Document of

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Report No: 104125-TZ

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR85.2 MILLION
(US$120 MILLION EQUIVALENT)

TO THE

UNITED REPUBLIC OF TANZANIA

FOR AN

EDUCATION AND SKILLS FOR PRODUCTIVE JOBS PROGRAM-FOR-RESULTS

May 24, 2016

Education Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2016)

Currency Unit	=	Tanzania Shillings (TZS)
TZS1	=	US$0.70981389
US$1	=	TZS 2,187

GOVERNMENT FISCAL YEAR
JULY 1 - JUNE 30

ABBREVIATIONS AND ACRONYMS

ACE	African Centers for Excellence
AfDB	African Development Bank
ALMP	Active Labor Market Programs
AO	Accounting Office
APA	Annual Performance Assessment
APP	Annual Procurement Plan
ASET	Applied Sciences, Engineering and Technology
ATE	Association of Tanzania Employers
BEST	Basic Education Statistics
BoT	Bank of Tanzania
BRN	Big Results Now
BRNED	Big Results Now in Education
CAG	Controller and Auditor General
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CHM	Complaints Handling Mechanism
CIDA	Canadian International Development Agency
COSTECH	Commission for Science and Technology Organogram
CPF	Country Partnership Framework
CSO	Civil Society Organization
CUIS	Common Use Items and Services
DFID	Department for International Development
DIT	Dar es Salaam Institute of Technology
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Results
DSF	Debt Sustainability Framework
EAMU	East African Monetary Unit
EC	Evaluation Committee

EMA	Environmental Management Act
ESMF	Environmental and Social Management Framework
ESPJ	Education and Skills for Productive Jobs
ESRF	Economic and Social Research Foundation
ESSA	Environmental and Social Management System Assessment
ETP	Education and Training Policy
F&C	Fraud and Corruption
FDI	Foreign Direct Investment
FSA	Fiduciary Systems Assessment
FYDP I	Five Year Development Plan I
FYDP II	Five Year Development Plan II
GDP	Gross Domestic Product
GIZ	German Development Cooperation
GoT	Government of Tanzania
GPN	General Procurement Notice
GPSA	Government Procurement Services Agency
GRS	Grievance Redress Service
HESLB	Higher Education Student Loans Board
IAC	Inspection and Acceptance Committee
IAU	Internal Audit Unit
ICB	International Competitive Bidding
ICT	Information and Communications Technology
IDA	International Development Association
IFMIS	Integrated Financial Management Information Systems
IIDS	Integrated Industrial Development Strategy
ILFS	Integrated Labor Force Survey
ILO	International Labor Organization
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IRR	Internal Rate of Return
LITI	Livestock Training Institute
LPO	Local Purchase Order
NORAD	Norwegian Agency for Development Cooperation
MATI	Ministry of Agriculture Training Institutes
MDA	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MoESTVT	Ministry of Education, Science, Technology and Vocational Training
MoFP	Ministry of Finance and Planning
MSME	Micro, Small and Medium Enterprises
MVP	Minor Value Procurement
NACTE	National Council for Technical Education

NAO	National Audit Office
NCB	National Competitive Bidding
NEMC	National Environmental Management Council
NEP	National Employment Policy
NGO	Non-Governmental Organization
NM-AIST	Nelson Mandela African Institute of Science and Technology
NPV	Net Present Value
NQF	National Qualifications Framework
NSC	National Skills Council
NSDS	National Skills Development Strategy
OB	Other Bodies
OECD	Organization for Economic Cooperation and Development
OM	Operations Manual
PA	Public Authority
PAP	Program Action Plan
PCCA	Prevention and Combating of Corruption Act
PCCB	Prevention and Combating of Corruption Bureau
PDB	President's Delivery Bureau
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRP IV	Public Finance Management Reform Program Phase IV
PforR	Program-for-Results
PI	Performance Indicator
PMO-LE	Prime Minister's Office, Labor and Employment
PMO-RALG	Prime Minister's Office Regional Administration and Local Government
PMU	Procurement Management Unit
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PPP	Purchasing Power Parity
PPRA	Public Procurement Regulatory Authority
PRSC	Poverty Reduction Support Credit
QAP	Quality Assurance and Improvement Program
RCT	Randomized Control Trial
RPL	Recognition of Prior Learning
SABER	System Assessment and Benchmarking for Education Results
SCD	Systematic Country Diagnostic
SDC	Swiss Agency for Development and Cooperation
SDF	Skills Development Fund
SDL	Skills Development Levy
SEDEP II	Secondary Education Development Program II

SIDA	Swedish International Development Cooperation
SMIS	Skills Management Information System
SPN	Special Procurement Notice
SSA	Sub-Saharan Africa
SSC	Sector Skills Council
STHEP	Science and Technology Higher Education Project
SUA	Sokoine University of Agriculture
TB	Tender Boards
TCU	Tanzania Commission for Universities
TDV	Tanzania's National Development Vision
TESS	Tanzania Enterprise Skills Survey
TEA	Tanzania Education Authority
TPJ	Tanzania Procurement Journal
TPSF	Tanzania Private Sector Foundation
TVET	Technical and Vocational Education and Training
TVS	Trainee Voucher Scheme
UD	User Department
VETA	Vocational Educational and Training Authority
VfM	Value for Money
VSO	Voluntary Service Overseas

Regional Vice President:	Makhtar Diop
Global Practice Vice President:	Keith Hansen
Country Director:	Bella Bird
Practice Manager:	Sajitha Bashir
Task Team Leader:	Arun Joshi and Cornelia Jesse

UNITED REPUBLIC OF TANZANIA

EDUCATION AND SKILLS FOR PRODUCTIVE JOBS PROGRAM-FOR-RESULTS

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PAD DATA SHEET

United Republic of Tanzania

Education and Skills for Productive Jobs Program-for-Results

PROGRAM APPRAISAL DOCUMENT

Africa Region
GED01

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Basic Information			
Date:	April 27, 2016	**Sectors:**	Education (Vocational Training 40%; TVET and University Education 30%; General Education 30%)
Country Director:	Bella Bird	**Themes:**	Human Development: Education for th Knowledge Economy
Practice Manager/ Senior Global Practice Director:	Sajitha Bashir/Claudia Costin		
Program ID:	P152810		
Team Leader(s):	Arun Joshi/Cornelia Jesse		
Program Implementation Period: 2016-2021	**Start Date:** 06/15/2016	**End Date:**	06/30/2021

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Program Financing Data			
[ ] Loan	[ ] Grant	[ ] Other	
[X] Credit			
For Credits (US$M):			
Total Program Cost :	250 M	Total Bank Financing :	120 M
Total Co-financing :	0	Financing Gap:	15.1 M

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Financing Source	**Amount**
BORROWER/RECIPIENT	114.9 M

IBRD	0
IDA: New	120 M
IDA: Recommitted	0
Others	0
Financing Gap	15.1 M
Total	250 M

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Borrower: Ministry of Finance and Planning

Responsible Agency: Ministry of Education, Science, Technology and Vocational Training

Contact:	Ms. Maimuna Tarishi	Title:	Permanent Secretary
Telephone No.:	+255-22-2126413	Email:	tarishikibenga@yahoo.co.uk

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Expected Disbursements (in USD Million)

Fiscal Year	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Annual	27	23	20	20	30
Cumulative	27	50	70	90	120

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Program Development Objective(s)

The Program Development Objective is to strengthen the institutional capacity of the Recipient's skills development system and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors.

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Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]

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Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]

Overall Risk Rating: Substantial

Legal Conditions and Covenants

Name	**Recurrent**	**Due Date**	**Frequency**

Article V – Effectiveness; Termination, 5.01 (a)		Effectiveness	Once
Description of Condition The Recipient has approved the National Skills Development Strategy			
Article V – Effectiveness; Termination, 5.02 (b)		Effectiveness	Once
Description of Condition The Recipient has adopted the Program Implementation Plan satisfactory to the Association			
Schedule 2, Section I, E. 1. Program Operations Manual		No later than four (4) months after the Effective Date	Once
Description of Condition Notwithstanding the provisions of Part A of Schedule 3, Section I of the Financing Agreement, no withdrawal shall be made for any DLI unless and until the Recipient has furnished evidence satisfactory to the Association that said DLI has been achieved and verified, all in accordance with the Verification Protocol.			
Schedule 2, Section IV, B. 1. (b)			Recurrent
Description of Covenant The Recipient shall prepare no later than four months after the Effective Date a Program operational manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Program.			
Schedule 2, Section III, A. 1. Program Reports		Not later than six (6) months after the end of the period covered by such report	Annually
Description of Covenant The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one Fiscal Year, and shall be furnished to the Association not later than six (6) months after the end of the period covered by such report.			
Schedule 2, Section III, A. 2. Program Reports		On or about the date twenty four (24) months after the Effective Date (or such earlier or later date as	Once

<table>
<tr><td></td><td></td><td>agreed with the Association)</td><td></td></tr>
<tr><td colspan="4">Description of Covenant
The Recipient shall prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Program during the period preceding the date of the mid-term report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Program and the achievement of its objectives during the period following such date;</td></tr>
<tr><td>Schedule 2, Section III, B. 1. Program Financial Audits</td><td></td><td>Not later than six (6) months after the end of such period.</td><td>Annually</td></tr>
<tr><td colspan="4">Description of Covenant
Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient.</td></tr>
<tr><td>Schedule 2, Section III, B. 2. Program Financial Audits</td><td></td><td></td><td>Quarterly</td></tr>
<tr><td colspan="4">Description of Covenant
The Recipient shall ensure that the Program Institutions, as detailed in the POM, shall each produce quarterly internal audit reports and their audit committees shall meet on a quarterly basis to follow up on audit recommendations.</td></tr>
<tr><td>Schedule 2, Section III, C. (a) Procurement Audit and Value for Money Audit</td><td></td><td>Not later than six months after the end of the FY to which said audit relates</td><td>Annually</td></tr>
<tr><td colspan="4">Description of Covenant
The Recipient shall carry out under terms of reference satisfactory to the Association: (a) in each Fiscal Year (“FY”) beginning with FY2017/18 an audit of contracts procured in the preceding FY and furnish said audit to the Association not later than six months after the end of the FY to which said audit relates</td></tr>
<tr><td>Schedule 2, Section III, C. (b) Procurement Audit and Value for Money Audit</td><td></td><td></td><td>Every two years until the Closing Date</td></tr>
<tr><td colspan="4">Description of Covenant
The Recipient shall carry out under terms of reference satisfactory to the Association: (b) a Value for Money Audit, such audit to be undertaken every two years until the Closing Date.</td></tr>
<tr><td>Schedule 2, Section III, D. Annual Performance Assessment</td><td></td><td>Not later than six (6) months</td><td>Annually</td></tr>
</table>

		after the end of said FY	
Description of Covenant The Recipient shall, for each Fiscal Year during the implementation of the Program: (a) carry out, in accordance with the POM, an Annual Performance Assessment ("APA") covering the previous FY; (b) furnish said APA, not later than six (6) months after the end of said FY, to the Association			
Schedule 2, Section V, Other Undertakings		No later than six (6) months after the Effective Date	Once
Description of Covenant The Recipient shall take all measures necessary to ensure that the chart of accounts for MoESTVT shall be revised no later than six (6) months after the Effective Date to include the Targeted Sectors so that a Program Expenditures per Targeted Sector can be produced by the Epicor system.			
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Team Composition			
Bank Staff			
Name	**Title**	**Specialization**	**Unit**
Arun R. Joshi	Lead Education Specialist	Education	GED01
Cornelia Jesse	Senior Education Specialist	Education	GED01
Andreas Blom	Lead Economist	Economics	GED01
Margo Hoftijzer	Senior Economist	Economics	GED03
Yutaka Yoshino	Program Leader	Economics	AFCE1
Lucy Fye	Senior Private Sector Development Specialist	Private Sector Development	GTC01
Scherezad Joya Monami Latif	Senior Education Specialist	Education	GED06
Alexandria Valerio	Senior Economist	Economics	GEDGE
Nkahiga Mathus Kaboko	Education Specialist	Education	GED01
Zoe Kolovou	Lead Counsel	Law	LEGAM
Ryan Peter Flynn	Consultant	Education	GED01
Ravinder Gera	Monitoring and Evaluation Consultant	Monitoring and Evaluation	GED01

Vishishta Sam	Consultant	Education	GED01
Sue Leigh Doyle	Skills Consultant	Education	GED01
Damian Clarke	Economist (Consultant)	Economics	GED01
George Gandye	Monitoring and Evaluation Consultant	Monitoring and Evaluation	GED01
Bee Pang	Senior Program Assistant	Program Support	GED01
Winter Chinamale	Senior Procurement Specialist	Procurement	GGO01
Michael Okuny	Senior Financial Management Specialist	Finance	GGO31
Ruma Tavorath	Environmental Specialist	Environment	GENDR
Mary Bitekerezo	Senior Social Development Specialist	Social Development	GSU07
Mariame S. Koita	Program Assistant	Program Support	GED01
Raymond Mbishi	Consultant	Finance	GGODR
Samuel Iyasu Zerom	Acting Senior Operations Officer	Operations	AFCE1
Christiaan Johannes Nieuwoudt	Finance Officer	Finance and Disbursement	WFALA
Paulina Proches Shayo	Program Assistant	Program Support	AFCE1
Agnes Mganga	Program Assistant	Program Support	AFCE1

I. STRATEGIC CONTEXT

A. Country Context

1. **For Tanzania to achieve its Development Vision 2025 of becoming a middle-income country, it will need to develop the right mix of high-quality skills to drive further growth.** Tanzania's efforts to upgrade the skills of its workforce are driven by two imperatives: the need to have a skilled labor force which can support the growth of key economic sectors, and the need to accommodate large numbers of young people entering the labor force every year in search of productive jobs. Foreign and domestic investment in export industries; higher productivity in agriculture, electricity, ports and transportation infrastructure; revenues from the oil and gas sector; and urbanization are likely to drive growth in the medium term, resulting in a more diversified economic structure,[1] more productive jobs and varied occupations, including those with greater skills content. At the same time, the approximately 15 million young people who will enter the labor market over the next 15 years and those who have recently joined the labor force have high aspirations for moving out of poverty, entering into quality jobs and building a better future for themselves and their families. Strengthening the skills of these youth will put Tanzania on a trajectory for development that combines growth with poverty reduction and shared prosperity.

2. **Tanzania has been making progress towards the goals laid out in its Five Year Development Plan 2016–2021 (FYDP II) focused on industrialization, with the expansion of key industries contributing to GDP growth of almost seven percent per annum over the past decade**.[2] This growth has been driven by the diversification and expansion of key economic sectors such as industry, construction and services (see Table 1).

Table 1. Sectoral Share in GDP and Annual Growth (2004–2014)

	Share in 2014 GDP, (Percentage)	Annual Growth Rate 2004–2014
Agriculture, forestry and fishing	23.0	3.8
Industry and Construction	22.2	8.3
Services	48.8	7.0

Source: National Bureau of Statistics as of 2015.

3. **There has been a gradual shift in employment away from agriculture to industry and services over the past decade.** The share of agriculture in total employment has shrunk by 13.5 percent points since 2001 when over 80 percent of the labor force was employed in agriculture. On the other hand, the shares of industry and services have expanded by 3.6 and 9.9 percent respectively (see Figures 1 and 2). Employment growth in services has accelerated over the 2006–2014 period compared to the past, with around 10 percent annual growth in services such as wholesale and retail trade, restaurants and hotels, transport, storage, and communication.

[1] Tanzania has been identified as among a cohort of countries primed for increased economic diversification in an analysis of export volume and economic diversity done by the McKinsey Global Institute (2010 – Lions on the Move).
[2] Unless otherwise noted, figures are from the Country Economic Memorandum (CEM), 2014.

Figure 1. Employment by Major Sector in 2014, Millions

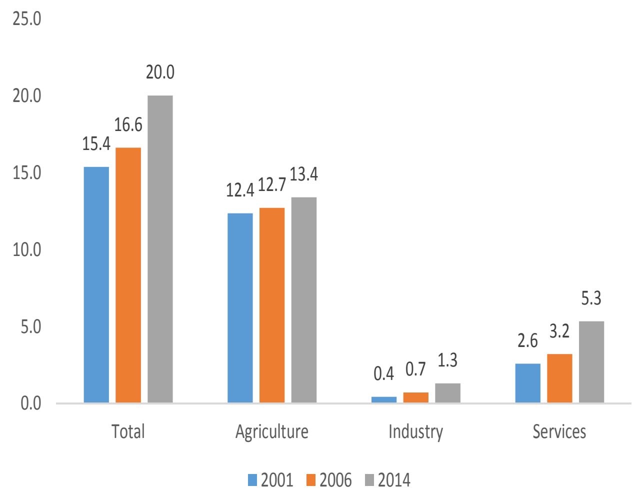
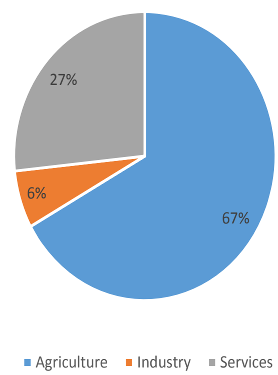


Figure 2. Employment Share by Major Sector in 2014



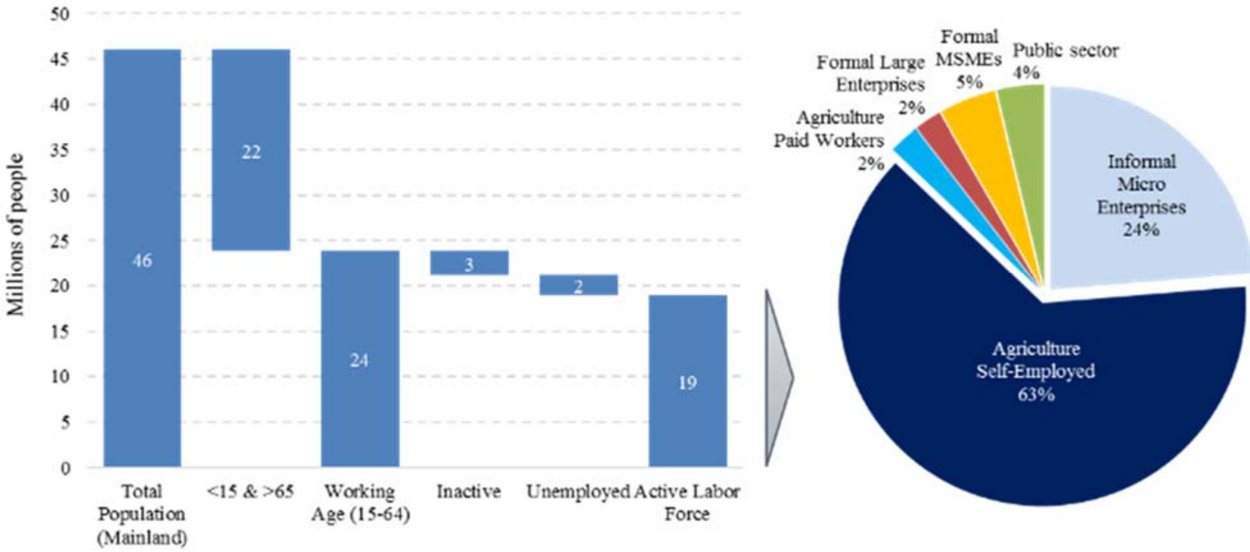
Source: Integrated Labor Force Surveys 2001, 2006, and 2014.

4. **Strong economic growth has led to a reduction in poverty, but a large share of Tanzanians are still vulnerable.** Between 2007 and 2012, the basic needs poverty headcount declined from 34.4 percent to 28.2 percent.[3] However, about 43 percent of the population was still living under US$1.25 a day (PPP) in 2012.[4] Around 12 million people remain in poverty and even though basic needs poverty has declined, there is still a large share of the population just above the poverty line and thus highly vulnerable to shocks that could send them back into poverty.[5]

5. **In addition to further reducing poverty, much remains to be done to promote shared prosperity.** Inequality, as measured by the Gini index, stands at 0.36 in 2011–12, down from 0.39 in 2007[6], lower than Uganda (0.45), Kenya (0.48) and Rwanda (0.51), but higher than Ethiopia (0.34).[7] Few Tanzanians have access to stable wage employment, especially youth. According to the Integrated Labor Force Survey (ILFS) 2014, youth aged 15 to 24 have the highest incidence of unemployment at 9.4 percent, with urban unemployment among this age group being even higher, at 20 percent, compared to four percent rural unemployment. However, these figures do not include significant underemployment, which typically is much higher than unemployment in many Sub-Saharan African countries (SSA). Across Tanzania, only 11 percent of workers are engaged in the formal sector. The remainder are engaged in low income activities on farms or in self-employment in informal trading and services activities in cities (see Figure 3).

[3] Tanzania National Bureau of Statistics, 2011/12, Household Budget Survey and revised 2007 Household Budget Survey.
[4] World Bank, 2015, World Development Indicators Database.
[5] World Bank, 2016, Tanzania Systematic Country Diagnostic (SCD), Draft May 2016.
[6] https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html
[7] Source: World Bank (2013). "World Development Indicators 2013." Washington, D.C.: World Bank. http://data.worldbank.org. Accessed October, 2013.

Figure 3. Distribution of the Population by Employment Status and Type



Source: World Bank analysis based on National Bureau of Statistics Tanzania in Figures 2014/2015, ILFS 2014, EES 2013/14, NPS 2012/13 and TRA 2011.

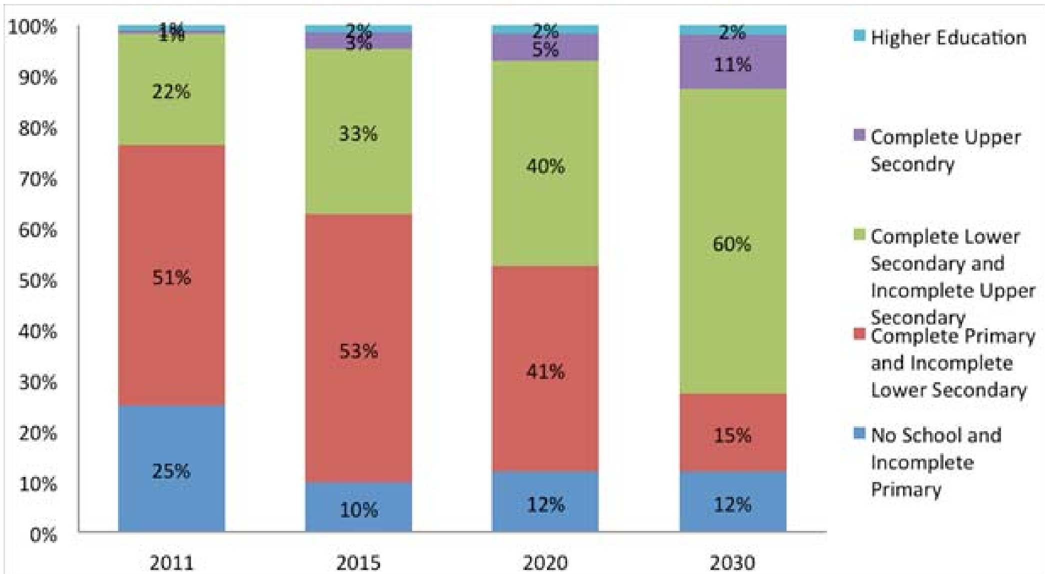
6. **Creating jobs for the estimated 15 million youth who will enter the labor market between now and 2030 is an important aspect of promoting shared prosperity.** Over one million young people are expected to leave the education system and potentially enter the labor market annually in the coming years, with varying levels of education and skills (see Figure 4). By 2030, this number is projected to reach 1.6 million per annum. This requires a rapid expansion of employment opportunities to keep pace. While the fast expansion of the youth demographic is a challenge, it also represents a unique economic opportunity if efficient workforce development policies are implemented.[8]

7. **The new Government emphasis on increasing access to quality secondary education will increase the flow of students from primary and secondary education to vocational and technical tracks, but only over the medium to long term.** The Government has launched the 'Free Basic Education Policy' in 2015, which extends free education to the secondary school level, eliminating tuition fees up to Form IV.[9] The Bank is providing technical support to the Government in reviewing the fiscal implications of this policy over the next 5–10 years. It is likely that other Development Partners will provide financial support for its implementation. In the short term, this policy could reduce dropouts and increase the number of students who will choose the general secondary education track. In the long term, it will likely reduce both the number of students who will enter the vocational training track after the primary cycle and help to strengthen the basic competencies of the secondary graduates who will later take up technical tracks. These outcomes would be consistent with global evidence that core/basic competencies and skills are best acquired through general education prior to students taking up vocational or technical tracks.

[8] World Bank, February 2016, Draft Tanzania Systematic Country Diagnostic (SCD).

[9] Form IV is equivalent to the US 10th grade

Figure 4. Share of Potential New Entrants into the Labor Market by Education Level (Percentage) [10]

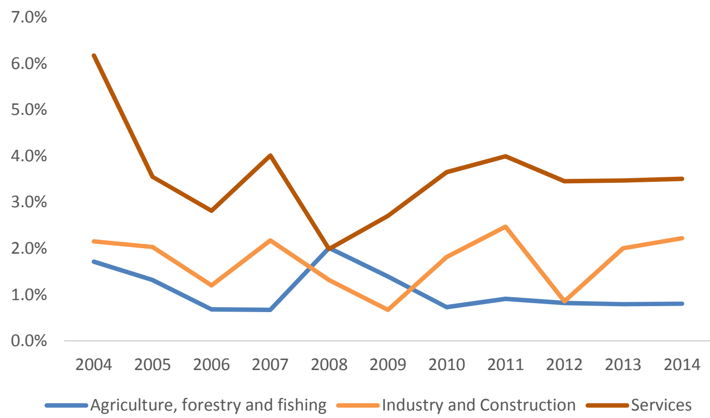


Source: Moreno and Tanaka, 2015, Education Attainment Projections for Tanzania. Note: Figures for 2015 onward are projections.

8. **If Tanzania continues on a dynamic growth path, the bulk of employment opportunities will be in the private sector, with increasing numbers employed in non-agricultural sectors and in higher skilled occupations** (see Figure 5). Estimates indicate that the total number of jobs will increase by 15 million by 2030, of which less than a quarter million will be in the public sector.[11] Projections of employment by industry and occupation using an inter-industry macroeconomic model show that although a significant proportion of the labor force will continue to be employed in agriculture, the growth and diversification is likely to lead to a larger shift of the labor force into services (trade, hotels, transport, construction, and financial services) and smaller shifts into manufacturing and mining.[12] Further, the change in the sectoral composition of employment will also affect the occupation and skills mix needed on the labor market. There is likely to be a significant reduction in the share of agricultural and other low-skilled occupations (even though their absolute numbers will continue to rise). There will be a significant increase in the share and absolute numbers of high skilled occupations, including professionals, technicians and managers. Employees with technical and scientific skills would play a critical role in adopting, adapting and diffusing new inputs and products, production processes, and organizational changes.

[10] These estimates are based on continuation of existing trends. They do not reflect the rapid universalization of secondary education that is being undertaken by the government.
[11] Meade Douglas, 2015, Visualizing Tanzania's Human Capital Needs.
[12] Ibid

Figure 5. Growth Contribution by Major Sector



Source: National Bureau of Statistics 2015.

9. **There is evidence that private sector firms face a shortage of trained low, medium and high-skilled workers needed to grow and create jobs.**[13] While the overall business climate is affected by factors such as access to finance and electricity, tax rates and administration, competition with informal firms, transport, regulation; worker education was rated as the seventh largest constraint by firms in Tanzania. Results from the survey underline the importance of addressing factors inhibiting the business environment in a comprehensive way, of which skills development is one important element.

10. **The percentage of Tanzanian firms identifying skills as a constraint compared to the Sub-Saharan African and worldwide average is high.** About 40 percent of all firms covered by the Enterprise Survey for Tanzania identified an inadequately educated workforce as a major constraint, well ahead of the Sub-Saharan Africa (SSA) and world averages of 23 and 24 percent, respectively.[14] An even higher number of failed firms reported skills constraints, with 63 percent of firms reporting that the shortage of workers with the right skills profile was a contributing factor of above average importance to failure.[15] This makes improving the quality, quantity and relevance of skills imperative for continued growth and job creation. Deficiencies in workforce skills continues to be a major policy issue, as identified by the most recent Tanzanian Enterprise Skills Survey (TESS). The survey concludes that inadequacies in the education and training systems compromise the workforce skills in all firms, with deficiencies in workplace skills rooted in the supply of workers.[16]

11. **Focusing on the skills needs of the formal sector alone will not be sufficient to achieve Tanzania's development goals and provide pathways to sustainable livelihoods for youth.** Behind the relative growth in industrial and service employment is the expansion of informal

[13] Tanzania is ranked 131 out of 189 countries in the 2014 Doing Business Indicators.
[14] World Bank, 2013, Enterprise Survey for Tanzania.
[15] Sabarwal Shwetlena, 2013, Skills for Competitiveness in the Small and Medium Enterprise Sector, World Bank.
[16] World Bank, 2016, Skill Use, Deficits and Firm Performance in Formal Sector Enterprises, TESS, and Policy; World Bank, 2015, Are Inadequate Workforce Skills Undermining Tanzanian Firms? Policy Brief - Results from TESS.

employment in these sectors. Between 2006 and 2014, 2.7 million of the 3.4 million jobs created were in the informal sector. The majority of non-farm enterprises operate in the informal sector, and many will continue to do so.[17] The informal sector consists of two types of enterprises: own-account enterprises and enterprises of informal employers. Roughly 90 percent of both, primary and secondary jobs in the informal sector are in the self-employed category, with the vast majority of informal sector enterprises not employing paid workers. Informal non-farm employment, often in urban areas, offers a better standard of living than subsistence agriculture.[18] There is a high concentration of informal operators in the agri-business, transport, construction, food vending and catering sectors. The informal sector is estimated to absorb almost half of the non-agricultural workforce, largely self-employed. It also absorbs a higher proportion of young people than the formal sector.

B. Sectoral and Institutional Context

12. **Several critical challenges need to be addressed to ensure that the education and training development system can deliver the skills needed by employers to grow and by Tanzanians to secure (self-) employment.** These challenges exist at the overall system level and at the training service provider level. The major *system-level challenges* are: (i) lack of coordination of skills policies and initiatives at national and sector levels; (ii) weak capacity for quality assurance; (iii) low public-private sector cooperation in the governance and delivery of training programs; (iv) lack of an information system on skills supply and demand to inform policy planning and training provision; and (v) low effectiveness and efficiency of skills development funding. At the *service provider level*, key challenges are: (i) few skills development opportunities with limited equity;[19] and (ii) low quality and relevance of skills development programs. These challenges result in inefficiencies, training mismatches, insufficiently skilled graduates, and poor labor market outcomes.

Key Challenges at the System Level

Lack of Coordination of Skills Development Policies and Initiatives at National and Sector Level

13. **The fragmented skills development system includes many different formal and non-formal public and private providers.** It consists of a large number of formal and alternative training[20] providers at different educational levels. The formal education and training system includes 880 public and private vocational education and training centers, 567 public and private technical colleges, and 52 public and private higher education institutions. It enrolls 141,700 vocational, 82,238 technical, and 166,000 higher education students per year. This means the total

[17] Of the small, non-farm firms that account for nearly 90 percent of total firms, approximately 80 percent have no relationship with administration, and only 1.5 percent are formally registered. (CEM, 2014).
[18] Van Adams A., Johansson de Silva S. and Razmara S., 2012, Improving Skills Development in the Informal Sector: Strategies for Sub-Saharan Africa.
[19] It is estimated that the technical and vocational education and training system (TVET) in Tanzania supplies only about 12 percent of actual national needs. (Source: Colleges and Institutes Canada, 2014).
[20] Alternative training comprises apprenticeships, short term training programs, internships and entrepreneurship training, etc.

capacity of the current vocational, technical, and university system together is about 400,000 trainees.

Table 2. Technical Education and Vocational Training Provision in Public and Private Institutions[21]

Level	Number of Institutions	Number of Trainees/Students (Enrolment)	Levels	Main Funding Sources
Higher education *(entry after Form 4)*	52	166,000	Bachelors, Masters, Doctorate Degrees	Direct government funding for capital cost for public institutions, donors, individual tuition fees (largely supported through student loans and grants funded by the Skills Development Levey (SDL))
Technical education *(entry after Form 2, Form 4)*	567	82,238	Certificate, Diploma and Higher Diploma	Direct government funding for capital cost for public institutions, for private institutes owners' own capital for infrastructure development capital, donors, individual tuition fees
Vocational training *(entry after Standard 7, Form 2, Form 4)*	880	141,700	Basic foundational and pre-employment certificate	Government funding through SDL; individual tuition fees, income from sale of products
Employer-based training	30% of enterprises, mostly in-house	–	Skills upgrading	Employer own capital (currently)

14. **In addition to the formal education and training system, a wide range of alternative forms of training exist for pre-employment and on the job training for different skill levels.** These can be short-term training programs, apprenticeships or internship schemes, and entrepreneurship programs. Examples of such providers are the 54 Folk Development Colleges which provide community-based vocational, foundational and livelihoods training; the network of Livestock Training Institutes (LITIs); and the Ministry of Agriculture Training Institutes (MATIs).

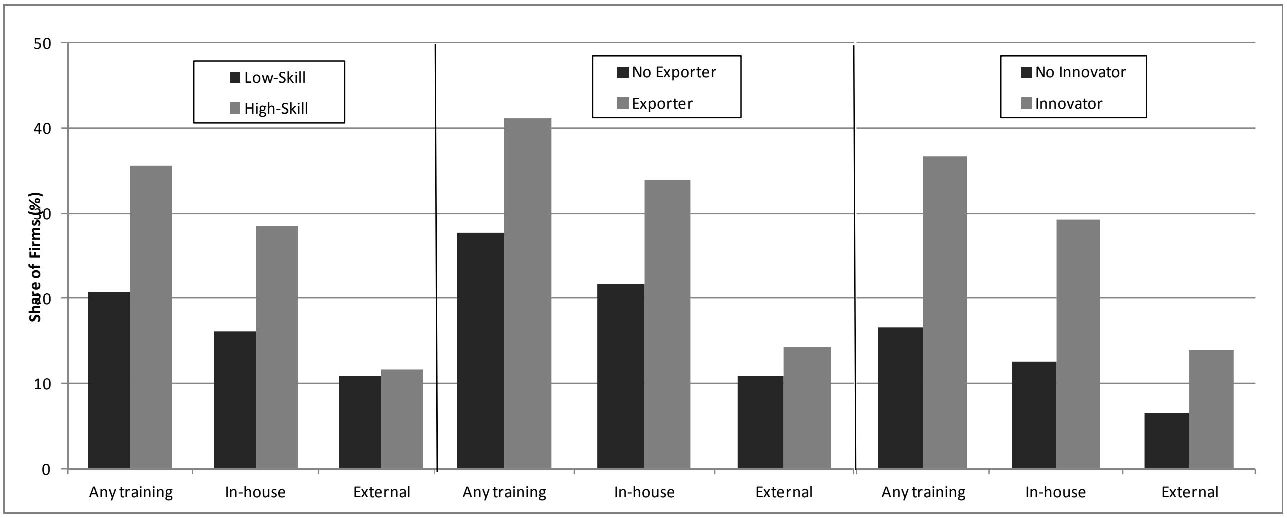
15. **On-the job training provided by firms is also an important alternative source of training.** The proportion of firms providing such training to employees is low. The Tanzania Enterprise Survey, 2013 showed that only about 30 percent of firms provided training to some of their employees, and this rate had not significantly changed in the TESS, 2015.[22] The share of firms that sponsored any in-service training for their workers is shown in Figure 6. Most training

[21] MoESTVT, 2014, Basic Education Statistics (BEST); and Mwaduma, N. The Current TVET System in Tanzania (2015).

[22] World Bank, 2013, Tanzania Enterprise Survey; World Bank, 2009, Investment Climate Assessment. Note: This is on par or slightly higher than neighbors Kenya, Uganda, Rwanda and Burundi, but compares unfavorably with more productive, export-oriented economies such as Thailand, China, South Africa and Mauritius, where at least 70 percent of firms surveyed provide training. The prevalence of training was slightly higher in manufacturing than in services, and large and medium-sized firms were more likely to train than small firms with fewer than 20 employees.

by firms is provided in-house, with limited use of external providers. Employee training is supposed to be funded by the Skills Development Levy (SDL) paid by employers, but the SDL is not used for its intended purposes.[23]

Figure 6. Training by Type of Firm[24]



Source: World Bank, 2015, TESS Survey.

16. **Oversight for skills development is largely the responsibility of the Ministry of Education, Science, Technology and Vocational Training (MoESTVT).** However, a considerable number of entities are also involved in supervising and managing training programs at different levels. A significant number of public colleges are run by different line ministries and agencies other than MoESTVT. For example, the Tanzania Ports Authority oversees Bandari College, and the Ministry of Natural Resources and Tourism supervises the National College of Tourism. Registration of public and private training providers, individual training program accreditation, monitoring, and quality assurance are delegated to the following quality assurance (regulatory) bodies reporting to MoESTVT: the Vocational Educational and Training Authority (VETA) for vocational training centers; the National Council for Technical Education (NACTE) for technical colleges; and the Tanzania Commission for Universities (TCU) for universities. Furthermore, specific professional bodies such as the Board of Engineers, play a role in quality assurance for education and training related to their disciplines as part of their mandate to provide professional pre-service and in-service training.

17. **The lack of an overarching coordination mechanism for skills development results in fragmentation and duplication of efforts, considerable inefficiencies, and high transaction costs for training providers, quality assurance agencies and employers alike.** Structures for national and sectoral coordination are a key feature of more advanced, well performing skills development systems in countries like Rwanda, India, Brazil, South Africa, Ireland, and Australia.[25]

[23] World Bank, 2015, TESS; TESS Policy Note, 2016.
[24] Ibid.
[25] For example, as demonstrated by results of the global comparative case-studies of workforce development systems through the World Bank SABER project on Workforce Development.

Weak Capacity for Quality Assurance

18. **Strengthening the ability of the regulatory bodies VETA, NACTE, and TCU is crucial to improving the quality and relevance of training programs.** At the regulatory level, there is limited capacity for ensuring minimum quality standards and engaging the private sector more effectively. These agencies have constraints in their capacity and technical expertise in registering, ensuring quality, standardizing curricula and programs for training providers in various sectors. Capacity building challenges include improving the market-responsiveness of programs, coordination for harmonizing and expanding competency standards, certification and qualification regimes, quality assurance mechanisms such as benchmarking with regional and international standards, and building capacity to productively seek input from employers. Additional challenges are related to the harmonization of these regulatory bodies' legal mandates and their coordination with the professional bodies.

Low Public-Private Sector Cooperation in the Governance and Delivery of Training Programs

19. **Engaging employers more proactively in training design and delivery is critical to ensure that providers and quality assurance regulators can deliver high quality, market relevant skills.** Governance structures at the national and sector level do not adequately involve employers. At all levels, employer membership in training provider governing boards is either non-existent or low (typically less than 15 percent of total board members). Substantial involvement of the private sector, in particular sector associations, is vital to ensuring that occupational and training standards, programs and curricula are market responsive, and to supporting instructor training and trainee exposure to the working environment in firms. Public-private partnerships between training providers and employers are often formed on an ad hoc basis and are usually limited to larger firms, which only make up a small proportion of total businesses.[26]

Lack of Information System on Skills Supply and Demand to Inform Policies, Planning and Training

20. **The current system capacity for measuring training provider outputs and for forecasting future labor market demand is low.** The World Bank Systems Approach for Better Education Results (SABER) Workforce Development Study found that the use of information for monitoring and forecasting of skills supply and demand are two of the weakest system functions in Tanzania compared to other countries.[27] Labor market and provider-level data are collected by the Prime Minister's Office, Labor and Employment (PMO-LE), as well as VETA, NACTE and TCU and providers themselves, among others. The challenge lies in incentivizing more regular, reliable and comprehensive data collection, that is easily accessible on a web-based platform. Such an information system makes skills data readily available for demand and supply analysis. Consequently, facilitating planning for government and private sector associations, monitoring of

[26] Mwaduma Nichodermus, 2015, SABER-Workforce Development Tanzania Country Report.
[27] Ibid. Results reveal that although there is a wide range of assessments of present skills demand, very few have been done on a regular basis or are detailed enough to be useful in the understanding of future skills demand in the economy. Similarly, with respect to monitoring system performance, the information and data reported by providers is not very detailed, complete or reliable, making a comprehensive analysis of the skills development system very difficult.

providers, and enabling interested potential trainees to make informed decisions about obtaining education and training.

Low Effectiveness and Efficiency of Skills Development Funding

21. **At present, the majority of funding for training is allocated to university-level education, with a considerably lower portion being invested in technical and vocational training.** In 2013–2014 government expenditure on higher education accounted for 23.5 percent of total education expenditure, or 3.45 percent of total government expenditure. Technical training and non-formal education each represented less than 0.61 percent of education expenditure. This imbalance in favor of university education fails to reflect the reality of Tanzania's need for a rapid increase in the number of technically and vocationally trained workers.

22. **Some of the funding for skills development comes from several non-education ministries that also operate technical colleges.** The combined expenditure on skills development of these non-education ministries are approximately one-fifth of total spending by MoESTVT. However, combined funding from all the above mentioned sources will also need to expand to meet the demand for skills for sustaining economic growth.

23. **Employers are an important source of funding for pre-employment training through the Skills Development Levy (SDL), which is five percent on emoluments.** The SDL is the largest source of funding for vocational training, constituting about 87 percent of the total funding for public vocational training provision through VETA. It is intended to finance the following components: training provision, quality assurance (registration, assessment and certification), development support (capacity building of teacher/instructors, provision of basic teaching equipment). Currently, one-third of the five percent SDL, or about 1.67 percent, goes to VETA training provision, about 2.33 percent goes to funding Higher Education (university and technical level) student loans and grants, which is not its intended use. This inability to ring-fence the five percent collection from employers for its originally intended purposes makes the SDL susceptible to being diverted to other uses. The Government and employers recently agreed that the remaining one percent would flow back to employer-led training, but there currently is no competitive and transparent mechanisms for it. In short, the SDL needs to be used more transparently, effectively and efficiently. Employers should also be given the opportunity to participate in determining how the SDL is spent, benefit from it and exercise adequate oversight.

24. **There is a need to design better mechanisms for promoting efficiency and innovation in the utilization of skills development funding.** Government allocations for skills development, which are inadequate given the training needs of labor market entrants, are based largely on enrollments and budgets from earlier years. No system exists for prioritizing economic sectors, particular skills, or types of training in response to economic trends, nor is there a focus on improving efficiency and effectiveness of training provision through incentives, results-based financing or other accountability measures.

Key Challenges at the Service Delivery Level

Few Skills Development Opportunities with Limited Equity

25. **A substantial expansion in access to training to meet future demand for medium and high skilled workers in key economic sectors will require sustained investments in capacity of alternative, vocational, technical and university-level programs.** As mentioned above, the current public and private enrollment capacity for vocational, technical and university level combined is approximately 400,000 trainees total. The requisite number of appropriately skilled individuals thus cannot be provided by the current formal pre-employment education and training system without significant expansion and diversification in line with market demand for skills. For instance, a study on the tourism industry finds that approximately 1,500 students graduate from registered education and training providers each year with qualifications in tourism, while the number of jobs in the sector is expected to double from almost 500,000 today to over a million by 2025.[28]

26. **In addition to increasing equitable vocational, technical and university level education, scaling up quality alternative training programs is also essential.** At all education and training levels, the key challenge for the government is to offer multiple, flexible pathways for building skills for school graduates, as well as for those who fail to complete secondary and primary levels so they can contribute to the growing sectors of the economy. For example, while training by employers is somewhat developed, it is not consistent in quality, and trainees are not able to formally document newly acquired skills. Similarly, though informal training such as apprenticeships with master craftsmen, on-the-job training or livelihoods training is common, no system exists for recognition, upgrading and formalization of such practical learning. A lack of knowledge and skills among informal sector operators and the need for training in areas such as product quality, packaging, marketing, pricing and bookkeeping has been recognized by the Association of Small Informal Businesses (Vibindo). Those in the informal sector require business and entrepreneurial skills in addition to technical and cognitive skills.

