PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC2634

Project Name	Skills Development Project (P145309)
Region	AFRICA
Country	Uganda
Sector(s)	Vocational training (100%)
Theme(s)	Education for the knowledge economy (100%)
Lending Instrument	Specific Investment Loan
Project ID	P145309
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Education and Sports, Ministry of Agriculture Animal Husbandry and Fisheries
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	06-Feb-2015
Date PID Approved/ Disclosed	07-Feb-2015
Estimated Date of Appraisal Completion	20-Feb-2015
Estimated Date of Board Approval	09-Apr-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Uganda’s economy is back on a strong growth trajectory after a difficult five years. The growth rate declined from an average of 9.3 percent in 2001-2008 to 7.2 percent in 2009 before it reached 3.4 percent in 2012. Recent estimates by the World Bank and IMF suggest that Uganda's economy has stabilized and is set to grow by 6.25 percent this year on the back of low inflation and monetary easing. In the medium term scenario, the expectation is that the rate of growth will exceed the historical rate of 7 percent driven predominantly by oil production , along with productivity gains in agriculture and increased trade with the East African Community (EAC) through greater integration and harmonization (IMF 2013, The World Bank 2013).

2. In FY13, the main drivers of growth are in service (8.5 percent) and construction (10 percent) sectors. Communications and finance will continue to be the most significant sub-sectors. The contribution of the tourism sub-sector will most likely also increase, although this sub-sector

remains highly sensitive to security developments in the East African region. Within the industrial sector, the rate of growth of the manufacturing sub-sector is projected to recover to approximately 7 percent per annum, as financial conditions and energy provision improve. New Foreign Direct Investment (FDI) in extractive industries should also boost construction activities. The rate of growth of the agricultural sector is expected to reach approximately 5 percent in FY13 as long-term weather forecasts continue to point to more favorable climatic conditions and better rainfalls than experienced in FY12 (World Bank, 2013).

3. Uganda has one of the youngest and most rapidly growing populations in the world which is a major challenge in terms of employment opportunities in the short and medium term. The total fertility rate (TFR) is estimated at 6.7 children per woman according to the government's data. About half (53 percent) of Uganda's population is younger than 15, well above Sub-Saharan Africa's average of 43.2 percent and world average of 26.8 percent. The most important demographic issue for Uganda is related to the age structure rather than the overall size of its population which stood at 36 million in 2012. Turning this challenge into an opportunity by equipping this large workforce with relevant skills not only to access jobs, but to create them is at the forefront of the Government's sector strategy on skills development.

Sectoral and Institutional Context

5. The overwhelming majority of Ugandans are working but most are not in jobs that pay regular wages. In 2009/10, about 16 percent of the 15 million workforce were fortunate to have "wage jobs"—jobs that pay a regular wage, often with associated benefits- while remainder 84 percent of the workforce were either working in family farms or informal enterprises , or what may be collectively described as the informal sector.

6. Agriculture continues to have the highest share of employment, with 70 percent of workforce in family farming and another 3 percent as agriculture wage labor. Overall, the sector's contribution to the GDP has sharply decreased from an average of 45 percent in 1990s to 27 percent in the 2000s, thus confirming the fall in average labor productivity. Raising the productivity, particularly of small farmers remains important.

7. Outside of agriculture, the growth in jobs over the last decade has primarily been in informal enterprises. Over 50 percent of non-farm informal enterprises in 2005/6 were in wholesale and retail activities while about 30 percent were in manufacturing enterprises. There has also been a rapid expansion in the number of formal jobs in small firms and traded goods which have shown promise in creating new jobs.

9. Moving forward, the service, manufacturing, oil and gas, construction, and agriculture sectors will be important sources of employment in Uganda. Projections for future job growth indicate that the numbers of jobs are likely to double in the service sector and the manufacturing sector by 2020 even though agriculture will continue to be the dominant employer (World Bank 2013). The three major oil producing companies in Uganda – Tullow Oil, Total and CNOOC- recently commissioned a study to estimate manpower needs in the oil and gas sector. Preliminary findings show that manpower needs will peak in the development phase of petroleum in about mid-2017 at 13,000 workers. The vast majority of these will be in the construction industry. Even after the development phase, as oil companies' start producing oil, it is envisioned that the large demand for construction workers will continue as the government invests oil revenues in infrastructure such as schools, hospitals, roads etc.

