	Quality assurance mechanism supporting private and non-state providers developed and implemented by 2016	
2.4.6	Vouchers for training by non-state providers disbursed by 2017	
2.4.7	Tracer studies conducted by 2019	
2.5	Enhance SBP	
2.5.1	SBP curricula revised to reflect competency-based training principles by 2016	
2.5.2	Gender-inclusive learning module on career opportunities following vocational training developed by 2016	
2.5.3	Non-state providers oriented on revised SBP curricula and learning support materials by 2016	
2.5.4	Competency-based SBP contracted to non-state providers by 2017	
2.5.5	SBP providers (public and non-state) attend semiannual orientation workshops by 2018	
2.6	Improve TVET facilities	
2.6.1	Workshops constructed by 2018	
2.6.2	Specialized equipment packages procured for nine workshops by 2018	
2.6.3	Classroom building and workshops at the Battambang Institute of Technology constructed by 2018	
2.6.4	DGTNET building rehabilitated by 2018	
Output 3: Increased involvement of employers in TVET delivery		
3.1	Strengthen internship program	
3.1.1	Framework and guidelines for internship program developed by 2016	
3.1.2	Industry liaison units trained to implement and monitor new internship program by 2016	
3.1.3	Internship stipends provided to 200 TVET trainees by 2019	
3.2	Establish SSCs	
3.2.1	Operating procedures and monitoring and evaluation framework for SSCs established by 2015	
3.2.2	SSCs established and formalized through memoranda of agreement by 2016	
3.3	Establish COEs	
3.3.1	COEs established by 2016	
3.3.2	VSC and CQF levels 2–4 training programs piloted by 2016	
3.3.3	Soft skills training module developed to be incorporated into curricula for CQF levels 1–4 by 2016	
3.3.4	CQF levels 3–4 internship programs for middle-level and supervisory workers piloted by 2017	
3.3.5	CQF levels 1–4 course materials disseminated to RTCs and PTCs within each COE network by 2017	
Output 4: Strengthened governance and management in TVET system		
4.1	Strengthen RTCs and PTCs to offer CQF level 2 and above courses	
4.1.1	PTCs deliver 234 courses, and five RTCs deliver 90 courses by 2019	
4.2	Strengthen financing of RTCs and PTCs	
4.2.1	Start-up costs for RTCs and PTCs to offer CQF level 2–4 courses financed	
4.3	Improve information management system	
4.3.1	TVET MIS and LMIS expanded by 2019	

^a Baselines will be determined at project inception and informed by data from Strengthening Technical and Vocational Education and Training Project.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46064-002-3>

1. Program Agreement
2. Project Agreement
3. Sector Assessment (Summary): Education
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Economic and Financial Analysis
8. Country Economic Indicators
9. International Monetary Fund Assessment Letter
10. Summary Poverty Reduction and Social Strategy
11. Gender Action Plan
12. Indigenous Peoples Plan
13. Initial Environmental Examination
14. Risk Assessment and Risk Management Plan

DEVELOPMENT POLICY LETTER

KINGDOM OF CAMBODIA

Nation Region King



MINISTRY OF ECONOMY AND FINANCE



MINISTRY OF LABOUR AND VOCATIONAL TRAINING

Phnom Penh, 15 July 2014

Mr. Takehiko Nakao
President
Asian Development Bank
Manila, Philippines

Subject: DEVELOPMENT POLICY LETTER AND POLICY MATRIX
Technical and Vocational Education and Training Sector Development Program

Your Excellency,

1. The Royal Government of Cambodia (the Government) asserts high priority to skills development as part of Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase III, and the National Strategic Development Plan 2014–2018. Specifically, the Government has prioritized the development of human resources to ensure competitiveness locally and in the open regional labour market through training of skilled and productive labour to meet market demand and increase value added commodities and services; development of regulatory frameworks and TVET infrastructure to support the skills and training needs; and encouragement of private sector participation and industry engagement. The draft Technical and Vocational Education and Training (TVET) Strategic Plan 2014–2018 has been formulated by the Ministry of Labour and Vocational Training (MLVT) with the support of Asian Development Bank (ADB) to realize Government's priority for developing human resources to ensure competitiveness in the local and regional labour market. The draft TVET Strategic Plan 2014–2018 identifies the following medium term subsector objectives to meet the goals of the Government: (i) equitable access to TVET; (ii) enhanced quality and relevance of TVET; and (iii) strengthened governance and management of TVET. The support of ADB is critical to our analysis of the subsector and the development of our strategic framework through grant and loan projects and technical assistance since 1996.