27. **In parallel with expanding training capacity, reducing the cost of training programs for low income trainees is critical.** The direct costs such as tuition and testing fees and the indirect costs such as transport can be prohibitive for poor youth. The estimated cost of attending a 10-months VETA training, including fees, accommodation, sustenance and books, is around US$250, more than the household income for about 40 percent of the population. Financial barriers to training are amplified by the lack of dedicated financial support for participants in vocational training programs. For example, students at the university and technical education levels have access to loans and grants through the Higher Education Students Loans Board (HESLB), but no such support exists at the vocational training level creating barriers to access vocational and alternative forms of training among low income youth.

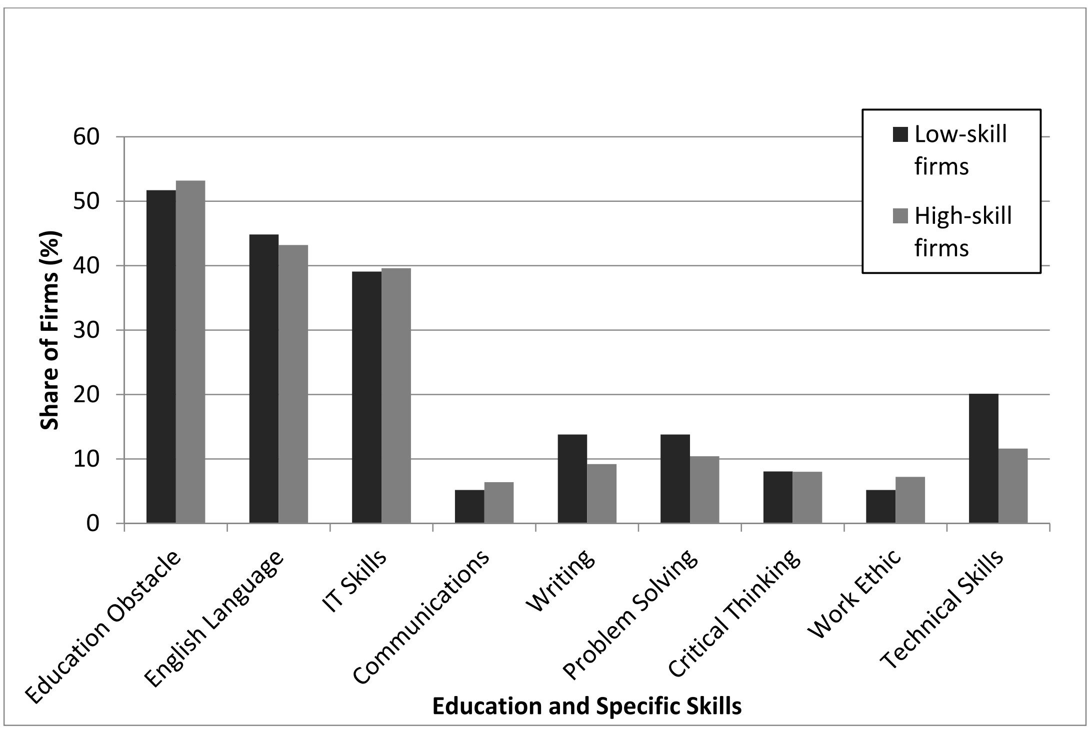
Low Quality and Relevance of Skills Development Programs

28. **The quality and relevance of existing skills development programs by alternative, vocational, technical and university-level providers is relatively low and the programs do not**

[28] Anderson Wineaster, 2015, Draft Report on Human Resource Needs and Skill Gaps in the Tourism and Hospitality Sector, MoESTVT.

adequately prepare training graduates for jobs in key economic sectors or self-employment. For example, a 2015 MoESTVT study on skills gaps in the tourism and hospitality industry found that employees often possessed the requisite formal credentials for employment, but lacked the relevant skills to perform their job adequately. Employers are not only seeking technical skills, but also numeracy and behavioral skills, and rated these as the hardest to find. According to TESS 40 percent of employers reported English and information technology (see Figure 7) as the most needed skills.[29] A much lower percentage of employers, between 5 and 15 percent, cited teamwork/communications, writing, problem solving and critical thinking, work ethic, and technical skills in short supply. A VETA survey of employers who had hired VETA graduates found that 75 percent of employers were not satisfied with the graduates' practical skills.[30] As the above mentioned survey results demonstrate, training providers do not provide adequate non-cognitive, other vital skills and practical experience for students. Professional development for training instructors and the ability to anticipate and proactively address emerging skills gaps of key economic sectors is also found lacking in the training being provided.

Figure 7. Percentage of Firms Reporting Skills as Inadequate Relative to Need



Source: TESS 2015.

C. Relationship to the CAS/CPF and Rationale for Use of the Instrument

29. **The Education and Skills for Productive Jobs (ESPJ) PforR supports several pillars of the World Bank's Country Assistance Strategy (CAS) 2012–2015.** More specifically, it will contribute to the third CAS pillar of *Strengthening Human Capital and Safety Nets* and within this pillar, *improved access to and quality of education*, as there is wide recognition that both the quality and quantity of skills pose constraints to the growth of key industries. The ESPJ PforR

[29] World Bank, 2015, TESS.

[30] VETA, 2012, Report on the Labor Market Survey for TVET in Tanzania.

focus on skills development in the agriculture and transport sectors will contribute to achieving outcomes under two additional CAS pillars, notably *improved productivity and commercialization of agriculture* under the *Inclusive and Sustainable Private Sector-Led Growth* pillar and *increased access to and quality of transport services* under the *Build Infrastructure and Delivery Services* pillar.

30. **A new Country Partnership Framework (CPF) is currently under preparation.** Given the challenges and opportunities facing Tanzania, one area of focus will be economic empowerment of the poor, which will include enhancing human capital opportunities as a key lever for economic empowerment.[31] In addition, the proposed skills program would contribute to supporting private sector productivity and a competitive business environment by reducing the skills gap.

31. **The ESPJ will support the Government's new, comprehensive National Skills Development Strategy (NSDS).** The NSDS aims to put in place a set of strategic system level reforms while using innovative, competitive financing mechanisms to increase impact and accountability of skills training provision. It thus lends itself well to financing through the use of the Program-for-Results instrument. The ESPJ PforR presents several design and implementation advantages over alternative instruments. These advantages include (a) supporting the Government to promote a results-oriented program and implementation culture to improve the quality and relevance of skills for key economic sectors; (b) leveraging and strengthening existing government systems, including public financial management, social and environmental systems management, and procurement; and (c) aligning incentives along different levels of the service delivery chain across multiple ministries and agencies responsible for training.

32. **The ESPJ PforR builds on a track record of recent collaboration between the Government of Tanzania and the World Bank on results-based financing**. This results-based support includes the Big Results Now in Basic Education Program. Use of the PforR aligns with the Government's desire to leverage this mechanism and amplify its own efforts to strengthen technical and institutional capacity. Given its wide experience with results-based financing in the social sectors, the Bank is seen as a credible partner to help institutionalize a results-based development culture with the use of the PforR instrument. The Bank has issued a strong endorsement of this instrument and its use in education, recently committing to double results-based financing in this sector to US$5 billion over the next five years.[32]

D. Relationship to other World Bank Assistance

33. **The proposed operation also aligns with other current and planned World Bank initiatives in education and other sectors.** Within the education portfolio, ongoing projects support (a) improvements in primary and secondary education quality through the recently launched Big Results Now in Education (BRNED) Program-for-Results of US$120 million, co-financed by Department for International Development (DFID) and Swedish International Development Cooperation (SIDA); and (b) improvements in the quality of secondary education in the context of fast expansion, through the Secondary Education Development Program (SEDP II)

[31] World Bank, Tanzania Systematic Country Diagnostic (SCD), draft February 2016.
[32] Press Release: World Bank Group doubles results-based financing for education to US$5 billion over next 5 years, no.2015/450/edu, 2015.

of US$150 million. At the higher education level, the Bank has supported innovations, including improving the targeting and effectiveness of the student loans scheme and the efficiency of the higher education application process, through the development of an online central admissions platform financed by the recently closed Science and Technology Higher Education Program (STHEP) of US$100 million plus Additional Financing of US$15 million. The Bank's active portfolio includes two ongoing projects/programs with a total IDA commitment of US$270 million.

34. **In addition, there are strong synergies between the proposed Regional African Centers of Excellence (ACE II) Project and ESPJ.** The African Regional Centers of Excellence (ACE II) IDA Project finances complementary development of specialized skills, especially at the post-graduate level and focused on research in key sectors. ACE II is the second phase of this regional project. The project is intended to support the promotion of regional collaboration and specialization among participating universities in areas addressing national and regional economic growth priorities, as well as to strengthen the capacities of these universities to deliver quality training and conduct applied research.

35. **The ESPJ PforR would fill an important gap and complement the ongoing World Bank support to improving the education sector in Tanzania through support to the Government's National Skills Development Strategy.**

36. **As skills development cuts across many different sectors, many linkages exist between the ESPJ and other ongoing or planned WB projects outside the education portfolio,** for example, in Trade and Competitiveness, Sustainable Development, Urban, Rural and Resilience; Transport and ICT; and Agriculture Global Practices. Some of these projects contain explicit components focused on skills development or support the growth of the key industries targeted by addressing other business environment constraints to growth.[33]

E. Role of Development Partners

37. **The Government's National Skills Development Strategy provides a platform for coordination among the Government and development partners for skills related to development assistance.** Key partners in the skills sector include the Canada International Development Agency (CIDA), the African Development Bank (AfDB), the Swiss Agency for Development and Cooperation (SDC), and the German Cooperation (GIZ), along with several UN agencies such as the International Labor Organization (ILO), and NGOs/CSOs such as VSO. The AfDB has recently launched a five-year US$34 million support to Technical Vocational Education and Training to improve the quality and equity of TVET. Another AfDB project focused only on Zanzibar seeks to increase youths' and women's access to alternative learning and skills training opportunities. The AfDB is also providing support to entrepreneurs providing business development and financial literacy training, among other interventions. The CIDA support to TVET 2014–2019 in the amount of Canadian Dollars 13 million aims to build the capacity of technical and vocational institutions to deliver effective skills training programs, targeting the

[33] For further details, refer to Annex 10.

extractive industries, such as Mining, Gas and Oil; and Tourism. Several other partners are interested or currently planning their support to youth employment and skills.

II. PROGRAM DESCRIPTION

A. Government Program

38. **The Government's program is the National Skills Development Strategy (NSDS) 2016–2027[34] developed in August/September 2015 by a cross-sector network of stakeholders.** Its aim is the development of a skilled workforce in key economic sectors. The NSDS supports Tanzania's National Development Vision (TDV) 2025;[35] and the second National Strategy for Growth and Poverty Reduction Five Year Development Plan (FYDP II) 2016–2021 currently under implementation. The FYDP II centers on industrialization, and emphasizes addressing skills gaps as one critical lever to achieving its goals.

39. **The NSDS introduces a new approach to skills development in Tanzania.** Its underlying principles are demand responsiveness, dynamism, results orientation, focus, inclusiveness, and cross-sector coverage. Demand responsiveness means training is based on labor market information and identification of critical skills gaps, as well as close collaboration with employers. Dynamism implies that current and future skills needs will be addressed. Focus means that this new approach to skills development is being piloted in the key economic sectors for maximum impact, with potentially other sectors being added at a later stage. Inclusiveness refers to a greater emphasis on equitable access to skills development opportunities, especially for low income youth. Finally, cross-sector coverage relates to efforts addressing cross-cutting, institutional issues.

40. **The NSDS was developed in a consultative, stakeholder driven Co-creation[36] Workshop on National Skills Development.** The workshop was led jointly by the Ministry of Education, Science, Technology and Vocational Training; and the Ministry of Labor and Employment (now Prime Minister's Office, Labor and Employment) under the overall guidance and support of the Chief Secretary of the Presidency. Over 163 high-level participants from 76 organizations representing various levels of government, private sector, training providers, civil society, including several youth organizations, and development partners were engaged in this co-creation process. The workshop succeeded in creating wide stakeholder ownership of the strategy.

41. **The NSDS is the first comprehensive skills development strategy for Tanzania.** It addresses both formal and informal sector skills needs and covers all levels of training and skills.

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[34] Government of Tanzania, National Skills Development Implementation Plan 2016–2019.

[35] Tanzania's National Development Vision 2025 (TDV 2025) is operationalized by a series of 5-year development plans that build upon each other. The first of these, the National Strategy for Growth and Poverty Reduction I (FYDP I)- *Unleashing the growth potential*, focused on agricultural transformation and tourism growth and included supporting service sectors such as education. The second National Strategy for Growth and Poverty Reduction (FYDP II) 2016-2021- *Nurturing an industrial economy*, emphasizes the need to address skills gaps as one critical lever to achieving its industrialization goals. The third National Strategy for Growth and Poverty Reduction III (FYDP III) - *Realizing competitiveness export led growth*, is currently under preparation and will focus increasing competitiveness in all sectors.

[36] The co-creation workshop approach is modelled on the traditional African elders' problem-solving system.

The strategy thus covers the entire chain of skills for employability, from informal and alternative approaches to formal skills development; including apprenticeships; entrepreneurship; pre-employment vocational and technical education and training; university education; and post-employment upgrading of skills in the form of lifelong learning. It serves to complement, operationalize and bring together for the first time in one strategy different key skills development initiatives. The NSDS draws upon the 2014 Education and Training Policy (ETP), the 2008 National Employment Policy (NEP), and recommendations from the 2013 BRN Business Environment Lab stream on skills set, as well as several other sector policies.

42. **The NSDS has a sector focus, with skills development concentrated on six initial, key economic sectors**. The Government chose these six sectors because of their economic growth and/or job creation potential or their critical supporting role for other high growth sectors. However, the NSDS also foresees the potential addition of other economic sectors in the future[37]. The initial six key economic sectors are:

- Agriculture, Agribusiness and Agro-Processing
- Tourism and Hospitality
- Transport and Logistics
- Construction
- Information and Communications Technology
- Energy

43. **The rationale for the selection of these initial six key economic sectors is as follows:** The sectors are the priority of the Government's FYDP II, and the National Skills Development Strategy. They also have been highlighted in the World Bank 2014 Country Economic Memorandum (see Annex 12 for more details on sector potential). Among these key economic sectors, the returns to skills are currently high (see Economic Analysis in Annex 4 and Sector Rational in Annex 12). Estimated rates of return to education suggest particularly high returns to formal TVET and university education. When compared to secondary educated individuals, those completing an additional post-secondary training course earn over 70 percent more, for example, in hospitality. Labor market returns in these industries significantly exceed the average return to TVET and university-level education. When considering their role in the national economy, jobs in these sectors account for about 10 percent of employment among individuals over the age of 15. The job growth in these key economic sectors has considerably outpaced job growth in the rest of the economy over the past decade. Between 2006 and 2014, the number of individuals employed by these six sectors grew from more than 800,000 to almost two million workers, an increase of 137 percent. When compared to the growth of other, non-agricultural sector jobs of 50.7 percent, and agricultural jobs of 5.48 percent, this growth is considerable. If similar jobs growth continues through 2016–2021, it will give rise to a large and constant demand for new, skilled labor market entrants. Additionally, there are considerable opportunities within these sectors for informal jobs, which will provide substantial employment for youth.

[37] The NSDS foresees the addition of other potential key sectors at a later stage, depending on implementation progress, economic priorities and skills gaps.

44. **The NSDS covers the entire range of skills within these targeted key economic sectors,[38] notably:** (a) alternative training, such as entrepreneurship training, apprenticeships for low skilled youth, internships for graduates and other firm-based training (pre-employment and in-service programs, transition to labor market/Active Labor Market Programs (ALMPs); (b) vocational and technical education and training; and (c) university-level programs, especially those focused on Applied Sciences, Engineering and Technology (ASET) disciplines targeting more specialized, technical, professional and scientific occupations.

45. **The NSDS consists of two key results areas:** (i) strengthening the institutional capacity of the skills development system; and (ii) promoting the expansion and quality of labor market driven skills development opportunities in select economic sectors.

Results Area 1: System Level: Strengthening the Institutional Capacity of the Skills Development System

46. **Results Area 1 contains seven interventions**:

(a) Establishment of National Skills Council and Secretariat for coordination of skills development policies and initiatives
(b) Establishment of Sector Skills Councils to promote public-private sector cooperation
(c) Quality assurance for training programs
(d) Communication and dissemination of the National Skills Development Strategy
(e) Operationalization of the National Qualifications Framework
(f) ‘Fit for Business' seal of approval scheme for training institutions with significant employer participation
(g) Skills demand and supply information management system to inform policies and programs

47. **Establishment of National Skills Council[39] and Secretariat for coordination of skills development policies and initiatives:** The objective is to harmonize the fragmented coordination of policies, programs and initiatives for skills development among government institutions, and between the Government and the private sector. This will include support for the setting up of a National Skills Council (NSC) to coordinate policies and initiatives on skills development. The NSC will play an active role in monitoring the implementation of the NSDS, providing inputs for midterm course correction and forecasting of skills priorities and in facilitating greater public-private coordination of skills initiatives.

48. **Establishment of Sector Skills Councils to promote public-private sector cooperation:** The program will support the creation of Sector Skills Councils (SSC) in key economic sectors as a platform for coordination and collaboration on skills within the sector. These Sector Skills Councils will be registered under the NSC and will support businesses/business associations seeking to partner with registered providers in delivering training, provide referral services and technical assistance to businesses and providers for developing and formalizing partnerships and

[38] Over the medium to long term, the ‘Free Education Policy’ is expected to strengthen the core competencies and skills of graduates of secondary education, many of whom will pursue further education or training at the levels supported by the ESPJ PforR, thereby providing support to and building synergy with the activities of this program.
[39] Membership on the NSC and Sector Skills Councils is not a paid position.

financing arrangements. Membership on these councils will be drawn from representatives of skills system stakeholders, with employers playing a leading role. Members will serve in their existing capacities and will not be paid for their work. In some sectors, nascent skills councils already exist, for example, Tourism, Oil and Gas, but need support. The SSCs would be led by the private sector and act as an aggregator of industry interests, bringing together firms and business associations and training providers, relevant ministries and regulatory agencies (with the private sector representation in the majority). SSCs will be supported to play a role in all or some of the following areas, depending on capacity and preference: (a) identifying and prioritizing skills needs in the concerned economic sector; (b) developing industry skills strategies and plans to achieve priority goals in line with the National Skills Development Strategy and Plan; (c) defining and revising occupational and competency standards, training programs and curricula; (d) facilitating industry membership on training institution boards; (e) facilitating public private partnership in training delivery; and/or (f) promoting enterprise-based training for students and instructors.

49. **Quality assurance for training programs:** The aim is to streamline mechanisms for accreditation of training institutions and programs at the technical, vocational, and university levels, as well as for alternative training and informally acquired skills. This also includes simplifying and facilitating professional certification of students in close coordination with the respective professional bodies and private sector associations. The program includes institutional capacity strengthening of the regulatory bodies, VETA, NACTE and TCU for improving the programs' market-responsiveness; harmonizing their competency standards, certification and qualification regimes; and ensuring effective cooperation with employers in these areas.

50. **Communication and dissemination of the National Skills Development Strategy:** A communications and dissemination plan for the NSDS was developed to publicize it during and after the approval process, as well as during its implementation phase, recognizing that successful implementation of the NSDS also depends on the active participation and engagement of informed and committed stakeholders, such as employers, training providers, and training beneficiaries. The communications plan includes electronic and social media, as well as print, radio etc. The strategy seeks to showcase the importance of skills at both pre- and post-employment stages and in enterprise creation.

51. **Operationalization of the National Qualification Framework (NQF):** The NSDS contains the implementation of the recently harmonized National Qualifications Framework[40] for all levels of training, i.e. alternative, vocational, and technical and university-level training. Previously, separate frameworks were in place for these various levels, which were partially overlapping and did not facilitate seamless transition of trainees between these different learning pathways. An additional important goal of the NQF is to gradually facilitate formalization of informally acquired skills through Recognition of Prior Learning (RPL), which is being piloted for several occupations. Operationalization of the NQF will give assurance of the level of

[40] An NQF is a tool for the development, classification and recognition of skills, knowledge and competencies along a continuum of specified education and training levels. It is an approach for structuring existing and new qualifications, defined by learning outcomes, i.e. a clear definition of what the learner must know or be able to do, whether learned in a classroom, lecture hall, on-the-job, or informally. The NQF indicates the comparability of different qualifications and progression from one level to another, within and across occupations or industrial sectors (and if included, across vocational and academic fields). National Qualifications Frameworks provide a basis for improving quality, access, linkages and labor market recognition of qualifications within a country, regionally and internationally.

competencies of vocational, technical and university graduates and formalize pathways across these levels. In broader terms, the NQF will facilitate and streamline the recognition of qualifications, improvements in quality assurance procedures, and appropriate procedures for developing new programs, and curriculum, as well as occupational and training standards.

52. **'Fit for Business' seal of approval scheme for training institutions with significant employer participation:** This initiative aims to raise the level of business satisfaction with training quality and relevance by creating a voluntary scheme for training providers that indicates that their institutional governance and training programming involve a higher than required level of industry input. This scheme is meant to signal to businesses and trainees that a certain training institution or program is likely to be better aligned with labor market needs and to create an incentive for training providers to voluntarily aspire to a higher standard of quality and relevance.

53. **Skills demand and supply information management system to inform policies and programs:** The objective is to improve forecasting of skills demand and supply to enable more market driven and timely decision making by government, employers, training providers and potential trainees; and to enhance progress monitoring of the NSDS and accountability for results. Interventions will include: (a) development of an integrated web-based reporting and data management system for skills supply and demand across levels, including data on training beneficiaries' labor market outcomes; (b) baseline data collection and analysis of skills demand/supply; and (c) integrated employer satisfaction surveys.

Results Area 2: Service Delivery Level: Promoting the Expansion and Quality of Labor Market Driven Skills Development Opportunities in Select Economic Sectors

54. **Result Area 2 focuses on making service delivery more transparent, efficient, and equitable; and creating a more sustainable resource base for skills development.** The program interventions include two funding mechanisms designed to increase competition among training providers for public funds, to increase accountability for results and to provide incentives for training providers to take into account gender aspects in their programming, especially women and girls:

(a) Skills Development Fund (SDF) for public and private training providers
(b) Trainee Voucher Scheme (TVS) for low income youth

55. **Establishment and operationalization of the Skills Development Fund for public and private training providers:[41]** The SDF will consist of results-based competitive grants for both public and private training institutions in the key economic sectors, and incentivize results at the provider level. The funding mechanism has been designed to promote the expansion and quality improvement of training opportunities that adhere to quality linked performance criteria. The SDF

[41] Skills Development Funds are an increasingly common vehicle for financing skill/vocational training in many countries. A `training fund' maybe defined as a dedicated stock or flow of financing outside normal government budgetary channels for the purpose of developing productive skills for work. The overall purpose of training funds is to raise the productivity, competitiveness and incomes of enterprises/individuals by providing them with needed skills. Many training funds are financed by levies on enterprises, but may also be based on public contributions and donor financing. Thus, training funds provide an institutional framework for collecting and allocating funding to training providers.

will consist of four different windows, based on the different training levels: (a) university level; (b) technical education and training; (c) vocational education and training; and (d) alternative training (informal). Through these windows, the SDF will support all levels of skills in the key economic sectors. It will also leverage proposed ESPJ PforR funds to strengthen links with the private sector, stimulate demand for training, encourage cost-sharing among firms and providers, and incentivize results at the provider level. Within the sectors identified, the SDF will help to address emerging skills gaps and improve the quality of existing programs through a focus on (a) expanding the capacity of existing training programs; (b) establishment of new training programs; (c) incentivizing linkages with the private sector for improving program relevance and training delivery; (d) improving the quality and relevance of programs through curriculum revision; and (e) instructor professional development, among other potential measures. Special consideration will be given to proposals that build overall system capacity by being scalable and replicable across sectors; pilot innovative approaches; strengthen mechanisms that facilitate cooperation between employers and training providers and focus on gender specific training needs.

Table 3. Overview of the Government's National Skills Development Strategy (NSDS) and Boundaries of the ESPJ PforR

Initiative/Reform	Supported by ESPJ PforR
Results Area 1: *System level: Strengthening institutional capacity of the skills development system*	
Establishment of National Skills Council and Secretariat for coordination of skills development policies and initiatives	X
Establishment of Sector Skills Councils to promote public-private sector cooperation	X
Quality assurance for training programs	X
Communication and dissemination of the National Skills Development Strategy	
Operationalization of the National Qualification Framework	
'Fit for Business' seal of approval scheme for training institutions with significant employer participation	X
Skills demand and supply information management system to inform policies and programs	X
Results Area 2: *Service Delivery: Promoting the expansion and quality of labor market relevant skills development opportunities in select economic sectors*	
Establishment and operationalization of Skills Development Fund for training providers to fund sector specific skills development initiatives[42]	X
Establishment and operationalization of Trainee Voucher Scheme (low income youth)	X

[42] During the course of development of the NSDS and its implementation plan, sector-specific initiatives were proposed and vetted by the Co-creation Workshop participants. The Government intends the SDF to be the primary vehicle for funding of these initiatives. While all initiatives are eligible for consideration under the SDF because they are focused on key skill constraints in the NSDS economic sectors, the SDF requires that these proposals go through a review and are selected based on their relative merits and specific selection criteria. It is thus possible that certain sector specific initiatives would not be funded if they are displaced by more competitive proposals. The following provides a sample of these sector specific initiatives, but is not exclusive or definitive until review by the SDF: (i) Graduate incubation program in specialized skills for agribusiness; (ii) Integration of risk and disaster management skills into construction industry training programs; (iii) Expansion of training schemes for modern irrigation management skills among smallholder farmers; (iv) Establish a workplace secondment scheme for ICT instructors; (v) National competence standards in tourism and hospitality; (vi) Expansion of existing tourism and hospitality apprenticeship/internship and mentorship programs; and (vii) New short-term training on storage & distribution of agricultural produce.

56. **Establishment and Operationalization of Trainee Voucher Scheme for low income youth:** A trainee voucher scheme provides trainees with the opportunity to choose among accredited public or private training programs. This can incentivize training providers to offer more competitive and relevant market-linked training. This mechanism will subsidize trainees' tuition costs for purchasing training at registered vocational training institutions offering accredited programs, but also pay for alternative training which meets pre-defined quality criteria, such as apprenticeship and internship schemes and entrepreneurship training. The TVS is meant to strengthen markets for training, while enhancing quality assurance efforts by creating incentives for providers to formalize and seek accreditation or meet a defined minimum satisfactory training standard. Accompanied with more timely and accessible data on provider performance and student labor market outcomes, this mechanism should help improve the labor market relevance of training by channeling trainees and public resources to providers that achieve positive employment results. The TVS is intended for short-term alternative and vocational training to complement the loans and grants provided by the Higher Education Student Loans Board (HESLB) for students attending technical and university level programs. Within the key economic sectors identified in the NSDS, the scheme will focus on particular occupations and industries where short-term training enables entry into an occupation or enables individuals to progress to higher skill jobs. Eligibility for vouchers will be determined through means testing, with special consideration for low-income young women and men from disadvantaged backgrounds. The HESLB will be the implementing agency for the TVS. The further conceptualization and design of the TVS will be managed by HESLB, which already has the capacity and experience in targeting and administering grants to individual beneficiaries. Its design, structure and formula for allocation will be refined and operationalized during the first year of implementation.

B. Program Development Objectives (PDO) and Key Results

57. The **Program Development Objective** is to strengthen the institutional capacity of the Recipient's skills development system[43] and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors.

58. **Program key results for ESPJ are divided into two result areas:**

- Results Area 1: System level: Strengthening the institutional capacity of the skills development system
- Results Area 2: Service delivery level: Promoting the expansion and quality of labor market driven skills development opportunities in select economic sectors

59. **Progress towards the achievement of the PDO will be measured through the following PDO indicators:**

(i) Institutional framework in place for NSDS and institutional strengthening complete (including approval of NSDS; establishment of National Skills Council and Secretariat, and Sector Skills Councils, improvement in sharing of institutional data, and strengthening of regulator capacity)

[43] The skills development systems consist of alternative (informal, short term), vocational, technical and university level training programs.

(ii) Number of trainees enrolled in alternative, TVET and university-level training programs in key economic sectors funded by the SDF or TVS; of which percentage female (i.e. Number of Direct Program Beneficiaries)
(iii) Number of trainees completing alternative, TVET and university-level training programs in key economic sectors supported by the SDF or TVS; of which percentage female
(iv) Percentage of trainees who did an internship, apprenticeship or entrepreneurship training employed or self-employed 1 year after training completion

Table 4. PDO and PDO Indicators

Results Area	PDO	PDO Indicator
Results Area 1: System level	Strengthen the institutional capacity of the Recipient's skills development system	• Institutional framework in place for NSDS and institutional strengthening complete
Results Area 2: Service delivery level	Promote the expansion	• Number of trainees enrolled in alternative, TVET and university-level training programs in key economic sectors supported SDF or TVS; of which percentage female (i.e. Number of Direct Program Beneficiaries) • Number of trainees completing alternative, TVET and university-level training programs in key economic sectors funded by the SDF or TVS; of which percentage female
	and quality of labor market driven skills development opportunities in select economic sectors	• Percentage of trainees who completed an internship, apprenticeship or entrepreneurship training employed or self-employed 1 year after training completion

60. **The ESPJ is expected to directly benefit approximately the following beneficiaries over its five years of implementation:**

- 1,000 additional university students
- 4,000 additional technical students
- 10,000 additional vocational students
- 15,000 beneficiaries of alternative training programs

61. **PDO Indicator 4 serves as the primary measure of training quality.** Intermediate indicators also measure the level of employer input into the management of providers and delivery of training programs, and the proportion of programs delivered by a trainer with recent private sector professional experience, among other quality indicators.

62. **In addition to the results framework indicators, the following set of indicators will be tracked for all training programs in the key economic sectors, regardless of whether supported by the SDF, TVS or regulators:**

- Total number of training programs
- Total number of enrolled trainees

- Total number of trainees completing training
- Total number of trainees employed or self-employed within 6 months or 1 year of training completion
- Performance of trainees on a standardized test of non-cognitive and English skills (administered by SDF-supported programs)

63. For a more detailed description of the results framework see Annex 2.

Figure 8. **ESPJ PforR Results Chain Framework**

Program Development Objective: To strengthen the institutional capacity of the Recipient's skills development system and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors.

Challenges	Key Results Areas	PDO Indicators
• Lack of Coordination of Skills Development Policies and Initiatives at National and Sector Level • Weak Capacity for Quality Assurance • Low Public-Private Sector Cooperation in Overall Skills Governance and Delivery of Training Programs • Lack of Information System on Skills Supply and Demand to Inform Policies, Planning and Training • Low Effectiveness and Efficiency of Skills Development Funding	• System Level: Strengthening the institutional capacity of the skills development system	• Institutional Framework in place for NSDS and institutional strengthening complete
• Low Skills Development Opportunities with Limited Equity • Low Quality and Relevance of Skills Development Programs	• Service Delivery Level: Promoting the expansion and quality of labour market driven skills development opportunities in select economic sectors	• Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors supported by the SDF or TVS (of which percentage female) • Number of trainees completing of alternative, TVET and university training programs in key economic sectors supported by the SDF or TVS (of which percentage female) • Percentage of trainees who completed an internship, apprenticeship or entrepreneurship training employed or self-employed 1 year after training completion

C. ESPJ PforR Program Scope

1. **The ESPJ PforR is fully aligned with the Government's NSDS.** The NSDS proposes a targeted set of interventions at both the system and service delivery levels designed to have transformative impact on the skill supply system for industries with high potential for growth and job creation. In doing so, the ESPJ PforR will build as much as possible on existing functional structures, but also create new institutional mechanisms to address the growing requirements of the skill ecosystem. A Technical Assessment concluded that the overall thrust and design of the NSDS is sound and innovative and that appropriate actions have been taken to adapt lessons from other World Bank programs to the Tanzanian context. The Technical Assessment further confirms

that the ESPJ PforR addresses pressing system constraints, increases incentives for performance among public and private service providers; and that the implementation plan reflects careful planning to mitigate implementation risks. The NSDS thus provides a sound program to guide investment of ESPJ funding. The PforR will complement capacity building efforts and reforms in other operations such as the Second Private Sector Competitiveness Project, Business Environment and Competitiveness of Jobs Project, the Dar es Salaam Maritime Gateway project and the Local Content in the Oil and Gas Sector project. The ESPJ PforR builds on lessons learned from similar results-based operations implemented in Tanzania and elsewhere. The project maintained a broad level of engagement and dialogue with the Government during project preparation, and will maintain teams with a field presence and technical knowledge in PforR during implementation.

64. **The ESPJ PforR focuses on all initial six key economic sectors and all levels of skills identified in the NSDS.** The selection of the economic sectors and levels of training is aligned with the NSDS and supported by analytical evidence such as the Country Economic Memorandum and a macroeconomic study on human capital development needs. Key rationale for the selection of sectors include (a) sector growth potential; (b) linkage with other sectors of the economy (enabling sectors); (c) contribution to employment generation; (d) feedback from private sector on skill shortage and potential for enhancing regional and international trade competitiveness; and (e) government priority.[44] It may be noted that some of the trainings envisaged under the ESPJ PforR, especially at the entry level, will be common across the six key economic sectors. Therefore, these 'fungible skills' will allow greater vertical and horizontal career mobility for graduates within and across the key economic sectors under the ESPJ PforR.

Result Area 1: Strengthening the Institutional Capacity of the Skills Development System

65. **Within the first result area, the ESPJ PforR will support all activities with the exception of the operationalization of the National Qualification Framework (NQF)[45] and the communications and dissemination plan.[46]** These exclusions are necessitated because these interventions are fully handled by existing institutional arrangements, and do not need to be incentivized because they are already at advanced stages, and their implementation is satisfactory and on-track.

Result Area 2: Promoting the Expansion and Quality of Labor Market Driven Skills Development Opportunities in Select Economic Sectors

66. The ESPJ program will promote the expansion and quality of skills development opportunities in select economic sectors through both the Skills Development Fund and the Trainee Voucher Scheme.

[44] For a more detailed rationale on the selected sectors see Annex 12.
[45] Efforts to put in place an NQF predate the NSDS, and considerable progress has already been made. The NQF was completed and approved. Its operationalization is already under way. In addition, development of protocols for recognition of prior learning in selected construction sector occupations, one component of NQF operationalization, is already underway through a partnership between VETA and the ILO.
[46] The communications and dissemination of the NSDS is already under way as part of the government approval process for such strategies. This includes consultations with stakeholders, publishing information about the NSDS, among other interventions. The human capital component in the FYDPII references the NSDS.

67. **The ESPJ PforR will support the setup of these mechanisms.** DLIs are attached to the successful and timely operationalization of both of these mechanisms. Once all criteria for operationalization of these mechanisms have been met (expected in year 1 for the SDF and by year 2 for the TVS), ESPJ funding will be paid into the SDF and TVS. These funds will be used to support training subject to specific criteria agreed between the World Bank and the Government and laid out in the respective operations manuals of these two funds. These criteria will be in place to ensure that ESPJ funds support an appropriate balance across levels of training and are used primarily to fund additional student places (as opposed to capital investment or operating costs), and are described in more detail below.

68. **An Operations Manual (OM) for the SDF will set criteria to ensure an appropriate balance across levels of training.** The manual will set a ceiling for the amount of money allocated through the window focused on higher education, TVET and alternative training windows, with importance placed on lower skill occupations. The amount allocated through the higher education window will not exceed 25 percent of total allocations. The amount allocated through windows focused on VET and alternative training will at a minimum receive 15 percent of total allocations each. These requirements are put in place to ensure that the SDF adequately focuses on employment for at risk youth, the majority of whom enroll in short-term or vocational courses. For the same reason, across the SDF as a whole, no more than 25 percent of allocated funds will be allowed to support training for incumbent workers. Similarly, applications devoting more than 25 percent of award money to civil works or more than 15 percent to operating expenses will not be considered in an effort to direct more resources to training delivery and/or the development and revisions of curriculum and programs. A final OM with all criteria is under development and will be delivered no later than four months after the effectiveness date.

69. **The operations manual for the TVS will define eligibility criteria for individuals and programs that are aligned with NSDS priorities.** For individuals, acceptance into the scheme will be contingent on income, and some preference may be given to those from disadvantaged groups, particularly women and girls. Program eligibility criteria will include accreditation, orientation towards a key sector identified in the NSDS, and ineligibility for those receiving the HESLB loans and grants. This final criterion will serve to orient the TVS on short-term, alternative and vocational training, which are not currently funded by the HESLB.

70. **Between 2010 and 2015, the Government has spent an average of US$62.4 million per annum on skills development.** This figure includes spending across ministries on providing specialized training within their sectors. Annual spending on higher education and TVET amounted to US$265 million in 2015, which is 23.5 percent of the education budget. In addition, the SDL supports some skill building, notably through financing the operations of the Government's network of VETA training centers.

71. **The estimated cost for implementing the Government's skills program (NSDS) is US$250 million over the first five years.**[47] This program is a harmonized package of

[47] The US$250 million figure assumes the cost established in 2015 by the NSDS is adjusted for inflation and depreciation.

interventions that will increase funding and introduce system level reforms to improve the skills system's performance. The NSDS will require resources beyond ESPJ PforR.

72. **The revenue needed to finance the NSDS will come from three major sources (see Figure 6):**

(a) ESPJ PforR;
(b) Additional Government Funding Sources, including SDL; and
(c) Government education and skills training budget.

73. **The ESPJ PforR will be providing financing of US$120 million, which will cover 48 percent of NSDS costs.** Of this amount, US$20 million (17 percent) will support system level reforms, and US$100 million (83 percent) will support expanding and improving training service delivery through the SDF and TVS.

74. **The national budget is expected to allocate US$32 million over five years to support the NSDS.** This money will come from aligning spending under certain skills budget lines to NSDS priorities. In particular, these funds will support activities including operationalization of a harmonized NQF and implementation of a communications strategy that are currently underway and being paid for from the MoESTVT budget, as well as revision and delivery of existing training programs serving NSDS sectors. Over the course of NSDS implementation, additional government funding sources, including the SDL will be incrementally redirected to support skill building in NSDS priority areas, contributing a total of US$82.9 million over five years.

75. **These arrangements leave a gap of US$15.1 million over five years.** The Government is exploring the availability of support from other development partners to fill this gap.

Table 5. Estimated Program Financing (US$ millions)

Source of Funding	Fiscal Year						% of total Program
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	Total	
Government	6.4	6.4	6.4	6.4	6.4	32.0	12.8
ESPJ PforR	27.0	23.0	20.0	20.0	30.0	120.0	48.0
Additional Government Funding Sources, including SDL	–	–	13.1	27.3	42.5	82.9	33.2
GAP	–	–	5.02	5.02	5.02	15.1	6.0
Total	**33.4**	**29.4**	**44.6**	**58.7**	**83.9**	**250.0**	100
Share of Total NSDS (%)	13.4	11.8	17.8	23.5	33.6	100.0	–

76. **The ESPJ scope includes recurrent costs, goods and small works and services.** It excludes high risk activities, defined as activities that (a) are likely to have significant adverse impacts that are sensitive, diverse or unprecedented for the environment and/or the population; and/or (b) involve procurement of goods, works and services under high-value contracts. Furthermore, the ESPJ will exclude civil servant salaries, because the ESPJ program is meant to support a major, focused push by the Government to raise the level of system performance through building and strengthening key institutions. The Government's own support to staff salaries is required for the long-term sustainability of the transformative agenda of NSDS.

D. Disbursement Linked Indicators and Verification Protocols

77. See below for overview of DLIs. For more details refer to Disbursement Linked Indicators and verification in Annex 3.[48]

Table 6. Overview of Disbursement Linked Indicators

DLI #	*DLI*	*Bank financing allocated to DLI (US$ equivalent)*	*Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)in US$* [4]
1	National Skills Council and NSC Secretariat operational	10	Full amount on completion if completed within the first 24 months upon the Effective Date; 10% reduction on the full amount for each successive FY.
2	Skills Development Fund operational	7	Full amount on completion if completed within the first 24 months upon the Effective Date; 20% reduction on the full amount for each successive FY.
3	Trainee Voucher Scheme Operational	7	Full amount on completion if completed within the first 24 months upon the Effective Date; 25% reduction on the full amount for each successive FY.
4	Completion of annual capacity building activities for program institutions as set forth in the POM	6	US$3M in FY2016/17, US$750,000 in each remaining FY; payment pro-rated for proportion of planned capacity building budget spent according to annual Capacity Building Plan
5	Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	10	US$6M in FY18/19; US$2M annually in FY2019/20, FY2020/21 if agreed amount paid into both or one of the accounts
6	Sector Skills Councils established	8	US$2M per SSC established in FY2016/17, FY2017/18, FY2018/19; US$1M per SSC established in FY2019-20; FY2020/21. Disbursement for maximum of four SSCs.
7	Number of training providers submitting complete data set upon agreed list of variables in POM to TCU, VETA, NACTE and TCU records/SMIS	6	US$1.5M maximum per year, payable as % of target reached
8	Number of students benefitting from at least one month internship, apprenticeship or work-based opportunities relevant to their field	10	US$1,250 per trainee up to a total maximum amount of US$10M
9	Number of training programs receiving financing from the Skills Development Fund	6	US$60,000 per training program up to a total maximum amount of US$6M

[48] For the purposes of verification, an independent verification agent will be appointed as per government procurement guidelines and will be paid for by the Government. This independent verification agent will be an external, non-government or non-Bank, entity which will verify the fulfillment of the DLIs.

10	Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors funded by the Skills Development Fund or the Trainee Voucher Scheme	50	US$1,600 per trainee up to a total maximum of US$50M

E. Capacity Building and Institutional Strengthening

78. **The ESPJ PforR includes support to capacity building of key implementing agencies to strengthen implementation, and its progress is incentivized by a specific DLI** (see DLI 4: Completion of annual capacity building activities for program institutions in Annex 3). This technical assistance is critical for facilitating coordination among the different implementing entities and stakeholders; and ensuring sufficient capacity for the implementation of key system reforms.