10. Uganda's National Development Plan (2010 To 2015) identifies the following priority sectors: agriculture, forestry, tourism, mining, oil and gas, light manufacturing, Information Communication and Technology (ICT) and construction. The plan seeks to improve road and rail networks, create employment opportunities, improve workforce distribution and use the private sector as the "engine of growth and development".

11. The majority of the workforce will require foundational skills acquired in primary and basic education and hence improving completion rates and quality will continue to be a priority. Large dropout rates from primary school coupled with low enrolments in secondary school result in large number of individuals that leave school too early without having developed generic skills essential for life and work. The Government continues to focus improving primary education quality and lower secondary education, which the Bank and various partners are supporting.

12. There is also a need for technically trained workers for occupations in the formal and informal sectors which are likely to grow. Some of these occupations are traditional, such as masons, plumbers, electricians, welders etc in the manufacturing/construction industry and the main issue is one of quality and ensuring that the workers can use the appropriate technology and machinery with safety. Some occupations will be new and more specialized such as arc welding. Many entrants into these occupations, especially in the informal sector will enter with less than lower secondary (O level) education.

13. Uganda's Business, Technical, and Vocational Education Training (BTVET) subsector is currently not well situated to respond to the challenges of creating a technically skilled labor force for the growth sectors. It currently caters to only a small proportion of labor market entrants. Compared to approximately 700,000 new entrants, public BTVET institutions enrolled only 34,000 students. Although small in size, the public BTVET is fragmented across several Ministries. There are 131 public BTVET institutions. Several of these institutes have recently started to offer 'non-formal' training, which are short courses offered to learners within the informal sector. However, preliminary indications show that the take-up rate for these short-courses has been low in many of the institutes. There is significant under-investment in the sub-sector; public expenditure per student in BTVET is lowest among all education sub-sectors, and continues to fall despite being a technically oriented sector that is more expensive than general education in most countries.

14. Private provision of technical and vocational skills in Uganda is significant and there is movement towards more public-private partnerships in the provision of skills. Estimates put the total number of private providers at around 1000 outnumbering public BTVET institutions by 7:1. The estimates on enrollment numbers within private institutions are scant but put them somewhere around XXXX in 2009. Private training sector appears to thrive and clearly offers the potential for timely and demand-driven supply expansion.

16. The quality and relevance of BTVET is very low. A major challenge with the current BTVET system is its lack of relevance to the skills needs of the market, outdated curricula and teaching methods, inappropriately qualified and trained instructors, and a lack of knowledge of the needs of the labor market. These issues all in turn affect the quality of training with the sub-sector.

17. The Skilling Uganda strategy denotes a paradigm shift for skills development in Uganda, aiming to create employable skills and competencies relevant in the labor market instead of simply

academic certificates. The strategy has five specific objectives: (i) improving the relevance of skills provision to improve productivity and enhance e growth; (ii) improving the quality of skills imparted; (iii) increasing access to and equity within the BTVET sector; (iv) improving organizational and management effectiveness; and (v) improving financing and internal efficiency. The MoES has the main responsibility for implementing and monitoring of the BTVET strategy but other ministries and private sector stakeholders are also involved and assume responsibilities.

18. A Reform Task Force (RTF) (See ANNEX B), with over half of the members represented by the private sector, was established as an interim management unit for four years to coordinate the implementation of the plan until a permanent body, the Skills Development Authority (SDA), and its governing structure is established. The RTF works under the technical guidance of MoES and report to the Office of the Prime Minister. Other reforms within the Skilling Uganda strategy have by and large been stalled due to a lack of funding.