2. The Government wishes to take this opportunity to thank the ADB for its sustained support to develop the TVET subsector. The Basic Skills Project (BSP, 1995–2003) supported the establishment of the National Training Board and National Training Fund to finance short-term programs in rural areas. The Education Sector Development Program (ESDP, 2002–2008) supported capacity development in TVET budget planning and the transfer of TVET from

Ministry of Education Youth and Sport (MoEYS) to the MLVT. The Second Education Sector Development Program (2004–2010) piloted the Voucher Skills Training Program (VSTP) to create stronger linkages between nonformal TVET and commune plans. The VSTP is now being expanded under the ongoing ADB project, Strengthening Technical and Vocational Training Project (STVET, 2009–2014), which also supports the development of the formal TVET system through Regional Training Centers and Industry Advisory Groups. While key interventions are in progress, the following has been achieved under STVET: (i) Cambodia Qualification Framework (CQF) approved by NTB; and (ii) Industry Advisory Groups established. Complementary to STVET, the Post-Harvest Technology and Skills Bridging Program for Rural Poor (2009–2012), funded by a Japan Fund for Poverty Reduction grant, piloted: (i) the post-harvest technology skills development program; and (ii) the TVET skills bridging program.

3. We are pleased to report that the Government, with assistance from ADB and other development partners, has made significant progress towards enabling Cambodians access to nonformal and formal training leading to employment and increased incomes. There has been an increase in the number of Cambodians receiving nonformal training through the VSTP from a total of 41,947 in 2011 to 62,040 in 2013. Female trainees have consistently accounted for 60% of the total. The National Training Fund supported a total of 62,402 trainees (32,974 females) to receive nonformal training offered by Provincial Training Centers. The total number of trainees enrolled in formal TVET (i.e. certificate level courses) was the highest in 2011–2012 at 10,523. However, much work remains as greater progress is necessary to ensure appropriately skilled human resources to meet labour market demands locally and regionally.

4. In this letter, we would like to apprise Your Excellency of upcoming policy reforms toward equitable access to and improved quality and relevance of the formal TVET system in Cambodia, which the Government has sought ADB assistance under the proposed Technical and Vocational Education and Training Sector Development Program (TVETSDP). The policy program, reflected in the accompanying policy matrix, builds upon and carries forward foundational policies that the Government and MLVT has put in place to structure the TVET system. Under the program loan component of the proposed TVETSDP, the Government agrees to undertake the policy program as detailed in the policy matrix and explained in detail below.

5. **Increased Access to TVET Programs.** In 2012, the National Training Board approved the CQF as a unified system of national qualifications covering basic and secondary education, vocational education and training and higher education. It links together qualifications at each level and between subsectors into a national system of educational recognition providing flexible pathways between technical and vocational training and higher education. The CQF is integral to delivery of education and training services offered by both the MLVT and the MoEYS and other government agencies providing opportunities for human resource development as it provides uniform definition of skill standards to be achieved and recognized. The Royal Government of Cambodia issued a Sub-Decree signed by Prime Minister on 28 March 2014 to promulgate the implementation of the CQF to support the development of flexible pathways between different levels of qualifications leading Cambodians to access education and training opportunities towards lifelong learning and facilitating regional mobilization of Cambodia's skilled workforce.

6. A major obstacle to accessing formal TVET (Level 2 of the CQF) is the Grade 9 entry requirement. A large proportion of Cambodian youth drop out of school without completing Grade 9 and enter the labour market without mastery of basic skills. Formal TVET is an alternative path to general education.²³ MLVT will issue Prakas to promulgate the Vocational Skills Certification at Level 1 of the CQF as an alternative entry requirement into the formal TVET system (beginning at Level 2 of the CQF). MLVT will also issue guidelines for implementing and monitoring the CQF, inclusive of criteria for qualification for Vocational Skills Certificate.

²³ Formal TVET refers to certificate level training based on the Cambodia Qualification Framework.

7. MLVT advocates for the recognition of prior learning and current competencies. Access to formal TVET may be increased by recognizing current skills and knowledge, regardless of how, when or where they were obtained. Skills, knowledge and attitude may be acquired through non-formal or formal training, or through work experiences and everyday life experiences. The Vocational Skills Certificate will be dependent upon the processes for the recognition of prior learning and current competencies. The National Training Board will promulgate the processes for the recognition of prior learning and current competencies through the issuance of the Assessment Policy outlining the rationale for conducting competency assessments in order to facilitate access to formal TVET and promote recognition of prior learning and current competencies, and the Certification Policy to outline the procedure for allowing the recognition of competency units achieved, as well as the certification of complete qualifications for Levels 1–4 of the CQF.