79. **In addition to a specific DLI on capacity building, capacity strengthening of key implementing institutions is integrated into the delivery plans for each, and integrated into the definition of several other DLIs, such as 1, 2, 3, 7 and 8.**

80. **Plans and budgets for capacity building and institutional strengthening will be agreed annually between MoESTVT and the Bank**, according to the detailed five year Implementation Plan. The main beneficiary institutions of the capacity building activities include:

(a) **MoESTVT** to strengthen capacity on (i) the principles and processes of the PforR instrument; (ii) Monitoring and Evaluation; (iii) program management; and (iv) communications on the NSDS, among other areas;

(b) **Tanzania Education Authority (TEA)** to support the operationalization of the SDF. This will include additional qualified personnel and some equipment upgrading, but more importantly institutional support on skills and industry expertise to participate in the technical assessment of proposals. Capacity building would also include training on safeguards, fiduciary and monitoring and evaluation. In addition, TEA would be given support to develop a communications strategy and to carry out its own capacity building of prospective and successful SDF applicants in proposal writing, the criteria and priorities of the SDF, and results-based planning, and monitoring;

(c) **Higher Education Students Loans Board** to support the operationalization of the Trainee Voucher Scheme. This will include additional qualified personnel and some equipment upgrading; but more importantly institutional support on issues specifically related to successfully managing a voucher scheme for vocational and alternative training. Capacity building would also include training on safeguards, fiduciary and monitoring and evaluation. In addition, HESLB would be given support to develop a communications strategy to reach out to potential trainees;

(d) The principle regulatory bodies, **VETA, NACTE and TCU;** and potentially also some of the professional bodies to support improved accreditation and quality assurance of training providers and programs; improved training program and curriculum development; enhanced data collection and sharing mechanisms; and more effective collaboration with the private sector;

(e) **National Skills Council and Secretariat, and Sector Skills Councils** in their start-up phase to ensure effective functioning and resource mobilization;

(f) **Training providers:** TEA as the managing body of the SDF will carry out capacity building activities among prospective and successful SDF applicants, that is, public and private training providers as described above; and

(g) Consultancies for the design and operationalization of the **Skills Management Information System**.

81. **Disbursement-Linked Indicator 4 incentivizes the prompt and thorough implementation of agreed plans for capacity building and institutional strengthening.** Each year disbursement will be made according to the proportion of capacity building budgets spent according to the agreed budget lines. To support the substantial need for institutional strengthening early in the program, particularly within MoESTVT, TEA, and the HESLB, half the allocated funds for the DLI will be disbursed according to implementation in the first year after effectiveness.

Lessons Learned

82. **The ESPJ program design is underpinned by** (a) a body of analytical work on sector skills gaps, a skills-focused enterprise survey, and mechanisms to monitor quality, governance and financing; (b) lessons learned from previous and ongoing education and skills projects and programs in Tanzania, Sub-Saharan Africa, for example, Kenya, Ghana, Mozambique; and beyond, for example, Chile, Brazil, Ireland. For instance, the skill development fund launched in Ghana in 2011, has been instrumental in providing both public and private training providers access to funding support on a competitive basis. This mechanism has introduced relevant training and technology innovation through improved facilities in the market. Likewise, a stronger case needs to be made for linking training services and jobs prospects. Incentivizing training providers to train students and subsequently connect them to the job market is a step in this direction. A recent analysis of this policy initiative from Nepal in 2016 indicates that it takes only about six months for trainees to recuperate training costs, approximately US$300 per trainee after graduation; (c) extensive stakeholder consultations during program preparation; and (d) study tours to Chile, Singapore and South Korea to inform the preparation of the program in the areas of skills coordination, quality assurance and financing mechanisms among others. Based on this, the following lessons have been taken into account in the design of the ESPJ.

83. **Improving training service delivery and addressing selected key system-level blockages are both essential pillars for a sustainable and large-scale impact on quality and efficiency.** While successful individual training providers or programs can have a catalyzing positive impact on the overall quality of the training system, this may not be sustainable and scalable without system-level reforms. Therefore, the design of the ESPJ includes incentives for reforms at both training provider level and system level.

84. **Skills Funds are an effective tool for improving relevance, quality, equity, accountability for results, and efficiency of TVET and Higher Education according to evidence from around the world.**[49] Best practice examples include the Chile Higher Education Fund, Mozambique TVET Fund, and Skills Nets in Ireland. Skills Funds allow targeting of support to training providers on a competitive basis and according to clear performance criteria. Furthermore, Skills Funds enable private sector involvement in decision-making through participation in the governance/management of the aforementioned skills fund. A Bank operational review of TVET projects found that virtually all the 10 training funds it financed in Sub-Saharan Africa are successful. One of the key features of successful training funds is to include not only public, but also private training providers as beneficiaries of support. Accordingly, the Tanzania Skills Development Fund would provide results-driven support to public and private training institutions on a competitive basis. This promotes flexibility, cost-efficiency, and market-driven skills.

85. **Skills development efforts can only be demand-driven and of high quality if active engagement of the private sector as a main consumer of skills is built into the design of training programs.** In order to meet the demand for skills on the one side and improve employment outcomes of trainees on the other, it is imperative to involve employers in planning and implementation processes. Employers are best positioned to define and anticipate the skills needed by workers and therefore encouraging their participation is critical in identifying skills gaps; developing training programs and competency standards; and ensuring practical experience for students and trainers. Therefore, the ESPJ includes DLIs for ensuring more effective private sector participation at the training-provider level, as well as in skills sector councils and national skills councils.

86. **Analytical evidence suggests that training voucher schemes for students have the potential to promote equity in access to training by targeting low-income youth, and improve quality and relevance by introducing competition among training providers.** Voucher schemes boost student demand for vocational training, in particular if training fees are prohibitive. Furthermore, the inclusion of both private and public training providers is a key success factor for these schemes. Private training providers can be more dynamic, flexible, and provide trainees with the opportunity to obtain more labor market relevant skills compared to public providers.[50] Findings from an impact evaluation in Kenya show that training voucher schemes that include public and private training providers tend to have better entry and retention rate among participants.[51] The evidence also suggests that information provided to trainees on skills in demand can change their education investment decisions with regards to training selection. The proposed scheme will therefore include easily accessible and consolidated data on skills demand and supply for potential trainees and training providers.

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[49] Johanson, Richard, 2001, Sub-Saharan Africa Regional Response to Bank TVET Policy in the 1990s, World Bank.

[50] Johanson, R. and Adams, A., 2004, Skills Development in Sub-Saharan Africa, World Bank. Public training providers in less developed countries often fail to effectively impart marketable and relevant skills to students and tend to be slower in reacting and adapting to fast changing labor markets driven by technological progress.

[51] Hicks, Joan Hamory; Kremer, Michael; Mbiti, Isaac; and Miguel, Edward, 2011, Vocational Education Voucher Delivery and Labor Market Returns: A Randomized Evaluation among Kenyan Youth, World Bank.

87. **Key staff responsible for the implementation and monitoring of large scale programs at the MoESTVT need to be dedicated full time to the program, based on the experience of STHEP/STHEP-AF and BRN Basic Education.** Initially, the recently closed IDA-financed Tanzania Science Technology Higher Education Project (STHEP) was mainstreamed into the ministry. However, ministry technical staff were overstretched and only able to work on the project part-time even though the work required full-time commitment. This caused substantial implementation delays. With the recruitment of a full-time coordinator, Monitoring and Evaluation support, and other core personnel to complement ministry staff, the pace of implementation accelerated considerably. Learning from this experience, the ongoing BRN Basic Education PforR is implemented by a full-time ministry team. The day-to-day ESPJ implementation will be coordinated and undertaken by a MoESTVT team dedicated full-time to the program, led by a program coordinator and Monitoring and Evaluation support, among other staff; similar to the BRN Basic Education.

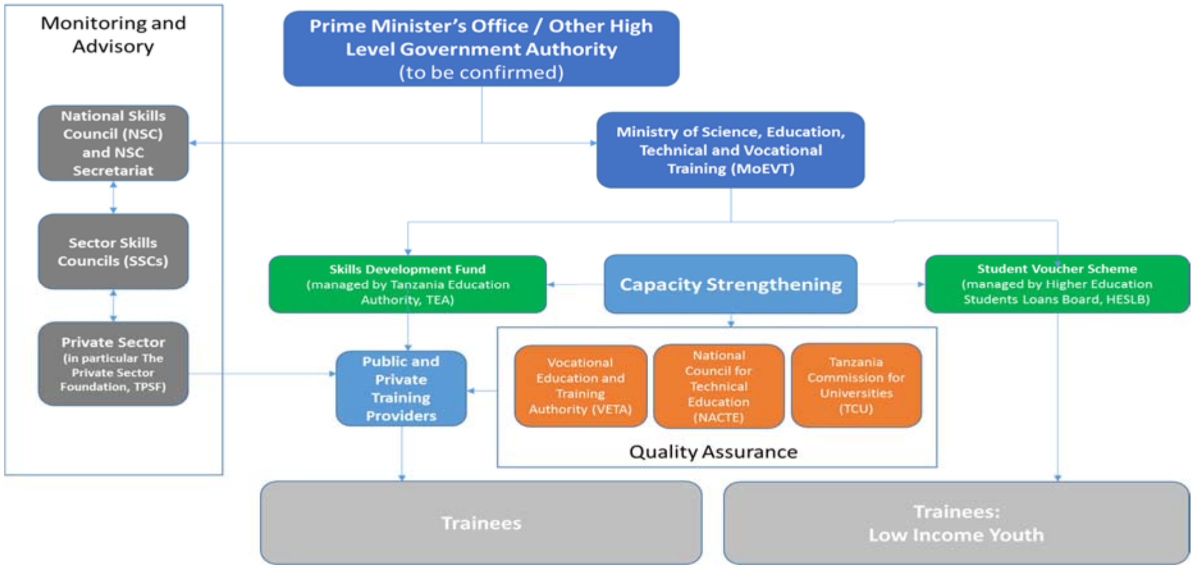
III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

88. **Implementation of the ESPJ program will follow the arrangements laid out in the Government's National Skills Development Strategy (NSDS).** MoESTVT will be responsible for the overall oversight of the Government's Implementation Plan for the NSDS and will work in close collaboration with the Prime Minister's Office, Labor and Employment (PMO-LE). A Program Unit within MoESTVT will be responsible for day-to-day supervision, overall program monitoring and evaluation, and reporting and provide support to program implementing entities.

89. **Implementation will rely on existing institutional structures, monitoring templates and protocols to the extent possible, as well as several new structures being proposed in the NSDS.** These new structures are being established to address the current inherent systemic risks and weaknesses, notably lack of coordination on skills development policies and initiatives. The underlying objective is to expand on the existing institutional structures to address the skill requirements of the market.

Figure 9. Implementation Arrangements for NSDS and ESPJ



90. **The NSDS includes the establishment of the National Skills Council (NSC) and supporting Secretariat.** Once established, the NSC will assume responsibility for the overall oversight of the National Skills Development Strategy and provide overall policy guidance to government on NSDS. The NSC will thus be the Program Steering Committee for the NSDS.

91. **The NSC will include representatives from employers' associations[52], government ministries and agencies, training providers, and labor and civil society representatives.** The Government is committed to majority private sector representation on and chairing of the NSC. The NSC is expected to report directly to the Prime Minister's Office or other appropriate high level government authority. MoESTVT is responsible for leading the process for the Cabinet establishment of the NSC and its secretariat. Establishment of the NSC will be one of the initial deliverables of the ESPJ PforR. The NSC is expected to be operational within 24 months of the effectiveness date. This council will be established through the appropriate government authorities.

92. **The NSC will liaise closely with the Tanzania Private Sector Foundation (TPSF), which provides policy guidance on the overall business climate and is the umbrella association for the private sector.**

93. **Functions of the NSC will include, among others**: (a) monitoring and advising government leaders on NSDS implementation; (b) providing leadership in cultivating effective working relationships among business, government, training institutions and other stakeholders at the strategy level; (c) providing guiding principles and priorities for the SDF and TVS and monitoring their implementation; (d) issuing skills policy guidance to the MoESTVT and PMO-LE for adoption and implementation; (e) facilitating periodic revisions of frameworks of roles and responsibilities of the sector skills councils' and industry associations' as well as their productive engagement in the national skills system; and (f) reviewing and updating the NSDS at regular

[52] Including the sector associations, such as TPSF and other.

intervals by translating national development plans into skills needs and linking of national plans to sector and sub-sector plans.

94. **The NSC will be supported by a lean but effective secretariat for its operational functions**. The NSC Secretariat's responsibilities will include (a) monitoring of the NSDS implementation; including providing a progress report on NSDS implementation and preparation of an annual report on the state of skills in Tanzania to the president and the public; and (b) managing the information system on current and projected future skills demand and supply to enable monitoring, forecasting, and informing the work of the NSC, the sector skills councils, MoESTVT, PMO-LE other ministries, regulators, and training providers.

95. **Until the NSC is operational, as an interim measure, its functions will rest with the MoESTVT in close collaboration with the TPSF.** The MoESTVT will carry out this responsibility in close collaboration with the existing agencies such as VETA, TEA, NACTE and employers. After the NSC is operational, the MoESTVT and other stakeholders will only retain their implementation responsibilities. MoESTVT will continue to remain the core implementing agency responsible for the implementation of the NSDS under the guidance of the NSC. The MoESTVT will appoint a high-level team to oversee and drive implementation.

96. **The SDF will be disbursed through the Tanzania Education Authority (TEA) to accredited institutions registered under TCU, NACTE, and VETA.** A small component of the funds will also be allocated to alternative methods of learning/training.[53] The SDF will be managed on a performance contract basis by TEA. The TEA has extensive experience and the mandate to mobilize resources from a variety of sources including the private sector that are utilized to fund development and expansion of educational institutions at all levels. The management of the SDF will require a full time team within TEA including a SDF Manager, as well as proposal evaluators, financial management, M&E specialist and other support staff. The TEA board will ensure that the SDF is well implemented and TEA will report at least every six months to the NSC on the SDF implementation progress and results achieved. TEA will ensure that it implements the SDF in alignment with the strategic priorities, funding criteria, and guidelines (which can change periodically) set by the NSC and outlined in the Operations Manual. This Operations Manual is already under development and a pilot to test the SDF model is planned with PPA resources and lessons learned integrated into the final OM prior to effectiveness. SDF is expected to be operational by end of June 2017.

97. **The MoESTVT will take the lead in designing and helping to establish and operationalize the Trainee Voucher Scheme (TVS) to address the financial constraints faced by eligible low income students enrolling in alternative and vocational training.** It will exclude students who are eligible for the higher education loans scheme. At present, the Higher Education Students Loans Board (HESLB) is being considered as the implementing agency of the TVS. Thus, tasks necessary to set up the TVS include setting up the voucher scheme governance arrangements, agreeing on the funding source and amounts, setting disbursement guidelines (including for targeting priority groups) and hiring necessary staff. An Operations Manual will be prepared in close consultation with the MoESTVT. The TVS is expected to be operational by December

[53] Refer Annex 1 for detailed program implementation mechanism.

2017. The implementing agency of the scheme will report periodically to the NSC on implementation and outcomes, once established.

Implementation Readiness

98. **The NSDS is expected to be approved by the Government by September 2016.** The new government is particularly keen on developing the education and skills sectors, as confirmed in the recent speeches of the new President, as well as is evident through the recent actions of the Government, for example, increasing direct financial support to schools. While the NSDS is a 10-year strategy, the Government designed specific initiatives that would be implemented over the next five years. These specific initiatives were designed collaboratively with various stakeholders during the Skills Co-creation Workshop. Each of the initiatives includes a detailed action plan that specifies activities, timeline, responsibilities, and required budget.

99. **The Bank's support to the NSDS will be through the ESPJ PforR.** The technical, fiduciary and safeguards assessments were carried out and key issues and risks identified as well as measures to address these risks. In addition, agreements on key indicators, M&E procedures, including independent verification, and DLIs have been concluded with the Government.

100. **All the key operational procedures for implementing the Program, including for major funding initiatives such as the SDF and the TVS will be part of the Program Operations Manual.** The Operations Manual is already under development and is expected to be finalized prior to effectiveness.

B. Results Monitoring and Evaluation

101. **The MoESTVT will have overall responsibility for the monitoring of the Program Results Framework.** This constitutes a slightly modified M&E arrangement compared to the BRN Education Program-for-Results, as ESPJ will not be monitored by the President's Delivery Bureau (PDB). The MoESTVT already has in-house experience with PforR results monitoring.

102. **The information required for monitoring of the Results Framework will be collected by training providers and shared with MoESTVT through TEA and the regulatory bodies.** TEA is responsible for reporting and data collection relating to the programs funded by the SDF, such as the number of programs financed by level and students enrolled. The HESLB is accountable for reporting and collecting data on students and programs supported through the TVS activities. Additional information, including student satisfaction and institutional indicators concerning training providers, will be collected and shared with MoESTVT by the relevant regulatory bodies: VETA for vocational training, NACTE for technical training, and TCU for higher education. On establishment of the Skills Management Information System (SMIS), much of the required data will be entered directly by training providers into the web application, enabling MoESTVT to access it directly. A Disbursement Linked Indicator incentivizes the establishment of the SMIS.

103. **An institutional capacity assessment of MoESTVT, VETA, NACTE, TCU, TEA,** and the body selected to manage the TVS is underway to identify the institutional capability of these organizations to carry out M&E. The MoESTVT and later, the National Skills Council, will provide oversight of the M&E system and of these capacity building efforts. In addition, a

disbursement linked indicator incentivizes capacity building among regulators for data collation and rigorous implementation of data requirements by MoESTVT.

104. **In addition to MoESTVT monitoring, Results Framework indicators which are also Disbursement Linked Indicators (DLI) will be subject to third-party verification** by an independent agent recruited by MoESTVT and approved by the Bank (for more detail see Annex 3, Disbursement Linked Indicators and Verification Protocols).

105. **Annual reviews and an extensive midterm review of progress and program activities will be undertaken.** The review will be organized by the NSC Secretariat and include representatives from all relevant government and implementing agencies, employers, training providers, quality assurance bodies, development partners, and civil society organizations.

C. Disbursement Arrangements

106. **Disbursements will be made upon the presentation and verification of evidence of attainment of the Program's disbursement linked indicators (DLIs).** Disbursement arrangements include the following key features:

(a) DLIs 1, 2, 3 and 5: One-off disbursement of complete allocation on completion of DLI activity
(b) DLIs 4, 6, 8, 9 and 10: Payment per unit (for example, per student enrolled) up to a maximum of Year 5 target. Claimable every six months.
(c) DLI 7: Payment pro-rated from annual target; claimed annually.

107. **Claims for achievements in one six-month period should be made within six months of the end of the period.** Annual claims should be made per FY during the first six months of the next Fiscal Year.

108. **Following verification of claims, disbursement will be made directly into the project designated account.** The MoESTVT will be responsible for distribution of funds to the SDF and TVS as agreed in the annual budgeting.

109. **Further details related to flow of funds, in terms of paying for results, will be included in the Program Operations Manual.** The Operations Manual will contain detailed information on procedures to be followed at each stage of the transaction cycle including commitments, transaction verification and approval, payments and reporting.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)[54]

Program Strategic Relevance and Technical Soundness

110. **The ESPJ PforR is relevant to the overall economic and social development of Tanzania**. It has been developed to address specific skills challenges affecting the country's human resources development capacity.[55] These include the problem of the current low skill levels of the workforce; the future demand for higher occupational skill levels in a more diversified and competitive industrial and service economy; the need to increase the scale and improve the quality of vocational training and technical education for the extensive and growing number of school leavers to assist their entry into the labor market.

111. **The selection of the six selected economic sectors is consistent with the overall strategic focus.** Three of the key economic sectors included in the ESPJ Program were identified as having the greatest growth potential (agriculture, agribusiness, agro-processing; tourism and hospitality; and energy), with the remaining three sectors being enabling sectors (construction, transport and logistics, and ICT).[56] These sectors require skilled manpower for growth at all levels of the skills chain.

112. **The ESPJ PforR preparation was largely based on the Government's NSDS preparation process and has thus been informed by an extensive stakeholder consultation process with high-level engagement.** Ministries and officials from different relevant levels of government, public technical and vocational education institutions, the private sector, youth leaders, civil society and international partners were all engaged in the preparation process. The ESPJ preparation has also been informed by extensive analytical work. The identified skills priorities flow logically from this analysis of challenges and needs. The skills needs analysis was informed by a range of national policies, sectoral research reports, and secondary analysis. These include recent studies of human resource requirements and future skill needs in priority economic sectors (see Annex 11 for List of Studies).

113. **The causal link between the ESPJ program design and issues to be addressed is clear**. The program is designed to address core skills development and upgrading horizontally through training service-level interventions in specific economic growth sectors, and vertically by focusing on different levels of training. Cross-cutting system interventions are also required to create an enabling environment for delivery of a national skills program, and to support sector-level initiatives. These include governance and coordination structures; quality and relevance of skills; access and equity; and sustainable and equitable financing.

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[54] A detailed technical assessment of the Program was undertaken during preparation of the PforR operation. A summary of the findings of the assessment is included in Annex 4.

[55] As outlined in the Draft National Skills Development Strategy 2016/17-2025/26, Ministry of Education and Vocational Training and Ministry of Labour and Employment, Draft December 2015.

[56] These growth sectors have also been prioritized in the Government's National Development Program -Tanzania Development Vision 2025.

114. **The ESPJ PforR program design is appropriate, coherent and conforms broadly to international good practice in skills policy and interventions.** The design framework recognizes that interventions are required at two complementary levels – *system* level and *service* level – to address the complex range of identified skills challenges. At the *system* level, the program includes measures to increase coordination for policy, improve quality assurance, enhance public-private cooperation, create sustainable skills funding mechanisms, and development of an information platform. At the *service* delivery level, the measures will seek to promote expansion, and quality and relevance of skills development training opportunities for youth in targeted key economic growth sectors. The need for a dual approach has been confirmed by the findings of the World Bank SABER Workforce Development study in respect of countries with effective and efficient workforce development systems, for example, in Singapore, Korea, and Ireland. The program design also conforms to the World Bank, ILO and OECD recommendations on building blocks and benchmarks for national skills development policies.[57]

Program Expenditure Framework

115. **The main sources of current spending on education and training at the post-secondary level are MoESTVT and other line ministries.** In 2014, MoESTVT spending on higher education, TVET and adult education was US$370 million. VETA, who is the primary public provider of vocational and short-term training receives financial support through the SDL, which amounted to US$32.8 million in 2014.

116. **Other line ministries also contribute funds to skills development.** Many maintain technical colleges that contribute to the skills pipeline for technical occupations needed by their sector.[58] They also train frontline ministry staff working in these sectors, i.e., agricultural extension officers, port officials, etc. Skills development spending by ministries focused on NSDS priority sectors has averaged US$15.7 million per annum over the past five years.

117. **Overall public expenditure on education and training increased rapidly until 2012/2013, as percentage of GDP and in absolute terms, but has since stabilized.** This suggests limited fiscal space for further expanding skills spending. Several Ministries, Departments and Agencies (MDAs) responsible for delivering skills development in line with the NSDS consumed large portions of public spending over the past five years, suggesting that these MDAs are priority economic sectors. However, spending on skills development remained very low within those ministries, departments and agencies, suggesting other priorities and expenditure pressures.

118. **The estimated cost for implementing the NSDS is US$250 million over the next five years.**[59] The NSDS is intended to be a transformative program to rapidly increase the quality of key skills system institutions and to increase training places for in-demand occupations.

[57] ILO, 2011, Policy Brief. Formulating a National Policy on Skills Development; and ILO, 2013, Comparative Analysis of National Skills Development Policies; and OECD, 2012, Better Skills – A Strategic Approach to Skills Policies.

[58] For instance, the National College of Tourism is managed by the Ministry of Tourism and Bandari College focused on port workers is run by the Ministry of Transport.

[59] The US$220 million figure assumes the cost established in 2015 by the NSDS adjusted for inflation and depreciation.

Accordingly, NSDS interventions will require additional funding beyond what is currently budgeted for MoESTVT and other line ministries.

119. **A portion of the required funds can be found by realigning current skills spending to NSDS priorities.** It is estimated that approximately US$32 million over five years from the sources outlined above could be aligned to NSDS priorities and can be used to support implementation of the NSDS in the future.

120. **One of the most apparent and reliable sources for the additional public funds needed to fully finance the NSDS could be the SDL.** Currently, this five percent levy on employer emoluments goes partly to VETA (one third), to the PMO-LE, and the HESLB. Over the first five years of NSDS implementation, other sources of funding, including the SDL will be gradually redirected toward the SDF and TVS (see Table 7). These changes will be phased in over several years to allow the institutions concerned to adapt, such as VETA and HESLB. By 2021, this transition will be complete. With this approach, an additional US$82.9 million will be made available for the NSDS during the ESPJ implementation period. However, significant improvement in the execution of the budget by all parties will be critical to ensure successful implementation of the NSDS.

121. **In addition, there are ongoing discussions on the need to reduce the SDL by a few percentage points to bring it in line with similar systems in other countries.** Through the financing approach noted above, the Program will not be adversely affected by any agreed reductions of up to 40 percent. Any such reductions would impact the HESLB, for which the government would need to ensure resources from elsewhere.

Table 3. Planned Changes in Distribution of SDL under the NSDS

		NSDS	VETA	HESLB	Total
2014/15	Proportion	0	2/5	3/5	1
	Amount (US$, millions)	–	32.77	49.15	81.92
2020/21	Proportion	2/5	1/5	2/5	1
	Amount (US$, millions)*	42.49	21.25	42.49	106.23

Note: *Projected

122. **Sustainability of this new program is a concern and the flow of ESPJ PforR funds has been designed to facilitate a transition to sustainable budgeting for skills development.** By design, ESPJ allocations are frontloaded in that they support setting up institutions and schemes such as the NSC, Sector Skills Councils, the SDF and TVS, as well as technical assistance and capacity building. These activities will be completed in the first few years of program effectiveness and will create a strong enabling environment for investment in skills training delivery. ESPJ funds will also provide initial funding to the SDF and TVS. However, in the latter years of the program, an increasing amount of financing to these mechanisms will come from the Government through a phased reorientation of SDL funds. As a result, ESPJ support for the NSDS will account for 81 percent of total NSDS spending in year one. By the final year, when important system reforms have been accomplished, the majority of financing is being directed toward increasing the volume and quality of training, of which the Government contribution will be US$48.9 million, while ESPJ will only be US$30 million; representing 36 percent of total NSDS spending in that year.

Results Measurement

123. **The proposed system level and service level key result areas and indicators are appropriate and aligned with the Program Development Objective.** The first encompasses interventions at the system level that create the enabling environment for better performance. The second is focused on service-level interventions that promote the expansion and quality of service delivery in key economic sectors. Outcome indicators, intermediate results indicators and DLIs are aligned with the Program Development Objective (PDO) and elaborated in a comprehensive Results Framework Matrix. The results indicators and DLI measures are appropriate and in line with international good practice benchmarks for skills development programs.

124. **A midterm review and evaluation of the whole range of program activities will be undertaken.** Such an evaluation is important to indicate what works well and where changes may be needed to the overall strategic approach or individual elements to meet the development objectives.

Program Economic Analysis

125. **There is strong rationale for public investment in skills in Tanzania, and the returns to TVET, university level and continued education in the country are considerable.** On average, a TVET or university level qualification increases wage earnings by approximately 50 percent over secondary education. In some key industries, the average wage earnings of a TVET or university degree holder are 3.5 times that of a secondary educated worker, conditional on the same level of labor market experience. Despite high returns and rising enrollment rates, Tanzania currently produces relatively few graduates from its TVET and university level programs each year. Currently, slightly less than one percent of individuals aged 24–55 have a TVET or university qualification based on the ILFS 2014. Over the past decade however, the number of candidates passing form 4 and form 6 examinations has nearly doubled, providing a large potential stock of students who could enter TVET and university level training. Nevertheless, current cost structures are prohibitively expensive to many potential trainees, particularly among the lowest three quintiles where university education completion rates are virtually zero.[60]

126. **Under baseline assumptions of the evolution of TVET and university level training costs and labor market returns, estimates indicate that the ESPJ PforR can offer significant returns on investment.** The expected net present value is US$96.55 million, implying an Internal Rate of Return (IRR) of 13.41 percent. This is a considerable return, nearly double the current deposit interest rates in the country. In sensitivity testing, the ESPJ PforR had a positive IRR even under the highly pessimistic assumptions that the cost of education will double, cost increases will outpace inflation, and the returns to education will be halved. The expected return of this program is found to be in the range of the best assessed training projects from around the world.[61]

[60] Oyin, Shyllon and Joshi, Arun, 2015, Preparing the Next Generation in Tanzania: Challenges and Opportunities in Education, World Bank.

[61] Attanasio, Orazio; Adriana Kugler and Costas Meghir, 2011. Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial, American Economic Journal: Applied Economics, 3(3):188-220.

Technical Risks

127. **The innovative and complex nature of the program carries substantial risks in terms of capacity to deliver.** The overall ESPJ PforR comprises many interventions with respect to technical, vocational and alternative skills development that are being tried for the first time at scale in Tanzania. However, positive progress is being achieved in similar largescale skills projects currently ongoing in Ghana and Rwanda. Similarly, the risk of 'doing nothing' with regards to national skills supply and demand is equally high given the importance of these skills to future economic growth and human resources capacity development. It is recognized that failure to meet the skills needs of young people will create economic inequalities, as well as social and political tensions.[62]

B. Fiduciary

128. **A Fiduciary Systems Assessment (FSA) involves the assessment of governance and anti-corruption mechanisms, procurement and financial management systems.** For the ESPJ, an FSA of the MoESTVT, TEA and a sample of institutions (public and private) offering technical and vocational training was carried out, in line with Operational Policy/Bank Procedure (OP/BP) 9.00, Program-for-Results Financing. A special survey was designed for assessing the fiduciary performance of these institutions. This assessment takes into consideration the survey results; alongside the Controller and Auditor General's reports for the institutions and Annual Performance Evaluation Report of the Public Procurement Regulatory Authority (PPRA).

129. **The FSA was done to assess the Program's institutional and implementation arrangements, fiduciary management capacity and implementation performance.** The legal and regulatory framework for this Program's fiduciary systems was found to be comprehensive and in line with international principles and standards for public procurement and financial management. The assessment also considered how existing systems handle the risks of fraud and corruption.

130. **Financial Management risk for the Program was rated as high.** Key risks include the challenge of dealing with underfunding of the GoT development budget that involves securing the program funds dedicated to the ESPJ. Other risks include weak financial management systems, low staff capacity especially in private training institutions. The procurement risk of the participating entities in the program is rated high due to weak procurement capacity.

131. **The Fraud and Corruption (F&C) risks have been identified and embedded as part of the broader fiduciary risks, and mitigation measures have been identified.** The F&C assessment also covered a review of the complaints handling mechanism of the program and how it can be strengthened. The Government of Tanzania has committed to implement the program within the Bank's Anti-Corruption Guidelines.

132. **Overall, the FSA concludes that, despite some weaknesses that have been identified and for which mitigation measures have been proposed, the Program fiduciary systems provide reasonable assurance that the financing proceeds under the Program will be used**

[62] World Bank, 2015, Tanzania Jobs Policy Note.

for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

C. Environmental and Social Effects

133. **For environmental and social management, the PforR employs a risk management approach in which process requirements are adapted to the Program context.** The Environmental and Social Management System Assessment (ESSA) has been undertaken by the Bank to ensure consistency with six core principles outlined in the its Operational Policy 9.00 - Program-for-Results Financing (detailed in Annex 6).

134. **The ESPJ will finance limited civil works related to upgrading and improving infrastructural conditions of the educational facilities confined to existing premises and within the boundaries of the existing facilities.** The anticipated adverse environmental and social effects are therefore not expected to be significant or detrimental. The increase in numbers of students that this Program envisages is expected to lead to the development of more facilities (classrooms, student/teacher accommodation etc.) which could result in increased pressure on utilities such as water supply, water abstraction and waste water treatment. While the program activities are not expected to have significant environmental footprint, the Program provides an opportunity to enhance the recognition of environment, health and safety and long-term sustainability aspects in training institutions and programs at the technical, vocational and the university levels. Given that one of the key economic sectors targeted for skills development is the construction sector, this Program provides an opportunity to improve due diligence measures related to management of construction related issues, good practices for asbestos management, improved waste management, and enhancement of sanitation, specifically provision of safe and sufficient toilets especially for female students along with adequate and clean water supply systems.

135. **Additionally, the programmatic approach to skills development provides an opportunity to enhance the recognition of environment, health and safety and long-term sustainability aspects in training institutions and programs at the alternative technical, vocational and the university levels.** In this context, the broad environmental goals of the ESSA would be to mainstream environmental and social due diligence and awareness into the programs, through special consideration being given to training proposals eligible under the Skills Development Fund for inclusion of environmental sensitivity and management aspects or content, for example, in skills development in the construction sector, which is one of the key economic sectors.

136. **The Program will also focus on enhancing existing mechanisms for grievance redress and dispute resolution, inclusive and participatory consultations, and feedback for social accountability**, along with increasing awareness on the specific incentives and benefits like Trainee Voucher Scheme to help low income students access the program, and support coordination among various agencies (for example, MoESTVT, TEA, HESLB, VETA, NACTE, TCU, and so on.) on key environmental and social aspects.

137. **Key beneficiaries of the Program are low income students in alternative, TVET and university level training programs in selected economic sectors;**[63] key program indicators will be monitored by gender. The ESSA was prepared in a consultative manner, and documentation of the discussions, along with the ESSA have been disclosed in-country and in the Bank's Infoshop on April 15, 2016.

138. **The ESSA identifies strengths, gaps and opportunities in Tanzania's environmental and social management system with respect to addressing the environmental and social risks associated with the program.** The analysis identifies the following main areas for action in order to ensure that the Program interventions are aligned with the core principles of OP/BP 9.00. These include, among others, strengthening of technical guidelines for mainstreaming of environmental and social measures in various programs, improved skills and coordination among multiple agencies, and enhancement of the grievance redress mechanism and social accountability. These could be further defined during implementation, as required. Key measures to strengthen system performance for environmental and social management are summarized in Annex 6 and select actions have been included in the Program Action Plan.

139. **World Bank Grievance Redress. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel that determines whether harm occurred, or could occur, as a result of non-compliance with Bank policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and its management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

D. Risk Assessment

140. **The overall risk of this operation is considered to be substantial.**

141. **Political and Governance risks.** Presidential and parliamentary elections were held in October 2015, and in the past, there has been pressure on new governments to increase spending to meet election promises. Prior to the 2010 elections, government spending led to major arrears in the 2011/12 budget. However, the high level government leadership is committed to implement the ESPJ program due to its focus on providing appropriate skills training, as well as demonstrating improvements in service delivery.

142. **Macroeconomic and fiscal risks**. Among the exogenous external risks, the economy remains exposed to variations in prices on international markets, notably of food, fuel, and gold. On the domestic front, the most important risks arise from fiscal policy as discussed in the earlier macroeconomic section including: (a) shortfalls in revenue collection while facing increased

[63] This would be defined as additional enrolled students in existing training programs (compared to baseline) and total enrolment in newly established training programs.

public spending; (b) financial distress in the energy sector; (c) accumulation of arrears, particularly in the pension sector, and contingent liabilities from Public Authorities and Other Bodies (PA and OBs); and (d) level of debt with increased non-concessional borrowing. The Bank has strategically financed a series of operations to address some of these risks.

143. **Substantial technical risk due to the following reasons:** (a) concurrent implementation of system- and service-level interventions; (b) risk of non-implementation of some service-level program initiatives; (c) weak implementation capacity; (d) fragmented baseline data will limit monitoring and evaluation capacity in the beginning; (e) human resource capacity for M&E requires strengthening; and (f) systems for evaluation of outcomes need to be integrated into program design to enable performance measurement after a fixed period. The system-level measures introduced by the ESPJ PforR such as the establishment of NSC, SSC, SMIS and capacity building of MoESTVT have been developed to mitigate these risks.

144. **High fiduciary risk, including fraud and corruption:** Key risks include the challenge of dealing with underfunding of the Government development budget. Other risks involve insufficient strengthening of accounting and internal audit staff capacity, especially in non-government training institutions in order to produce quality accounts and conduct quality audits; and insufficient strengthening of audit committees that monitor how audit issues are being addressed. The key procurement risks of the participating entities include inadequate procurement capacity; delays in procurement process; inadequate record management system and weak contract management. The above mentioned risks can be mitigated by conducting annual independent procurement audits of the program and conducting a value for money audit every two years. Internal audit units will also be established in the implementing institutions to produce quarterly audit reports and audit committees will be organized to meet on a quarterly basis to follow up on audit recommendations. Revising the chart of accounts for MoESTVT to include priority sectors under the program such that a program expenditure per sector can be produced by the Epicor system.

145. **Substantial institutional capacity and sustainability risk:** The MoESTVT and other implementing agencies' capacity for implementation and M&E is relatively weak. To mitigate this capacity risk, the ESPJ PforR includes support to (i) capacity building of key implementing agencies to strengthen implementation, and its progress is incentivized by a DLI (DLI 4, Completion of annual capacity building activities); (ii) capacity strengthening of key implementing institutions will this be integrated into the delivery plans for each, and integrated into the definition of several other DLIs, such as 1, 2, 3, 7 and 8; and (iii) M&E through the setup of a Skills Management Information System and data reporting is incentivized through a DLI (DLI 7, Number of training providers submitting complete data set). Measures to alleviate the sustainability risk consist of policy dialogue on Skills Development Levy reforms and inclusion of DLI 5, Agreed allocations of additional sources of funds, including SDL, deposited into SDF and/or TVS accounts.

146. For more detailed risk assessment and mitigation measures, see Annex 7.

E. Program Action Plan

147. For detailed Program Action Plan see Annex 8.

Annex 1: Detailed Program Description

1. **The ESPJ PforR is fully aligned with the Government's NSDS.** The NSDS proposes a targeted set of interventions at both the system and service delivery level aimed at a transformative impact on the skill supply system for industries with high potential for growth and job creation. A Technical Assessment has determined that the overall thrust and design of the NSDS is both sound and innovative. The assessment concluded that appropriate actions have been taken to adapt lessons from elsewhere to the Tanzanian context in a way that addresses pressing system constraints, as well as increases incentives for performance among public and private service providers and that the implementation plan reflects careful planning to mitigate implementation risks. The NSDS thus provides a sound basis to guide investments under the ESPJ Program funding.

2. **The ESPJ PforR will focus on all initial six key economic sectors and all levels of skills identified in the National Skills Development Strategy (NSDS).** The selection of the economic sectors and levels of education is aligned with the objectives of the ESPJ PforR. The selected sectors are projected to grow and create jobs over the next five years. [64] However, these sectors face skills gaps at all levels of skill.

3. **In line with the Government's NSDS, the selected economic sectors are:**

- Agriculture, Agribusiness and Agro-Processing
- Tourism and Hospitality
- Transport and Logistics
- Construction
- Information and Communications Technology
- Energy

4. **The rationale for the selection of these six key economic sectors is as follows:** The sectors are the priority of the Government's FYDP II, and the National Skills Development Strategy. They also have been highlighted in the World Bank 2014 Country Economic Memorandum (see Annex 12 for more details). The returns on skills in these sectors are currently high (see Economic Analysis in Annex 4). Estimated rates of return to education suggest particularly high returns on formal TVET and university education. When compared to secondary educated individuals, those completing an additional post-secondary training course earn over 70 percent more, example the hospitality sector. Labor market returns in these industries significantly exceed the average return to TVET and university-level education. When considering their role in the national economy, jobs in these sectors account for about 10 percent of employment among individuals over the age of 15. The growth in jobs in these key economic sectors has considerably outpaced job growth in the rest of the economy over the past decade. Between 2006 and 2014, the number of individuals employed in these key economic sectors grew from more than 800,000 to almost two million workers, an increase of 137 percent. When compared to the growth of other (nonagricultural) sector jobs of 50.7 percent, and agricultural jobs of 5.48 percent, this growth is considerable. If similar jobs growth continues through 2016–2021, it will give rise to a large and constant demand for new, skilled entrants, outpacing skills demand in the rest of the economy.

[64] The NSDS foresees the addition of other potential key sectors at a later stage, depending on implementation progress, economic priorities and skills gaps.

Additionally, there are considerable opportunities within these sectors for informal jobs, which will provide substantial employment for youth.

5. **The NSDS covers the entire range of skills within these targeted key economic sectors, notably:** (a) alternative training, such as entrepreneurship training, apprenticeships for low skilled youth, internships for graduates and other firm-based training (pre-employment and in-service programs, transition to labor market/Active Labor Market Programs, ALMPs); (b) vocational and technical education and training; and (c) university-level programs, especially those focused on Applied Sciences, Engineering and Technology (ASET) disciplines targeting more specialized, technical, professional and scientific occupations.

6. The **Program's Development Objective** is to strengthen the institutional capacity of the Recipient's skills development system[65] and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors.

7. **Program Key Results for ESPJ are divided into two key result areas:**

- Results Area 1: System level: Strengthening the institutional capacity of the skills development system
- Results Area 2: Service delivery level: Promoting the expansion quality of labor market driven skills development opportunities in select economic sectors

Result Area 1: Strengthening the Institutional Capacity of the Recipient's Skills Development System:

8. **Within the first result area, the ESPJ PforR will support all activities with the exception of operationalization of the National Qualification Framework (NQF)[66] and a communications and dissemination plan.[67]** These exclusions are necessitated because these interventions are fully handled by existing institutional arrangements and are already at advanced stages. Therefore these activities not need to be incentivized further through the ESPJ PforR.

9. **The ESPJ PforR thus supports the following interventions at the system level:**

(a) Establishment of National Skills Council and Secretariat for coordination of skills development policies and initiatives
(b) Establishment of Sector Skills Councils to promote public-private sector cooperation
(c) Quality assurance for training programs

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[65] The skills development systems consist of alternative (informal, short term), vocational, technical and university level training programs.

[66] Efforts to put in place an NQF predate the NSDS, and considerable progress has already been made. The NQF was completed and approved. Its operationalization is already under way. In addition, development of protocols for recognition of prior learning in selected construction sector occupations, one component of NQF operationalization, is already underway through a partnership between VETA and the ILO.

[67] The communications and dissemination of the NSDS is already under way as part of the government approval process for such strategies. This includes consultations with stakeholders, publishing information about the NSDS, among other interventions.

(d) ‘Fit for Business' seal of approval scheme for training institutions with significant employer participation
(e) Skills demand and supply information management system to inform policies and programs

10. **Establishment of National Skills Council (NSC) and Secretariat for coordination of skills development policies and initiatives:** The objective is to harmonize the fragmented coordination of policies, programs and initiatives for skills development among government institutions, and between the government and the private sector. This will include support for the setting up of the National Skills Council (NSC) to coordinate policies and initiatives on skills development.[68] The NSC will play an active role in monitoring the implementation of the NSDS, providing inputs for mid-term course correction and forecasting of skill priorities. The NSC will play a facilitation role for greater public-private coordination of skills initiatives. For example, Sector Skills Councils (SSC) registered under the NSC will support businesses/business associations seeking to partner with registered providers in delivering training, providing referral services, and giving technical assistance to businesses and providers on determining and formalizing partnerships and financing arrangements.

11. **The functions of the NSC will include, among others**: (a) monitoring and advising government leaders on NSDS implementation; (b) providing leadership in cultivating effective working relationships among business, government, training institutions and other stakeholders at the strategy level; (c) providing guiding principles and priorities for the SDF and TVS and monitoring their implementation; (d) issuing skills policy guidance to the MoESTVT and PMO-LE for adoption and implementation; (e) facilitating periodic revisions of frameworks of roles and responsibilities of the sector skills councils’ and industry associations’, as well as their productive engagement in the national skills system; and (f) reviewing and updating the NSDS at regular intervals by translating national development plans into skills needs and linking of national plans to sector and sub-sector plans.

12. **The NSC[69] will include representatives from employers’ associations[70], government ministries and agencies, training providers, as well as labor and civil society representatives.** The Government is committed to majority private sector representation on and chairing of the NSC. The NSC is expected to report directly to the Prime Minister’s Office or other appropriate high level government authority. MoESTVT is responsible for leading the process for the Cabinet establishment of the NSC and its secretariat. Establishment of the NSC will be one of the initial deliverables of the ESPJ PforR. The NSC is expected to be operational within 24 months of the effectiveness date. This council will be established through the appropriate government authorities.