20. The Project intends to support the implementation of the Skilling Uganda strategy within priority sectors and to help establish some key features of the governance of the sub-sector. The scope of the proposed reforms within Skilling Uganda strategy is wide with an approximate price tag of USD 870 million over 10 years. Given the resource constraints, this Project will focus on a comprehensive set of reforms that seek to transform skills development in priority sectors. By focusing on specific sectors, the Project will concentrate resources to achieve the maximum impact in terms of skills imparted and employment/self-employment generated.

21. During discussions with the government for this Project, only those priority sectors within the National Development Plan which have high employment potential due to their labor-intensive nature will be included, specifically, agriculture, small and medium scale manufacturing and construction.. Another labor-intensive sector, tourism, is being supported by the IDA financed Competitiveness and Enterprise Development Project (CEDP II), which includes an allocation of USD 12million towards skills development in the tourism sector. For the purposes of this Project, small and medium scale manufacturing and construction are classified as one sector, since many of the training programs for these sectors are related.

Relationship to CAS

25. The proposed operation supports the Government's policies and strategies to address the skills development gaps. In February 2010, Uganda cabinet approved a National Development Plan (NDP, FY 2011-2015) whose main theme is Growth, Employment and Socio-Economic Transformation and Prosperity. The plan broadened the country's development priority from poverty reduction to structural transformation in order to improve economic growth and living standards. Five of the eight National Development Plan (FY 2011-2015) objectives directly or indirectly addressed the need to enhance skills development. The government, represented by the MoES, formulated a BTVET strategic plan, Skilling Uganda, covering the period of 2012 to 2022, with support from the Belgian Technical Cooperation and the World Bank. The plan, which was approved in December 2011 and launched in October 2012, was built on the BTVET ACT of 2008 and Uganda Vocational Qualifications Framework (UVQF).

26. The operation is fully aligned with the objectives of the Uganda Country Assistance Strategy (CAS) of FY10/11-14/15. Similar to the National Development Plan, the CAS focuses on human capital development, together with infrastructure development, agriculture, as well as improving efficiency and value for money in public spending. The proposed skills development

operation is thus consistent with CAS Strategic Objective 3 – strengthening human capital development together with CAS outcome 3.1 – improved access to and quality of primary and post primary education as well as CAS Strategic Objective 1.3 – increased productivity and commercialization of agriculture. Budget support to the national program is provided through the Poverty Reduction Support Credit (PRSP) currently in its 9th cycle, complemented by sector funding through World Bank supported projects including the Universal Post Primary Education and Training (UPPET) Project.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project objective is to improve the capacity of institutions to deliver quality and relevant skills training programs in the agriculture and small and medium scale manufacturing/construction sectors.

Key Results (From PCN)

PDO indicators

- Sectoral committees under the RTF are established and functional to define skill needs and set standards.
- Employer satisfaction with BTVET curricula and targeted skills training programs
- % of graduates in selected trades and occupations complete on time with adequate levels of competency (defined through an assessment system) from targeted institutions, of which % are women
- % increase in farmers adopting new practices in line with training

Intermediate Indicators

- Introduction of internationally recognized CBT curricula and assessment (for critical occupational areas) that are demand responsive
- Increased number of instructors trained by category of training (basic, refresher, advanced) in targeted institutions
- Increase in time spent by students from target institutions on internships or on the job training
- Increase in the total number of new entrants enrolled, of which females (%), in training for identified trades/occupations in the targeted institutions.
- Increased number of farmers, of which females (%) with access to certified short courses in value addition activities for target commodities
- MIS for the BTVET sub-sector is established and functional
- Establishment of the Skills Development Authority

III. Preliminary Description

Concept Description

28. The project will support some of the key reforms proposed within the Skilling Uganda strategy with a focus on the agriculture (production and processing), small and medium scale manufacturing/construction sectors (carpentry, joinery, bricklaying, plumbing, electrical installation, scaffolding, welding and metal fabrication, painting and decoration, roof slating, plastering, tiling and flooring). The focus will be on creating a system which is delivers skills and competencies amongst the workforce that are responsive to the demands of the target sectors. The