8. **Improved Quality and Relevance of TVET System.** The National TVET Development Plan (NTDP) 2006–2010, had two major tracks. First, TVET needed to respond to social equity issues by assisting the poor to master skills which would enhance family income through better agricultural productivity or from basic self-employment. Aligned with this first track, the NTDP sought to promote decentralization of the nonformal TVET system since training would be offered more effectively in communes where local markets and skills gaps are understood. It set out to develop the role of Provincial Training Centers (PTCs) which were to provide nonformal training and planning for TVET at the provincial level. Following the establishment of PTCs, the MLVT issued Prakas for the Registration of TVET institutions to ensure compliance to quality standards. Second, TVET needed to meet the needs of enterprises for a skilled and adaptable workforce. MLVT continues to work towards realizing this second track. The Government seeks to develop high-quality, skilled and capable human resources under the decentralized TVET system in order to meet the immediate and long-term needs of economic growth and socio-economic development through innovation and partnerships with key stakeholders such as private sector and employers. In order to achieve this and meet the needs of enterprise, the Royal Government of Cambodia will promulgate the National TVET Policy, developed in consultation with relevant government agencies, employers, and workers, to provide a strategic framework for skills development for lifelong employability and regional competitiveness.

9. **Increased Involvement of Employers in TVET Delivery.** In 2011, the Royal Government of Cambodia issued a Circular on Promoting High Quality and Effective Technical and Vocational Education and Training signed by Prime Minister which defines measures such as public private partnerships to ensure that access to TVET is equitable and that it is responsive to the demands of the labour market, and it leads to increased productivity and contributes to economic development of Cambodia. However, there has been a long tradition of supply-driven approaches in TVET and, in general, there are weak links between TVET institutions and enterprises. It is recognized that there is a need for actors on both the supply (government) and demand side (employers) to adapt to new approaches. There is evidence of increasing effort being made by public stakeholders to engage the private sector and, specifically, employers' representatives, in TVET dialogue. For instance, the National Polytechnic Institute of Cambodia collaborates with employers on defining skill development needs in order to inform curriculum development. The polytechnic also creates individual development plans for interns and new employees. MLVT priorities the reform of internship programs offered by public TVET institutions, and seeks to forge partnerships with employers and private sector to enhance on-the-job learning opportunities for trainees. The National Training Board will issue an Internship Policy, developed in consultation with employers and workers, to provide a framework for reforming internship programs offered by public TVET institutions under MLVT.

10. **Strengthened Governance and Management in TVET System.** Expenditure on TVET has increased by 45% per annum since the establishment of MLVT in 2005 to up to 2010. Government spending on TVET for 2011 was approximately \$3.3 million with \$1.6 million earmarked for non-formal and formal training. Base salary and utility costs was \$1.2 million. In 2012, there was a large increase in government spending to \$8.8 million (an increase of nearly 170%) due to a substantial investment in equipment for TVET institutions under MLVT and

increased funding for nonformal training programs. Confronted by budgetary pressures, the Government continues to find ways to provide adequate, stable financing for public TVET institutions to deliver quality TVET programs. One measure has been to identify TVET institutions capable to generate revenue through fee-based courses. MLVT issued a series of Prakas between 2011–2012 authorizing specific public TVET institutions to offer fee-based courses as a measure to generate revenue from fee paying students and employers who may seek training courses provided by MLVT public TVET institutions for their employees. This policy action supports the implementation of business plans generated by public TVET institutions under the project loan of TVETSDP.

11. At the moment there is no integrated statistical information system on the labour market in Cambodia. In 2008, a Prakas signed by the Deputy Prime Minister, set up a Subcommittee for Labour Market Information and established the roles and duties of the offices of labour market information and labour statistics in the Department of Labour Market Information of DGTVE. In 2009, under the National Training Board, a sub-committee on labour market information has been established. The sub-committee's key mandate is to design and implement a labour market information system. The National Employment Agency is taking the lead in organizing the work of the sub-committee. In 2010, the Royal Government of Cambodia issued a Sub-Decree signed by Prime Minister to direct the collection and documentation of labour market information to inform market-driven training programs. On this basis, the development of the TVET and labour market information system has commenced under ADB's STVET Project. Proposed interventions under TVETSDP seek an integrated TVET and labour market information system to further inform development of formal TVET programs.