13. **The National Skills Council will liaise closely with the Tanzania National Business Council, which provides policy guidance on the overall business climate.**

14. **The NSC will be supported by a lean but effective secretariat for its operational functions**. The NSC Secretariat’s responsibilities will include (a) monitoring of the NSDS

[68] See Annex 1 for details
[69] Membership on the NSC and Sector Skills Councils is not a paid position.
[70] Including the sector associations, such as TPSF and other.

implementation; including providing a progress report on NSDS implementation and preparation of an annual report on the state of skills in Tanzania to the president and the public; and (b) managing the information system on current and projected future skills demand and supply to enable monitoring, forecasting, and informing the work of the NSC, the sector skills councils, MoESTVT, PMO-LE other ministries, regulators, and training providers.

15. **Until the NSC is operational, as an interim measure, its functions will rest with the MoESTVT in close collaboration with the TPSF.** The MoESTVT will carry out this responsibility in conjunction with the existing agencies such as VETA, TEA, NACTE and employers. After the NSC is operational, the MoESTVT and other stakeholders will only retain their implementation responsibilities. MoESTVT will continue to remain the core implementing agency responsible for the implementation of the NSDS under the guidance of the NSC. The MoESTVT will appoint a high-level team to oversee and drive implementation.

16. **Establishment of Sector Skills Councils [71] to promote public-private sector cooperation:** The program will support the creation of SSCs in key economic sectors as a platform for coordination and collaboration on skills within the sector. Sector Skills Councils can play an important role in increasing private sector voice on skills development, facilitate collaboration between private sector associations and training providers. It is expected that SSCs will be created in at least four of the six targeted sectors during program implementation. In some sectors, notably Tourism and Hospitality, as well as Oil and Gas, nascent platforms for sector skills dialogue already exist, which need to be supported to serve as official skills councils for their sectors. The SSCs would be led by the private sector and act as an aggregator of industry interests, bringing together firms and business associations and training providers, relevant ministries and regulatory agencies (with the private sector representation in the majority). SSCs will be supported to play a role in all or some of the following areas depending on capacity and preference: (a) identifying and prioritizing skills needs in the concerned economic sector; (b) developing industry skills strategies and plans to achieve priority goals in line with the National Skills Development Strategy and Plan; (c) defining and revising occupational and competency standards, training programs and curricula; (d) facilitating industry membership on training institution boards; (e) facilitating public private partnership in training delivery; and/or (f) promoting enterprise-based training for students and instructors. The increase in number and strengthening of these bodies will be supported by the NSC Secretariat, including through creation and publication of guidelines for the operations of such organizations.

17. **Quality assurance for training programs:** The aim is to streamline mechanisms for accreditation of training institutions and programs at the technical and vocational, and university levels; as well as for alternative training and informally acquired skills. This also includes simplifying and facilitating professional certification of trainees in close coordination with the respective professional bodies and private sector associations. The program includes institutional capacity strengthening of the regulatory bodies, VETA, NACTE and TCU for improving the programs' market-responsiveness; harmonizing their competency standards, certification and qualification regimes; and ensuring effective cooperation with employers in these areas.

[71] Membership on the NSC and Sector Skills Councils is not a paid position.

18. **The 'Fit for Business' seal of approval scheme for training institutions with significant employer participation:** This initiative aims to raise the level of business satisfaction with training quality and relevance by creating a voluntary scheme for training providers that indicate that their institutional governance and training programming involve a higher level of industry input required under formal registration and accreditation requirements. This scheme is meant to signal to businesses and trainees that certain training institutions or program is likely to be better aligned with labor market needs and to create an incentive for training providers to voluntarily aspire to a higher standard of quality and relevance.

19. **Skills demand and supply information management system to inform policies and programs:** The objective is to improve forecasting of skills demand and supply to enable more market driven and timely decision making by government, employers, training providers and potential trainees; and to enhance progress monitoring of the NSDS and accountability for results. Interventions will include: (a) development of an integrated web-based reporting and data management system for skills supply and demand across levels, including data on training beneficiaries' labor market outcomes; (b) baseline data collection and analysis of skills demand/supply; and (c) integrated employer satisfaction surveys. Design and set up of this data system for skills demand and supply will be done during the first year of program effectiveness and a DLI will be attached to its successful completion.

20. **This data system will aggregate dispersed sources of data on skills demand and supply.** These data sources are labor market data from the Integrated Labor Force Surveys, Employment and Earnings Survey, and periodic studies on the state of key economic sectors, as well as data reported by education and training institutions on enrolment, graduation and labor market outcomes of students. Gradually, the system will incorporate features that will allow training providers to upload required data easily and directly through a web-based interface. The goal is to have a streamlined system for both reporting and organizing data, and a public interface accessible to employers, training providers and potential trainees to inform their decision making on training provision, program selection and so on.

21. **The capabilities of the data application are intended to include the capacity for forecasting future skills demand and supply to inform skills strategy and investments**. This function will be the responsibility of the NSC secretariat, which will ensure that such forecasting is done on a regular basis, and will, as needed, commission additional research on current and emerging skills needs.

Results Area 2: Service Delivery Level: Promoting the Expansion Quality of Labor Market Driven Skills Development Opportunities in Select Economic Sectors

22. **Result Area 2 focuses on making service delivery more transparent, efficient, and equitable and work towards a more sustainable resource base for skills development.** The program interventions include two funding mechanisms, designed to increase competition among training providers for public funds, increase accountability for results and provide incentives for training providers to take into account gender aspects in their programming, especially women and girls:

(a) Skills Development Fund (SDF) for public and private training providers;
(b) Trainee Voucher Scheme (TVS) for low income youth

23. **Skills Development Fund for Training Providers:** Skills Development Funds are an increasingly common vehicle for financing skill/vocational training in many countries, for example, Ghana, Rwanda, Mozambique, Ireland and Pakistan. A training fund may be defined as a dedicated stock or flow of financing outside normal government budgetary channels for the purpose of developing productive skills for work. The overall purpose of training funds is to raise the productivity, competitiveness and incomes of enterprises/individuals by providing them with needed skills. Many training funds are financed by levies on enterprises, but may also be based on public contributions and donor financing. Thus, training funds provide an institutional framework for collecting and allocating funding to training providers. The SDF will consist of results-based competitive grants for both public and private training institutions in the key economic sectors, and incentivize results at the provider level. The funding mechanism has been designed to promote the expansion and quality improvement of training opportunities. According to the results-based principles embedded in the SDF, (a) training proposals to be eligible for funding need to have a focus on the results to be achieved rather than be input-driven; and (b) proposal implementation progress and achievement of agreed targets by the training provider, such as pass percentage rate, post-placement support, feedback from employers will be recognized through top up funds. As the SDF develops, subsequent application rounds may consider such outcomes as criteria for making awards.

24. **Within the key economic sectors, the SDF will help address skills gaps and improve training quality and relevance through support to:**

(a) expansion of the enrolment capacity of existing training programs;
(b) establishment of new training programs; and
(c) quality interventions for existing training programs, for example, curriculum revision, instructor professional development; partnering with other, regional training providers with established performance track record in a particular area of training; incentivizing linkages with the private sector for improving program relevance and training delivery;

25. **The SDF will consist of four different windows, based on the different training levels:** (a) university level; (b) technical education and training; (c) vocational education and training; and (d) alternative training, for example, apprenticeships, internships, entrepreneurship training. The SDF will leverage ESPJ PforR financing to strengthen links with employers, stimulate demand for training, encourage cost-sharing among firms and providers, and incentivize results at the provider level.

26. **The university level and technical training program windows will strengthen training for high and medium skilled managers and technicians to boost productivity and drive innovation.** It will support the strengthening of programs at accredited universities and technical colleges that last several years in length, but will exclude PhD programs. As an exception, accreditation will be provided for the establishment of new programs that address proven skills gaps. For any new programs, an accreditation timeline will be set as one of the results to be achieved by the training providers as part of the SDF proposal implementation.

27. **The vocational training window will support training for medium and low skill workers through certificate programs** lasting from several months up to two years. Only accredited training providers can participate within this window for funding.

28. **The alternative training window will support the following types of training programs:** (a) apprenticeships, internships and other work based placements; (b) short-term training, which can be from several days to several months, this may include entrepreneurship training, technical training, life skills and non-cognitive skills training. What distinguishes training under this window is that it is short-term, limited in scope and designed to either impart or upgrade skills needed for immediate employment, self-employment, micro-business expansion or promotion within a given occupational track.

29. **Given the diverse nature of alternative training provision, eligible training providers under this window need to be registered NGOs and business associations which have been in existence for a specified number of years,** such as the Hotel Association of Tanzania, Small Industries Development Organization, but do not have to be formally accredited programs under VETA, NACTE or TCU. Because of the variety of training options included in this window and the current lack of a regulatory framework that encompasses them, the restriction on registration and accreditation is relaxed for this window provided that the proposal provides adequate assurance that the training is market relevant and meets established quality standards which will be defined in the SDF Operations Manual. However, the existence of formal or de facto quality assurance standards, that is, standards broadly recognized in the industry, at the national (that is, TCU, NACTE, or VETA registration), regional (for example, East African Community, EAC) or international level (that is, international de facto standards such as National Outdoor Leadership School for mountain guides, or certifications such as Professional Association of Diving Instructors, for scuba instructors and so on.) will be an advantage.

30. **Given that proposals to the SDF are demand driven, no targets or limitations are set for allocations related to a specific economic sector.** While initially targeted to six key sectors, the SDF is designed to be horizontally scalable to other sectors as economic justification and SDF funding allows. Proposals will be expected to meet specific criteria aimed at ensuring high market demand for graduates of the programs. These criteria will be laid out in the SDF Operations Manual and will include, among others: (a) the sustainability of the program proposal; (b) a strong sector skills needs analysis; (c) program design that trains for at least one critically needed occupation; (d) availability of matching funds; (e) a rationale for public funding of the program, that is, an explanation of why other public and private sources of funds are not adequate; and (f) demonstration that the proposed training is demand-driven, either by including employer associations or employers as parties to the application, by being designed and delivered by an education or training provider with functioning board that has significant private sector representation, or through a verifiable track record of the program placing graduates into stable full-time employment.

31. **Across all four windows, special consideration will be given to proposals that contain explicit measures to promote skills development opportunities for youth and transition to the labor market.** Such measures could include the provision career guidance services, internships or job placements, job search assistance, or support to at-risk youth to find jobs or start their own businesses.

32. **Special consideration will be given to proposals which fulfill the following criteria:** scalable and replicable across sectors; that pilot innovative approaches; strengthen mechanisms that facilitate cooperation between employers and training providers; focus on gender specific

training needs; and center on skills particularly in demand by employers across sectors such as English language skills, non-cognitive skills.

33. **An Operations Manual (OM) for the SDF will set criteria to ensure an appropriate balance across levels of training and to screen out applications overly focused on capital expenditure or operational expenses.** The manual will set a minimum and maximum range for the amount of funding allocated through the different windows, with a larger share of funding going to the vocational and alternative training windows to adequate focuses on skills development for youth, the majority of whom enroll in short-term or vocational courses.

34. **The SDF will be managed by the Tanzania Education Authority (TEA) through a performance-based contract.** TEA's primary function is to manage the Education Fund set up in 2001 to combine government and private funding for education. It is governed by a board of multi-sectoral education stakeholders and reports to MoESTVT on management of the fund. TEA also has taken on management of funds from other sources, doing so under different governance terms and conditions set by the originators of the fund. It thus has experience executing the types of governance arrangements envisioned for the SDF. The institutional and management changes needed to set up the SDF within TEA are possible under TEA's current legal mandate, and thus will not require an amendment to the TEA Act. These changes are necessitated by several differences between the SDF and other funds under TEA's management: (a) the SDF is a competitive, results-based fund; (b) while the TEA Director General will keep TEA's board advised on SDF operational issues, in governance and management of the fund TEA will be accountable directly to the NSC. Thus the SDF will be set up outside of the direct control of the TEA board.

35. **The functioning of the SDF will be independent of existing processes at TEA.** Consultations with government and employer representatives have underlined the importance of ring-fencing SDF financing and of transparency, accountability and professionalism in the management of SDF for employers to have confidence in the mechanism. Such confidence is important for Fund sustainability, as the medium-term sustainability of SDF funding requires government consent to use of the SDL for SDF replenishment. Accordingly, putting in place a management structure satisfactory to the government and private sector will be required under the contract services arrangement. TEA will also receive technical assistance, such as creating reporting formats, data management, to ensure that the SDF is disbursed effectively to the beneficiaries.

36. **The NSC will act as supervising board to the SDF and will set strategic priorities, funding criteria, and be responsible for determining allocation amount.** It will also be responsible for securing public and private contributions to the fund.

37. **Establishment of the SDF will proceed in three phases.** The first phase includes the pilot round of funding, which includes a communications and capacity building campaign targeted at training providers. Funds will be allocated to the MoESTVT, starting with program effectiveness. All disbursement of SDF funds in this phase will be through MoESTVT.

38. **The second phase will begin upon the establishment of the NSC, NSC Secretariat and SDF at an institutional level within the structures of the GoT and an updated legal**

framework. By this point, lessons learned from the pilot SDF round are expected to have been used to finalize the SDF Operational Manual. Once these structures are in place, the first tranche of the SDF will be transferred to the Tanzania Education Authority.

39. **In the third phase, MoESTVT will present a plan for sustainable financing of the SDF post-program support, including at least partial use of the SDL.** A Disbursement Linked Indicator provides an incentive to government for rapid completion of this process as part of the new government's wider goal of placing government spending on a more stable fiscal base.

40. **Additionally, as part of the service-level arrangements with TEA, advisory support will also be extended to prospective SDF applicants through in-house TEA departments**. Experiences from ongoing World Bank projects, such as the Ghana Skills and Technology Development Project, the Tanzania Science, Technology Higher Education Project and the African Centers of Excellent ACE I Project indicate that training institutions are often not well equipped and understaffed to meet the requirements of technical proposals. Therefore, ten percent of the SDF earmarked for the management of funds will also cover the above-mentioned advisory support.

Trainee Voucher Scheme for Low Income Youth

41. **A trainee voucher scheme (TVS) provides trainees with the opportunity to choose accredited public or private training programs.** Voucher schemes can increase access to training by subsidizing training costs which can be prohibitive to poor potential trainees from poor households and stimulate competition among training providers resulting in better quality and more labor market-linked training service delivery. It provides trainees with the opportunity to choose among accredited public or private training programs. This TVS is meant to strengthen markets for training, while enhancing quality assurance efforts by creating incentives for providers to formalize and seek accreditation. Accompanied with more timely and accessible data on provider performance and student labor market outcomes, this mechanism should help improve the labor market relevance of training by channeling students and public resources to providers that achieve positive employment results. This mechanism will subsidize students' direct costs in procuring education and training in registered institutions offering accredited programs.

42. **The operations manual for the TVS will define eligibility criteria for individuals and programs that aligned with NSDS priorities.** For individuals, acceptance into the scheme will be contingent on income, and some preference may be given to those from disadvantaged groups, particularly women and girls. Program eligibility criteria will include accreditation, orientation toward a key sector identified in the NSDS, and ineligibility for those receiving the HESLB loans and grants. This final criterion will serve to orient the TVS on short-term, alternative and vocational training, which are not currently funded by the HESLB. Once accepted into the scheme, applicants will be eligible for government support for costs associated with enrolling in approved training programs up to a predetermined amount. Voucher funds will be transferred from the government to the provider upon verified and satisfactory completion of the program by the

applicant.[72] As with the SDF, a final draft operations manual is under development and will be delivered within one year of program effectiveness.

43. **The TVS is intended for alternative and vocational training** to complement the loans and grants provided by the Higher Education Student Loans Board (HESLB) for students attending technical and university level programs. Within the key economic sectors, the scheme will focus on particular occupations and industries where short term training enables entry into an occupation or enables individuals to progress to higher skill jobs. Eligibility for vouchers will be determined through means testing, with special consideration for low income young women and men.

44. **Depending on demand and the priorities for the TVS set by the NSC, additional eligibility criteria for students may apply.** Various schemes elsewhere have used additional criteria to screen applicants including prioritizing those at a greater distance below the income threshold, age, current and past employment status, and random selection in the case of over subscription of the scheme.

45. **Vouchers will only be redeemable at pre-approved public and private training providers and for pre-approved programs.** Providers must be formally registered and accredited by the relevant quality assurance agencies when possible. Accreditation indicates achievement of minimum standards with respect to facilities, personnel, equipment, and education and training program quality, as well as administrative and reporting practices. The use of accredited providers helps ensure that trainees enroll with providers meeting quality standards. Some short-term training programs may not fall under the purview of any of the regulatory agencies for education and training. In this case, providers offering only programs for which accreditation is currently not possible will need to be approved on a case-by-case basis according to criteria currently being defined as part of design of the voucher program.[73]

46. **Within approved providers, only programs training individuals for employment or self-employment in the key economic sectors will be eligible for funding through the TVS**. These programs will be identified by the scheme management in consultation with the relevant regulatory agency. Some programs providing generalist skills that are highly relevant to key sectors, that is, entrepreneurship, English and basic IT skills, will also be eligible. The balance of allocations of scheme across sectors will be demand driven in that it will be based upon the choices

[72] Skills training voucher programs elsewhere have required trainees to pay to the provider a copayment that is returned to the trainee upon completion of the program provided that certain requirements with respect to attendance, performance and compliance with program terms are met. A similar mechanism is being explored for feasibility in the Tanzanian context. The process of determining an appropriate threshold and for designing accurate, cost-effective methods for means testing are on-going. Technical assistance to determine income thresholds and to design methods for evaluating and approving applications will be provided under the ESPJ Program during the first year of effectiveness.

[73] Certain short-term training as well as traditional apprenticeships fall into this category. While it would be administratively simpler to exclude such programs, anecdotal evidence from employers suggests that some short-term programs are meeting industry needs while experience with voucher schemes in other countries, such as the Jua Kali program in Kenya, indicate that master craftsmen are often the selection of choice for a large portion of voucher recipients seeking employment or self-employment in the informal sector (Johanson and Van Adams, 2004).

made by voucher recipients. It is not envisaged that limits or targets for the amount of money allocated to particular sectors will be set *ex-ante*.

47. **The success of the TVS depends in part on students having ready access to accurate data on provider quality and the employment outcomes associated with various occupations and programs**. Accordingly, outreach to potential trainees and collection and public dissemination of both administrative and outcomes data on providers that will allow students to make informed choices about training is a component of the proposal. The mechanisms for successfully accomplishing these tasks will be detailed in the Operations Manual. With respect to data collection and disseminations, activities under the voucher scheme will dovetail with the previously described program component focused on increasing the capacity, integration and accessibility of labor market and skills supply data systems.

48. **The HESLB is proposed to manage the TVS.** HESLB is an existing institution with the experience, capacity and track record in administering grants to individual beneficiaries, specifically in targeting and means testing, as well as tracking individual beneficiaries and results.

49. **As managing entity of the TVS, HESLB will assume the following responsibilities:** (a) selecting and tracking beneficiaries; (b) maintaining a register of approved providers and programs; (c) vetting and auditing providers, in cooperation with the relevant regulatory agencies; (d) managing and disbursing funds; and (e) monitoring and reporting on implementation progress and results on a regular basis to the MoESTVT and later the NSC.

50. **Design of the TVS is ongoing.** The Operations Manual will be developed within one year of program effectiveness. The operationalization of the TVS will be based on processes laid down in the operational manual. This would include aspects such as roles and responsibilities of stakeholders, process of issuing vouchers to students, processes for redeeming vouchers by the training providers, and so on. Experts on the design and operationalization of such funds will be hired in the first year to advise the implementation committee on design, and a DLI will be attached to the approval of the voucher scheme at the end of the first year, and for meeting procedural and/or outturn targets in subsequent years. Its design, structure and formula for allocation will be refined and operationalized during the first year of implementation.

51. **It is anticipated that implementation of the TVS will proceed in two phases.** The first phase will be a pilot, which will be managed directly by MoESTVT. Providers will be selected based on capacity to administer the voucher program and to comply with monitoring and reporting requirements. Based on the lessons learned from the pilot phase, preparations for a full rollout of the Trainee Voucher Scheme under Phase 2 will be undertaken and TVS Operations Manual finalized. These include creating a registry of providers and programs, delivery of information and technical assistance, if needed, to providers and the employment agency offices to enable their active participation in the scheme, and build data systems necessary for monitoring and reporting on scheme outcomes.

52. **The second phase of the program will begin upon the establishment of the NSC, NSC Secretariat and TVS at an institutional level within the structures of the Government.** Once these structures are in place, the first tranche of the funding will be transferred to the HESLB through the NSC. An updated legal agreement will be in place, and the lessons learned from the

pilot TVS will have been used to finalize the TVS Operations Manual. The implementation agency will be charged with expanding the coverage of the scheme to all eligible sector and increasing the volume of trainees in line with NSC targets.

53. **In the third phase, MoESTVT will present a plan for sustainable financing of the SDF post-program support, including at least partial use of the TVS.** A Disbursement Linked Indicator provides an incentive to government for rapid completion of this planning process as part of the new government's wider project of placing government spending on a more stable fiscal base.

54. **The NSC will monitor the TVS and set its overall strategic direction.** The NSC will designate an agency, based on the results of on-going and planned technical assistance for setting up the voucher scheme, to administer the voucher scheme through a services contract between the NSC and the HESLB.

Annex 2: Results Framework Matrix

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/2017)	Year 2 (2017/2018)	Year 3 (2018/2019)	Year 4 (2019/2020)	Year 5 End Target (2020/2021)
Results Area 1: System level: Strengthening the institutional capacity of the Recipient's skills development system	PDO 1: Institutional Framework in place for NSDS and institutional strengthening complete									
		IR 1.1: National Skills Council and Secretariat operational[74]	1	Text (Y/N)	N	Y	Y	Y	Y	Y
		IR 1.2: Skills Development Fund operational[75]	2	Text (Y/N)	N	Y	Y	Y	Y	Y

[74] NSC and NSC Secretariat requires: (1) NSC with at least 50 percent employers' representation; (2) NSC and NSC Secretariat established by appropriate government authorities; (3) Chairperson of NSC appointed; (4) first two meetings of NSC held; (5) Agreed minimum number of NSC secretariat staff recruited (i.e. contracts signed), which are (i) Executive Secretary; (ii) Finance Officer; (iii) Statistician/M&E Officer; (iv) Administrative Assistant; and (v) Skills specialist; and (6) Furnished physical office/address of NSC secretariat in place.

[75] SDF established requires: (i) service agreement (with performance indicators) with TEA as fund manager signed; (ii) in addition to existing TEA staff, agreed minimum additional staff recruited or re-assigned to the SDF department: 1 SDF Director, 1 M&E Officer, 1 Communications/Training Officer, 1 Procurement Officer, 1 Finance Officer; 2 Grant Evaluation Analysts; and any additional minimum staff needed as per SDF operations manual; (iii) SDF Grant Selection Committee established by TEA based on service agreement with MoESTVT; (iv) SDF Operations Manual completed and satisfactory to IDA; and (v) first call for proposals completed, i.e. proposal selection complete and funds are received in beneficiary training institutions accounts.

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/ 2017)	Year 2 (2017/ 2018)	Year 3 (2018/ 2019)	Year 4 (2019/ 2020)	Year 5 End Target (2020/ 2021)
		IR 1.3: Trainee Voucher Scheme operational[76]	3	Text (Y/N)	N	N	Y	Y	Y	Y
		IR 1.4: Completion of annual capacity building activities for program institutions[77] as set forth in the POM	4	Percentage (annual)	No	100%	100%	100%	100%	100%
		IR 1.5: Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	5	Number	To be finalized based on discussions with Government of Tanzania					

[76] (i) TVS established by an appropriate legal instrument; (ii) service agreement with HESLB signed; and (iii) first round of vouchers issued
[77] Capacity building focused on MoESTVT, TEA, VETA, NACTE, TCU, HESLB and PMO-LE among others

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/ 2017)	Year 2 (2017/ 2018)	Year 3 (2018/ 2019)	Year 4 (2019/ 2020)	Year 5 End Target (2020/ 2021)
		IR 1.6: Sector Skills Councils established[78]	6	Number (cumulative)	0	1	2	4	4	4
		IR 1.7: Number of training providers submitting complete data set upon agreed variables list in POM to TCU, NACTE, and TCU records /SMIS[79]	7	Number (annual)	0	40	175	350	500	600
		IR 1.9: Skills Management Information System is operational at ministry, NACTE, VETA, TCU and training provider level		Text	N	Partial	Partial	Y	Y	Y
		IR 1.10: Number of training providers fully registered by relevant regulatory body (total and disaggregated by vocational, technical and university level)		Number (cumulative)	235	255	265	285	315	335

[78] (i) MoU signed between SSCs and NSC establishing responsibilities and funding (if any); (ii) first meeting completed; and (iii) TOR for sector skills council available

[79] Data set is based on agreed variables list as per Operations Manual. For example once Skills Management Information System is operational, data submission must be in SMIS. Formula for calculating percentage of data available to be defined in Program Operational Manual.

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/ 2017)	Year 2 (2017/ 2018)	Year 3 (2018/ 2019)	Year 4 (2019/ 2020)	Year 5 End Target (2020/ 2021)
		IR 1.11: Number of training programs receiving full accreditation by relevant regulatory body (total and disaggregated by vocational, technical and university level)		Number (cumulative)		50	100	150	200	250
	PDO 2: Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors (funded by SDF or TVS) (i.e. Number of Direct Program Beneficiaries)		10	Number (cumulative)	0	0	500	5,000	15,000	30,000
	of which percentage female			Percentage	36	36	38	40	43	45

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/2017)	Year 2 (2017/2018)	Year 3 (2018/2019)	Year 4 (2019/2020)	Year 5 End Target (2020/2021)
		IR 2.1: Number of training programs receiving financing from the Skills Development Fund[80]	9	Number (cumulative)	0	10	40	70	85	100
		IR 2.2: Number of new training programs established addressing skills gaps[81]		Number (cumulative)	0	0	0	5	10	15
	PDO 3: Number of trainees completing alternative, TVET and university training programs in key economic sectors (supported by SDF or TVS)			Number (cumulative)	0	0	50	2,500	10,000	25,500
	of which percentage female			Percentage	0	36	38	40	43	445

[80] Performance contracts signed between training provider and TEA

[81] Skills gaps identified through consultancy studies commissioned under Science, Technology and Higher Education Project or other background sector work.

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/2017)	Year 2 (2017/2018)	Year 3 (2018/2019)	Year 4 (2019/2020)	Year 5 End Target (2020/2021)
		IR 3.1: Percentage of trainees satisfied with TVET and alternative training programs[82]		Percentage	Baseline to be confirmed by survey					To be confirmed after baseline survey, 10% increase in trainee satisfaction targeted
Results Area 2: Service delivery level: Promoting the expansion and quality of labor market driven skills development opportunities in select economic sectors	PDO 4: Percentage of trainees who did an internship, apprenticeship or entrepreneurship training employed or self-employed 1 year after training completion			Percentage	0	0	20	30	40	45

[82] Data to be collected with the application and implementation of SDF support. Sample and methodology to be further defined by Operations Manual. Data to be disaggregated by gender, age, and region (urban-rural) and training level (alternative, vocational)

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/2017)	Year 2 (2017/2018)	Year 3 (2018/2019)	Year 4 (2019/2020)	Year 5 End Target (2020/2021)
		IR 4.1: Number of students benefitting from at least 1 month internship/apprenticeship/ work-based opportunities relevant to their field[83]	8	Number (cumulative)	0	0	250	2,500	5,000	8,000
		IR 4.2: Number of training providers participating in the 'Fit for Business' seal of approval scheme		Number (cumulative)	0	0	5	10	25	30
		IR 4.3: Number of signed collaboration agreements between enterprises and training providers		Number (cumulative)	0	0	8	25	40	60
		IR 4.4: Number of public vocational training providers with at least 30% employer representation on their board[84]		Number (cumulative)	0	0	0	10	25	25

[83] Requires placement in private sector, excluding 'practice' institutions owned by training providers
[84] Selected by Sector Skills Councils or other private sector associations

Results Areas Supported by PforR	PDO/Outcome Indicators	Intermediate Results Indicators	DLI	Unit of Meas.	Baseline (2014/2015 or latest available year)	Year 1 (2016/2017)	Year 2 (2017/2018)	Year 3 (2018/2019)	Year 4 (2019/2020)	Year 5 End Target (2020/2021)
		IR 4.5: Percentage of programs delivered by a professional trainer from the private sector in targeted sectors[85]		Percentage	0	0	5	12	18	250

In addition to the results framework indicators, the following set of additional indicators will be tracked by MoESTVT for all training programs in the key economic sectors, regardless of whether they received support from the SDF and TVS or not:

- Total number of training programs
- Total number of enrolled trainees
- Total number of trainees completing training
- Total number of trainees employed or self-employed within 6 months or 1 year upon training completion
- Performance of trainees on a standardized test of non-cognitive and English skills (administered by SDF-supported programs)[86]

[85] Program included if at least 30% teaching time taught by an instructor with relevant private sector experience within last five years, not including consulting. Percentage of programs may be based on sample of programs surveyed to be determined by the Operations Manual

[86] Test to be selected/developed prior to Effectiveness and required by training programs supported by SDF.

Indicator Description

Indicator Name	Description (Clear definition etc.)	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs Responsibility for Data Verification
IR 1.1: National Skills Council and Secretariat operational	NSC and NSC Secretariat requires: (1) NSC with at least 50 percent employers' representation; (2) NSC and NSC Secretariat established by appropriate government authorities; (3) Chairperson of NSC appointed; (4) first two meetings of NSC held; (5) Agreed minimum number of NSC secretariat staff recruited (i.e. contracts signed), which are (i) Executive Secretary; (ii) Finance Officer; (iii) Statistician/M&E Officer; (iv) Administrative Assistant; and (v) Skills specialist; and (6) Furnished physical office/address of NSC secretariat in place.	Once	MoEST VT	Receipt of copy of legal instrument establishing NSC and NSC Secretariat or letter signed by Permanent Secretary MoESTVT	MoESTVT	Firm
IR 1.2: Skills Development Fund operational	SDF established requires: (i) service agreement (with performance indicators) with TEA as fund manager signed; (ii) in addition to existing TEA staff, agreed minimum additional staff recruited or re-assigned to the SDF department: 1 SDF Director, 1 M&E Officer, 1 Communications/Training Officer, 1 Procurement Officer, 1 Finance Officer; 2 Grant Evaluation Analysts; and any additional minimum staff needed as per SDF operations manual; (iii) SDF Grant Selection Committee established by TEA based on service agreement with MoESTVT; (iv) SDF Operations Manual completed and satisfactory to IDA; and (iv) first call for proposals completed, i.e. proposal	Once	MoEST VT	Receipt of copy of legal instrument establishing SDF or letter signed by Permanent Secretary MoESTVT	MoESTVT	Firm

	selection complete and funds are received in beneficiary training institutions accounts.					
IR 1.3: Trainee Voucher Scheme operational	TVS established by an appropriate legal instrument; service agreement with HESLB signed; first round of vouchers issued	Once	MoEST VT	Receipt of copy of legal instrument establishing SDF or letter signed by Permanent Secretary MoESTVT	MoESTVT	Firm
IR 1.4: Completion of annual capacity building activities for program institutions as set forth in the POM	Capacity building focused on MoESTVT, TEA, VETA, NACTE, TCU, HESLB,	Annual	MoEST VT		MoESTVT	Firm
IR 1.5: Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	To be decided based on discussions with Government of Tanzania	Annual	TEA/H ESLB	MoESTVT to prepare annual report on TA activities and propose percentage completed. Receipt of evidence of all TA activities including attendance registers for training and receipts/invoi ces for purchases.	TEA/HESL B	Firm
IR 1.6: Sector Skills Councils established	MoU signed between SSC and NSC establishing responsibilities and funding (if any); first	Once per council	MoEST VT	Receipt of copy of MoU	MoESTVT	Firm

	meeting completed, TOR for sector skills council available.			between SSC and NSC;		
IR 1.7: Number of training providers submitting complete data set upon agreed variables list in POM to TCU, NACTE, and TCU records /SMIS	Data set is based on agreed variables list as per Operations Manual. For example once Skills Management Information System is operational, data submission must be in SMIS. Formula for calculating percentage of data available to be defined in Program Operational Manual.	Annual	NSC	Review if data for randomly selected subset (at least 10%) of training providers	NSC	Firm
IR 1.9: Skills Management Information System is operational at ministry, NACTE, VETA, TCU and training provider level	Parameters to be finalized based on POM	Annual	NSC	To be finalized based on POM	NSC	Firm
IR 1.10: Number of training providers fully registered by relevant regulatory body (total and disaggregated by vocational, technical and university level)	Registration by relevant regulatory body (total and disaggregated by vocational, technical and university level)	Annual	NSC	Data submitted to NSC by relevant regulatory body	NSC	Firm
IR 1.11: Number of training programs receiving full accreditation by relevant regulatory body (total and disaggregated by vocational, technical and university level)	Accreditation by relevant regulatory body (total and disaggregated by vocational, technical and university level)	Annual	NSC	Data submitted to NSC by relevant accreditation body	NSC	Firm
IR 2: Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors (funded by SDF or TVS)	Trainees enrolled in training programs supported by SDF or TVS	Every six months	NSC	Date submitted by TEA or HESLB	NSC	Firm
IR 2.1: Number of training programs receiving financing from	Performance contracts signed between training provider and TEA	Every six months	TEA	Receipt of list of performance	TEA	Firm

the Skills Development Fund				contracts; receipts of randomly selected 10% of performance contracts; receipt of copies of evidence of disbursement.		
IR 2.2: Number of new training programs established addressing skills gaps	Skills gaps identified through consultancy studies commissioned under Science, Technology and Higher Education Project or other background sector work.	Annual	TEA	To be finalized in POM	TEA	Firm
IR 3.1: Percentage of trainees satisfied with TVET and alternative training programs	Data to be collected with the application and implementation of SDF support. Sample and methodology to be further defined by Operations Manual. Data to be disaggregated by gender, age, and region (urban-rural) and training level (alternative, vocational)	Annual	TEA	To be finalized in POM	TEA	Firm
IR 4.1: Number of students benefitting from at least 1 month internship/apprenticeship/ work-based opportunities relevant to their field	Requires placement in private sector, excluding 'practice' institutions owned by training providers	Annual	TEA/H ESLB	Visits to random selection of at least 5% of training providers to obtain information on placement of specific students; visits to workplaces to verify attendance of students	TEA/HESL B	Firm
IR 4.2: Number of training providers participating in the 'Fit	Criteria for 'Fit for Business' seal to be finalized in POM	Annual	NSC	To be determined in POM	NSC	Firm

for Business’ seal of approval scheme						
IR 4.3: Number of signed collaboration agreements between enterprises and training providers	To be determined in POM	Annual	TEA	To be determined in POM	TEA	Firm
IR 4.4: Number of public vocational training providers with at least 30% employer representation on their board	Selected by Sector Skills Councils or other private sector associations	Annual	MoEST VT	Data submitted to the MoESTVT by SSC	MoESTVT	Firm
IR 4.5: Percentage of programs delivered by a professional trainer from the private sector in targeted sectors	Program included if at least 50% teaching time taught by an instructor with relevant private sector experience within last five years, not including consulting. Percentage of programs may be based on sample of programs surveyed to be determined by the Program Operations Manual.	Annual	TEA/H ESLB	To be determined in POM	TEA/HESL B	Firm

3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix

LI	*Total Financing Allocated to DLR (in US$ million)*	*As % of Total Financing Amount*	*DLI Baseline*	*Indicative Timeline for DLI Achievement*					*Disbursement*	*Scalability of Disbursement*
				Y 1	*Y 2*	*Y 3*	*Y 4*	*Y 5*		
LI 1: National kills Council nd Secretariat perational[87]	10	8%	No	x					Full amount on completion if completed within the first 24 months upon the Effective Date; 10% reduction on the full amount for each successive FY.	No
LI 2: Skills evelopment und perational[88]	7	6%	No	x					Full amount on completion if completed within the first 24 months upon the Effective Date; 20% reduction on the full amount for each successive FY.	No

reimbursement of advance) will be made at the next six-monthly review.

t requires: (1) NSC with at least 50 percent employers' representation; (2) NSC and NSC Secretariat established by law; (3) Chairperson resident; (4) first two meetings of NSC held; (5) Agreed minimum number of NSC secretariat following staff recruited (i.e. contracts utive Secretary; (ii) Finance Officer; (iii) Statistician/M&E Officer; (iv) Administrative Assistant; (v) Skills Specialist; and (6) Furnished NSC secretariat in place.

s: (i) service agreement (with performance indicators) with TEA as fund manager signed; (ii) in addition to existing TEA staff, agreed recruited or re-assigned to the SDF department: 1 SDF Director, 1 M&E Officer, 1 Communications/Training Officer, 1 Procurement ; 2 Grant Evaluation Analysts; and any additional minimum staff needed as per SDF operations manual; (iii) SDF Grant Selection TEA based on service agreement with MoESTVT; (iv) SDF Operations Manual completed and satisfactory to IDA; and (iv) first call e, proposal selection complete and funds are received in beneficiary training institutions accounts.

Results Areas Supported by PforR	*DLI*	*Total Financing Allocated to DLR (in US$ million)*	*As % of Total Financing Amount*	*DLI Baseline*	*Indicative Timeline for DLI Achievement*					*Disbursement*	*Scalability of Disbursement*
					Y 1	*Y 2*	*Y 3*	*Y 4*	*Y 5*		
	DLI 3: Trainee Voucher Scheme Operational[89]	7	6%	No	x	x				Full amount on completion if completed within the first 24 months upon the Effective Date; 25% reduction on the full amount for each successive FY.	No
	DLI 4: Completion of annual capacity building activities for program institutions[90] as set forth in the POM	6	5%	No	x	x	x	x	x	US$3m in year 1, US$750,000 in each remaining year; payment pro-rated for proportion of planned Capacity Building budget spent according to annual Capacity Building plan	Yes
	DLI 5: Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	10	8%	0			x	x	x	US$6m in year 3; US$2m annually in year 4-5 if agreed amount paid into both or one of the accounts	Yes

[89] (i) TVS established through an appropriate legal instrument; (ii) service performance agreement with HESLB signed; and (iii) first round of vouchers issued

[90] Detailed Capacity Building plan, including work plan and budget; will be part of the Detailed Program Implementation Plan; and then annually updated and agreed upon by MoESTVT and IDA as per procedure indicated in the Operations Manual.

Results Areas Supported by PforR	*DLI*	*Total Financing Allocated to DLR (in US$ million)*	*As % of Total Financing Amount*	*DLI Baseline*	*Indicative Timeline for DLI Achievement*					*Disbursement*	*Scalability of Disbursement*
					Y 1	*Y 2*	*Y 3*	*Y 4*	*Y 5*		
	DLI 6: Sector Skills Councils established[91]	8	7%	Zero	X	x	x	x	x	US$2m per council established in years 1-3; US$1m per council established in years 4-5. Disbursement for maximum of four councils.[92]	Yes
	DLI 7: Number of training providers submitting complete data set upon agreed variables list in POM to TCU, VETA, NACTE and TCU records/SMIS[93]	6	5%	0	X	x	x	x	x	US$ 1.5m maximum per year, payable as a % of target reached	Yes
Results Area 2: Service delivery level: Promoting the expansion and	DLI 8: Number of students benefitting from at least one month	10	8%	0	X	X	X	X	X	US$1,250 per trainee up to a total maximum amount of US$10 million	Yes

[91] MoU including Terms of Reference signed between SSC and NSC establishing responsibilities and funding (if any); first meeting completed.
[92] Claims (or calculation of reimbursement of advance) will be made at the next six-monthly review.
[93] Data set is based on agreed variables list as per Operations Manual. For example list see Annex 2; once Skills Management Information System is operational, data submission must be in SMIS. Formula for calculating percentage of data available to be defined in Program Operational Manual.

Results Areas Supported by PforR	***DLI***	***Total Financing Allocated to DLR (in US$ million)***	***As % of Total Financing Amount***	***DLI Baseline***	***Indicative Timeline for DLI Achievement***					***Disbursement***	***Scalability of Disbursement***
					Y 1	***Y 2***	***Y 3***	***Y 4***	***Y 5***		
quality of labor market driven skills development opportunities in select economic sectors	internship/ apprenticeship work-based opportunities relevant to their field[94]										
	DLI 9: Number of training programs receiving financing from the Skills Development Fund[95]	6	5%	0	X	x	x	x	x	US$60,000 per program up to a total maximum amount of US$6 million	Yes
	DLI 10: Number of trainees enrolled in alternative, TVET and university training programs in	50	42%	0	x	x	x	x	x	US$1,600 per trainee up to a total maximum of US$50 million	Yes

[94] Requires placement in private sector companies or with master craftsmen, excluding 'practice' institutions owned by training providers.
[95] Performance contracts signed with SDF once legally established, or with MoESTVT during pilot and pre-establishment funding rounds, and first payments made

Results Areas Supported by PforR	*DLI*	*Total Financing Allocated to DLR (in US$ million)*	*As % of Total Financing Amount*	*DLI Baseline*	*Indicative Timeline for DLI Achievement*					*Disbursement*	*Scalability of Disbursement*
					Y 1	***Y 2***	***Y 3***	***Y 4***	***Y 5***		
	key economic sectors funded by the Skills Development Fund or the Trainee Voucher Scheme[96]										

[96] Trainee must graduate from program supported by SDF (or equivalent MoESTVT program pre-legal establishment of SDF, e.g. pilot) and/or graduate from program for which they received support from Trainee Voucher Scheme (or equivalent MoESTVT program pre-legal establishment of TVS, e.g. pilot).