Project will achieve its objective by: (i) supporting systemic reforms including the development of a functional MIS and the establishment of an autonomous Skills Development Authority; and reforms within two sectors related to linkages with the private sector, identification of capacity development needs and occupational standards; (ii) developing the foundations for Centers of Excellence (CoEs) to serve as hubs of knowledge generation and transfer on technical and vocational training for the two sectors; and (iii) training and support for workers in agriculture, focused on few specific crops such as rice, wheat, beans, and maize where studies indicate that there could be potential for moving up the value chain.

29. The project targets skills training for the formal and informal economies through formal and non-formal training programs. It supports public and private institutions. All three components of the project are integrally linked through a focus on skills development within the two sectors from systemic reforms, to reforms within training institutions that develop skills relevant for the formal and informal sectors, as well as developing skills through non-formal training programs (short courses) at the local level for people who are already working in the sector or who want to move into the sector. The private sector will play a key role in supporting the public sector to develop and deliver training programs that promote the improvement of production and value addition of goods/ commodities and services produced within the two sectors.

Component 1: Promoting systemic reforms on skills development (approx. 15% of total project funds)

30. The objective of this component is to promote specific organizational and management reforms that will support the establishment of a system that is multi-sectoral and demand-responsive within the agriculture and small and medium manufacturing/construction sectors. The key results of this component will be: (i) establishing governance mechanisms for coordination of skills development in agriculture and small/medium scale manufacturing/construction; (ii) establishment of a functional MIS for the BTVET sub-sector; and (iii) eventual establishment of a Skills Development Authority (SDA), which would be an autonomous body that coordinates activities within the BTVET sub-sector and ensures that relevant stakeholders are involved in policy development and planning or the sub-sector.

31. Sub-component 1.1: Establish governance mechanisms for coordination of skills development in agriculture and small and medium scale manufacturing/construction. The Project will finance the establishment of RTF sectoral committees comprised of stakeholders including with relevant government ministries, industry, trainers, and professional bodies. During preparation, the legal basis and mandate of these committees, and the RTF at large, will be further determined, but are expected to include the development of:

- sector studies, to help define and understand skills requirements;
- labor market forecasting and analysis, to help anticipate changes in skills requirements;
- essential skills profiles, to identify the incidence and complexity of the skills necessary for a given occupation; and
- national occupational standards, to describe the skills and knowledge needed to perform competently in an occupation.

The Project will finance technical assistance, studies, training, and equipment for the RTF working committees. Salaries of staff will be financed by the Government of Uganda.

32. Sub-component 1.2: Establish a functional MIS for BTVET: It will also support the

development of a BTVET-Management Information System (MIS), which is a high priority within the Skilling Uganda strategy. This system would systematically capture data on public and private training provision, and should be provide detailed information to support planning, monitoring and policy development purposes.

33. Sub-component 1.3: Establishment of a SDA: The establishment of the SDA was mandated within the Skilling Uganda strategy approved in 2012. However, the Government of Uganda wanted more time to consider what specifically the SDA would be responsible for and where it would be housed. As an interim measure the Reform Task Force (RTF) was established with a mandate to move forward on the priority reforms within the Skilling Uganda Strategy, including establishing the SDA. The RTF is an interim body with a 4 year mandate. The Project will support the RTF to explore options for the development of the SDA and actual establishment of the agency.

34. Implementation of Component 1: Given the RTF is a trans ition body, this component will be implemented by the Department of Higher, Technical and Vocation Education Training (DHTVET), where the RTF is housed. The RTF will work closely with the DHVET but continue to report directly to the Office of the Prime Minister.