12. We would like to highlight that the policy program under TVETSDP intends to support formal TVET system development to build human resources ensuring Cambodia's competitiveness locally and in the regional labour market. The Government is committed to advancing equity in all reform areas as part of its sustained efforts to fully promote inclusive education. The Gender Action Plan and the Indigenous Peoples Matrix developed for TVETSDP are fully consistent with Cambodia's Rectangular Strategy for Growth, Employment, Equity, and Efficiency and other policy directions. A high priority will be placed on implementing the Gender Action Plan and the Indigenous Peoples Matrix during the course of the program and project.

13. The Government will use the funds generated by program loan tranches to primarily support full implementation of related policy actions towards meeting the three policy areas of the TVET Strategic Plan 2014–2018: i) equitable access to TVET; (ii) enhanced quality and relevance of TVET; and (iii) strengthened governance and management of TVET.

14. As ADB continues to support the Royal Government of Cambodia in developing the formal TVET system, we would like to confirm our commitment to further policy and strategic dialogue. The Royal Government of Cambodia wishes to re-affirm its commitment in sustaining partnership with the ADB in the sustained development of Cambodia through technical and vocational education and training and other priority sectors.

Sincerely Yours,



H.E. Dr. Aun Pornmoniroth
Minister
Ministry of Economy and Finance



H.E. Dr. Ith Samheng
Minister
Ministry of Labour and Vocational Training

**POLICY MATRIX FOR TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING SECTOR DEVELOPMENT PROGRAM
(TVETSDP)**

Output and Policy Area	Policy Actions by Loan Effectiveness ¹	Policy Actions by end 2017 ²
Output 1: Increased Access to TVET Programs		
Introduce the Vocational Skills Certification (VSC).	The Royal Government of Cambodia will issue a Sub-Decree signed by Prime Minister to approve the implementation of the Cambodia Qualification Framework (CQF) to support the development of flexible pathways between different levels of qualifications leading Cambodians to access education and training opportunities towards lifelong learning and facilitating regional mobilization of Cambodia's skilled workforce.	The Ministry of Labour and Vocational Training (MLVT) will issue Prakas to approve the Vocational Skills Certification at Level 1 of the CQF as an alternative entry requirement into the formal TVET system (Level 2 of CQF). MLVT will also issue guidelines for implementing and monitoring the CQF, inclusive of criteria for qualification for Vocational Skills Certificate.
Develop and implement policies for recognition of prior learning and recognition of current competencies (RPL/RCC).		The National Training Board will approve the processes for the recognition of prior learning and current competencies through the issuance of the Assessment Policy outlining the rationale for conducting competency assessments in order to facilitate access to formal TVET and promote recognition of prior learning and current competencies.
		The National Training Board will approve the Certification Policy to outline the procedure for allowing the recognition of competency units achieved, as well as the certification of complete qualifications for CQF Levels 1–4.
Output 2: Improved Quality and Relevance of TVET System		
Strengthen TVET Quality Assurance System	MLVT will issue Prakas for the Registration of TVET institutions to ensure compliance with quality standards for TVET institutions.	The Royal Government of Cambodia will approve the National TVET Policy, developed in consultation with relevant government agencies, employers, and workers, to provide a strategic framework for gender inclusive skills development for lifelong employability and regional competitiveness.

¹ Policy Program 1 covers the period between 2010–2014.

² Policy Program 2 covers the period between 2014–2017.

Output and Policy Area	Policy Actions by Loan Effectiveness ¹	Policy Actions by end 2017 ²
Output 3: Increased Involvement of Employers in TVET Delivery		
Establish Sector Skills Councils	The Royal Government of Cambodia will issue a Circular on Promoting High Quality and Effective Technical and Vocational Education and Training signed by the Prime Minister which will define measures such as public private partnerships to ensure that access to TVET is equitable and that it is responsive to the demands of the labour market, leads to increased productivity and contributes to economic development of Cambodia.	
Strengthen Internship Program.		The National Training Board will approve an Internship Policy, developed in consultation with employers and workers, to provide a gender inclusive framework for reforming internship programs offered by public TVET institutions under the Ministry of Labour and Vocational Training.
Output 4: Strengthened Governance and Management in TVET System		
Strengthen RTCs and training centers at provincial level to Offer CQF Level 2 and above courses	MLVT will issue Prakas authorizing specific TVET institutions to offer fee-based courses as a measure to generate revenue from fee paying students and employers who may seek training courses provided by MLVT public TVET institutions for their employees.	
Improve Information Management Systems	The Royal Government of Cambodia will issue Sub-Decree signed by the Prime Minister to direct the collection and documentation of labour market information to inform market-driven training programs.	