DLI Verification Protocol Table

	Measurement type	*Protocol to evaluate achievement of the DLI and data/result verification*			*Frequency*
		Data source/ agency	***Verification Entity***	***Procedure***	
kills onal[97]	Yes/No	MoESTVT	Firm	Receipt of copy of legal instrument establishing NSC and NSC Secretariat, or letter signed by Permanent Secretary MoESTVT confirming approval by the appropriate government authorities ; minutes of first two meeting signed by NSC Chairperson; copy of signed contracts for NSC secretariat staff; visit to NSC secretariat office by World Bank staff to verify secretariat staff present, equipped and working	Once*
 d	Yes/No	MoESTVT	Firm	Receipt of copy of legal instrument establishing SDF; or letter signed by Permanent Secretary MoESTVT confirming approval by the appropriate government authorities; signed service agreement between TEA and MoESTVT or NSC; copy of signed contracts for assignment or re-assignment memo for SDF staff; copy of SDF Operations Manual satisfactory to IDA; evidence of call for proposals published in national Swahili- and English-language newspaper	Once*
oucher nal[99]	Yes/No	MoESTVT	Firm	Receipt of copy of legal instrument establishing TVS; or letter signed by Permanent Secretary MoESTVT confirming approval by the appropriate government authorities; signed service agreement with HESLB; evidence of first vouchers issuance	Once*

t requires: (1) NSC with at least 50 percent employers' representation; (2) NSC and NSC Secretariat established by law; (3) Chairperson resident; (4) first two meetings of NSC held; (5) Agreed minimum number of NSC secretariat following staff recruited (i.e. contracts utive Secretary; (ii) Finance Officer; (iii) Statistician/M&E Officer; (iv) Administrative Assistant; (v) Skills Specialist; and (6) Furnished NSC secretariat in place. Claims can be made every six months.

s: (i) service agreement (with performance indicators) with TEA as fund manager signed; (ii) in addition to existing TEA staff, agreed recruited or re-assigned to the SDF department: 1 SDF Director, 1 M&E Officer, 1 Communications/Training Officer, 1 Procurement ; 2 Grant Evaluation Analysts; and any additional minimum staff needed as per SDF operations manual; (iii) SDF Grant Selection TEA based on service agreement with MoESTVT; (iv) SDF Operations Manual completed and satisfactory to IDA; and (v) first call for roposal selection complete and funds are received in beneficiary training institutions accounts.

ugh an appropriate legal instrument; (ii) service agreement with managing body signed; and (iii) first round of vouchers issued

DLI	*Measurement type*	*Protocol to evaluate achievement of the DLI and data/result verification*			*Frequency*
		Data source/ agency	*Verification Entity*	*Procedure*	
DLI 4: Completion of annual capacity building activities for program institutions[100] as set forth in the POM	Percentage	MoESTVT	Firm	MoESTVT to prepare annual report on TA activities and propose percentage completed. Receipt of evidence of all TA activities including attendance registers for training and receipts/invoices for purchases.	Annual
DLI 5: Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	Yes/No	TEA/HESLB	Firm	Review of financial records of TEA and HESLB indicating transfer of funds from SDL received in relevant accounts	Annual starting year 3
DLI 6: Sector Skills Councils established[101]	Payment per council (up to four)	MoESTVT	Firm	Receipt of copy of MoU between SSC and NSC; minutes of first meeting signed by chairperson of the SSC	Once per council (up to four)*
DLI 7 Number of training providers submitting complete data set upon agreed variables list in POM to TCU, VETA, NACTE and TCU records/SMIS [102]	Proportional (scaled from end target)	National Skills Council	Firm	Review of data for randomly selected subset (at least 10%) of training providers	Annual

[100] Detailed Capacity Building plan, including work plan and budget; will be part of the Detailed Program Implementation Plan; and then annually updated and agreed upon by MoESTVT and IDA as per procedure indicated in the Operations Manual.
[101] MoU signed between SSC and NSC establishing responsibilities and funding (if any); first meeting completed
[102] Data set is based on agreed variables list as per Operations Manual. For example list see Annex 2; once Skills Management Information System is operational, data submission must be in SMIS. Formula for calculating percentage of data available to be defined in Program Operational Manual.

DLI	*Measurement type*	*Protocol to evaluate achievement of the DLI and data/result verification*			*Frequency*
		Data source/ agency	*Verification Entity*	*Procedure*	
DLI 8: Number of students benefitting from at least one month internship, apprenticeship or work-based opportunities relevant to their field[103]	Payment per provider (scaled from end target)	National Skills Council	Firm	Visits to random selection of at least 5% of training providers to obtain information on placement of specific students; visits to workplaces to verify attendance of students	Every six months
DLI 9: Number of training programs receiving financing from the Skills Development Fund[104]	Payment per provider (scaled from end target)	TEA	Firm	Receipt of list of performance contracts; receipt of copies of randomly selected 10% of performance contracts; receipt of copies of evidence of disbursement (for example training provider bank statements) for randomly selected 5% of performance contracts	Every six months
DLI 10: Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors funded by the Skills Development Fund or the Trainee Voucher Scheme[105]	Payment per student (scaled from end target)	TEA/ HESLB	Firm	Receipt of list of programs which have received funding from SDF; receipt of list of students receiving vouchers; unannounced visits to verify student attendance	Every six months

[103] Requires placement in private sector, excluding 'practice' institutions owned by training providers
[104] Performance contracts signed, once legally established, or with MESTVT during pilot and pre-establishment funding rounds, and first payments made
* Claims (or calculation of reimbursement of advance) will be made at the next six-monthly review.
[105] Student must graduate from program supported by SDF (or equivalent MoESTVT program pre-legal establishment of SDF, e.g. pilot) and/or graduate from program for which they received support from Trainee Voucher Scheme (or equivalent MoESTVT program pre-legal establishment of TVS, e.g. pilot).

Bank Disbursement Table

#	*DLI*	*Bank financing allocated to the DLI (US$ equivalent)*	*Of which Financing available for Prior results*	*Deadline for DLI Achievement*	*Minimum DLI value to be achieved to trigger disbursements of Bank Financing*	*Maximum DLI value(s) expected to be achieved for Bank disbursements purposes*	*Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)in US$*
1	National Skills Council and NSC Secretariat operational	10		FY2016/17	National Skills Council and Secretariat operational	National Skills Council and Secretariat operational	Full amount on completion if completed within the first 24 months upon the Effective Date; 10% reduction on the full amount for each successive FY.
2	Skills Development Fund operational	7		FY2016/17	Skills Development Fund operational	Skills Development Fund operational	Full amount on completion if completed within the first 24 months upon the Effective Date; 20% reduction on the full amount for each successive FY.
3	Trainee Voucher Scheme Operational	7		FY2016/17-FY2017/18	Trainee Voucher Scheme Operational	Trainee Voucher Scheme Operational	Full amount on completion if completed within the first 24 months upon the Effective Date; 25% reduction on the full amount for each successive FY.
4	Completion of annual capacity building activities for program institutions as set forth in the POM	6		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	Detailed Capacity Building plan, including work plan and budget; will be part of the Detailed Program Implementation Plan; and then annually updated and agreed upon by MoESTVT and IDA as per procedure	Capacity building targets achieved as per detailed program implementation plan	US$3M in FY2016/17, US$750,000 in each remaining FY; payment pro-rated for proportion of planned capacity building budget spent according to annual Capacity Building Plan

					indicated in the Operations Manual.		
5	Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM	10		FY2018/19, FY2019/20, FY2020/21	To be confirmed based on discussions with GoT	To be confirmed based on discussions with GoT	US$6M in FY18/19; US$2M annually in FY2019/20, FY2020/21 if agreed amount paid into both or one of the accounts
6	Sector Skills Councils established	8		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	1	4	US$2M per SSC established in FY2016/17, FY2017/18, FY2018/19; US$1M per SSC established in FY2019-20; FY2020/21. Disbursement for maximum of four SSCs.
7	Number of training providers submitting complete data set upon agreed list of variables in POM to TCU, VETA, NACTE and TCU records/SMIS	6		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	To be confirmed based on POM	To be confirmed based on POM	US$1.5M maximum per year, payable as % of target reached
8	Number of students benefitting from at least one month internship, apprenticeship or work-based opportunities relevant to their field	10		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	800 (in the first six months)	8000	US$1,250 per trainee up to a total maximum amount of US$10M

9	Number of training programs receiving financing from the Skills Development Fund	6		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	10 (assuming cost of US$60,000 per program in the first 6 months)	100 (assuming cost of US$60,000 per program)	US$60,000 per training program up to a total maximum amount of US$6M
10	Number of trainees enrolled in alternative, TVET and university training programs in key economic sectors funded by the Skills Development Fund or the Trainee Voucher Scheme	50		FY2016/17, FY2017/18, FY2018/19, FY2019/20, FY2020/21	3,125	3, 1250	US$1,600 per trainee up to a total maximum of US$50M

Disbursement Linked Indicators: Theory of Change

1. **A set of Disbursement Linked Indicators (DLIs) for the program will form the basis for disbursement.** The DLIs are expected to enhance the focus on key results and incentivize the performance improvements in areas critical for increasing enrolment and improving quality and relevance of training programs but which appear to be weak and/or poorly functioning at the various levels (national, sectoral, training providers, regulator). They are a blend of outcome, output, and process indicators. Specifically, two PDO indicators measuring program outputs are DLIs, and eight Intermediate Results indicators for key actions needed to address specific constraints to achieving development objectives are DLIs. These DLIs are expected to lay the foundation of systemic results-based management approaches and systems for skills development. They are based on the following criteria: (a) reflect key priority areas and major bottlenecks in the results chain and thus provide an incentive for addressing them; (b) align with the priorities of the NSDS and its Implementation Plan; (c) maximize the use of existing indicators and information; (d) balance ambition in selection of indicators and targets with feasibility considerations; (e) consider a relatively even distribution of payments.

2. **The DLIs are organized into the same key results areas as the results framework:** (a) system-level indicators for key steps to strengthen the institutional capacity of the skills development system and (b) indicators of progress toward promoting the expansion and quality of labor market driven skills development opportunities in select economic sectors.

Results Area 1: System Level DLIs

DLI 1: National Skills Council and Secretariat operational

3. **This DLI will be completed when the National Skills Council is established by the appropriate legal instrument and has had its second meeting.** The Secretariat is considered operational when its defined number of staff with the required qualifications are recruited, have a confirmed physical office location, among other things. It is a one-off DLI, intended to be achieved before Effectiveness or in the first two years of the program, with a 10 percent reduction in disbursement for each additional year taken to complete (for example, 90 percent disbursement if completed in year 2, 80 percent in year 3,etc.).

4. **Theory of change:** Establishment of the National Skills Council and Secretariat is a key system-level result to create an enabling environment for improving the coordination among government and the private sector on skills, and smooth implementation of the NSDS by providing coordination across sectors, regulators and training providers.

DLI 2: Skills Development Fund operational

5. **This DLI will be achieved when a performance-based contract between TEA as managing entity of the Skills Development Fund and the Ministry of Education is signed, agreed minimum additional staff is recruited or reassigned to the SDF, a SDF grant selection committee has been established by TEA based on a service agreement with MoESTVT, an Operations Manual for the Fund, satisfactory to IDA was approved by the Ministry of Education, and the Fund has completed its first call for proposals**. It is a one-off DLI, intended to be achieved in the first two years of the program, with a 20 percent reduction in disbursement

for each additional year taken to complete (for example, 80 percent disbursement if completed in year 2, 60 percent in year 3, etc.).

6. **Theory of change:** The SDF is one of the two primary financing mechanisms for the NSDS and ESPJ and a primary instrument for promoting expansion and quality of skills development opportunities in the key economic sectors. It promotes competition for funds among public and private training providers, based on results-focused proposal and rewards good performance through a top up.

DLI 3: Trainee Voucher Scheme operational

7. **This DLI will be achieved when the Trainee Voucher Scheme is established through the appropriate legal instrument, the performance contract with the managing entity is signed, and the Scheme has issued the first round of vouchers.** It is a one-off DLI, intended to be achieved before Effectiveness or in the first two years of the program, with a 25 percent reduction in disbursement for each additional year taken to complete (for example, 75 percent disbursement if completed in year 3, 50 percent in year 4, and so on.).

8. **Theory of change:** The Trainee Voucher Scheme is the primary modality for achieving the objectives of increasing access and the number of skilled graduates of training programs, by removing or reducing financial barriers to access for low-income students. In addition, as vouchers can be redeemed at public or private training providers, the TVS promotes competition for funds among public and private training providers.

DLI 4: Completion of annual capacity building activities for program institutions as set forth in Program Operational Manual

9. **This DLI measures the implementation of agreed plans for technical assistance.** Based on a five-year plan to be agreed before Effectiveness, annual plans will be agreed each year including work plans and budget. Disbursement will be made according to the percentage of funds spent accordingly on these plans based on the previously agreed budget. Assessment will be carried out by a third-party firm.

10. **Theory of change:** Successful implementation will require substantial capacity building and institutional strengthening of the entities implementing the Program. In particular, this includes the National Skills Council and Secretariat; the SDF and TVS managing entities, quality assurance bodies, among others.

DLI 5: Agreed allocations of additional sources of funds, including SDL deposited into SDF and/or TVS accounts as set forth in the POM

11. **This DLI will be assessed annually starting in year 3 and will be achieved when agreed targets for agreed allocation of funds raised through the SDL are transferred and available for use in accounts designated by TEA for the SDF and by the managing entity of the TVS, HESLB.**

12. **Theory of change:** Current skills development funding is inadequate, particularly at the technical and alternative, short term (non-degree) training levels. The SDL is currently not used in

a manner that addresses the immediate and future skill needs of employers. This DLI creates an incentive for the identification and mobilization of additional sources of funding, including the SDL to be dedicated to emerging competitive funding mechanisms that are designed to directly address employer training needs. Disbursement of these additional funding sources, including the SDL, into the SDF and/or TVS over several years creates an incentive for regular transfers as a means to make skills funding more competitive, results oriented and relevant and to promote the sustainability of the SDF and TVS.

DLI 6: Sector Skills Councils established

13. **This DLI will be achieved each time a Memorandum of Understanding is signed between the Sector Skills Council and the NSC establishing responsibilities, and the Council has completed its first meeting.** US$2 million (25 percent of the allocated funds) can be claimed for each council established in years 1 to 3, and US$1million for councils established during the remainder of the program, in order to incentivize early implementation. The maximum number of councils disbursement will be made against is four.

14. **Theory of change:** Sector Skills Councils are a key modality in many successful trainings systems that improve the quality and, in particular, relevance of training opportunities by facilitating and providing an institutional framework for private sector collaboration and information sharing with government, regulators and training providers.

DLI 7: Number of training providers submitting complete data set upon agreed variables list in Program Operational Manual to TCU, VETA, NACTE and TCU records/SMIS

15. **This DLI will be assessed annually and achieved when agreed targets (see Results Framework) are met for the number of training providers for whom 100 percent of key required data is available within VETA, NACTE or TCU records, or, once the SMIS is established, within SMIS.** At first, this data will be supplied to MoESTVT from training providers via regulators; later, after establishment of SMIS, data will be entered by training providers directly into SMIS and data will be required to be within the system to count towards the target. Claims can be made proportionally to the target; precise details of the formula for calculating the proportion of data available will be laid out in the Program Operational Manual. The required data includes enrollment, graduation, and employment status six months and one year after graduation; see Annex 2 for a full list.

16. **Theory of change:** Improved collection, reporting, and intra-institutional sharing of key data is a basic requirement for better coordination of the skills development system in Tanzania. This DLI provides incentives for government to build capacity within regulators and require sharing of data with MoESTVT for coordination purposes, and for regulators to require a higher level of data collection and reporting, and cooperation with the SMIS system, by training providers.

Results Area 2: Service Delivery Level DLIs

DLI 8: Number of students benefitting from at least one month internship/apprenticeship work-based opportunities relevant to their field

17. **This DLI is triggered each time a student attending training in the key economic sectors undergoes at least one month's (or full-time equivalent) internship, apprenticeship or other work-based opportunity.** Opportunities must be within the private sector. Practice institutions owned by training providers will not count. Payment will be made per-student, up to a maximum of the end target, with claims assessed every six months. Attendance of students will be checked as part of the verification protocol.

18. **Theory of change:** Lack of practical experience is one of the most common complaints from employers about graduates of TVET programs.

DLI 9: Number of training programs receiving financing from the Skills Development Fund

19. **This DLI is triggered when both of the following takes place:** (a) the Skills Development Fund signs a performance agreement to provide financing to a training provider in order to expand and/or improve the quality of an existing training program or set up a new training program in one of the key economic sectors, *and* (b) the first payment is disbursed to the training provider under the agreement. Claims can be made every six months.

20. **Theory of change:** SDF is one of the two primary financing mechanism for the NSDS. This DLI incentivizes government to implement SDF activities at a robust pace and meet indicator targets in allocating funding.

DLI 10: Number of trainees enrolled in alternative, TVET and university-level training programs in key economic sectors funded by the Skills Development Fund or the Trainee Voucher Scheme

21. **This DLI will measure the output of the primary financing instruments of the Program.** It is partially achieved each time a student is enrolled in a program supported by the SDF, or receives support from the Trainee Voucher Scheme to obtain training in programs relevant to targeted key economic sectors.

22. **Theory of change:** The Trainee Voucher Scheme and Skills Development Fund are the primary instruments through which the PforR financing will be channeled into skills development. The Trainee Voucher Scheme will increase access by reducing the cost of attending training, and in so doing incentivize alternative and vocational training in priority economic sectors. The Skills Development Fund will finance improvements in capacity and quality. The DLI is intended to incentivize rapid implementation of these core aspects of the Program.

Verification Protocols

23. **Drawing from the experience of existing PforRs in Tanzania and elsewhere, verification has been designed to be both robust and to place a minimum burden on the Government in terms of reporting.** All DLIs will be independently verified by a third party from evidence provided by the Government and, in the case of DLI 8, through visits to a random selection of training providers and workplaces by the third party verification firm (see Annex 4 for details). The Government will appoint the independent firm following review and approval of its Terms of Reference by the Bank; detailed verification protocols will be developed during project preparation and included in the Operations Manual. It is intended that verification of claims should be completed within two months of claims being made.

24. **Following verification of claims, disbursement will be made directly into the MoESTVT project designated account.** MoESTVT will be responsible for distribution of funds to the Trainee Voucher Scheme and Skills Development Fund and other activities as approved in their annual plans.

Annex 4: Summary Technical Assessment

Strategic Relevance of the ESPJ Program

1. **The ESPJ PforR is relevant to the overall economic and social development of Tanzania**. It has been developed to address specific skills issues affecting the country's human resources development capacity, as outlined in the National Skills Development Strategy[106]. These include the problem of the current low skill levels of the workforce; the future demand for higher occupational skill levels in a more diversified and competitive industrial and service economy; the need to increase the scale and improve the quality of vocational training and technical education for the extensive and growing number of school leavers to assist their entry into the labor market.

2. **The program is consistent with Tanzania's national development strategies.** It specifically addresses needs in respect of human capital outlined in Tanzania's National Development Vision 2025 (FYPDI and FYPDII). The program is closely aligned with the government framework on Education and Skills as outlined in the Education and Training Policy (ETP) approved in 2015. It is also aligned with other development policies which identify the need for national skills enhancement to achieve their objectives. These include: the Integrated Industrial Development Strategy (IIDS 2025), the National Employment Policy (NEP) and the Government's Big Results Now (BRN) implementation program.[107]

3. **The program takes account of the current and future national socio-economic context.** Key features of the socio-economic context on which the program is based are[108]: the high level of poverty in Tanzania; benefits from the 7 percent growth rate do not reach the majority of the population; high population migration to and growth in urban areas; a very high volume of young school leavers, with about 800,000 approximately entering the jobs market annually following universal primary school enrolment. Decline in the contribution of agriculture and growth in industrial sectors requires young school leavers and graduates to have higher levels of capacity and skill. A need for expansion and diversification of economic activity is recognized. Future planned transformation of resource-based industrialization processes, and growth in more labor-inclusive service sectors such as tourism, transport and logistics will require an increased supply of adequately skilled and semi-skilled workers and will put pressure on the capacity of the current skills development system. It is anticipated that this growth and diversification will lead to increased employment in the private and non-agricultural sectors. Such changes in sector composition of employment will lead to changes in the skills mix required.

4. **The Program Development Objective** is to strengthen the institutional capacity of the Recipient's skills development system and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors. This focus appropriately

[106] Ministry of Education and Vocational Training and Ministry of Labour and Employment, December 2015, National Skills Development Strategy 2016/17-2025/26.
[107] Government of Tanzania, 2006, The Tanzanian Development Mission 2025, Planning Commission; Integrated Industrial Development Strategy 2025 (2011); National Employment Policy (2008)
[108] Based on analysis in the Government of Tanzania National Skills Strategy, Draft December 2015

addresses both the current and future skills needs of the economy, as well as the strategic skills objectives in the related industrial and employment policies.

5. **The benefits of skills development programs to economic development are internationally recognized.** Countries at all levels of development are finding that adequate education and skills can improve the employability of workers, the productivity of enterprises and the inclusiveness of economic growth.[109] Countries that succeeded in linking skills development to improved employability, productivity and employment growth directed their skills development policies towards meeting three objectives: matching the demand and supply of skills: maintaining the employability of workers and the sustainability of enterprises; and sustaining a dynamic process of skills development.

Technical Soundness

6. **The ESPJ PforR preparation was largely based on the Government's NSDS preparation process and has thus been informed by an extensive stakeholder consultation process with high-level engagement.** It also has been informed by extensive analytical work and the identified skills priorities flow logically from analysis of challenges and needs. Program design and development was based on engaging a wide range of stakeholders in the process from the outset. Ministries and officials from different relevant levels of government, public technical and vocational education institutions, the private sector, youth leaders, civil society and international partners were all engaged in the program preparation process. Skill-needs analysis has been informed by a range of national policies, sectoral research reports and secondary analysis informed the skill-needs analysis. These includes recent national studies of the human resource requirements and future skill needs in priority economic sectors. [110]

7. **The ESPJ PforR design is appropriate and coherent and conforms to international good practice in skills policy development.** The program design framework recognizes that interventions are required at two complementary levels – system level and service level to address the complex range of identified skills challenges. At the *system* level, the program includes measures to increase coordination for skills policy, improve quality assurance, enhance public-private cooperation, create sustainable skills funding mechanisms, and development of an information platform. At the *service* delivery level planned measures will seek to promote expansion, and quality and relevance of skills development training opportunities for youth in targeted key economic growth sectors. The need for a dual system-level and service-level approach has been confirmed by the findings of World Bank SABER Workforce Development study in respect of countries with effective and efficient workforce development systems (for example, in

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[109] For example, 'The Right Skills for the Job?' World Bank (2013). Introduction – references literature that empirically supports the value of investing in education to develop human capital and on the contribution of education to growth and development. These include: Vandenbussche, Aghion and Meghir, 2006; Aghion, 2008; Helpman, 2004; Hanushek and Kimko, 2000; Krueger and Lindahl, 2000; Hanushek and Woessmann, 2007). Also, World Bank Development Report 2013 – Jobs. Section 5 – Which comes first: Skills or Jobs? pp. 174-179.

[110] See list of studies included in National Skills Development Strategy, Ministry of Education and Vocational Training, Ministry of Labour and Employment, United Republic of Tanzania, Feb. 2016 Annex 8.1.

Singapore, Korea, Ireland).The program design also conforms with World Bank with ILO and OECD key principles, building blocks and benchmarks for national skills development policies.[111]

Risks and Mitigation

8. **The innovative and complex nature of the program carries substantial risk in terms of government, agency and private sector capacity to deliver**. The overall ESPJ PforR comprises many interventions in respect of technical, vocational and alternative skills development at a national level which are being tried for the first time in Tanzania. However, positive progress is being achieved in similar large scale skill projects currently ongoing in Ghana and Rwanda. Similarly the risk of 'doing nothing' in respect of national skills supply and demand is equally high given the importance of skills to future economic growth and human resources capacity development in Tanzania. It is recognized that failure to meet the skill needs of young people to assist them get a job will create both economic inequalities, and social and political tensions.[112]

9. **The ESPJ PforR design is relevant, appropriate and coherent and includes the critical building blocks for an integrated strategic approach to national skills development**. Some potential risks were identified, mitigation of which has been built into program design. These included risks associated with: concurrent implementation of system and service-level interventions; risk of non-implementation of some service-level initiatives; and lack of implementation capacity. However mitigation of these risks has been addressed through incorporation of appropriate scheduled measures in the results and DLI frameworks, and the planned use of TA for capacity building.

10. **There will be a need for adaptive implementation.** Elements of the ESPJ PforR involve new approaches to skills funding and provision being implemented for the first time. Plans for a mid-term review and for piloting of some training initiatives will facilitate adaptation of interventions and enable refining of program design and implementation.

Institutional Implementation Arrangements

11. **The proposed institutional arrangements and planned activities should be adequate and sufficient to meet the overall program goals,** for the following reasons: The ESPJ PforR program is backed by political commitment and at the highest leadership level, notably by the Chief Secretary of the Presidency, and across government entities. Lead ministries and agencies with clearly defined responsibilities have been identified. A national coordination mechanism is envisaged to deliver the program. The National Skills Council and the establishment and effective implementation of a Skills Development Fund should to a large extent ensure that the right mix of technical skills education and training is provided to meet current and future skill demands. Existing agencies will be responsible for administration of funding mechanisms.

12. **Effective implementation will be the key challenge.** International research has shown that ensuring effective implementation of comprehensive skills development programs has been

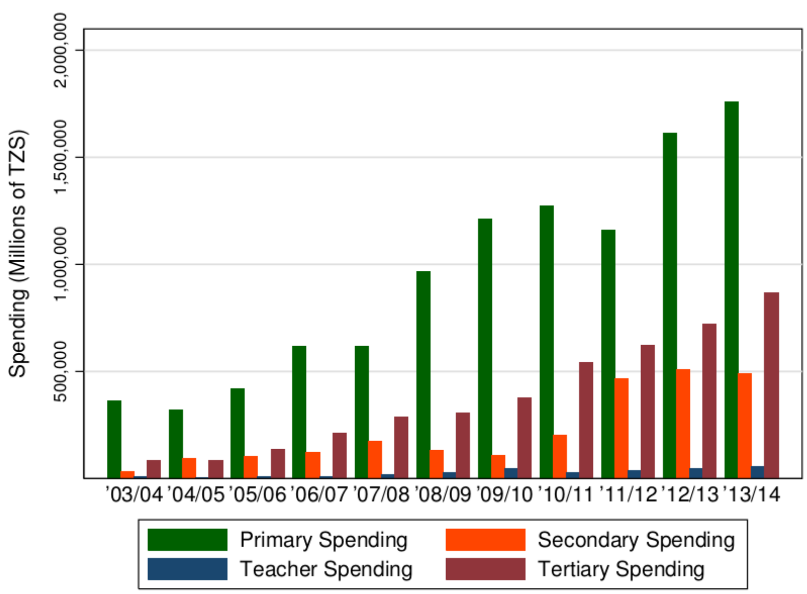
[111] ILO, 2011, Policy Brief – Formulating a National Policy on Skills Development; ILO, 2013, Comparative Analysis of National Skills Development Policies; and OECD, 2012, Better Skills – A Strategic Approach to Skills Policies.
[112] World Bank, 2016, Draft Tanzania Policy Note Jobs.

challenging for countries[113]. Effective implementation requires inclusion of all relevant actors at a variety of levels, together with flexibility and agility to respond effectively to emerging needs in different sectoral, regional or local contexts. The existence of an institution with overall responsibility and oversight of a skills strategy is internationally accepted as critical to its effective implementation; Organization for Economic Cooperation and Development (OECD), for example cites apex bodies such as The Expert Group on Skills Needs in Ireland, Skills Australia or the United Kingdom Commission for Employment and Skills[114]. The immediate establishment and adequate resourcing of such an apex group will be an important first step for program implementation.

Expenditure Framework

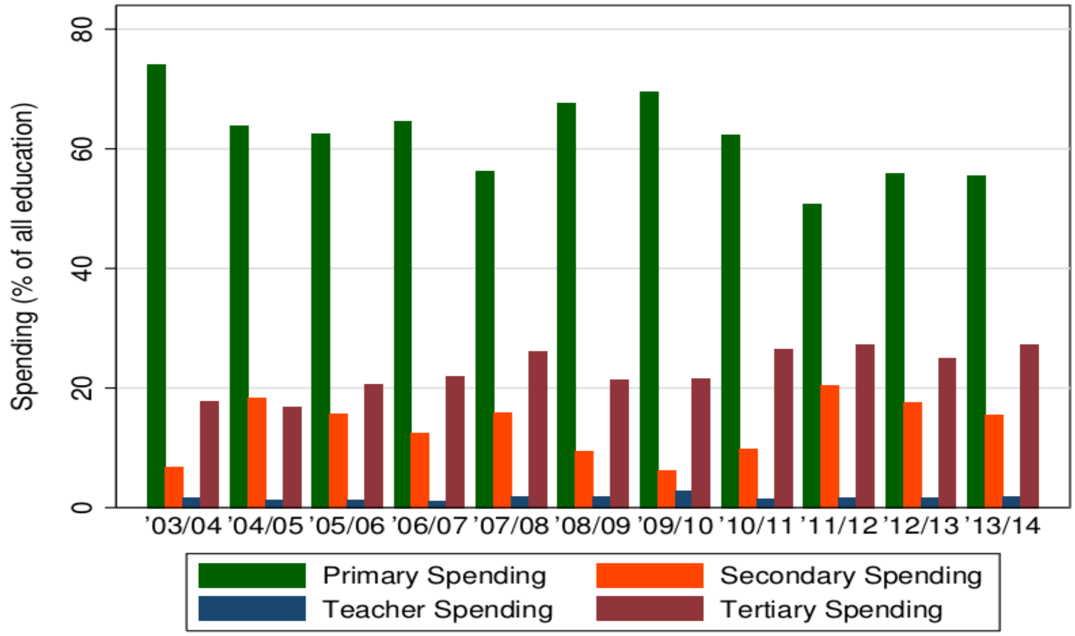
13. **Total public education expenditure accounts for approximately 15–19 percent of all government spending**, or 4.80–5.07 percent of GDP. Figure 4.1 shows the evolution of government education spending in total terms over the last decade. Tanzania's commitment to public investment in education has increased considerably over this period, out-pacing GDP growth in real terms. When considered in terms of total spending, expenditure on TVET and university-level education (tertiary education) has increased constantly to approximately 800,000 million TZS in 2013/2014.

Figure 4.1. Total Budgeted Education Spending by Level



[113] ILO, 2013, Comparative Analysis of National Skills Development Policies. Section 4.
[114] OECD, 2012, Better Skills, Better Jobs, Better Lives. A Strategic Approach to Skills Policies, p 107-108.

Figure 4.2. Public Education Spending by Sector by Level (Percentage Share)



14. **As a percent of total education spending, the proportion dedicated to tertiary education in recent years has been relatively stable at between 25–27.5 percent, having grown from less than 20 percent earlier in the decade (see Figure 4.2).** According to line-by-line analysis of the 2013–2014 budget, actual (nominal) expenditure by the government on TVET and Higher Education accounts for 23.5 percent of all educational expenditure in the budget, or 3.45 percent of total government expenditure. In Table 4.1 these sectors are further broken down, suggesting that the majority of higher tertiary education funds are dedicated to university education, with a considerably lower portion being invested in technical and tertiary education.

Table 4.1. Education Budget by Level

Sector	Proportion of all education spending	Total Expenditure (Billions)
Administration	5.95	146
Primary Education	52.01	1275
Secondary Education	16.93	415
University Education	22.43	550
Teacher Education	1.63	40
Technical/Vocational	0.61	15
Adult/Non-formal	0.44	11

Program's Financial Sustainability and Funding Predictability

15. **Recent increases in education spending has been driven by high rates of economic growth in the country**. Over recent years, this growth has continued to remain relatively stable: between 2010 and 2014 the average rate of real GDP growth was 6.7 percent. In 2014, GDP grew at 7 percent in real terms. This was driven by infrastructure improvements, and growth in the trade, manufacturing and financial services sectors. While agricultural activities which makes up the largest share of Tanzania's GDP had lower growth rates than the country in general, these reached 3.4 percent in 2014, up from 3.2 percent in 2013. GDP is projected to grow at approximately 7 percent up until 2020.[115] Macroeconomic performance has generally improved over the past 3 years. Inflation targets of 5 percent were met in 2015, a considerable reduction following double-digit inflation rates in 2011–2012 and earlier in the decade.

16. **Education is and expected to remain a budgetary priority area.** Currently, it is the largest spending sector in the budget, receiving on average 17.4 percent of budget funds. The Education Sector Development Program projects that education should account for over one-fifth or 22 percent of actual public spending by 2017.

17. **In 2014/2015 the Government expected to mobilize 19,853.3 billion shillings from all sources, of which 12,636.5 was expected to come from domestic revenue.** In practice, 11,013 billion Shillings were collected in domestic tax revenues: 89 percent of the targeted amount for the year. This was a large increase of about 20.4 percent on total tax revenue collected in 2013/2014. However, tax revenue collection remains very low, constraining the capacity to address development needs while maintaining debt sustainability. At about 12 percent of GDP, the tax revenue ratio is among the lowest in international comparisons and well below the convergence criterion of 25 percent for the East African Monetary Union (EAMU). Tanzania falls short of peers in most tax categories.

18. **The remaining budget funds are made up from non-tax revenues, that is, revenues from investment funds, land rent, fees, and so on; and external resources, including foreign aid.** While non-tax revenues have increased steadily, actual foreign aid receipt has fallen from 2,680 billion Shillings in 2010/2011 to 2,346 billion Shillings in 2014/15.[116] This value is predicted to fall by 5 percent in 2015/16, and the government predicts foreign aid receipts to continue falling in the medium term.

19. **Currently, national debt stands at 44.8 percent of GDP, an increase on its lowest level of 34.7 percent in 2007/08, but considerably lower than the approximate 60 percent in 2004/05.** The government has committed to "ensure that financing needs are met at the lowest cost possible consistent with a prudent degree of risk and to support development of domestic financial markets".[117] According to the IMF/World Bank Debt Sustainability Framework (DSF), public debt is sustainable in the short, medium and long run.

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[115] Ministry of Finance and Planning: http://www.mof.go.tz/mofdocs/msemaji/ANNEX%20TO%20PBG%20REVIEW%20AND%20OUTLOOK%20%20JANUARY%2027%20-%202016.pdf

[116] Ibid.

[117] Ibid.

20. **Invariably, the new Government consider tax collection as one of the priority that enhances sustainability and reduces fiscal risks.** Within first three months of the term of the new government domestic collections have increased by about 30 percent (from average 900 billion Shillings to 1.2 billion Shillings a month).

Budget Execution

21. **The Ministry of Finance publishes quarterly "Budget Execution Reports" which document overall budget execution in the financial year.** Budget execution by quarter for 2014/2015 varied from 77 percent to 87 percent of total projected expenditure depending on the quarter. Budget execution for the education sector exceeded the average level of budget execution across all sectors. The Rapid Budget Assessment: Education found that budget execution for education had risen to 94 percent, though with substantial regional variation.[118] Invariably, with the new government, there will be significant improvements in terms of education budget execution through direct funds transfer to schools.

Resource Gap Analysis for Financing Implementation of the NSDS – A Macro View

Limited Government Fiscal Space to Leverage Skill Development

22. **Public expenditure increased rapidly (as percentage of GDP and in absolute terms) until around 2012/13.** Since then, both, development and recurrent expenditure have remained stable suggesting limited fiscal space to leverage on priority sub-sectors including skill development.

Table 4.2. Total public spending (in US$, millions)

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual
Total expenditure	6,004.4	6,861.1	8,450.5	8,455.0	8,809.5
Recurrent expenditure	4,256	4,455	5,893	6,238	5,578
Development expenditure	1,749	2,406	2,558	2,217	3,231

Table 4.3. Key Sectors for Skill Development Consistent with Government Priority Sectors

	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual
Ministry of Agricul. Food Secu and Coop	168	156	125	155	140
Ministry of Industry and Trade	32	34	51	45	53
Ministry Of Education & Vocational Training	367	401	420	404	361
Ministry of Energy and Minerals	144	289	476	555	258
Ministry of Transport	28	114	132	179	94
Ministry of Communication Science and Technology	-	23	33	22	22
Ministry of Natural Resources and Tourism	31	34	28	27	28
Ministry of Works	525	736	634	589	478
Total	**1,295**	**1,786**	**1,898**	**1,976**	**1,433**

[118] Ministry of Finance and Planning, 2013, Rapid Budget Assessment: Education.

23. **Between 2010 and 2015, the Government has spent an average of US$62.4 million per annum on skills development.** This figure includes spending across ministries on providing specialized training within their sectors. In addition, the SDL supports some skill building, notably through financing the operations of the Government's network of VETA training centers. Spending on skills development related-activities by other ministries and through the SDL amounted to US$229 million over the past five years, or an average of US$46 million per annum (see Table 4.4).

Table 4.4. Skills Development Spending in Selected MDAs (in US$ million)

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	**Actual**	**Actual**	**Actual**	**Actual**
Ministry of Industry and Trade	4.23	6.02	6.98	4.89	3.57
Vocational Education and Training Authority (VETA)	26.7	28.7	30.2	32.1	32.7
Ministry of Energy and Minerals	–	–	2.28	1.95	–
Ministry of Transport	1.02	0.94	1.11	1.09	0.96
Ministry of Communication Science and Technology	7.01	6.23	8.17	7.81	7.69
Ministry of Natural Resources and Tourism	1.08	1.95	1.21	1.01	0.81
Ministry of Works	0.13	0.07	0.09	0.03	0.04
Total	**40.18**	**43.90**	**50.04**	**48.89**	**45.77**

Financial Resource Gap for Implementing the NSDS

24. **The estimated cost of implementing the NSDS indicates that in order to reduce the skills gap, US$250 million will need to be spent over the next five years on skills development related activities.**[119] The NSDS is intended to be a transformative program to rapidly increase the quality of key skills system institutions and to increase places for in-demand occupations. Accordingly, NSDS interventions will require additional funding beyond what is currently budgeted in MoESTVT and other line ministries budgets.

25. **A portion of the required funds can be found by realigning current skills spending to NSDS priorities.** It is estimated that approximately US$32 million over five years from sources outlined above could be aligned to NSDS priorities and can be used to support implementation of the NSDS in the future.

26. **The most apparent and reliable source for of the additional public funds needed to fully fund the NSDS is the SDL.** Currently, this five percent levy on employer emoluments is divided between VETA and the HESLB, one-third of the five percent SDL, or about 1.67 percent, goes to VETA training provision, about 2.33 percent goes to funding Higher Education (university and technical level) student loans/grants. Over the first five years of NSDS implementation, the SDL will be gradually redirected toward the SDF and TVS. Half of the current allocation to VETA will be directed to the SDF and TVS by 2021. Similarly, of the three percent of employers' wage bill currently directed to HESLB, one percent will instead be paid into the SDF and TVS. Both of

[119] The US$250 million figure is based on the cost established by the NSDS in 2015 adjusted for inflation and depreciation.

these changes will be phased in over several years to allow VETA and HESLB to adapt. By 2021, this transition will be complete. Two-fifths of the SDL will directly support implementing the government program (NSDS), while one-fifth will go to VETA as general budget support and two-fifths will continue to flow to the HESLB. With this approach, an additional US$82.9 million will be made available for the NSDS during ESPJ implementation period. However, significant improvement in the execution of the budget by all parties will be critical to ensure successful implementation of the ESPJ PforR.

27. **The ESPJ PforR will be providing financing of US$120 million, which will cover 48 percent of NSDS costs.** Of this amount, US$20 million (17 percent) will support system level reforms, and US$100 million (83 percent) will support expanding and improving training service delivery through the SDF and TVS. However, other stakeholders or the government will need to come in and fill the gap. Notably, significant improvement in execution of the budget by all parties will be critical in order to ensure the implementation of the NSDS is a success.

Results Framework and Monitoring and Evaluation Capacity

28. **Proposed system-level and service-level key result areas and indicators are appropriate and aligned with the Program Development Objective.** Two key result areas have been defined. The first encompasses interventions at the system level that create the enabling environment for better system performance, The second is focused on service-level interventions that promote the expansion and quality of service delivery in key economic sectors are key result areas. Outcome indicators, intermediate results indicators and DLIs are aligned with the Program Development Objective (PDO) and elaborated in a comprehensive Results Framework Matrix.[120] The indicator and DLI measures are appropriate and in line with international good practice benchmarks for skills development programs.

29. **A range of data on current school leaver participation in skills development is collected at government and institutional level but limited data is available on training provided by private enterprises for employees.** Enterprise Surveys conducted by the World Bank are one of the few systematic sources of information on workforce training. However more comprehensive data is needed for monitoring both demand and supply of workforce training to monitor this element of the ESPJ PforR progress. While some data on trainee enrolments is available for the formal public technical and vocational skills system, systematic data is not currently readily available on training provision within the informal sector. The planned integrated data system for skills supply and demand, should include process for recording data on informal sector training.

30. **The current skills development information infrastructure and reporting systems are fragmented, and need to be enhanced and coordinated.** While existing information systems on training provision for school leavers and employees will facilitate a basic level of Monitoring and Evaluation, it is recognized that development of a consolidated and integrated national Skills Management Information System (SMIS) for skills supply and demand must be a core cross-cutting initiative within the ESPJ PforR. [121]

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[120] Annex 2 & 3 of PAD

[121] Proposals for Cross-Cutting Initiatives – SNDS Executive Summary.

31. **Considerable capacity building support will be needed to ensure effective operation of an integrated skills data and monitoring system**. An integrated MIS on skills will serve as a basis for monitoring and analysis of program performance. Such a system could also be used to provide data that would assist individuals in making informed decisions about obtaining TVET, for example through a web-portal. Technical assistance and capacity building support is however needed to ensure effective development of an integrated MIS for skills.

32. **A mid-term review and evaluation of the whole range of program activities is planned** to be undertaken on or around 24 months after effectiveness.[122] Such an evaluation is important to indicate what is working well in the program, and where changes may need to be made to elements of the overall strategic approach or to individual elements to achieve the development objectives.

Summary Risks and Mitigation

33. **Concrete plans and interventions to ensure effective monitoring and review of the progress, outputs and outcomes of the overall program and of specific interventions are evident in the ESPJ PforR.** However, fragmented base line data will initially limit monitoring and evaluation capacity. Human resource capacity for Monitoring and Evaluation is also weak and needs to be reinforced. The operationalization of an integrated Skills MIS system has been designated as an intermediate results indicator. The MoESTVT, the National Skills Council, its secretariat and individual agencies will all have responsibilities in respect of Monitoring and Evaluation. Significant technical assistance and capacity building will therefore be required at a variety of levels to ensure its effective implementation.

Economic Evaluation

Rationale

34. **There is strong rationale for public investment in skills in Tanzania; the returns to tertiary and continued education in Tanzania are considerable.** On average, a tertiary education qualification (TVET or university level) increases wage earnings by approximately 50 percent over secondary education, while in some of the government's key industries, the average wage earnings of a tertiary educated individual are 3.5 times that of a secondary educated worker, conditional on the same level of labor market experience. Despite high returns and rising enrolment rates, Tanzania currently produces relatively few graduates from all tertiary programs each year. Currently, slightly less than 1 percent of individuals aged 24–55 have a tertiary qualification (all figures from ILFS 2014). Over the past decade however, the number of candidates passing Form 4 and Form 6 examinations has nearly doubled, providing a large potential stock of students who could enter tertiary education.[123] Nevertheless, current cost structures are prohibitively expensive to many families, particularly among the lowest three quintiles, where tertiary education completion rates are virtually zero.[124]

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[122] NSDS Section 6.3.2

[123] MoESTVT, 2013, Basic Education Statistics (BEST).

[124] Oyin, Shyllon and Joshi, Arun, 2015, Preparing the Next Generation in Tanzania: Challenges and Opportunities in Education, World Bank.

35. **There currently exists considerable unmet demand for skilled workers in the private sector**. In the 2015 Tanzania Small Enterprise Survey, 54 percent of responding firms stated that attracting an adequately educated workforce was at least a moderate problem, with 14 percent stating that this was a major or very severe obstacle.[125] These demands are most acute among firms which already have skilled (TVET trained) workers and university educated managers, suggesting that skills shortages result in underutilization of existing knowledge and human capital in Tanzania.

36. **The Program focuses on the six key economic sectors for which the returns to skills are currently very high.** Estimated rates of return suggest convex returns to education, with particularly high returns to formal tertiary education. When compared to secondary educated individuals, those completing an additional post-secondary training course earn between 70 percent in Hospitality and 210 percent in Oil and Gas more in formal wages. Labor market returns in these industries significantly exceed the average return to tertiary education. [126,127]

37. When considering their role in the national economy, **jobs in the key sectors account for 9.88 percent of employment among individuals over the age of 15 (ILFS, 2014). Nevertheless, the growth in jobs in these key industries has considerably outpaced job growth in the rest of the economy over the past decade.** Between 2006 and 2014 the number of individuals employed in the key sectors grew from 834,666 to 1,979,889 workers, an increase of 137 percent. When compared to the growth of other (non-agricultural) sector jobs of 50.7 percent, and in agricultural jobs of 5.48 percent, this growth is considerable. Should similar growth in jobs in these industries continue over the period of 2016-2021, a large and constant demand for new, skilled entrants will exist in these industries, outpacing skills demand in the rest of the economy.