Component 2: Developing the foundations for Centers of Excellence (CoE) in specific trades and occupations within the focus sectors. (approx. 55% of Project financing)

35. The Project will finance upgrading of about seven institutions specializing in small and medium scale manufacturing/construction and agriculture. Three of these institutions (one agricultural college and two colleges with specialization in small and medium scale manufacturing/ construction) will be targeted to become CoEs. Both of the manufacturing/construction CoEs would support the development of about two other institutions to form a network of high-performing skills development institutions in the target sectors. The agriculture CoE will be linked to the institutes described in component 3. The institutions would remain autonomous of each other but would draw on the expertise and knowledge generated through the CoE. For the purposes of distinction, there will be three Centers of Excellence and four ‘excellent centers’.

36. Sub-component 2.1: Developing the foundations for CoEs: can be considered flagship institutions, focusing on one particular occupational or industry group, pooling resources and concentrating high-level capacity for innovative training, research and service provision. Converting selected well performing BTVET colleges, in Uganda into earmarked CoEs would be instrumental to pool and concentrate scarce physical and human resources, and to develop these resources in a focused way.

37. The CoEs will focus on training individuals who are likely to enter the formal labor market. Colleges enroll students who have completed ‘A’ levels (upper secondary), into two year diploma courses. The Project will, however, also finance the reinstatement of 1-2 year modular certificate level programs for ‘O’ level (lower secondary completers) in the target Colleges.

38. The CoEs will be selected based on specific criteria that will be developed during project preparation. Potential criteria could include the size and capacity of the institute; how many students it currently enrolls and number of graduates; the qualification of its instructors; where it is

located (close to the relevant industries); potential to scale up activities and receptivity to a change process.

39. The long-term objective of establishing these CoEs is to serve as the hub to reform skills development within the respective sectors. In particular, the CoEs will: (i) work closely with the relevant RTF sectoral committees to provide leadership on the critical skills gaps within the sectors; (ii) forge linkages with the private sector on curriculum development, training and internships; (iii) spearheading the development and piloting of innovative training delivery modes, including the alignment of competency based curricula and assessment across training institutions within the sector, development of instructional material and other services that are aimed to improve the quality and relevance of BTVET in the specific sectors; and (iv) provide globally recognized training within the sector.

40. For each sector, the CoEs will partner with international education and training institutes to help build technical expertise in the selected training areas. These institutes would come with internationally accredited curricula for the targeted trades/occupations and will work with the CoE and the relevant RTF sub-committee to adapt the curricula to the needs of the industry in Uganda, while at the same time maintaining their internationally recognized certification. Instructors from the selected international training provider would introduce new programs and team - teach the courses with local instructors at the College. Course implementation would eventually be completely turned over to College staff with international instructors only providing backup and mentoring support.

41. The Project will finance the partnership agreement with the international training institutes, development of internationally recognized curricula and assessment packages, appropriate facilities and equipment, instructional material, and where appropriate, additional staff salaries. The Project will also build in specific performance targets to reward good performance by the institutes including incentives related to, for example; (i) the number of firms the CoEs have institutionalized agreements with; (ii) the number of students it enrolls in targeted trades/occupations with targets related to representation by women and persons with disabilities; (iii) the development of a system to track students after they leave the CoE; (iv) partnership agreements with other training institutes in the sector; and (iv) increasing the share of ‘training in production’, ie. Production of goods through training which are then sold in the market.

42. Prior to negotiations, the government will need to agree on the governance structures of the target institutions, i.e. to have adequate representation by the private sector and sufficient autonomy to tailor programs to the needs of industry; as well as salary levels of faculty and management staff within the institute.

43. Sub-component 2.2: Linkages between the manufacturing CoEs and other institutes (excellent centers): These institutes will remain autonomous to the CoEs but will draw on the expertise and knowledge generated through the Center. The will utilize the same curricula developed by the CoE and capitalize and expand on the industrial linkages forged by the CoE. The purpose of the ‘excellent centers’ is to have more geographical coverage that supports skills training for the manufacturing sector. The focus will be on collaborating with vocational training institutes rather than colleges in order to access students with lower qualifications than ‘O’ levels. These centers will be selected on a competitive basis with criteria for evaluation including, amongst others, its willingness to collaborate with the CoE, willingness to review its curricula in line with

industry specific requirements and willingness to undergo a change process. The agriculture CoE will forge linkages with the local institutes mentioned in component 3.