Economic Impact

38. **Under baseline assumptions regarding the future evolution of tertiary education costs and labor market returns, the proposed project is found to offer significant returns on investment.** The expected net present value is US$96.55 million, implying an internal rate of return of 13.41 percent. This is a considerable return: nearly double current deposit interest rates in the country. In sensitivity testing, the project is found to offer a positive IRR even under the very pessimistic assumptions that the cost of education will double and cost growth will outpace inflation, and that the returns to education will halve. The expected return of this project is found to be in the range of the best assessed tertiary education projects from around the world.[128]

39. **The costs of the ESPJ are split between training related areas and systems related areas.** Training related areas are those which directly support additional trainees, namely the Skills Development Fund, and the Trainee Voucher Scheme. Approximately three quarters of the total

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[125] Among the same respondents, a considerably smaller portion (23 percent) stated that they had difficulties in implementing new technologies.

[126] Mincerian regressions using the same sample of labor force participants suggests that on average in Tanzania, a tertiary qualification is associated with 50% higher wage earnings compared to those that a secondary educated worker would earn.

[127] Calculated from Integrated Labor Force Survey 2006 and ILFS 2014 Provisional Tables, National Bureau of Statistics, June, 2015.

[128] Attanasio, Orazio; Adriana Kugler and Costas Meghir, 2011. Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial, American Economic Journal: Applied Economics, 3(3):188-220.

ESPJ amount will be dedicated to training. The remainder of the loan will be directed to systems-level reforms aimed at improving internal efficiency. This includes the establishment of and support to of the National Skills Council and the Sector Skills Councils, and the implementation of the Skills Management Information System. Table 4.5 presents a breakdown of ESPJ costs as examined in this cost-benefit analysis. Among training-specific spending, the largest amount will be dedicated to vocational training (US$32.5 million), followed by alternative training aimed at informal workers (US$30 million), technical training (US$17.5 million), and university-level training (US$10 million). Technical assistance will be provided, which is assumed to be a direct cost of implementing training.

Table 4.5. Proposed Program Costs[129]

Cost Area	Proportion	Amount(US$ million)
Skills Development Fund	**0.42**	50
Vocational education and Training	0.10	12.5
Technical education	0.15	17.5
University education	0.08	10
Informal Sector	0.08	10
Voucher Scheme	**0.33**	40
Vocational education and Training	0.17	20
Informal Sector	0.17	20
Technical Assistance	**0.08**	10
Internal Efficiency	**0.17**	20
Skills Council	0.08	10
Data System	0.08	10

Projected Future Returns

40. **Under baseline, optimistic, and pessimistic scenarios, the net present value of project benefits is positive.** Even in the pessimistic case, the net present value of benefits exceeds the total amount of the ESPJ. The estimated net total value of total benefits is displayed in Table 4.6. There is considerable difference between the pessimistic and the optimistic outcome: approximately US$40 million in present value.

Table 4.6. Net Present Value of Project Benefits[130]

Case	Total Benefits	NPV (Billion TZS)	NPV (Million USD)
Baseline	1777.97	417.29	192.48
Optimistic	1468.55	356.84	164.6
Pessimistic	1852.5	434.35	200.35

[129] Notes to Table 5: Program costs assume a total loan disbursement of 120 million USD. Areas (A), (B) and (C) are training related areas, while item (D) is systems related.

[130] Notes: Benefits from the program are based on the number of projected graduates, and the expected future wage at each education level in Tanzania. Baseline projected benefits are under the assumption that wages grow at the projected rate of inflation in the future (5.1 percent), while pessimistic and optimistic imply negative and positive real wage growth respectively.

41. **When compared to the baseline present value of program benefits of 192.48, the total net present value of investment is US$96.55 million.** This implies a benefit/cost ratio of 2.01. To calculate the net present value, the benefits described above are compared to total project costs. The total loan amount is US$120 million, disbursed over the period 2016–2021. Discounting this US$120 million back to the present date, the present value of costs are US$95.93 million.

42. **In considering the full series of costs and benefits, the internal rate of the return of the project is determined to be 13.41 percent.** This is a considerable return on investment: nearly double the prevailing deposit interest rate in Tanzania, suggesting that on economic grounds, as planned and given a reasonably conservative set of assumptions, the project is justifiable. In order to determine the internal rate of return which corresponds to this net present value, the full series of costs and benefits, along with their timings is used. Benefits are assumed to begin to accrue only once program beneficiaries eventually reach the labor market. Depending on the degree type, this is assumed to be sometime between one and five years after study. Costs, on the other hand, begin to accrue immediately, with the beginning of the ESPJ in 2016**.**

World Bank Added Value

43. **Direct program costs and benefits allow for a calculation of economic returns to investment.** This provides an answer to the question of the effects of this program compared with doing nothing. As discussed in the previous section, these returns are considerable. However, in practice, the alternative to running this program would be to undertake alternative projects, which themselves would confer benefits. In this section we thus aim to address the question "what are the effects of this program compared to investing in alternative training programs?"

44. **Here two alternative policy types are considered as 'alternative uses' for ESPJ PforR funds.** The first, formal vocational training programs with a direct focus on the labor market, is chosen as it is a proven strategy for results in higher education, and has a growing evidence base in Africa and worldwide. This can be thought of as a direct comparison for the university level. The second alternative scenario, unconditional cash transfers to individuals or firms, is chosen as it is the simplest outside alternative program with low indirect costs of implementation. There is a growing body of evidence and support for these types of programs. This can be thought of as an indirect comparison, with flow on effects to jobs and the labor market.

45. **A number of impact evaluations in the academic economic literature assess the effect of vocational training on labor market outcomes.** In the long term these often find significant positive effects, particularly when considering earnings conditional on being employed. These evaluations are generally randomized control trials (RCTs) based on randomized assignment to treatment or control, and then ex-post follow-ups to determine eventual labor market outcomes of treatment and control groups.[131]

[131] The group of studies are from a range of contexts: Colombia (Attanasio et al., 2011), The Dominican Republic (Card et al., 2011), India (Maitra and Mani, 2012), and more recently two from Africa: Hamory Hicks et al. (2013) in Kenya and Cho et al. (2013) in Malawi.

Table 4.7. Alternative Programs and their Labor Market Returns

Study	Country	Returns	Notes[132]
Panel A: Vocational Training			
Attanasio et al 2011	Colombia	+19.6% earnings	a,b
	Colombia	+6.8% employment	a,b
Card et al 2011	Dominican Republic	+16.9% earnings	a,b
	Dominican Republic	+1.5% employment	a,d
Cho et al 2013	Malawi		a,c,e
Hammory et al 2013	Kenya		e
Maitra Mani (2012)	India	+150% earnings	a,f
Panel B: Cash			
de Mel et al (2008)	Sri Lanka	5.70%	g
Fafchamps et al (2014)	Ghana	6.60%	g
Haushofer Shapiro (2013)	Kenya	8.20%	h

46. **Panel A of Table 4.7 presents an overview of these outcomes in the case that the programs have been running long enough to collect information on long-term labor market outcomes.** Of particular relevance for the economic analysis here, Attanasio et al. conduct a cost-benefit analysis of a formal vocational training program in Colombia.[133] Depending on the assumptions used, they calculate a net gain to vocational training of approximately US$2,000 for women or US$1,600 for men (optimistic) or US$300 and US$150 for women and men, respectively under a pessimistic set of assumptions. This is equivalent to an internal rate of return for women between 12 percent (pessimistic) and 20.5 percent (optimistic). These headline estimates based on ex-post analysis of randomized control trials are useful to compare to the projected returns discussed in the previous section.

47. **Compared to a formal vocational training program in a dynamic, growing economy, the proposed ESPJ PforR appears to offer similar, or perhaps an even slightly higher internal rate of return.** While based on *ex-ante* assumptions rather than *ex-post* evaluation, this economic analysis suggests that under a reasonable set of future paths in Tanzania, that the project not only offers a significant positive return, but also that it compares to among the best recent projects at the tertiary level worldwide.

48. **Turning to unconditional cash transfers as an outside project option, many studies exist which examine the effect of the receipt of cash by households or small enterprises on household or business outcomes.** A logical question to ask of a training program is "do the returns

[132] Notes: a - Assessed using a randomised control trial, b - Results reported seperately by gender. Female returns exceed male returns, c - Results reported seperately by gender. Male returns exceed female returns, d - Reported effect is not statistically significant, e - Program recipients are still in training. No long-term results are available, short term results are generally negative for formal earnings while individuals remain in training, f - Program was only offered to women, g - Returns are expressed in terms of monthly profits, h - Refers to overall change in revenues-profits compared to control group mean.

[133] Attanasio, Orazio; Adriana Kugler and Costas Meghir, 2011. Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial, American Economic Journal: Applied Economics, 3(3):188-220.

of the program exceed just giving the cash to individuals and businesses?" While these programs often do not aim to directly impact economic returns, but rather, other social outcomes.[134] We outline the effects on firm profits in panel B of the above table. While structured in a way that makes direct comparison difficult (firms versus individuals and monthly profit versus IRR), the IRR of the ESPJ alone suggests that at the very least the projected program does not perform worse in terms of economic returns than cash transfers to firms or individuals.

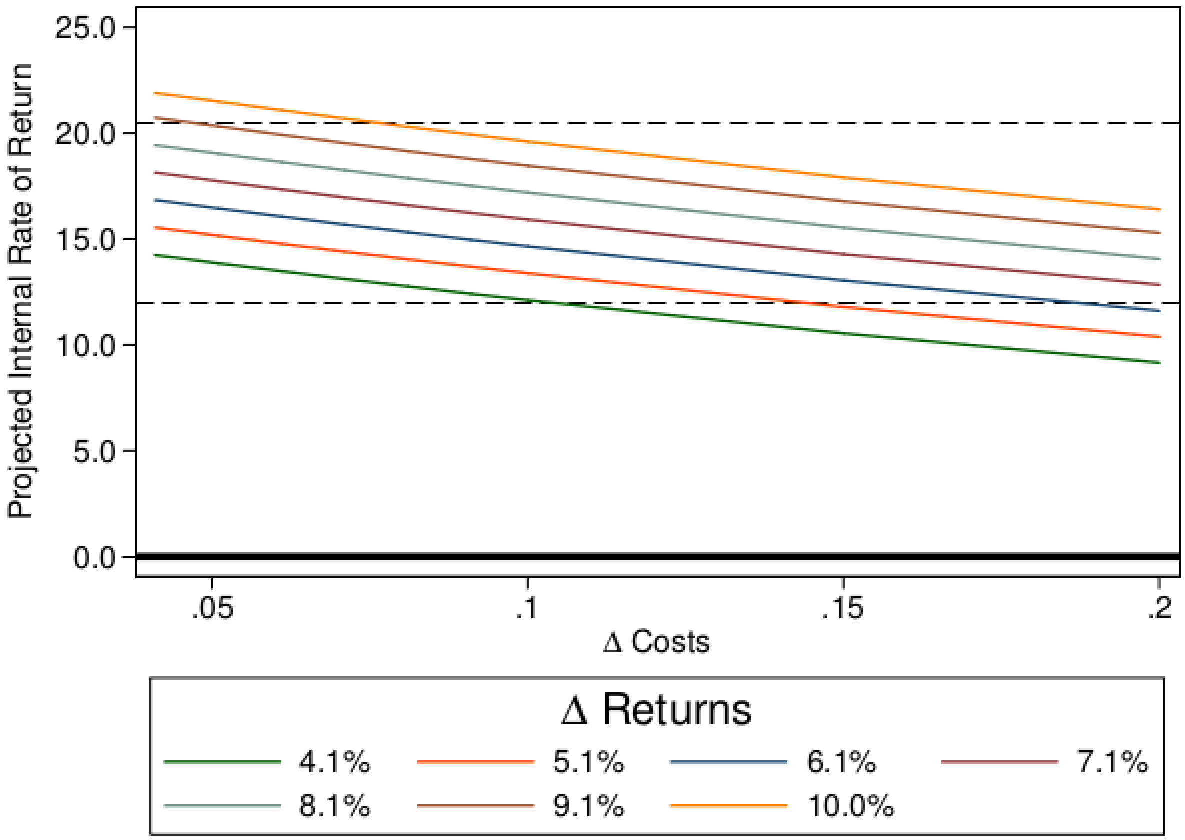
Risk Sensitivity Analysis

49. **The returns, costs, NPV and IRR estimated in previous sections are based on a number of assumptions regarding future variables in the labor market, skills sector, and macroeconomic performance.** While these assumptions were always based on current observed outcomes in the country and, where possible, were reasonably conservative assumptions regarding their future evolution, it is very unlikely that the true observed outcomes for each of these variables in the future will occur as projected here. As such, this section examines what will happen to the estimated IRR if estimated outcomes are significantly worse or better than assumed.

50. **The principal assumptions regarding the future are related to the path of costs of skills, that is, how many labor market entrants can be funded, as well as the path of future salaries that is, what these entrants will earn when they enter the labor market.** In baseline assumptions, both costs and salaries were projected to increase in line with inflation. However, if cost increases significantly outpace increases in salaries, the estimated IRR must necessarily fall. In Figure 4.3, the IRR is examined over a range of variation in these variables.

[134] See for example Haushofer and Shapiro, 2013. In some cases the effect of cash transfers on revenue have been calculated in the academic literature see de Mel et al., 2008; Fafchamps et al., 2014; Haushofer and Shapiro, 2013.

Figure 4.3. Sensitivity of IRR to Cost/Return135



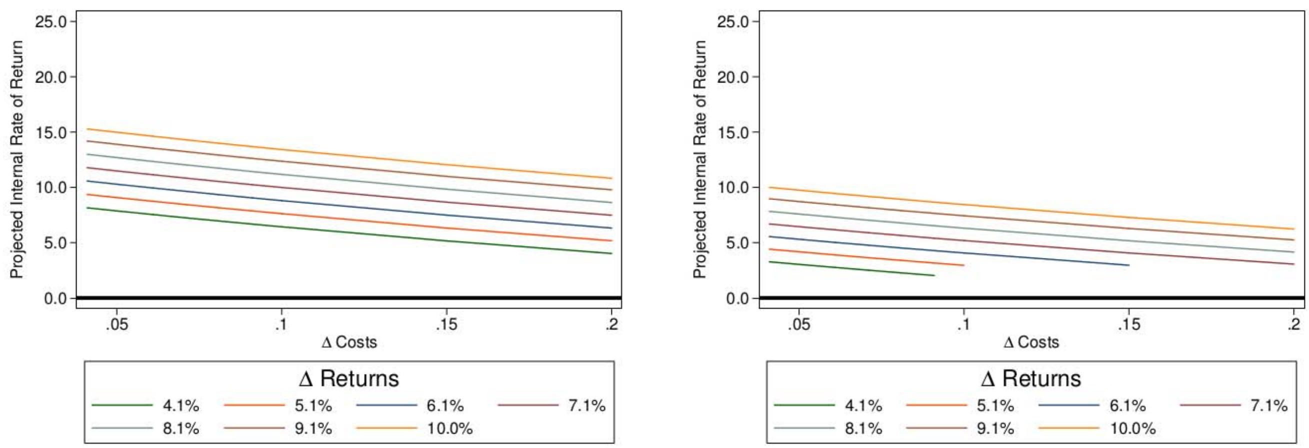
51. **Here, rather than assuming that costs will increase in line with inflation each year, costs are allowed to increase by anywhere between 4 and 20 percent a year.** While a 4 percent increase in costs seems improbably low, it seems unlikely that costs per student would increase by 20 percent a year over the entire life of the project. Each line on this graph plots the IRR as the growth in costs varies, for a particular increase in salaries. The bottom (green) line suggests that if salaries increase by 4.1 percent a year (a real decline in salary), the estimated IRR will vary between 10 percent and slightly less than 15 percent. What's more, the estimated range of IRRs of the project fall quite closely to those estimated by Attanasio et al. (2011) in an alternative (successful) higher education program. This graph provides considerable support for a positive IRR, even under particularly pessimistic assumptions regarding relative changes in costs and salary going forward.

52. **Even under a quite wide range in changes in both costs and returns, the IRR of the ESPJ is significantly positive, and in line with the best-assessed TVET and university-level training programs in the economic literature**. This leads to the question: what would need to occur for the IRR of the project to be negative? A particularly pessimistic set of assumptions are

[135] Projections Notes: Each point on a given line represents the estimated rate of return if costs are expected to increase at different levels (baseline assumption = 5.1%). Separate lines represent changes in the levels of expected wage growth over time. The horizontal solid black line represents an IRR of 0%, while the dotted black lines represent the optimistic and pessimistic range reported in the alternative project assessed by Attanasio et al. (2011).

examined in the series of simulations presented below (see Figure 4.4). In panel (a) IRR is presented under the counterfactual that the cost per tertiary student from 2014 immediately doubled, and then continued to grow as the project advances. In panel (b) the even more pessimistic case that costs immediately double, and returns immediately halve is examined.

Figure 4.4. Sensitivity of IRR to Estimated Inputs



(a) Doubling Cost per Student

(b) Doubling Costs, Halving Returns

53. **The results from these simulations are presented in Figure 4.4.** In panel (a), it is observed that even if costs immediately double, this is not sufficient to lead to a negative IRR. However, it does considerably reduce the IRR, which now ranges from 5 to 15 percent depending on the assumption regarding growth rates in costs and in salaries over time. Panel (b) suggests that for a negative IRR to be observed in the project, the following series of conditions would need to be met: (1) cost per student immediately doubles; (2) salaries immediately halve; and (3) the rate of change of costs would need to seriously outpace the rate of change of salaries. Compared to baseline assumptions, current returns and costs, and macroeconomic projections for the country (International Monetary Fund, 2015). These conditions imply a serious worsening of the labor market outlook. These sensitivity tests thus provide broad support to the project, given current conditions.

Annex 5: Fiduciary Systems Assessment

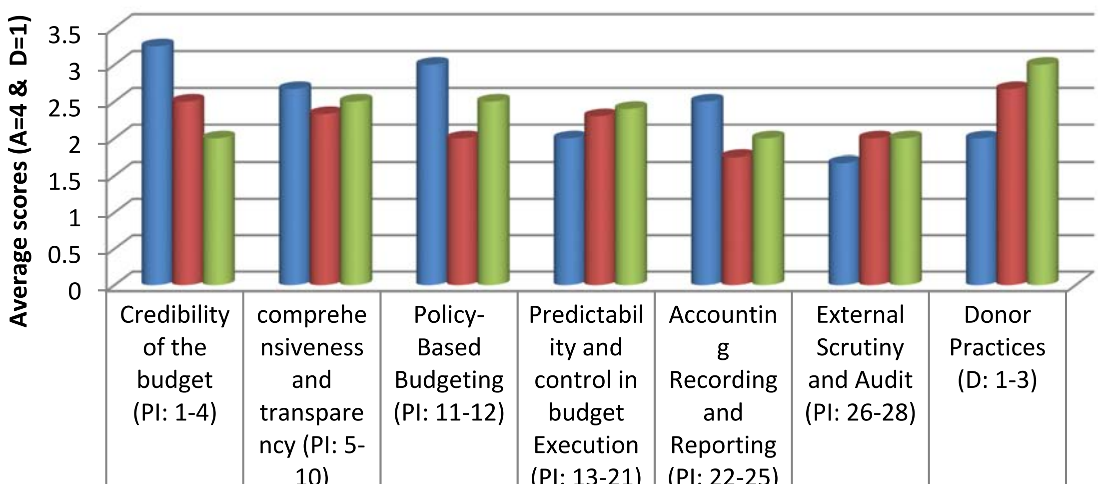
Program Fiduciary Arrangements

1. The Fiduciary Systems Assessment (FSA) for this PforR operation has concluded that the fiduciary systems to be used for the operation provides "Reasonable assurance that the Financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability" (Bank Policy Program-for-Results Financing - para 7).

Financial Management

2. **The Government of Tanzania has undertaken a number of Public Financial Management (PFM) reforms and is now in its fourth PFM Reform Program which commenced on July 1, 2012**. However, the Public Expenditure and Financial Accountability (PEFA)[136] Performance Indicators for Tanzania for 2006, 2010, and 2013 show mixed results as shown in Figure 5.1 below.

Figure 5.1. Tanzania Average PEFA Score for 2006, 2010 and 2013



	Credibility of the budget (PI: 1-4)	comprehensiveness and transparency (PI: 5-10)	Policy-Based Budgeting (PI: 11-12)	Predictability and control in budget Execution (PI: 13-21)	Accounting Recording and Reporting (PI: 22-25)	External Scrutiny and Audit (PI: 26-28)	Donor Practices (D: 1-3)
2006	3.25	2.67	3	2	2.5	1.67	2
2010	2.5	2.33	2	2.3	1.75	2	2.67
2013	2	2.5	2.5	2.4	2	2	3

3. **These findings show improvements in predictability and control in budget execution since 2006, although a lot more remains to be done in relation to the effectiveness of internal controls for non-salary expenditures** (PI[137] 20). There are also improvements since 2010 in policy-based budgeting and accounting, recording and reporting although the timeliness and

[136] PEFA is a global partnership of bilateral and multilateral donors including the World Bank formed to assess the condition of countries' public expenditure, procurement, and financial accountability systems and to develop a Practical sequence of reform and capacity-building actions (http://www.pefa.org/).
[137] PI stands for Performance Indicator.

regularity of accounts reconciliations (PI 22) needs to improve. External scrutiny and audit has not improved since 2010 mainly because of legislative scrutiny of external audit reports (PI 28) that needs improvement too. There are concerns about the credibility of the budget, whose performance has been declining since 2006, mainly because of the composition of expenditure out-turn compared to original approved budget (PI 2), arising out of cash rationing due to resource uncertainty, commitment controls being bypassed and insufficient access to excess liquidity in Government bank accounts held in commercial banks. As a result, expenditure arrears have accumulated. These arrears are paid out of budgets in the following years at the expense of planned service delivery.

4. **The Government under the Public Finance Management Reform Program Phase IV (PFMRP IV) is committed to tackling the above mentioned challenges.** This five year program that began in 2012, focuses on strengthening revenue management, planning and budget management, budget execution, transparency and accountability, budget control and oversight, change management and program monitoring and evaluation. In addition, the Bank through its Poverty Reduction Support Credit (PRSC) series, that is, budget support will support the government actions to address shortcomings in the PFM system. The Government has also approved a new Public Finance Act in July 2010, a new Tax Administration Act Number 10 of 2015, and a new Value Added Tax Act Number 4 of 2014, which came into force on July 1, 2015) that will strengthen the controls over revenue management and public finance in general. Changes were also made to the powers of the Treasury Registrar over public institutions to enhance oversight over financial management and accountability. Other notable reforms being undertaken by the GoT include the National Audit Office (NAO) strengthening its staff skills in risk-based auditing and value for money audits as well as submitting audit reports for both central and local government to the parliament in time. The effectiveness of internal audits has also improved in terms of the regularity and distribution of audit reports and follow-up by MDAs on audit recommendations, although the pace of strengthening internal audits is constrained by insufficient capacity and budget.

Procurement

5. **The Legal and Regulatory Framework for this Program's procurement for public training institutions is governed by the Public Procurement Act of 2011 (PPA 2011).** Public procurement in Tanzania is governed by a new law since December 20, 2013, the Public Procurement Act, Act Number 7 of 2011. The new law was enacted in November, 2011; replacing the Public Procurement Act Number 21 of 2004; and became operational on December 20, 2013; following a notice of its commencement published in the Government Gazette Number 445 dated December 13, 2013; and the publication of the Regulations made under the Act in the Government Gazette Number 446, dated December 20, 2013. Under the new Act, the procurement functions remain decentralized to procuring entities with the Public Procurement Regulatory Authority (PPRA) continuing to provide oversight functions.

6. **The new Act has strengthened some functions of the Public Procurement Regulatory Authority (PPRA), including powers to cancel procurement proceedings after conducting an investigation and reasonably being satisfied that there is a breach of the Act.** The new Act has also introduced a 14 days cool-off period during which an intention to award the contract is communicated to all bidders giving them opportunity to submit a complaint, if any, on the

proposed award. Furthermore, the procurement complaint review process has been changed to two tier with PPRA no longer being involved in the review of complaints thus a substantial reduction in the overall time for handling a complaint. Otherwise, the overall basic principles of the public procurement and general institutional arrangements have remained the same as in the PPA 2004.

7. **The new Act has also enhanced the definition of fraud and corruption in a broader term by including definitions of coercive practices, collusive practices and obstructive practices that were missing in the PPA 2004.** Furthermore, the new PPA 2011 gives powers to PPRA to black list and debar a bidder who has been debarred by International Organizations such as the World Bank in cases related or unrelated to fraud and corruption for such period as is debarred by the International Organization plus a further period of ten years (for fraud and corruption cases) or five years (for non-fraud and corruption cases).

8. **The PPA 2011 complies with applicable obligations deriving from national and international requirements.** The procurement policies under the PPA 2011 are based on the need to make the best possible use of public funds, whilst conducting all procurement with integrity and fairness. All public officers and members of tender boards who are undertaking or approving procurement are required to be guided by the basic considerations of the public procurement policy including the need for economy and efficiency in the use of public funds; give all eligible bidders/consultants equal opportunities to compete in providing goods or executing works or providing services; encourage national manufacturing, contracting and service industries; and the importance of integrity, accountability, fairness and transparency in the procurement process.

9. **For better implementation of the Act, a set of regulations have been issued, the Public Procurement Regulations, 2013; Government Notice Number 446 of December 20, 2013.** In line with these issued regulations, various documents have been issued as working tools including Standard Bidding Documents (Procurement of Works, Procurement of Goods and Procurement of Non-consulting Services), Standard Request for Proposals, Guidelines on the Tenders Evaluation (Works, Goods and Non-consulting Services), Guidelines on the Technical and Financial Proposals Evaluation and Report Preparation, Guidelines for Preparing Responsive Proposal, Guidelines for Preparing Responsive Bids and Procedural Forms. All of these documents are accessible on the PPRA's website free of charge.

10. **Thresholds for use in procurement.** The procurement and selection methods including the thresholds are stipulated in the Seventh and Eleventh Schedules respectively of the Government Notice Number 446 of 2013. The procurement and selection methods and thresholds are outlined in Table 5.1 below.

Table 5.1. Tanzania Public Procurement Regulations Methods of Selection and Limit of Application[138]

Goods, Works and Non-consulting Services				Minimum Tendering Period
Method of Procurement	**Goods/TZS**	**Works/TZS**	**Non-Consulting Services/TZS**	
International Competitive Selection	No limit	No Limit	No Limit	30 days

[138] Currency conversion using US$1 = TZS 1,620.

Goods, Works and Non-consulting Services				Minimum Tendering Period
Method of Procurement	**Goods/TZS**	**Works/TZS**	**Non-Consulting Services/TZS**	
National Competitive Selection	Up to TZS 1,000,000,000	Up to TZS 5,000,000,000	Up to TZS 1,000,000,000	21 days
Restricted Competitive Selection[139]	No limit but must be justified	No limit but must be justified	No limit but must be justified	21 days – National competitive bidding and 30 days international competitive bidding
Competitive Quotations (Shopping)	Up to TZS 120,000,000	Up to TZS 200,000,000	Up to TZS 100,000,000	4 days – National shopping and 8 days – International shopping
Single Source Selection[140]	No limit but must be justified	No limit but must be justified	No limit but must be justified	–
Minor Value Procurement	Up to TZS 10,000,000	Up to TZS 20,000,000	Up to TZS 10,000,000	–
Micro Value Procurement	Up to TZS 5,000,000	Not Applicable	Not Applicable	–
Selection and Employment of Consultants				
International Competitive Selection	No limit			–
National Competitive Selection	Up to TZS 1,500,000,000			–
Restricted Competitive Selection	No limit but must be justified			–
Consultant Qualification	Up to TZS 200,000,000			–
Single Source Selection	No limit but must be justified			–
Individual Selection	Up to TZS 150,000,000			–
Minor Value procurement	Up to TZS 10,000,000			–

11. **The procuring entity may exceed the threshold, but must inform the PPRA at commencement of the procurement process.** According to the Regulations made under the PPA 2011, contracts which will exceed Tanzania Shillings 50 million will need vetting by the Attorney General Chambers Office prior to signing. This will likely cause delays in the signing of contracts after conclusion of the procurement process.

Program Fiduciary Performance and Significant Fiduciary Risks

Financial Management

Planning and Budgeting

12. **Overall FM objective - the program budget is realistic, is prepared with due regard to government policy, and is implemented in an orderly and predictable manner.**

[139] Limited to number of bidders who have already pre-qualified; specialized nature or can be obtained from a limited number of contractors, suppliers; the estimated contract values are within the limit and there is an urgent need goods, works or services such that there would be insufficient time to engage in open competition.
[140] Apply where goods or services are available only from a particular supplier or service provider; there is an urgent need for the goods or services and engaging in tendering proceedings would be impractical; PE having procured good, equipment or technology, service or spare parts from a supplier following national or international competitive method and determines that additional suppliers are the same type as those procured under an existing contract are required.

13. **The major risk observed in publicly funded institutions is that development budgets suffer from significant under funding; whereas in private institutions budgeting is not formalized, being viewed largely as a financing activity undertaken when seeking external finance rather than a financial management tool.** Funds allocated to the ESPJ Program out of government budget will need to be earmarked/ ring-fenced when transferred to the Consolidated Fund Account using accounting codes for a program sub-account under the MoESTVT such that they can be used to support the program in order to have sufficient funds to support the approved budget.

14. **The planning and budget preparation processes in publicly funded institutions are considered reasonably participatory and adequate for the Program.** The main shortcoming is the absence of a reliable cash-flow budget to align implementation of planned activities and timing of cash availability. Given the current environment under which these institutions rely principally on intergovernmental transfers for over 95 percent of budget resources, and these transfers are largely uncertain, both as to amount and timing, cash-flow budgets are important and should form part of the budget especially as Tanzania is moving towards having a program budget mechanism.

15. **Privately owned and funded institutions do not have formal budget preparation processes of any significance.** It will be necessary to require participating institutions to put in place minimum systems for budget preparation and monitoring.

Accounting and Financial Reporting

16. **Overall FM objective - adequate program records are maintained, and financial reports produced and disseminated for decision-making, management, and program reporting.**

17. **Accounting policies and procedures for central government ministries and agencies anticipated to play key roles in implementation of the program are robust and well documented.** Government Accounting Circular Number 1 of 1999/2000 requires all government transactions to be processed under the IFMIS; that is, Epicor accounting software. The Epicor accounting software maintains a complete set of books of accounts and produces a number of financial reports and statements. Shortcomings with the Epicor system include operating on a cash basis while financial statements have to be prepared on accrual basis. Since 2009, the Government is required to implement International Public Sector Accounting Standards (IPSAS) using accrual basis of accounting. This means IPSAS-compliant financial statements are prepared manually from data generated by Epicor.

18. **Areas of weakness in accounting that call for constant attention include:** (a) inadequately supported payments; (b) missing payment vouchers; (c) payments charged to wrong expenditure codes; (d) expenditure made without approved budget; (e) long outstanding imprests; (f) overpayments to various activities; (g) nugatory expenditure; and (h) fixed assets register not updated regularly and assets not coded.

19. **Given that the ESPJ will be a large and complex program that will involve several actors** from both the public and private sectors covering the whole country, there is a risk that

there will be delays in submission of various financial reports given that there could be communication challenges between individual training providers and the coordinating ministry.

20. **A review of the Tanzania Education Authority revealed that the institution has appropriate financial management systems in place.** However, in order to carry out the role as a manager of the Skills Development Fund (SDF), TEA will need to review and reposition its existing capacity in terms of staffing, chart of accounts, internal audit unit and reporting systems.

21. **Training, capacity building and hands on support in basic financial management for the stakeholders is recommended.**

Treasury Management and Funds Flow

22. **Overall FM objective - adequate and timely funds are available to finance program implementation.**

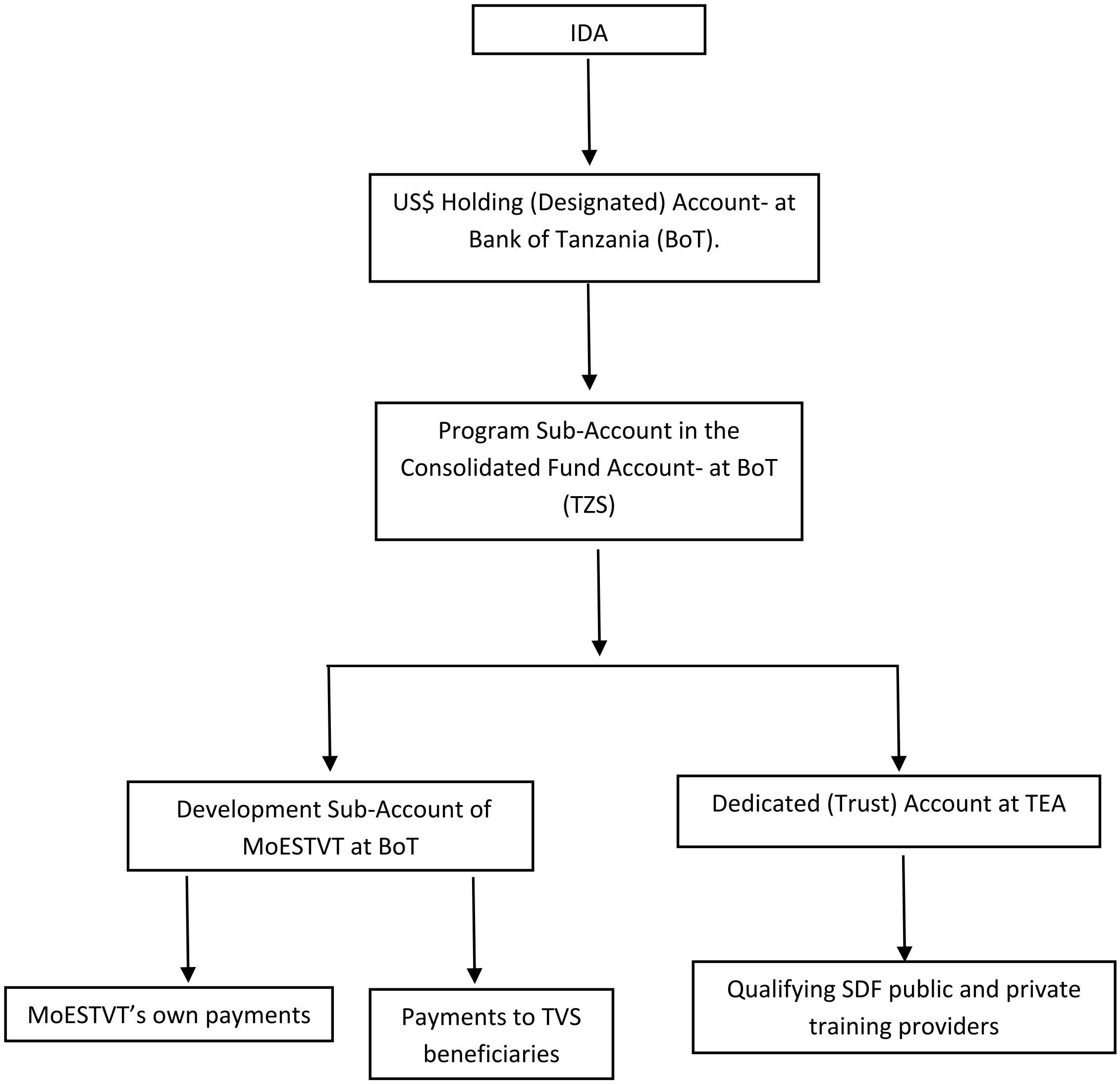
23. **Upon satisfying agreed Disbursement Linked Indicators (DLI), the Bank will disburse appropriate funds into a designated Government account denominated in US Dollars at the Bank of Tanzania (BoT).** Funds will be transferred from this account into the Program sub-account in the Consolidated Fund Account at BoT, denominated in Tanzania Shillings. Funds will then be transferred from this account to the development bank account of the Ministry of Education, Science, Technology and Vocational Training (the Ministry).

24. **The Ministry will transfer a portion of the funds to a designated and ring-fenced bank account managed by TEA for financing SDF activities.** The Ministry will retain in the account funds for the TVS. The Ministry will pay qualifying service providers under the TVS after receiving independently verified results/reports from the Higher Education Students Loan Board (HESLB) which will serve as the TVS administrator with responsibility for certifying the validity of claims. Figure 5.2 below shows the diagrammatic flow of funds.

25. **The following financial management risks were identified:** (a) underfunding of program activities by Government as a result of both limited budget allocations and unpredictable funds release from the ministry of Funds; (b) some participating TVET institutions may not maintain proper financial records to enable timely and effective audit; and (c) transfer of funds from MoESTVT to beneficiaries under the TVS may not be timely.

26. Mitigation measures which include ring-fencing program funds at national level, entering into appropriately structured grant agreements with TVETs; and agreements with rewards and penalties for KPIs between MoESTVT and administrators of the two financing funds, SDF and TVS are proposed in the Integrated Fiduciary Risk and Mitigation Measures (see Table 5.4 and Annex 7).

Figure 5.2. Funds Flow Diagram for ESPJ



Internal Controls (including Internal Audit)

27. **Overall FM element objective. There are satisfactory arrangements to monitor, evaluate, and validate program results and to exercise control over and stewardship of program funds.**

28. **The Government has taken important steps to improve internal audit in the public sector over the past several years.** Steps taken include the creation of an Internal Audit Unit (IAU) in each MDA. Also the creation of the Internal Auditor General's Division within Ministry of Finance and Planning headed by the Internal Auditor General with five assistants has strengthened the function.

29. **Despite having a functioning internal audit unit, a number of challenges exist making the work of IAU difficult.** These include internal auditors, including the Chief Internal Auditor, having no access to Epicor 9.05 and therefore not able to audit the Epicor system. There is need

for the internal auditors to strengthen their skills and acquire the necessary tools of trade. Other skills to be strengthened include training in risk-based auditing and performance (Value for Money) auditing and acquiring audit software and computer hardware for their staff.

30. **There is also need to facilitate the internal auditors with appropriate financial and other resources so they are able to carry out audit of participating entities based on a risk-based approach.** Other measures that will strengthen the internal audit function are training of staff in use of the charter for internal audit services in the public sector that was approved and made effective from January 2013; and use of the Quality Assurance and Improvement Program (QAP) procedure manual that was issued in December 2012. These measures will strengthen the internal audit function.

31. **In his annual audit reports the Controller and Auditor General (CAG) has regularly reported internal control weaknesses common in central government institutions (MDAs).** These include understaffing of internal audit units, internal auditors' recommendations are not acted upon by the management, approved internal audit charter not in place, inadequate financial resources, lack of working tools such as computers and motor vehicle.

32. **As required by the Public Finance Regulations, 2001 entities under the central government have an audit committee, but these have shortcomings,** such as non-preparation of audit committee's annual reports, quarterly meetings not conducted and minutes not kept, annual and Strategic Plans not approved by the Committee, audit committee meetings not communicated to CAG, inadequate financial management skills amongst members of the Audit Committee, financial Statements not reviewed by the Audit Committee. Also shortcomings in risk management include approved Risk Register not in place, absence of the approved risks management policy, risk assessment not performed regularly, risk management framework not maintained.

33. **In the area of fraud prevention and control the following weaknesses are eminent**: Fraud Prevention Plans are not documented, absence of documented process in place for identifying and responding to the risk of fraud, forgeries for example, inflated Bills of Quantities and misappropriation of the assets.

34. **In private training institutions not under government control the extent of internal audit is determined by management and may not be given the same level of emphasis as in government controlled entities.** Assessment of individual institutions may have to be undertaken once these have been selected by the Skills Development Fund.

External Audit

35. **Overall FM objective - adequate independent audit and verification arrangements are in place and take account of the country context and the nature and overall risk assessment of the program.**

36. **The Public Audit Act Number 11 of 2008 grants the Controller and Auditor General (CAG) exclusive powers to audit public funds, including this program's funds.** CAG has sole responsibility for statutory audit of all MDAs. CAG discharges this responsibility either directly or through private auditors contracted as agents. Outsourcing of the audits partly solves the

challenge of staff constraints at the CAG office however, it should be noted that only firms acceptable to IDA should be hired. The CAG has regularly carried out external audits in time and issued reports within the nine months of the year end, as stipulated under the law.

37. **Audits by CAG of MoESTVT and other MDAs financed by public funds will be done using INTOSAI and International Standards on Auditing.** The audits should be completed and submitted to Parliament within nine months after the end of the financial year. For the past three years the audited reports have generally been submitted to the Parliament on time. Audit reports in Tanzania are published on the CAG website and scrutinized the Public Accounts Committee.

38. **The assessment did not find a consistent culture of external audit in non-government institutions,** except is so far as the audit report is required by the tax authority.

Procurement Risk Considerations

Legal and Regulatory Framework

39. **Procurements at the public TVET institutions, Universities and Technical Colleges will follow the Public Procurement Act Number 7 of 2011 and the associated Regulations.** The ESPJ Program-for-Results (PforR) will be implemented under the existing legal framework operating in the government institutions. The assessment carried out for the sampled government TVET Institutions, Universities and Technical Colleges noted that these have established organs to process procurement. The organs established by PPA 2011 are Tender Boards (TB), Accounting Officer (AO), Procurement Management Units (PMUs), User Departments (UDs), Evaluation Committees (EC), Internal Audit Unit (IAU) and Inspection and Acceptance Committee (IAC). For the regional vocational training centers/colleges under VETA, the Delegated TBs and PMU have been established. However, it was noted that some institutions have neither Delegated TB nor Delegated PMU and uses Government Procurement Services Agency (GPSA) framework agreements to procure small value goods and services from prequalified bidders.

40. **However, deficiencies were noted in that in some of the TVET institutions, government universities and technical colleges,** the position of head of PMUs for some of the institutions were vacant and IAUs are inadequately staffed. The assessment also revealed the following for the TVET Institutions, Universities and Technical Colleges: (a) staff have inadequate knowledge of the PPA 2011 and its Regulations of 2013; planning, bidding documents and request for proposals, preparation and evaluation of bids/proposals; (b) inefficiencies in managing procurement processes; (c) delays in vetting contracts above TZS 50,000,000 by the Attorney General; (iv) inadequate records filing and management system; and (v) weak contract management.

41. **In the private training providers there are no established systems or committees/organs responsible for processing procurement activities**. Procurement activities at the private TVET institutions are handled either by the Administration and Accounts Departments or owners of the institutions. Private institutions are not subjected to PPA 2011 which governs the public procurement system; and do not have procurement manuals/guidelines. Procurement activities for the private training providers will follow procedures outlined in the Operational Manual. Private training providers while undertaking procurement transactions shall

strive to achieve the highest standard of equity taking into consideration overall principles of public procurement; economy, efficiency, equal opportunity, transparency, fairness and accountability. Private training providers would be allowed to procuring on their own using the methods and procedures stipulated in the Operations Manual up to a limit of US$10,000 for goods and Individual Consultant. All procurements above this value for private training providers would be done by TEA. The threshold and arrangements will be reviewed from time to time; depending on the outcomes of the pilot and first round of the competition and subsequent rounds. In this case, training, capacity building and hands on support in basic procurement procedures for the private training providers is highly recommended. The responsible institution (TEA) shall ensure that all private training providers undertaking procurement maintain full records of procurement proceedings and adequate filing system that delivers a complete audit trail in their procurement activities.