44. Implementation of Component 2: This component will be jointly implemented by the MoES and the MAAIF. Within the MoES, the DHTVET take the lead in implementing the activities related to the manufacturing CoEs and the excellent centers. Within the MAAIF, the Directorate of Crop Resources (DCR) will be responsible for implementing activities related to the agriculture CoE. Both Ministries will work in close collaboration with the RTF sectoral committees established under component 1.

Component 3: Supporting rapid skills delivery for the agriculture sector at the local level (approx. 30% of project financing)

45. Whereas component 2 focuses on developing skills for technicians (both new entrants to the market and those who want to upgrade their qualifications), component 3 focuses on developing skills for individuals who are already working on agriculture and the non-farming agrarian economy. The key objective of this component is to impart skills to move agricultural production in specific commodities from its current status to more profitable and valuable production levels by linking it to the agro-processing and export-orientated market. The Project would finance the upgrading of four to five existing institutes to deliver relevant short courses to individuals working in both the formal and informal sectors and supported by the agriculture CoE.

46. The Project will support the Ministry of Agriculture, Animal Husbandry and Fisheries (MAAIF)'s Plan for Zonal Agricultural Production, Processing and Marketing, which aims 'at addressing low household incomes by increasing the production, value and profitability of household agricultural production'. It further seeks to introduce measures to preserve crops, improve handling and expand agro-processing at various levels of the value chain. The Plan identifies 10 Zones that are mapped using climatic differences, relief variation, socio-economic and cultural characteristics, and need to have sufficient acreage under production for the selected high value enterprises. The idea is that within each zone , more or less the same crops can be grown and same livestock can be reared.

47. For the purposes of this project, the focus will be on selected crops including maize, rice, beans, and cassava, all of which are in high demand in the national and regional markets and have potential to move up the value chain. These are the same crops that are targeted under the MAAIF's Agriculture Cluster Development Project (US$100m), which is an IDA financed project currently under preparation. The Cluster Development Project (ACDP) focuses on the development of increasing production and markets for the four commodities through improved irrigation and access roads, agriculture inputs, value addition and marketing. It is envisaged that the Skills Development Project will complement the ACDP by supporting the training of farmers and other individuals in agro-processing. The potential synergies between these Projects will be identified during project preparation.

48. The institutes to be upgraded though the Project could be either: one of the seven Zonal Agricultural Research and Development Institutes (ZARDIs) under the National Agriculture Research Organization ; one of five the District Agriculture Training and Information Centers (DATIC); one of the five the District Farm Institutes (DFIs); one of the MoES's four agriculture institutes; or one of the numerous private institutions focused on agricultural training. The institutes

will be selected through a competitive process and will be assessed on its ability to: (i) develop and deliver practical, hands-on short courses on agro-processing for the four crops; (ii) target farmers, regardless of their education levels, and others in priority zones/catchment areas dedicated to the production of the four crops; (iii) provide mentoring opportunities for farmers in the region and facilitation of peer-to-peer learning on increasing production of the four crops and agro-processing; (iv) target disadvantaged areas population groups.

49. Implementation of Component 3: MAAIF through the Directorate of Crop Resources (DCR) will be responsible for the implementation of this component. The DCR will work closely with the other Ministries, professional bodies, private sector and others through the RTF agriculture working committee.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✕		
Natural Habitats OP/BP 4.04		✕	
Forests OP/BP 4.36		✕	
Pest Management OP 4.09		✕	
Physical Cultural Resources OP/BP 4.11	✕		
Indigenous Peoples OP/BP 4.10		✕	
Involuntary Resettlement OP/BP 4.12	✕		
Safety of Dams OP/BP 4.37		✕	
Projects on International Waterways OP/BP 7.50		✕	
Projects in Disputed Areas OP/BP 7.60		✕	

V. Financing (in USD Million)

Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		

Financing Source	Amount
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	100.00
Total	100.00

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