Procurement Planning

42. **PPA and its Regulations require all PEs to prepare Annual Procurement Plans (APPs) linked with annual work plan and budget.** The Act emphasizes that procurement planning should commence at the design stage during the identification and preparation stages of the program cycle. In order to maximize economy and efficiency in procurement, all PEs are required to aggregate their requirements within the departments of the institution. In compiling such plans PEs are required to establish appropriate methods of procurement and the timescale for each package on the basis of the standard processing times prescribed in the Regulations. It is also mandatory for PEs to advertise the APPs in the form of a GPN in newspapers with national circulation and a submit copy to PPRA for publishing on its website and for monitoring purpose.

43. **At the public TVET Institutions, Universities and Technical Colleges, it was observed that APPs are prepared based on annual work plans of different departments and linked with the budget.** Institutions which are delegated to carry out procurement activities by the main TB normally prepare their procurement plans and submit them to the headquarters for consolidation. Upon completion of preparation of the consolidated APPs each delegated institution is given its APP to implement depending on the thresholds decided by the AO. The Bank's review has found that most of the APPs are not updated to accommodate new packages and any change arising in the course of carrying out the procurement activities. The packages in the APPs were not processed as per the timelines indicated in the plans and there was no evidence that the APPs were updated to reflect actual implementation on the ground. Procurement plans are not used as an instrument to monitor progress of implementation of procurement activities but rather compliance with the law. During the assessment, it was noted that all assessed institutions had already published GPN for FY 2015/16 and the same was published in PPRA's Tender Portal and Journal. It is the requirement that PEs publish GPNs and its revisions in the Tender Portal at least one month prior to any publication or notification of a tender or a request for proposals to prospective tenderers.

44. **The assessment revealed that a majority of the packages in procurement plans, especially the ones funded using government development budget were not initiated because of budget constraints.** For instance for the last two fiscal years (FY 2013/14 and FY 2014/15), Sokoine University (SUA), Nelson Mandela African Institute of Science and Technology (NM-AIST) and the Dar es Salaam Institute of Technology (DIT) had not processed any package for

works and consulting services. Over 95 percent of the goods and non-consulting services are procured using Framework Agreements under GPSA.

45. **Framework Agreements for Common Use Items and Services (CUIS) under GPSA and Minor Value Procurement (MVP):** Most of the consumables (goods) and non-consulting services are procured through CUIS under Framework Agreements introduced by the government and MVP using LPOs. For FY 14/15, the assessed Universities and Technical Colleges on average spent 8 percent of procurement budget to procure goods and non-consulting services through either closed or open Framework Agreement under GPSA and 28 percent of the procurement budget to procure goods and non-consulting services through MVP. PPA 2011 and its Regulations also allow PEs to use Micro Procurement to procure goods directly from established supermarkets, shops or drug stores or similar establishments provided the value does not exceed TZS 5,000,000 (US$ 2,500). As for the delegated PEs such as VETA Morogoro Vocational Teachers Training College and Chang'ombe Regional Vocational Center all their procurements for goods and non-consulting services are through Framework Agreement under GPSA and MVP.

46. **According to PPRA's annual performance for FY 14/15, the number of open tender invitations during the reporting period was on the lower side compared with previous year because of increased use of GPSA framework agreements.** According to PPRA's performance report, there is a decline in the use of the system. Some of the challenges in implementing the system are: (a) lack of adequate knowledge by some suppliers and service providers to prepare bidding documents, which leads to submission of non-responsive bids; (b) inadequate enforcement against service providers who fail to execute call-off orders at contractual prices; (c) demanding a price increase within the validity of a signed contract; and (d) some service providers are reluctant to disclose their prices because they are not sensitized enough to understand advantages of the system.

47. **According to PPRA's performance report FY 2011/2012, the audits conducted revealed a number of issues regarding the application of the system some of which defeat the purpose for which the system was established.** Some of the challenges observed include: (a) selection of un-qualified suppliers; (b) prices offered being comparatively higher than the market prices; (c) suppliers refusing to supply goods at the agreed prices; (d) suppliers colluding to supply goods at higher prices; (e) long distances between entities and offices of the approved suppliers; (f) suppliers failing to supply goods listed in their contracts; and (g) suppliers taking long time to supply goods.

Procurement Processes and Procedures

48. **The PPA and its associated Regulations require procuring entities wishing to commence competitive tendering to provide all eligible bidders with timely and adequate notification of the procuring entity's requirements and an equal opportunity to tender for the required goods, works or services.** The Regulations spell out the contents of invitation to tender and it is mandatory that invitations to tender be made through written invitations. The format of advertisement to be used is issued by the PPRA and it contains adequate information to the prospective bidders to make decision to participate. It is mandatory for the solicitation documents to be issued immediately after first publication of the tender notice to all bidders who respond to the tender notice. The Regulations made under the PPA 2011 have reduced tendering period from

45 to 30 days for international competitive bidding (ICB); 30 to 21 days for national competitive bidding (NCB); from 14 to 8 days for international shopping; and from 7 to 4 days for national shopping. For FY 2014/15, PPRA published procurement opportunities and contract awards on the Tender Portal, namely 245 General Procurement Notices (GPNs), 1,192 Specific Procurement Notices (SPNs) and 3,421 contract awards. In June 2012, PPRA established and launched a Tender Alert Service to enable subscribers receive early alerts on new procurement opportunities through their mobile phone in text messages. As of June 2015, the number of subscribers was 1,360, and they were served with alerts for all SPNs advertised in the Tanzania Procurement Journal (TPJ) and Tender Portal.

49. **During the assessment, it was revealed that all assessed institutions had published their GPNs and SPNs for the tenders processed through NCB.** For goods and non-consulting services, most of the packages in the GPNs advertised were indicated to be procured through Framework Agreements under GPSA which accounts for over 95 percent of the packages under these two categories. For those few packages which were advertised competitively in FY 2014/15 and FY 2015/16, on average eight bidders purchased bidding/quotations documents while between 90 percent and 100 percent bidders responded to invitation.

50. **For works and consulting services, it was observed that all assessed institutions have limited capacity with regards to handling procurement processes of works and processes of selecting consultants.** For FY 2014/15 and FY 2015/16, the assessed institutions did not handle a single package in either works or consulting services because of budget constraints. Interviews with the PMU staff confirmed lack of capacity and explained the challenges would be in preparation of terms of reference, as it would involve UDs who have limited knowledge and experience of preparing terms of reference. Bidding Documents used are those developed by PPRA including: (a) standard prequalification documents; (b) standard bidding documents for the procurement of goods, works, and non-consulting services as well as standard request for quotations; (c) request for proposal for selection and employment of consultants; and (d) guidelines for evaluation of bids and proposals. PPRA has revised all standard bidding documents, guidelines and working tools to align them with the provision of PPA 2011 and its 2013 Regulations. The Standard Bidding Documents contain the evaluation criteria relating to eligibility of the bidders, qualification of the bidders and it is mandatory to disclose evaluation criteria to be used in determining the successful tender in the solicitation documents. Regulations are clear on the evaluation criteria to be used in the evaluation of the bids and there is emphasis that PEs' determination of a bidder's responsiveness should be based on the contents of the tender itself without recourse to extrinsic evidence. The standard bidding documents issued by PPRA have been reviewed and found to be acceptable to the Bank with some exception on NCB procedures. However, the challenge has been to customize the bidding documents to suit the requirements of particular tender. The review done to sample bidding documents revealed that bidding documents not properly prepared and customized (data sheet not properly customized, important provisions are deactivated by indicating "NA" and qualification criteria not properly set especially on assessing financial soundness of the firms). As for the specifications, all assessed government institutions rely on own staff for packages which do not fall under GPSA framework agreement and for procurements of a specialized nature such as roads and buildings they employ consultants or liaise with the responsible ministries/agencies.

51. **Bids evaluations are carried out by evaluation committees constituted according to the PPA and its Regulations.** Normally evaluation committees comprise a minimum of three members for works, goods, non-consulting services and financial proposals and a minimum of five for technical proposals. Evaluation committees comprise members from the UDs, PMUs and external from the institutions where the capacity does not exist. Generally, evaluations follow the evaluation/qualification criteria specified in the bidding documents and request for proposals. However, the following weaknesses were noted in the reviewed contracts: post-qualification criteria are used in the preliminary stage; some of the bids are rejected for unjustifiable reasons; post-qualification not undertaken to the lowest evaluated bidders and where undertaken – failure to analysis turnover and financial soundness requirements; tables provided in the evaluation guidelines are not used properly and evidence for disqualifying bids are not attached. . Sometimes however, the provisions in the PPA and its Regulations are not been abided to by the evaluation committees as well as Tender Board.

52. **The Assessment team noted that significant delays happen at tendering process stage due to delays in evaluation process, internal approvals, vetting of contracts by AG to the extent most of the contracts are awarded when bid validities have expired.** On average, it took 30 days for evaluation committees to complete evaluation process despite the fact that the appointment letters specify evaluation should be completed between two to five days. Vetting of contracts above TZS 50 million by the AG is the external factor which delays tendering process as sometimes it takes two to three months to get clearance from the AG which contrary to the timeline of 21 days stipulated in the PPA and its Regulations.

53. **Publication of Contracts:** Transparency is among the fundamental pillars of public procurement and disclosure of information is one of the elements of transparency. PPA 2011 and its Regulations require AO within three days of receipt of the notification of award decision from the TB to issue a notice of intention to award the contract to all bidders who participated in the tender giving them 14 days to submit a complaint (if any). This provision was complied with for the tenders processed competitively. However, the contract awards were not submitted to PPRA for publication in the Procurement Journal and Tender Portal pursuant to PPA and its Regulations. The law requires PPRA to publish contracts awards in its Journal and Tender Portal; the names of those who have been awarded the contracts, contract amount, the date when the awards were made, contracts period and final contracts amount. For PPRA to fulfill this requirement, PEs are required to notify PPRA on the awarded contracts. However, from PPRA's audit reports compliance with this requirement on the publication of contract awards remains low. On the other hand, it was noted that sometimes unsuccessful bidders were notified the same date when letters of acceptance were issued. As a matter of procedures, unsuccessful bidders are required to be notified after winning bidder has furnished performance security and signed the contract.

Controls and Integrity

54. **Procurement oversight at the public TVET, Universities and Technical College is done by the respective Internal Audit Units (IAUs), PPRA and Controller and Auditor General (CAG).** Respective IAUs are required to prepare quarterly audit reports, but these were found to not cover procurement issues adequately and provide recommendations for improvement in adherence with rules and procedures. According to PPA 2011 and its Regulations, the Internal Auditor of the PEs is required to state in his/her report whether the Act and its Regulations have

been complied with and the AO of the PE after receiving the report is required to submit such report to PPRA within 14 days. Upon receiving the report, PPRA may, if it considers necessary, require the AO to submit a detailed report on any procurement implemented in violation of the Act and Regulations for review and necessary action.

55. **None of the assessed institutions submit the quarterly audit report to PPRA as required by the law as the IAUs were not aware of this provision.** It is expected that if this provision is fully implemented, it will strengthen both IAUs' and PPRA's oversight role. It was noted that most of the units were understaffed and not conversant with provisions of the PPA and its Regulations as well as auditing of the procurement process in the procurement cycle. PPRA has the responsibility of ensuring that there is application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices in public procurement as well as monitoring procurement compliance. All assessed government institutions have been audited at least once by PPRA since FY 2006/07 when PPRA commenced carrying out audits. As part of oversight and control role, PEs are required to get PPRA's approval on the rejection of all tenders and rejection of abnormally low tenders. The time specified for PPRA to grant approval for rejection of all tenders is five days after receiving the request. However, there is no time specified for PPRA's approval for rejecting abnormally low tenders.

56. **PPRA and CAG on May 31, 2011 signed a Memorandum of Understanding (MoU) in the effort to intensify the oversight role and improve public procurement system.** The objectives of the MoU are to: conduct procurement audits; special investigations in public procurement; performance and forensic audits by exchanging and sharing technical expertise and information; and co-operating in building the capacity of staff of the two institutions on areas such as training in the basic techniques for carrying out forensic and Value for Money (VfM) audits, sharing guidelines for procurement audits, forensic audit and VfM audits in relation to public procurement. Results of procurement and VfM audits feed in the CAG annual report in the procurement chapter.

57. **The PPRA also carries out VfM audits, also referred to as performance audits, for selected contracts.** The procurement audits and value for money audits are supplemented by the Red Flags Checklist on fraud and corruption in the procurements carried out by procuring entities. As part of auditing process, PPRA in its effort to prevent and combat corruption has established Public Procurement Anti-corruption Strategy. It was observed that PPRA has not conducted VfM to the assessed institutions.

Records Keeping

58. **PPA and its Regulations prescribe procurement records to be maintained and archived by PEs in the procurement proceedings including decisions taken and the reasons for it.** The records range from planning to contract closure and to be kept for five years after contract closure. Generally, records at the institutions assessed were scattered, incomplete with no proper filing and management system. The PPA and its Regulations require PMUs to maintain and archive all records of procurement process and UDs to maintain and archive records of contract management. From the contracts reviewed, it was noted that the PMUs are maintaining and archiving records of tendering process only while respectively UDs are maintaining and archiving contract management records. As a result, it is difficult to trace complete records of particular

tender in one file. PMUs are out of picture when it comes to records relating to contract management. PMU staffs were not aware of the status of contracts implementation in terms of payments made to vendors, progress of implementation, variation orders issued and extension of times granted. According to the PPA 2011 and its Regulations, it is expected that the one stop centre for all procurement records should be in the PMU's offices. Important documents such as some of the minutes of the TB approvals, inspection reports, payments records, extension of times granted and addenda to the contracts were found to be missing in both PMU's and UDs' files. The problem of records management system is also partly attributed to inadequate working space for PMU staff and documents storage. With the existing working environment and infrastructure, it is an uphill task to archive and maintain complete procurement records for the periods specified in the procurement law.

Contract Management

59. **Contract management for any procurement of goods, services or works contracts is the responsibility of PEs as mandated under PPA and its Regulations.** As per the provisions of the PPA and its Regulations, PEs are required to ensure that the contracts are implemented in accordance with terms and conditions governing those contracts, and to take or initiate steps to correct or discipline deviations from observance of contract conditions. PPA 2011 and its Regulations set out the responsibilities of the PEs and procedures during contracts implementation including technical or scientific test and issuance of good acceptance certificate. Furthermore, the law requires consultants to furnish performance securities and deduct liquidated damages in case of delays in performing the contracts. However, enforceability of the performance security and liquidated damage provisions is still not clear as in the Standard RFPs issued by PPRA it is indicated that PPRA will issue guidance and no guidance has been issued to date.

60. **Generally, contract management in the assessed institutions has been observed to be weak due to limited capacity of human resources, knowledge and experience in managing contracts.** The following deficiencies were noted in all institutions assessed; (a) failure to demand vendors to furnish securities and insurances as per the terms of the contract; (b) operating with expired contracts – contracts not updated before expiry; (c) failure to impose liquidated damages and forfeiture of performance securities in cases of poor performance by vendors; (d) delays in executing contracts; and (e) delays in paying vendors as per the contracts. As per the PPA 2011 and its Regulations, UDs are vested with primary responsibility of managing contracts in collaboration with PMUs. Despite the fact that PMUs are mandated to manage procurement process in the PEs, it was noted that PMUs are out of the picture when it comes to contract management as there is no linkage and flow of information from UDs to PMUs on the status and progress of ongoing contracts.

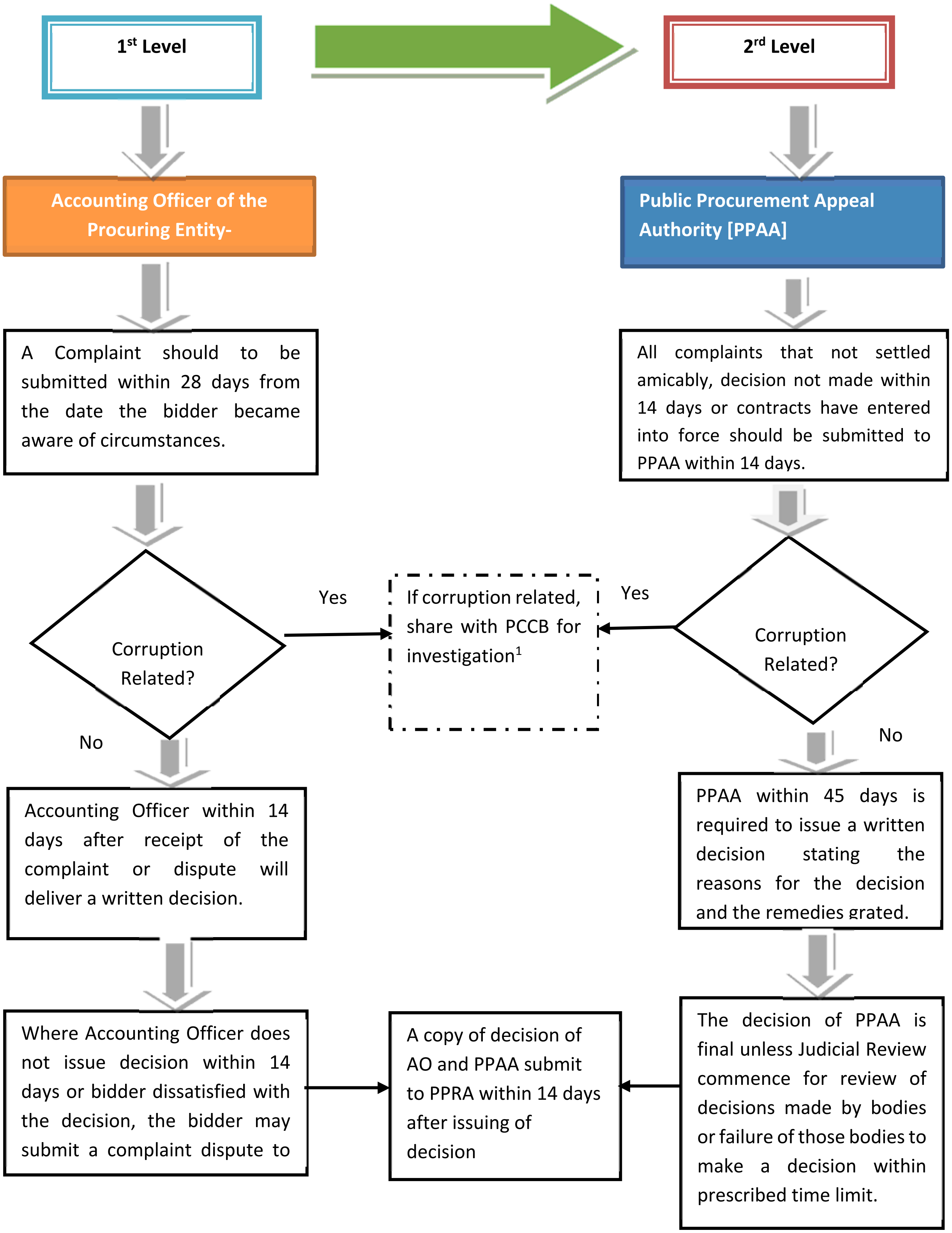
Review of Resolution of Complaints

61. **A two-tier system of handling procurement complaints is provided under the PPA 2011 and its Regulations.** The PPA 2011 and its Regulations provide two levels for handling procurement complaints which are: (a) the head of PE; and (b) PPAA. Under the PPA 2011, PPRA is no longer involved in reviewing complaints by bidder with aim of limiting PPRA's function to advisory and monitoring procurement activities as well as eliminating conflict of interest when it was handling both functions; advisory and complaints reviewing. However, for monitoring

purposes, an aggrieved bidder is required to serve a copy of complaint to PPRA and the AO is required to submit a copy of the decision to PPRA within seven days from the date of its delivery. Removing PPRA from the complaints handling process has reduced considerably the number of days used to handle complaints from an average of 105 days to 59 days. The AO is the first appeal level in handling procurement complaints. If the complaint is not handled within a specified time or the aggrieved party is not satisfied with the decisions of the head of PE, the aggrieved bidder can submit a complaint to PPAA as a second level. In order to make the review process more robust, the head of the PE is mandated to establish a review panel based on individual member's expertise and experience on the subject matter of the tender to assist to review the lodged complaints. PPAA is an independent authority established under the Act and comprises members from the private sector. PPAA has issued Public Procurement Appeals Rules Government Notice Number. 411 of 2014 which are in line with PPA 2011 including the fees payable for different submissions. The PPA 2011 provides provision of judicial review in case the second level fails to make a decision within the prescribed time-limit. Figure 5.3 below illustrates the two-tier complaint system as provided by the PPA 2011 and its Regulations 2013.

Figure 5.3. Review of Procurement Complaints as per PPA 2011 and its Regulations 2013

(Two-tier System)



62. **Since its establishment PPAA has handled 253 complaints and appeal cases of which 232 cases were determined and 21 case were withdrawn by the appellants.** Table 5.2 below demonstrates statistics of appeal cases, lodged, determined, dismissed on technicalities and withdrawn. The trend indicates that the number of appeals or complaints is increasing yearly as many bidders become aware of the review system and confident with the system.

63. **Statistics show that 61 percent of the determined cases were determined in favor of the aggrieved bidders, 2.4 percent of the cases were ruled in favor of PEs while 14.6 percent of the determined cases were dismissed on technicalities.** During discussion with PPAA, it was apparent that the number of cases which had been lodged to date are few compared to the number of tender opportunities being advertised and processed each fiscal year by the PEs. This does not imply that bidders are not aggrieved in the procurement processes but rather the aggrieved bidders do not complain in order to maintain business relationships with PEs and some are afraid of being sidelined in the future procurement opportunities. On the other hand, it was revealed that most of the bidders are not aware of the complaints review system. PPAA confirmed that sensitization is still a problem as the appeal authority has not been able to conduct reasonable awareness workshops to the prospective bidders and stakeholders due to financial constraints.

Table 5.2. Appeals Lodged and Determined by the PPAA (up to September 2015)

Year	Lodged	Determined	Determined in Favor of Appellants	Determined in Favor of PEs	Dismissed on Technicalities	Withdrawn
2004/05	1	1	0	1	0	0
2005/06	11	10	3	5	2	1
2006/07	10	10	3	3	4	0
2007/08	11	10	7	1	2	1
2008/09	27	25	16	6	3	2
2009/10	20	20	15	3	2	0
2010/11	32	31	23	5	3	1
2011/12	14	11	6	2	3	3
2012/13	30	28	13	9	6	2
2013/14	47	40	24	13	3	7
2014/15	50	46	32	8	6	4
Total	253	232	142	56	34	21

Source: www.ppaa.go.tz 2015.

64. **Assessment mission noted that none of the public TVET institutions, universities and technical colleges assessed had appeal case referred to PPAA.** However, it was observed that none of the assessed institutions maintain a log book of complaints or disputes; received or investigated and determined by the AO. It was reported that there were no official complaints or disputes lodged by aggrieved bidders.

Fraud and Corruption

Background

65. **The main institution mandated to address corruption issues in Tanzania is the Prevention and Combating of Corruption Bureau (PCCB).** The bureau was established under the Prevention and Combating of Corruption Act Number. 11 of 2007 (PCCA 11/2007) that came into force on July 1, 2007. PCCB has offices in 24 regions and in all local government authorities

(163 Local Government Authorities, LGAs by 2013/14 statistics) in Tanzania mainland. The PCCB has a national workforce of about 1,700 staff of which approximately half are involved in investigation.

66. **PCCB's capability to combat corruption has increased slightly in recent years with the number of new cases in courts increasing from 150 in 2011 to over 361 in 2015, with a significant increase in the number of convictions.** The number of convictions rose from 37 cases in 2008 (approximately 10 percent of cases on trial) to 179 cases in 2015, which is approximately 30 percent of the number of cases on trial. The agency prepares and submits annual reports to the President on its performance with the most recent being for 2012/13.

Table 5.3. Prevention and Combatting Corruption Bureau Performance Statistics 2006–2015

Years	*Allegations received	Cases Investigated	Administrative Actions Taken	New Cases into Courts	On-Going Cases in Courts	Conviction Cases	% Conviction to Total Prosecuted
2008	6,137	928	74	147	308	37	9
2009	5,930	884	40	222	369	46	10
2010	5,685	870	29	224	409	56	10
2011	4,765	819	30	193	435	52	7
2012	5,084	1,178	27	288	551	47	7
2013	5,456	1,100	19	343	684	89	10
2014	5,056	808	15	256	646	135	10
2015	5,000	802	40	361	596	179	n.a.

Source: www.pccb.go.tz.

67. **Corruption is perceived to be widespread in Tanzania.** In general, 71 percent of sampled Tanzanians viewed corruption as having increased in 2014, according to the Afro Barometer Survey. Tanzania's percentile rank in the Worldwide Governance Indicators for the control of corruption has declined significantly from 41.8 in 2008 to 22.6 in 2014. In Transparency International's ranking Tanzania's corruption perception index fell from 33 in 2012 to 30 in 2015. At the country level, the risk of corruption is high and widespread within the public sector.

Fraud and Corruption Risks for the ESPJ PforR

68. **The Program operating environment provides an indication of areas of risk related to fraud and corruption.**

69. **Promoting the expansion and quality of training service delivery in key economic sectors**: The Program will finance establishment and operation of a Skills Development Fund (SDF) to provide performance-based competitive grants for public and private training institutions, in key economic sectors. This is a new Fund set up within an existing institution, TEA, to support

implementation of the program. There are three risks that the SDF will face during implementation of the program: (a) the setting up of the Fund and the associated recruitment of additional staff could be undermined by uncompetitive selection of staff through patronage leading to a compromise on ethics and accountability in performance. This may place the SDF at risk of dishonest staff who may be bent on fraud or corruption acts; (b) even though there is a grant proposal selection committee with wide representation, their decisions could be undermined by lack of appropriate incentives (positive and negative) for committee members to execute their tasks. The committee has to have the right incentives to carry out its work to avoid committee members ticking the box without any serious commitment; and (c) the use of the funds provided under the SDF could be misdirected to expenditures not targeted by the program.

70. **Trainee Voucher Scheme:** The provision of subsidized grants to trainees in accredited vocational training and eligible alternative training programs will pose a risk of selection of beneficiaries who may not meet the target criteria. This scheme will be located in the Higher Education Student's Loan Board (HESLB). The board has a well-established means testing criteria for selecting students for funding in higher education and technical institutions. However, there have been numerous complaints of favoritism against the Board and it has never been able to address them fully. The Board has a complaints handling system that is linked to loans officers who administer the loans desks in the respective higher education institutions. This complaints system requires the loans officers to address all complaints by students within two days. In the event that these complaints are outside the scope of the officer, they should be reported to the Board for resolution. This system currently works reasonably well for students registered with the Board under the loans scheme, but is inadequate for those not registered. There is a need to strengthen the complaints handling mechanism under the HESLB to cover both registered and applicants, further, to ensure that all complaints are treated seriously and the results are shared transparently. The Annual Report of the Board should also report highlights of the complaints registered and resolved.

Complaints Handling Mechanism for the ESPJ

71. **As part of the proposed program, a review was carried out of the Complaints Handling Mechanism (CHM) that would serve as the basis for providing information on the risks of fraud and corruption, as well as concerns on the quality of services provided to ultimate beneficiaries.** The review covered the Ministry of Education, Science, Technology and Vocational Training (MoESTVT), the Vocational Education Training Authority (VETA) Chang'ombe College, the Higher Education Student's Loans Board (HESLB) and the Tanzania Education Authority (TEA).

72. **Since the proposed program will be the second to be implemented by the MoESTVT, the review focused on the experiences gained under the first program, the BRN Education.** The ministry has a well-established CHM with a fully dedicated office and personnel. The system is largely paper based, but also includes email complaints sent to the Ministry's website. The focus of the CHM is on Ministry personnel and clients, including providers of goods and services as well as the general public. Under the BRN Education, it was recommended that the CHM under MoESTVT should be linked with that under the then Prime Minister's Office Regional Administration and Local government (PMO-RALG), to allow school-level complaints to be aggregated and reported by the MoESTVT. This has not happened and thus undermines the

collection of complaints on the BRN Education program. It is important that the MoESTVT integrates the CHM to have an overall view of the complaints related to the sector. Since this has not been given weight in the BRN, it is emphasized that the proposed program establishes a clear link between the Ministry's CHM with that of other key players in the sector. In our case this would be HESLB and TEA, as well as the regulators, VETA, NACTE and TCU. This is at the heart of a sector feedback mechanism and should provide the Ministry key inputs to the implementation of the education policy and the proposed Program-for-Results.

73. **Public institutions including Vocational Training Centers, Technical Colleges and Universities have CHM, with common characteristics that:** (a) they are paper based and administered by the department responsible for Human Resources and Administration; (b) they are rarely promoted and included in information provided to clients; and (c) management follow-up of complaints provided is weak. Another system of complaints is related to the procurement function, which functions fairly well if a complaint is provided. This is exemplified by the CHM at the Chang'ombe VETA Center, there are a number of complaints from the public who purchase commercial products produced by the center. But often these are not channeled through the official CHM systems. This is a common feature in most institutions and needs to be addressed proactively by the Government to establish multiple modes of CHM including email and mobile texting services in addition to paper-based systems. Further, there is a need for CHM to be included as part of the information, communication and education programs in the sector.

74. **For the purpose of this program, the MoESTVT will retain the role of the apex institution for collecting complaints and reporting to the Bank.** There is a need as mentioned earlier to ensure there are links between the CHM at the MoESTVT with the respective institutions in the sector. MoESTVT on receiving reports of fraud and corruption should systematically track the actions taken to address them. This should be part of operation guidelines agreed between the MoESTVT and its collaborating institutions during the launch of the program. The MoESTVT will report twice annually the status of complaints received and the action taken including those relating to Fraud and Corruption.

75. **To ensure that all program participating entities and beneficiaries are aware of the program outputs as well as the CHM in place, the MoESTVT needs to establish an awareness program, led by the respective department that is responsible for the system.** The purpose of this awareness program will be to ensure all participants know their roles and responsibilities in ensuring the CHM is effectively maintained to provide information on among others fraud and corruption, together with the CHM reporting procedures. The awareness program should be part of the kick-off activities of the program.

Sharing of Debarment list of firms and individuals

76. **The Government commits to use the Bank's debarment list to ensure that persons or entities debarred or suspended by the Bank are not awarded a contract under the Program during the period of such debarment or suspension.** The information on the list of debarred and suspended firms is public information in "Clients Connections", and on the Bank's website. Companies and individuals debarred by the Bank and consequently the Public Procurement Regulatory Authority (PPRA) will be posted and updated regularly on MoESTVT (www.moe.go.tz) website and advertised publicly by MoESTVT. MoESTVT would take

responsibility in ensuring that their website is updated regularly with information on the list of debarred firms. MoESTVT's compliance with the debarment list will also be monitored through the Program annual assessment.

Sharing information on fraud and corruption allegations

77. **In line with the Bank's Anti-Corruption Guidelines [141], the Government (through the MoESTVT) will promptly provide the Bank with all credible and material information on fraud and corruption allegations, investigations and actions taken on the Program, including on procurement as needed.** The Bank has been informed that under Tanzania's legal system, the primary agency for investigating corruption is the PCCB. PCCB has a program to monitor expenditures on development programs to verify that expenditures are incurred for the objectives intended. Where PCCB finds funds have been diverted for unintended purpose, they launch an investigation to determine whether it is a fraud or corruption incidence warranting prosecution. Where PCCB investigations reveal that a given case is primarily one of fraud rather than corruption, the PCCB refers it to the police for further investigation and prosecution. In this context, fraud and corruption allegations made in respect of Program funds will be referred by the associated entities, that is, public vocational centers, public technical colleges and universities to the closest district office of the Police and PCCB, respectively. District PCCB offices report monthly to the Regional Offices on corruption cases and action taken. The PCCB headquarters gets monthly reports from the Regional Offices on corruption and other relevant activities. MoESTVT will liaise with the PCCB to compile and share information on corruption cases once every six months which will also be shared with the Bank. The details of this reporting will include the types of allegations and the status of actions taken.

Investigation of fraud and corruption allegations

78. **For the purpose of investigating corruption incidences** (a) the Prevention and Combating of Corruption Act of 2007 permits the PCCB to cooperate and collaborate with the Bank in the fight against corruption, and permits the PCCB and the Bank to undertake joint investigations of sanctionable practices if and when the parties so agree; (b) the Bank may, where it is necessary, conduct its own inquiry into any F&C allegations independently or in collaboration with the PCCB under the Program. In this context, the investigation of F&C allegations under the Program will be handled as follows. The PCCB will be the primary entity responsible for undertaking corruption investigations arising from allegations reported to it. The PCCB will report to the MoESTVT any corruption investigation being undertaken under the program and the results thereof. MoESTVT will promptly inform the Bank of any credible and material allegations of F&C and the actions taken to address them. The Bank may, where necessary, undertake its own inquiry independently or in collaboration with the PCCB and share the reports of such an inquiry with the latter and the borrower. To this end, the Agreements to be entered into between the program implementing unit and associated public vocational centers, public technical colleges, universities and institutions will ensure that MoESTVT, PCCB and the Bank are being able to acquire all records and documentation that they may reasonably request regarding the use of Program funding.

[141] Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing, February 2012 (Revised July 2015).

Table 5.4. Integrated Fiduciary Risk and Mitigation Measures/ Program Action Plan

Fiduciary Risk	**Description**	**Mitigation Measures**	**Due Date**	**Responsibility**
Program Level:	Coordinating the large number of expected participating entities from public and private sectors. Ensuring appropriate records are maintained for ease of evaluating performance	Establishing a National Skills Council which will serve as the Program Steering Committee and provide overall oversight and policy guidance on the Program implementation; and supporting NSC Secretariat. The National Skills Council will consist of majority representatives from employers, and include representatives from government, training providers, regulators, labor and civil society. Establishment of Sector Skills Councils in key economic sectors to serve as aggregators of industry interests and bring together firms and business associations, training providers, relevant ministries and regulatory agencies (with the private sector representation being a majority).	See DLI 1 and 6	MoESTVT
Financial Management Risks				
Planning and Budgeting				
Accounting and Financial Reporting	The chart of accounts may not show how much is spent in what sector thus complicate data collection and monitoring.	The chart of accounts to be revised to capture relevant information	During implementation	MoESTVT, MoF
	Managers of SDF and TVS may co-mingle the funds with own funds resulting in misapplication.	MoESTVT to enter into ‘trust fund manager’ agreements with fund administrators (TEA) specifying clearly how program funds will be kept and reported separately at all times.	Before ‘trust fund’ managers start their roles.	MoESTVT
	Smaller TVETs- especially in the private sector- may not practice minimum standards of	Grant agreements should (both for SDF and TVS) contain FM conditions that applicants should meet before, during and for a given period- say three years- after their participation in the program. Such	By SDF and TVS program launch date	MoESTVT

Fiduciary Risk	Description	Mitigation Measures	Due Date	Responsibility
	financial record keeping	conditions may include maintain a bank account with a recognized financial institution, the bank account to be in the name of the participating institution, maintain a cashbook in acceptable format, submit periodic implementation progress report (say half yearly) in a pre-agreed format, advance consent program officers/ agents/ CAG having access to program related records at appropriate times. Model grant agreement to form part of POM		
Treasury Management and Funds Flow	Funds for program activities may not be released by MoF timely for smooth implementation. Agencies managing SDF and SDG may not disburse to beneficiaries on time.	Earmark/ ring-fence program funds within the Consolidated Fund Account using accounting codes for a program sub-account under the MoESTVT. MoESTVT to open a separate bank account for TVS funds MoESTVT to enter into performance agreements with agencies managing the two funds to provide for rewards and penalties for good or unsatisfactory performance including disbursement timelines as one of KPIs.	Throughout implementation	MoF, MoESTVT, SDF and TVS funds managers
Internal Controls (including Internal Audit)	(a)Non-compliance with internal control systems. (b)Weak internal audit function in terms of skills, equipment, lack of access to Epicor system and budget to monitor the internal controls put in place. (c)Weak audit committees to ensure that audit issues are followed up and addressed.	Skills of internal auditors will need enhancement in risk based and performance auditing in order to effectively monitor compliance of the internal control systems and report on a quarterly basis on the audit findings to management of the MoESTVT and the two fund managers. Action will need to be taken by management to address audit issues and this will need to be monitored on a quarterly basis by audit committees whose skills will need to be strengthened through training. There is need to grant internal auditors access to Epicor (central government) and provide them with audit software to audit Epicor whilst providing the necessary training to internal audit staff.	Throughout implementation	MoESTVT, Funds Managers (TEA)

Fiduciary Risk	Description	Mitigation Measures	Due Date	Responsibility
		MoESTVT and Fund Managers to provide resources (financial and material) to internal audit units so there is effective internal auditing.		
External Audit	(a) CAG may not be able to extend audit verification of funds disbursed to private sector beneficiaries because there is no legal framework that extends NAO mandate to the private sector. (b)Parliamentary scrutiny of CAGs audit reports by the Public Accounts Committee and other relevant sector committees of parliament has been very slow and will need to improve to enhance the accountability process.	(a) Financing/ Grant Agreements between MoESTVT and beneficiaries should include clauses which require beneficiaries to make available to CAG information relevant to the program that may be requested and to allow access to CAG staff/ agents to premises and information relevant to the program. (b) There is a need to enhance the technical skills of the Public Accounts Committee and other relevant oversight organs in order for them to improve on their efficiency in following up issues raised by CAG's audit reports.	During implementation	CAG and Parliamentary Oversight Committees
Procurement Risks				
Procurement Capacity	Inadequate staffing in MoESTVT and government-run Training Institutions Procurement Management Units	Recruit/appoint qualified and experienced staff to fill the gaps, especially heads of PMUs	Within 6 months of program launch (for MoESTVT and TEA); and throughout implementation	MoESTVT, TEA; Once the SDF is operational, public training providers benefitting from SDF funds
	PMU and IAU staff has inadequate knowledge of procurement	Conduct tailor made courses specifically to address weakness in these areas.	Within 9 months of program effectiveness and refresher	MoESTVT, TEA; Once the SDF is operational, public training

Fiduciary Risk	Description	Mitigation Measures	Due Date	Responsibility
	planning, preparation of bidding & request for proposals documents, evaluation of bids/ proposals and contract management.		training during implementation	providers benefitting from SDF funds
Delays in procurement process	The AG has no capacity to vet all contracts above TZS 50,000,000 within 21 days prescribed under PPA	Attorney General and PPRA to review and uplift the current threshold.	Within 12 months of program effectiveness.	AG/MoFP/PPRA
Records keeping	Weak records management system	Establish records keeping/management system	Within six months of program implementation	MoESTVT, TEA
Contract Management	Inadequate knowledge and skills in contract managements	Conduct tailored training to procurement and other staff to address weakness in these areas.	Throughout Implementation	MoESTVT and TEA
Fraud and Corruption Risks				
Compromised selection of beneficiaries of SDF and TVS	Selection/ assessment committees with wide representation could be undermined by lack of appropriate incentives (positive and negative) for committee members to execute their tasks	The SDF and TVS Operations Manuals will establish transparent and objective selection criteria that will be publicly available; and indicate a robust appeals mechanism to handle complaints in a timely fashion and whose decisions will be accessible to stakeholders.	See DLIs 2 and 3	MoESTVT
Complaints Handling Mechanism	Stakeholders and other beneficiaries may not raise appropriate complaints- F&C related or	MoESTVT to establish an awareness program, led by the respective department in the ministry to ensure that all program participating entities and beneficiaries are aware of the	Throughout program implementation	MoESTVT and TEA

Fiduciary Risk	Description	Mitigation Measures	Due Date	Responsibility
	otherwise out of ignorance of procedures to follow.	program outputs as well as the CHM in place.		

Overall Fiduciary Risk Rating

79. **Based on the above risk assessment, overall fiduciary risk is rated as high.**

Financial Covenants

80. In order to strengthen fiduciary systems, the following Financial Covenants are proposed in addition to the usual standard covenants:

- Conducting annual independent procurement audits of the program either by PPRA or by any other independent agency.
- Conducting a value for money audit every two years
- Internal audit units at the implementing institutions to produce quarterly internal audit reports and audit committees to meet on a quarterly basis to follow up on audit recommendations
- Revising the chart of accounts for MoESTVT to include priority sectors under the program such that am program expenditure per sector can be produced by the Epicor system.

Implementation Support Plan

81. **An annual fiduciary review will be conducted for the program supported by mainly the Internal Audit Department and PPRA.** Adequate budget will need to be allocated for this review. This review will be supplemented by on-site visits done by the Bank's fiduciary staff at least once a year. Reliance will also be placed on the annual audit reports produced by the Controller and Auditor General. In-depth reviews may also be commissioned by the Bank whenever deemed necessary. Implementation support will also involve capacity strengthening.

Annex 6: Summary Environmental and Social Systems Assessment

1. **The ESPJ Program-for-Results (PforR) operation, Education and Skills for Productive Jobs, is supporting the implementation of the Government of Tanzania's National Skills Development Strategy (NSDS) and Implementation Plan over the 2016–2021 period.** The program innovatively links the disbursement of funds directly to the delivery of defined results and builds on increased reliance on borrower safeguard and oversight systems. In terms of environmental and social management, PforR employs a risk management approach, in which process requirements are adapted to the Program context. For each proposed PforR operation, the Bank assesses—at the program level—the borrower's authority and organizational capacity to achieve environmental and social objectives against the range of environmental and social impacts that may be associated with the program. This Environmental and Social Management System Assessment (ESSA), which has been undertaken by Environmental and Social Specialists of the World Bank, examines Tanzania's existing legal, regulatory, and institutional framework for environmental and social management systems applicable to the Program, defines measures to strengthen the system, and integrates those measures into the overall Program.

2. **The ESSA has been undertaken to ensure consistency with six core principles outlined in the World Bank's Operational Policy 9.00 - Program-for-Results Financing.** The ESSA is intended to strengthen the regulatory authority or organizational capacity to effectively manage the program environmental and social risks and promote sustainable development while enhancing performance of the program in managing environmental and social effects.

3. **The ESSA process included extensive stakeholder consultations and disclosure of the ESSA Report following the guidelines of the World Bank's Access to Information Policy.** Consultations with the training institutions indicated that there is a willingness to address issues that are compromising efficient and effective application of Environment and Social Management processes and also duly seeking capacity building where knowledge and skills are not up to the required standards. The feedback received has been instrumental in designing and revising the program PAP, indicators, and addressing issues such as availability of water in training centers, gender and disability issues and so on. More details are included in Section IX Stakeholders Consultations of the ESSA.

4. **The PforR ESSA Analysis presented identifies strengths, gaps and opportunities in Tanzania's environmental and social management system with respect to effectively addressing the environmental and social risks associated with the Program.** The analysis identified the following main areas for action in order to ensure that the Program interventions are aligned with the Core Principles 1, 2, 3, 4 and 5 of OP/BP 9.00. These could be further defined during the continued consultation process during implementation, as required. The gaps identified through the ESSA and subsequent actions to fill those gaps directly contribute to the Program's anticipated results to enhance institutional structures in education. The ESSA identifies the following key measures to be taken for improved environmental and social due diligence in the PforR:

5. **The key measures are defined in the Table below:**

Table 6. 1. Measures to Strengthen System Performance for Environmental and Social Management

Objective	Measures
Defining the System for Environmental and Social Management	While the ESPJ PforR does not have a direct or significant environmental footprint, its programmatic approach to skills provides significant opportunity to **enhance the recognition of environment, health and safety and long-term sustainability** aspects in training institutions and programs at the alternative, vocational, technical, and university levels, specifically those related to skills development in one of the key economic sectors, Construction. In this context, the broad environmental goals of the ESSA would be to mainstream environmental and social due diligence and awareness into the relevant programs, for example, through inclusion of environmental sensitivity and management into the formal curricula and instructor training. The program also offers the possibility of **improved skills and capacity** along with **increased coordination** among various government entities such as MoESTVT and TEA on environmental and social aspects. The existing **grievance redressal and consultation mechanisms** will also be enhanced along with more **targeted awareness programs conducted by MoEVT and/or TEA for SDF funded training providers**. Where required, the ESPJ Program will support the revision and adoption of existing technical guidelines which will strengthen the existing curricula for implementation of better **waste management and recycling**, water harvesting, sustainable agro-processing and tourism, better construction practices, worker safety practices, **gender and vulnerable groups**, **inclusive consultations**, **complaints handling mechanisms and stakeholders' and community participation**. Roles and responsibilities for environmental and social management, **coordination and staffing** for implementation and monitoring will be clearly defined. The program will reach out to the environment and social agencies for assistance in the implementation of these issues. The above systems will be included in the PforR **Operations Manual.** Monitoring and supervision of due diligence measures related to environmental and social issues will be a part of World Bank supervision. The **Environmental and Social Management Framework** prepared under the complementary World Bank funded project – Secondary Education Development Project (SEDP II) provides guidelines for the implementation of **water supply and sanitation** facilities to training institutions, **waste management and recycling**, worker safety practices and so on. The ESMF which is consistent with the Tanzanian systems and has been found compliant with OP/BP 9.00 principles, will be used under this PforR to address any civil works related issues. However, if there are any changes to the current Program scope of only small works and rehabilitation of facilities, or if the PforR program is enlarged to include constructions and/or upgrading and physical/civil works and/or usage or acquisition of new land, then the ESSA will need to be reviewed and revised to ensure that all impacts are well assessed and appropriate mitigating measures are incorporated to mitigate the higher risks involved

Objective	Measures
Technical Guidance and Implementation Capacity:	**If SDF training providers require training on environment and social management, the technical guidance tools** will be refined to support enhanced environmental and social sustainability.
Improved systems for Information Disclosure and Stakeholder Consultation:	**Accountability and transparency** of institutions would be essential to ensure that the program support is used in a productive manner to reach as many training providers and trainees as possible who are eligible for the program. The Program design will include a strengthened and documented **Grievance redress mechanism** and training and capacity building in stakeholders' and **community involvement** and **participatory decision making,** whichever is applicable will be undertaken. Dissemination and awareness raising activities for environmental and social due diligence measures will be built into PforR program. **Grievance redress mechanism has been discussed with stakeholders and laid out in the ESSA.** At the national level there is a government portal available for registering complaints. The Operational Manual of the ESPJ will need to review the existing system and provide timelines and a monitoring mechanism for the Grievance redress mechanism (GRM). The GRM will also need to be widely disseminated to all stakeholders.

Annex 7: Systematic Operations Risk Rating

TANZANIA: Education and Skills for Productive Jobs Program-for-Results

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	**Rating (H, S, M, L)**
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	High
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	N/A
OVERALL	**Substantial**

Note: L = Low; M = Moderate; S = Substantial; H = High.

Program Risks	
Risk	**Risk Management**
Technical	
Concurrent implementation of system and service-level interventions	• The ESPJ has been designed in a manner such that the system-level interventions are all attached to DLIs whose disbursement rules are scheduled in a manner that incentivizes completing them as quickly as possible. This sequencing of results in a phased manner mitigates the risks associated with concurrent implementation. • For both the SDF and TVS, clear agreements that lay out management and accountability arrangements both before and after system-level reforms affecting their governance, as well as a clear transition plan, will agreed between the government and the Bank and included in the POM, as well as in the OM for each mechanism • For both the SDF and the TVS, DLIs are in place to create incentives for these programs to rapidly achieve scale • TA for the ministry to complete important system-level reforms is included in the implementation support plan
Weak implementation capacity: The ESPJ supports system-level reforms that involve an expansion of the mandate of several agencies, which could strain government ability to effectively manage these transitions	• Operation manuals will be developed for SDF and TVS • DLIs have also been set to ensure successful operationalizing of planned new entities. • PAP includes substantial capacity building for new (NSC and Secretariat, SSC) and existing bodies (MoESTVT, TEA, NACTE, VETA) through technical assistance.
Fragmented baseline data will limit monitoring and evaluation capacity in the beginning	• A firm will be hired to assist in collection of baseline data to augment the government's capacity in this area
Capacity to monitor and evaluate the program	• Development of an integrated skills monitoring information system is included as an intermediate indicator to ensure effective M&E within the program. • Capacity building for the ministry, regulatory agencies, TEA, the managing entity of the TVS, and training providers to enable timely and complete reporting is integrated as DLI
Overall sustainability of the program, especially transfer of skill development levy into the skill development fund	• Agreement both with the Ministry of Finance and MoESTVT for ring-fencing of SDF accounts. • Continuous discussion and policy support to Ministry of Finance to ensure that SDL funds are subsequently channelized through the SDF
Fiduciary	
Potential underfunding of the government's development budget, which may lead to use of programs funds for other purposes	• Include budget line for Program in the government budget for next FY • Earmark/ ring-fence program funds within the Consolidated Fund Account using accounting codes for a program sub-account under the MoESTVT. • MoESTVT to open a separate bank account for SDG funds

	• High level buy-in to NSDS from both President's Office and Minister of Education, Science, Technology and Vocational Training will help prioritize ESPJ interventions and promote accountability in use of ESPJ funds • DLIs set incentives for rapid achievement of system-level interventions • Use of ring-fenced funding mechanisms (SDF and TVS) with performance contracts, industry oversight and separate accounts to fund service delivery • DLI attached to the creation of a sustainable funding plan for the SDF and TVS
Description: Insufficient strengthening of accounting and internal audit staff skills, especially in non-government training institutions in order to produce quality accounts and conduct quality audits.	• Agreements with training providers funded under the SDF and TVS to include clauses which require beneficiaries to make available to CAG and external verification firm(s) information relevant to the program that may be requested and to allow access to relevant staff/ agents to premises and information relevant to the program • Evidence of existence of appropriate measures for accounting and internal audit included as a selection/eligibility criteria in SDF and TVS OMs • Capacity building for TEA and managing entity of TVS to improve understanding of monitoring requirements and support applicants/grantees to comply to accounting and audit requirements • Use of external firm to verify data reported by training providers, TEA and managing entity of TVS used to verify achievement of DLI targets
Environment and Social	
Poor management of construction related issues, including solid and liquid waste management and occupational health and safety issues related to construction workers, students and teachers and neighboring communities, increased pressure on utilities such as water supply, water abstraction and waste water treatment due to increased student load in educational facilities.	• Requirement to follow environmental and social due diligence measures identified in existing ESMF, including proper monitoring and supervision of construction works • Mitigation measures to be taken by contractors will be included in bid documents and supervised by TEA and MoESTVT
Disbursement Linked Indicators	
DLIs selected may too ambitious or government may not allocate adequate resources for their on-time achievement.	• During the design of the operation, the Bank and the client worked closely on the selection of DLIs to determine feasibility. This risk will be mitigated by balancing process DLIs focused on achieving key enabling system-level reforms with process, output indicators. • Using straightforward and scalable DLIs when possible. • Ensuring strong DLI verification protocols, including through third parties when deemed appropriate. • Risk management during implementation will include: (a) continuous monitoring of DLI progress; and (b) strengthening capacities in weak areas potentially affecting DLI achievement.

Annex 8: Program Action Plan

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement
Technical					
Adoption of the National Skill Development Strategy by the Recipient	√	√	90 days after the signing of the Financing agreement	MoESTVT	Submission of Legal Instrument
Effective implementation of the envisaged national coordination mechanism, comprising of entities such as NSC, SDF, TVS, SSC	√	–	June 30, 2018	MoESTVT	Refer the DLI matrix
Operationalization of integrated SMIS by participating agencies	√	–	June 30, 2021	VETA, NACTE, TCU, MoESTVT	Reports submitted by MoESTVT on behalf of participating agencies
Environmental and Social					
Implement the ESSA measures to (a) ensure construction activities are properly implemented, supervised through the Verification process and reported in Program reports (b) enhance existing Complaints Handling Mechanisms; and (c) ensure that all program participating entities and beneficiaries are aware of the program outputs through awareness programs	–	–	June 30, 2017	MoESTVT	Verification entity formally appointed
Fiduciary					
Earmark/ ring-fence program funds within the Consolidated Fund Account using accounting codes for a project sub-account under the MoESTVT.	–	√	Within first 3 months of program implementation	MoFP	Setting-up of a separate designated account for ESPJ PfoR
MoESTVT to enter into 'trust fund manager' agreements with fund administrators (TEA and HESLB) specifying clearly how program funds will be kept and reported separately at all times.	–	√	Within first 3 months of program implementation	MoESTVT	Duly-signed agreement between MoESTVT and fund administrator(s)
Establish records keeping/management system to facilitate audit process of Program	–	–	On-going	MoESTVT and MoFP	Verification entity formally appointed

1. **The PAP includes measures to mitigate the technical risks by fiduciary strengthening, and environmental and social risk management** (see Annex 7). With regards to the technical issues, the most significant measures are included in the Program design as DLIs. These consist of the establishment and operationalization of the Skills Development Fund and the Trainee Voucher Scheme.

2. **The technical risks of the program can be mitigated by inclusion in the government's implementation plans for core systemic interventions and setting of foundational and system-level DLIs** within the context of ESPJ, and DLIs focused on training service delivery. The preparation of an Operation Manuals for the new system measures SDF, and the TVS will also assist progress on implementation. Technical Assistance is being sought as part of PforR ESPJ for the government agency, such as TEA, and entity designated to take on additional roles relating to this program, and mitigate this risk pertaining to implementation, readiness and capacity building support of the agencies involved. Lastly, resources have already been provided for an initial review of data capacity and outline design of an SMIS as part of the program preparation. The risk will be further mitigated by having an M&E system prioritized as a foundational DLI.

3. **The PAP includes fiduciary strengthening measures such as a comprehensive legal and regulatory framework.** In addition, the Government of Tanzania is committed to implement the program according to the Bank's Anti-Corruption Guidelines.

4. **The program activities are not expected to have significantly adverse environmental and social impact,** if construction activities and educational facilities operations are small scale and well managed. Impacts are also expected to be moderate since the infrastructure rehabilitation and construction works will be confined to existing educational institutions premises and within the boundaries of the existing land. Additionally, the programmatic approach to the skills sector provides an opportunity to enhance the recognition of environment, health and safety, and long-term sustainability aspects in training institutions and programs at the technical, vocational and the university levels.

Annex 9: Implementation Support Plan

Table 9.1 Main focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	(a) Technical support for set up of National Skills Council and sector skills councils (b) Technical support for design of Skills Development Fund and Student Voucher Scheme mechanisms (c) Capacity enhancement for data collection at national and institutional level (d) Capacity enhancement for regulatory bodies (e) Support for implementation monitoring	Technical (data systems, results-based financing mechanisms, regulatory practices, set up of coordination mechanisms), fiduciary, procurement, M&E, environmental	3 implementation support visits by technical specialists focused on design and implementation of system-level reforms to create an enabling environment for skills development 3 implementation support visits by fiduciary, environmental and M&E specialists focused on capacity building for program implementation and monitoring	
12–48 months	(a) Technical support for applications to Skills Development Fund (b) Technical support for results-based planning and management at institution/firm level (c) Technical support for operationalization of Skills Development Fund and student Voucher Scheme mechanisms (d) Capacity enhancement for regulatory bodies (e) Support for implementation monitoring, incl. midline review	Technical, fiduciary, procurement, M&E, environmental	2 implementation support visits focused on pilot and revision of results-based funding mechanisms 3 implementation support visits by fiduciary, environmental and M&E specialists focused on capacity building for program implementation an monitoring and midline review	
Other				

Table 9.2 Task Team Skills Mix Requirements for Implementation Support

Skills Needed	***Number of Staff Weeks***	***Number of Trips***	***Comments***
Program management (TTL & Co-TTL)	10 weeks x 2 staff	2	HQ/Country-based
Skills Development Fund Specialist	6 weeks x 2 specialists	3	International
Voucher specialist	10 weeks	3	International/Country-based
Specialist on design/implementation of national/sector coordination mechanisms	6 weeks	1	International
M&E specialist	4 weeks	2	International/ Country-based
FM specialist	4 weeks	2	Region/ Country-based
Environmental specialist	2 weeks	2	HQ-based
Social specialist	2 weeks	2	Country-based
Administrative support	10 weeks	0	Country-based

Annex 10: World Bank Projects with Links to the ESPJ

Sector	Project	Link with ESPJ
Agriculture	ASDP: Japan-PHRD Additional Financing (P125484)	Builds capacity among district-level irrigation experts Includes support to agribusiness including rice processing, transport, storage and marketing
	Expanding Rice Production (P144497)	Strengthens agribusiness potential of rice value chain through improvement of market infrastructure and strengthening of links between smallholders and markets
	Rice Productivity Development Project (P125448)	Support to the rice agricultural sub-sector
	Second Agricultural Sector Development Project (P129473)	Support to smallholder rice and maize farmers, including support to marketing infrastructure and collective marketing schemes
	Southern Agriculture Growth Corridor Investment Project (P125728)	Support to SMEs in the agriculture/ agribusiness sector to expand value chains and increase employment. Links small-holders to national/ international value chains in agriculture through supporting emerging agri-businesses and expanding out grower linkages between smallholders and agri-businesses.
Energy and Extractives	Energy Sector Capacity Building Project (P126875)	Supports VETA to build capacity for vocational training relevant to the gas sector
	Guarantee Series for Gas Field Expansion Projects (P148514)	Supports private sector gas exploration activities
	Third Power and Gas Sector DPO (P151136)	Sector-specific support to strengthen policy and institutional framework of gas sector
Environment and Natural Resources	Resilient Natural Resource Management for Growth (P150523)	Supports improved water management with an emphasis on key agricultural and tourism assets in southern Tanzania
Governance	Open Government & Public Financial Management Development Credit (P133798)	Supports increased open sharing of public data, including 'dashboards' which could provide basis for planned Skills Management Information System under ESPJ
Social, Urban, Rural & Resilience	Dar es Salaam Metropolitan Project (P123134)	Includes support to improvements in transport planning at Dar es Salaam metropolitan level
Trade & Competitiveness	Business Environment and Competitiveness for Jobs (P150009)	Aims to improve enabling environment for growth of formal businesses in Tanzania, with particular emphasis on agribusiness and tourism, through reforms to business and labor regulation
	First Business Environment for Jobs DPO (P150009)	Seeks to improve of complementary business environment factors including registration, licensing, tax and trade regimes by: (a) reforming the 5 percent Skills Development Levy on employers and (b) supporting Micro, Small and Medium Enterprises that support oil & gas development
	Private Sector Competitiveness (P085009)	Aims to improve number and size of formal businesses in private sector by reforming and strengthening

Sector	Project	Link with ESPJ
		business and land administration and wider government activities
	TZ Growth Poles Project (P143623)	Business environment support in tourism and agriculture/agri-business.
Transport & ICT	Dar es Salaam Maritime Gateway Project (P150496)	Significant planned port expansion will create demand for construction and transport & logistics jobs, with potentially important effects on the productivity of export-oriented agribusiness through improve port operations
	Intermodal & Rail Development Project (P127241)	Support to transport and logistics, specifically rail upgrading between Dar es Salaam and major logistics hub
	Second Central Transport Corridor (P103633)	Support to road, airport and urban rapid transit
	Transport Sector Support Project (P055120)	Aims to improve the condition of the national paved road network, to lower transport cost on selected roads, and to expand the capacity of selected regional airports.

Annex 11: List of Studies

No.	Title of Study	Year	Commissioned by
Demand Side Analyses			
1	Detailed Country Analysis of FDI Flow into SSA (Tanzania as pilot)	2013	World Bank
2	New Pilot Survey on Skills Needs from Firms Perspective in Tanzania	2013	World Bank
3	Assessment of Growth of Employment and Occupation in Tanzania (Methodology paper)	2013	World Bank
4	Assessment of Growth of Employment and Occupation in Tanzania (Analytical paper)	2013	World Bank
5	Country Economic Memorandum Tanzania: Productive Jobs Wanted Final Report	2014	World Bank
6	Tanzania Economic Update Issue 5: Who Wants A Job? The Magnetic Power of Cities	2014	World Bank
7	The Study on National Skills Development to Facilitate Tanzania to Become A Strong and Competitive Economy by 2025	2014	President's Office, Planning Commission
8	Study on Establishment of Tertiary Education Labor Market Observatory (TELMO) in Tanzania	2014	MoESTVT
9	Tanzania Skills for Competitiveness in the Small and Medium Enterprise Sector	2013	World Bank
10	Employment and Earning Survey 2012 Analytical Report Tanzania Mainland	2013	National Bureau of Statistics, Ministry of Finance
11	Employment and Earnings Survey Analytical Report 2010 – 2011	2012	National Bureau of Statistics, Ministry of Finance
12	Attaining Middle Income Status- Tanzania Growth and Structural Transformation Required to Reach Middle Income Status by 2025	2012	International Growth Center, London School of Economics, University of Oxford
13	Skills Development Assessment	N/A	Association of Tanzania Employers (ATE)
Supply Side Analyses			
1	Country Specific Stocktaking Study for HE and Research (follow up on above study) (Tanzania as pilot)	2013	World Bank
2	Country Specific Stocktaking Study for TVET (follow up on above study) (Tanzania as pilot)	2013	World Bank
3	Benchmarking of Universities in Tanzania (with additional universities)	2013	World Bank
4	Education Attainment Projection - Analytical Report	2013	World Bank
5	Education Attainment Projection – Technical Note	2013	World Bank
6	East Africa Tertiary Education Market Study	2013	MoEVT
7	Final Report: Implementation of A Pilot Project for Designing, Installation and Implementation of An Education management Information System (EMIS) for 8 HERIS and National Agencies in Tanzania	2014	MoEVT/ COSTECH
8	Technical and Vocational Education and Training Development Program (TVETDP) Situation Analysis Report	2013	MoESTVT
9	Feasibility Study on Higher Education Management Information System	2013	MoEVT / COSTECH

No.	Title of Study	Year	Commissioned by
10	Vocational Education Program Quality in Tanzania: Study of Stakeholders Perception in Dar Es Salaam Region	2012	VETA and Mzumbe University
11	Tracer Study Report for Graduates of Vocational Education and Training Tanzania Mainland	2011	VETA
12	Tanzania Education Sector Analysis: Beyond Primary Education, the Quest for Balanced and Efficient Policy Choices for Human Development and Economic Growth	2011	UNESCO
13	Improving TVET in Tanzania	N/A	Association of Tanzania Employers (ATE)
	Sectoral Analysis		
1	Sector Specific Studies on Human Resource Needs and Skills Gap in Tanzania (Agri-business)	2013	MoESTVT
2	Sector Specific Studies on Human Resource Needs and Skills Gap in Tanzania (Tourism)	2013	MoESTVT
3	Sector Specific Studies on Human Resource Needs and Skills Gap in Tanzania (Transport and Logistics)	2013	MoESTVT
4	Skills for the Construction Sector: Tanzanian Experience – Presentation -	2014	MoESTVT
5	Vocational Skills gaps in the Tanzanian Oil and Gas Sector – Presentation -	2013	VETA, British Gas, VSO, STOW College
6	Making Natural Gas Guarantee Sustainable Development Plans and Progress by VETA to Prepare Tanzanians to Engage in the Natural Gas Value Chain Process	2013	Economic and Social Research Foundation (ESRF)
7	Mapping Human Resource Capacity Gaps in the Water Supply and Sanitation Sector Country Briefing Note Tanzania	2013	International Water Association
8	Mapping and Analysis of the Needs for Petroleum related Education in Tanzania	2013	NORAD
9	Energy, Jobs and Skills: A Rapid Assessment in Mtwara, Tanzania	2010	Research on Poverty Alleviation (REPOA)
10	Skills Demanded in the Mining, Hospitality and Information and Communication Technology Sectors of the Labor Market in Tanzania	2009	President's Office, Planning Commission
11	Skills Demanded in the Mining, Hospitality and Information and Communication Technology Sectors of the Labor Market in Tanzania	2009	President's Office, Planning Commission
	Governance, Quality, System etc.		
1	Study on Governance (Institutional)	2013	MoESTVT
2	Study on Quality Assurance (Institutional)	2013	MoESTVT
3	Study on National Qualification Framework	2013	MoESTVT
4	Study on Financing Mechanisms and Institutional Arrangements for Skills Development	2013	MoESTVT
5	Assessment of the Capacity of the Current TVET System	2013	MoESTVT

Annex 12: Justification and Background Information on Key Economic Sectors

1. **The ESPJ Program-for-Results supports skills development in the following six key economic sectors, in line with the Government's National Skills Development Strategy:**

- Agriculture, Agribusiness and Agro-Processing
- Tourism and Hospitality
- Transport and Logistics
- Construction
- Information and Communications Technology
- Energy

2. **The selection of the economic sectors and levels of training is supported by analytical evidence,** such as the Country Economic Memorandum and a macroeconomic study on human capital development needs. Key rationale for the selection of sectors include (a) current and future sector growth potential; (b) labor intensity and job creation potential; (c) high individual returns to training in these sectors; (d) critical enabling roles for/linkages with high growth sectors of the economy; (e) feedback from the private sector on skill shortage and potential for enhancing regional and international trade competitiveness; and (f) government priorities as indicated in the FYDP II.

3. **Labor market returns in the above sectors significantly exceed the average returns to TVET and university-level education.** When considering their role in the national economy, jobs in these sectors account for about 10 percent of employment among individuals over the age of 15. The growth in jobs in these key economic sectors has considerably outpaced job growth in the rest of the economy over the past decade. Between 2006 and 2014, the number of individuals employed in these sectors grew from more than 800,000 to almost two million workers, an increase of 137 percent. When compared to the growth of nonagricultural sector jobs (50.7 percent), and agricultural jobs (5.48 percent), this growth is considerable. If similar jobs growth continues through 2016-2021, it will give rise to a large and constant demand for new, skilled entrants, outpacing skills demand in the rest of the economy. Additionally, there are considerable opportunities within these sectors for informal jobs, which will provide substantial employment for youth.

4. **In the national economy, jobs in these key sectors account for 9.88 percent of employment among individuals over the age of 15.**[142]

Agriculture, Agribusiness and Agro-Processing

5. **Tanzania has considerable potential to transform smallholder agriculture into a modern, competitive sector with the ability to provide an increasing number of productive jobs along the value chain.** The potential for additional jobs is estimated at about one million thanks to the country's strategic location, regional and international trade linkages, and abundant availability of arable land.

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[142] Tanzania ILFS, 2014.

6. **Agriculture continues to employ the largest share of the labor force, and though this share is declining in relative terms, the number of workers engaged in agriculture is still high.** In 2014, about 67 percent of the labor force was working in agriculture, a decline from 76.5 percent in 2006.[143] Labor productivity in agriculture improved over the 2006–2014 period compared to the 2001–2006 period, albeit from a low level. Given the labor intensity of agriculture, and despite the rural-urban migration, this sector will remain critical in providing economic opportunities for a large number of people.

7. **Agro-Processing is already a leading manufacturing sector and employs 58,000 people, but given the large numbers of people engaged in small-scale agriculture, the full potential of this sector to drive growth to create productive jobs is yet unrealized.** Agro-processing is currently a leading manufacturing sector, accounting for 55 percent of manufacturing value added and 65 percent of manufacturing employment.[144] Almost 25 percent of all registered manufacturing enterprises are in the food processing sector.[145] There already exists a successful agro-processing/agribusiness industry centered around the cities of Dar es Salaam, Tanga, Arusha, Mwanza, Morogoro and Iringa, which creates a base from which this sector can further develop. The sector is led by several large dominant firms, but also comprises another 287 formal companies, mostly small, and perhaps many more micro-scale, informal firms producing relatively simple products. In spite of the growth of agro-processing, and despite large, untapped domestic and export demand and high-quality primary agricultural products, much of agro-processing is currently still performed outside of Tanzania.

8. **Sales from export of final products creates twice as many jobs as sales from domestic demand.[146]** On average, jobs with exporting firms pay nine percent more than jobs with firms that export less.

9. **In addition to access to finance, packaging and transport, skills constraints to produce higher quality product and marketing** are among the factors constraining small scale producers in expanding the range of products or processing products, and linking to international value chains and processors.

Tourism and Hospitality

10. **Tourism is one of the sectors with the most potential for direct and indirect job creation in the coming decade due to its labor intensity, particularly for women and youth, potential for multiple backward and forward linkages with the rest of the economy, and rich endowment of world class attractions as a comparative advantage**.[147] The tourism sector has boomed in Tanzania, with an average annual growth rate of 12 percent in the 2000–2012 period and accounting directly for 3.4 percent of GDP in 2010. If its indirect contribution is added, the

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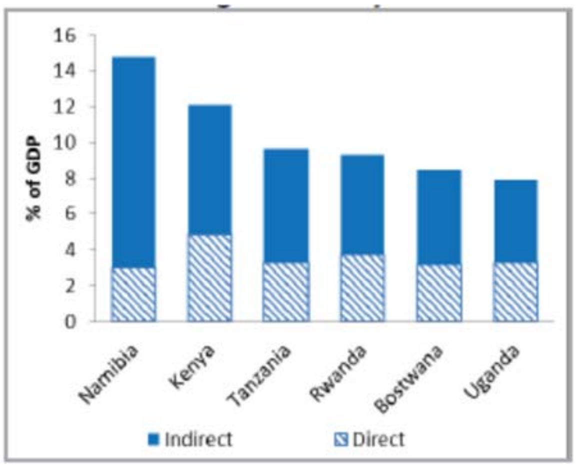
[143] Tanzania ILFS 2014
[144] CEM, 2014.
[145] WB 2016, Promoting More, Better and More Inclusive Jobs: Using a 'Jobs Lens'for the Tanzanian Horticulture Sector, Presentation by Ruchira Kumar and Anoop Agarwal, January 2016.
[146] WB 2016, Promoting More, Better and More Inclusive Jobs: Using a 'Jobs Lens' for the Tanzanian Horticulture Sector, Presentation by Ruchira Kumar and Anoop Agarwal, January 2016.
[147] CEM, 2014.

sector contributes about 10 percent to GDP.[148] The number of visitors has steadily grown each year, topping one million visitors in 2013 and putting tourism's contribution to exports behind only gold at US$1.5 billion in 2012 (19.5 percent of total export volume). Analysis projects that the number of visitors will continue to increase rapidly, reaching three million per year by 2025, with direct employment needs close to 1 million jobs.[149]

Figure 11.1. Regional Comparison of Direct and Indirect Contribution of Tourism to GDP[150]

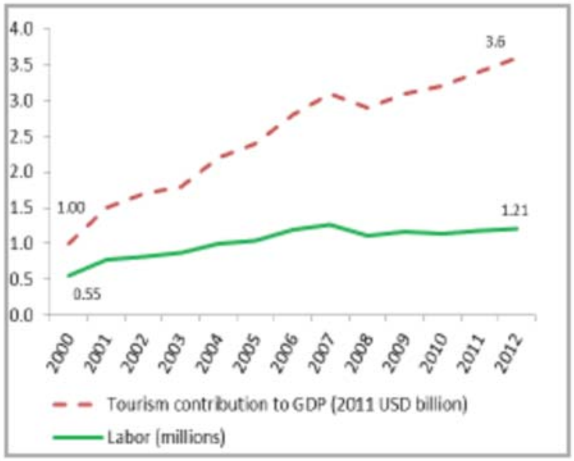


11. **Tourism employs 1.5 percent of the total labor force, i.e. about 500,000 people directly; and several times this number indirectly** through its linkages with industries including agriculture and agro-processing/agribusiness, transport, entertainment and professional services. One job in the core tourism sector indirectly generates 1.5 additional jobs in the related economy according to worldwide estimates.[151] For example, tourism creates jobs in construction when hotels, restaurants and other facilities are being developed. Further downstream, tourist influx creates demand for services such as transportation, telecommunications etc.

12. **Despite its labor intensity, job creation in this sector has not caught up, indicating significant untapped potential for additional job creation.**

[148] LTPP, 2012.
[149] Anderson, Tourism Sector Study, Forthcoming.
[150] CEM 2015
[151] CEM 2015

Figure 11.2. Tourism's Contribution to GDP is Growing Faster than its Labor Force[152]



Source: World Bank, 2015, The Elephant in the Room - Unlocking the Potential of the Tourism Industry for Tanzanians, Tanzania Economic Update January 2015.

13. **Tourism also has substantial potential for the promotion of job creation for women and youth in Tanzania.** Women represent the majority of the tourism and hospitality workforce in many countries and half of the tourism workforce worldwide is under 25 years old.

14. **To realize the growth potential associated with tourism, development of adequate human capital in diversified geographic areas is needed**. While tourism has expanded rapidly, this has not yet translated fully into sufficient high value jobs, neither directly nor indirectly, and linkages with local communities and businesses. For example, the average annual income per worker in the industry is only US$3,500 in Tanzania, compared to US$5,000 in Uganda and US$9,000 in Kenya.[153] However, it is still higher than that of the average worker, which is US$1,200 annually. Capacity building of local communities to provide goods and services to different tourism market segments, particularly the high end segment prevalent in Tanzania constitutes one key aspect. Another capacity building aspect includes strengthening skills of and training for workers.

15. **In Hospitality, estimated rates of return to education suggest particularly high returns on formal TVET and university education.** When compared to secondary educated individuals, those completing an additional post-secondary training course earn over 70 percent more than those that do not.

Transport and Logistics

16. **The Transport and Logistics sector has expanded steadily in recent years in terms of job creation and exports.** In 2010, the transport sector grew by seven percent and accounted for

[152] CEM 2015
[153] World Travel and Tourism Council, Economic Impact 2014.

5.6 percent of GDP.[154] Transport and logistics trails only ICT and mining in the list of sectors with the greatest firm growth between 2008–2009 and 2010–2011, tallying an increase in firms over those two years of almost 60 percent.[155] Tanzania is poised to become a regional hub for maritime trade and a gateway for products from neighboring countries, but currently inland and maritime transport bottlenecks keep the country from realizing its full potential. Accordingly, expansion of the ports in both Dar es Salaam, which currently handles 89 percent of total maritime cargo traffic, and Bagamoyo, in connection to the development and export offshore oil and gas deposits, is being discussed.

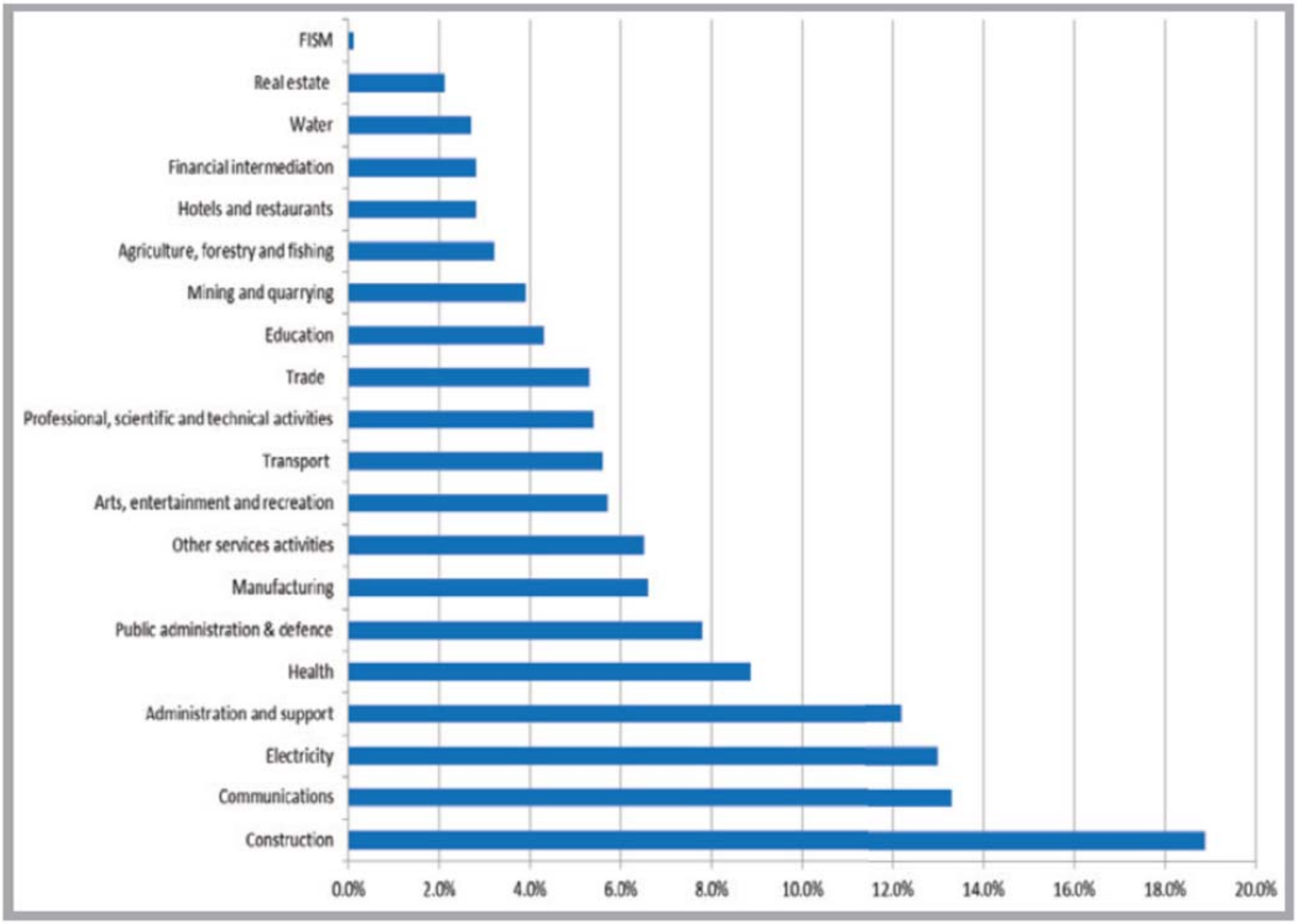
Construction

17. **The 2015 Country Economic Update estimates that the expansion of the construction industry has been the largest contributor to Tanzania's overall growth (see Figure 11.3. below), and that this trend is poised to continue over the next two to three years.** The construction sector is a growth enabling sector since it provides infrastructure to other key economic sectors, notably transport, and urban infrastructure; tourism; and oil and gas. The expansion and planned investments of these sectors have already proven a boon for construction, which enjoyed a year-on-year growth in output of 10 percent in 2010 and accounted for seven percent of GDP. The construction industry stands to add 20,000 to 35,000 jobs as a result of the discovery of oil and gas deposits and the growth of supporting industries. The share of the labor force engaged in construction has doubled over the past 15 years, from one percent in 2001, to 2.1 percent in 2014. While the share of the labor force in construction appears low in comparison to other sectors, the growth rate of the labor force in construction is the second highest after mining for the 2006–2014 period, with 11.4 percent, compared to a labor force growth rate of 3.3 percent over the 2001–2006 period. This is encouraging, not least because of the sectors' capacity to create jobs. It already employs over nine percent of the total Tanzanian workforce, many in low- and middle-skilled jobs, an aspiration for a large proportions of the working population.

18. **To achieve its targeted annual growth rate, the tourism sector would require substantial investment in infrastructure. If realized, this investment could further boost the construction industry.**

[154] CEM, 2014.
[155] CEM, 2014.

Figure 11.3. Sectoral Contribution to GDP Growth in 2013



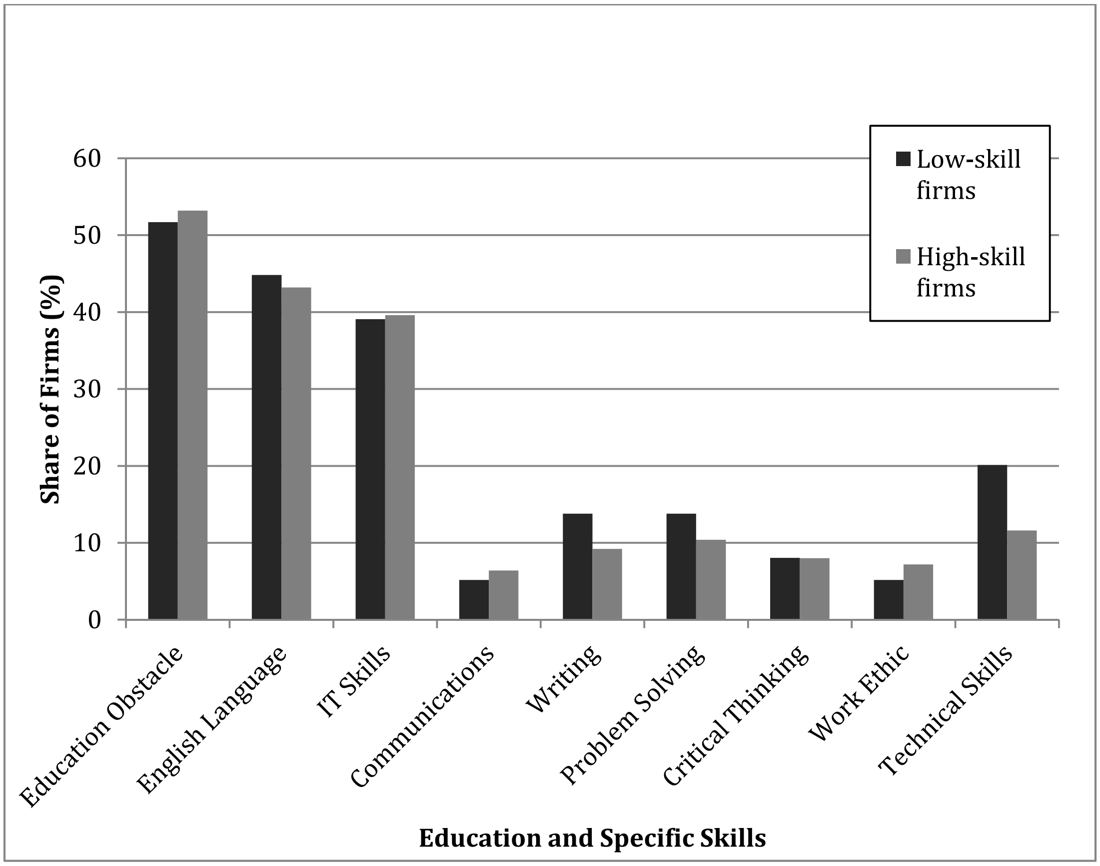
Information and Communications Technology (ICT)

19. **ICT has considerable potential, though nascent, since it is a dynamic and innovative sector and has a critical enabling role for increasing productivity in other key economic sectors**, such as tourism (for example, electronic reservation and payment systems), logistics (for example, warehousing systems), construction (computer aided design and modelling, 3-D printing). Significant progress has been made in the sector with the successful implementation of the national ICT Broadband Backbone and open access of all telecommunications to it. More than 50 unserved or under-served wards in rural areas have gained access to mobile services.

20. **The growing potential of ICT in Tanzania has made it the largest market in the world for mobile finance by a number of users and transactions.** The variety of mobile money products and providers has led to much greater innovation in Tanzania than in another country (for example, Kenya). Tanzania was the first country in the world to deliver mobile savings, loans and interest bearing products, and to develop an interoperability framework

21. **ICT skills are a generic skill set critical for all other economic sectors such as the growing automatization in manufacturing, and were identified as major skills gaps by employers in the Tanzania Enterprise Skills Survey 2015.** Almost 40 percent of firms ranked IT skills as inadequate, behind only general education and English (see Figure 11.4).

Figure 11.4. Percent of Firms Reporting Skills as Inadequate Relative to Need



22. **The supply of ICT professionals is considerably less than the current demand, especially in the areas of higher skills and experience.** An apparent indicator of this acute shortage is that ICT is one of the sectors with high job mobility (ICT Policy 2013). Therefore, there is a need for increased emphasis on the human capital development aspects to address this situation. More importantly, ICT in education is still a relatively new concept, teachers-colleges are now training teachers in ICT for them to deliver the same in schools. A lot more effort will be required to give in-service training that will enhance efficiency and support delivery for recently increased enrolments in both primary and secondary schools.

Energy, Oil and Gas

23. **The recent discoveries of large offshore natural gas deposits, 43 trillion cubic feet of natural gas reserves** presents a golden opportunity for accelerating Foreign Direct Investment (FDI) and achieving faster economic progress through creation of direct, indirect and induced jobs.

24. **Given that poor quality power supply is one major investment climate constraint faced by firms,[156] the development of the gas sector is particularly important as one of the most economically efficient power generation technologies.** There is potential for scaling up use of gas for power generation from near-shore gas fields already in operation at relatively low cost.

25. **Several studies indicate that the low capacity of human capital and unpreparedness of various capacity building institutions are some of the major bottlenecks that might prevent the nation from harnessing the benefits of emerging energy economy.** Analysis of the value chain of the gas industry revealed that the sector has potential to provide plenty of job opportunities for both skilled and semi-skilled labor.[157] Therefore, the NEP 2014 seeks support for the establishment of a sustainable energy and gas industry through the provision of demand driven training services that will lead to development of a local skilled workforce for the industry. As the oil and gas resource base and its operations continue to expand, building local capacities and competencies will reduces costs of operations and enhance technological and operational efficiency within the sub- sector that will in turn contribute to generation of productive jobs.

26. **In general, the selection of the six sectors is based on** (a) sector growth rate; (b) contribution to employment generation; (c) linkage to other economic sectors; (d) potential for enhancing regional and international trade competitiveness; and (e) broader development context that may address skill shortage and informality on account of the current situation.

[156] For example the number and duration of electrical power outages in a typical month, and the associated losses in sales incurred by firms in Tanzania are above the average for Sub-Saharan Africa.
[157] Economic and Social Research Foundation, 2013, Making Natural Gas Guarantee Sustainable Development Plans and Progress by VETA to Prepare Tanzanians to Engage in the Natural Gas Value Chain Process.


IBRD 33494R1
TANZANIA
SELECTED CITIES AND TOWNS
PROVINCE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
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RWANDA
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DEM. REP. OF CONGO
ZAMBIA
MOZAMBIQUE
INDIAN OCEAN
Lake Victoria
Lake Tanganyika
Lake Rukwa
Lake Natron
Lake Eyasi
Lake Manyara
KAGERA
MARA
MWANZA
GEITA
SIMIYU
ARUSHA
SHINYANGA
KILIMANJARO
KIGOMA
MANYARA
TABORA
TANGA
SINGIDA
DODOMA
KATAVI
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IRINGA
PWANI
DAR ES SALAAM
MBEYA
RUKWA
NJOMBE
LINDI
RUVUMA
MTWARA
PEMBA NORTH
PEMBA SOUTH
ZANZIBAR NORTH
ZANZIBAR SOUTH & CENTRAL
ZANZIBAR WEST
DODOMA
Bukoba
Musoma
Buoen
Mwanza
Geita
Bariadi
Kilimanjaro (5895 m)
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Arusha
Kibondo
Shinyanga
Kahama
Nzega
Babati
Same
Kasulu
Kigoma
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Mpui
Mbeya
Kilwa Kivinje
Tunduma
Njombe
Lindi
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Songea
Masasi
Tunduru
Masai Steppe
Iwembere Steppe
Nguru Mts.
Mbeya Range
Kipengere Range
Kagera
Mara
Simiyu
Pangani
Wami
Ugalla
Rungwa
Great Ruaha
Kilombero
Rufiji
Matandu
Mbemkuru
Ruvuma
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To Tororo
To Nakuru
To Malindi
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