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I. Introduction and Context

1. **For Tanzania to achieve its Vision 2025 of becoming a middle-income country, it will need to develop the right mix of high quality skills to drive continued growth.** Tanzania's efforts to upgrade the skills of its young workforce is 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 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, 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 fifteen years as well as those who have recently joined the labor force have high aspirations for moving out of poverty, entering higher earning jobs and building a better future for themselves and their families. The skills of these young people will determine to a large extent whether Tanzania will combine growth with poverty reduction and shared prosperity.

A. Country Context

2. **The National Strategy for Growth and Poverty Reduction (MKUKUTA II) identifies key economic growth sectors, such as tourism and hospitality, agriculture, agribusiness/-processing, oil and gas, mining, ICT, transport and logistics.** The strategy

envisages a concentrated effort to facilitate private sector growth in sectors with potential for export performance and product diversification, cost competitiveness and job generation. The World Bank's Country Economic Memorandum (2014)¹ also identifies agro-business/agro-processing (particularly leather goods and horticulture) and tourism as key industries within its proposed three-pillar strategy for job creation focused on small non-farm businesses, agricultural products and service exports.

3. Tanzania has made strong progress toward its Vision 2025 goal, with the expansion of key industries contributing to GDP growth of almost 7 percent per annum over the past decade.² This growth has been driven by the diversification and expansion of key economic sectors, notably mining, construction, manufacturing (of which food and beverage processing, tobacco products and textile manufacture contribute the largest share of total earnings), and tourism.³ The occupation and skills mix of these sectors vary, as does the industry structure and size of firms, which affects the extent to which skills constrain growth and expansion as well as the impact of growth of these sectors on increasing employment and reducing poverty.

4. Economic growth has led to a reduction in poverty, but a large share of Tanzanians are still vulnerable and growth has not been equally shared. Between 2007 and 2011/12, the basic needs poverty headcount declined from 34.4 percent to 28.2 percent.⁴ About 43 percent of the population were still living under US\$1.25 a day (PPP) in 2012.⁵ Thus, even though basic needs poverty has declined there is still large number of poor. Very few Tanzanians have access to stable wage employment, especially youth. According to Integrated Labor Force Survey (ILFS) 2006 data, youth aged 15 to 24 years have the highest incidence of unemployment at 14.9 percent, while only about 25 percent of youth in urban areas, where formal sector jobs are concentrated, manage to find formal sector work. Creating jobs for youth is thus critical for promoting shared prosperity.

5. If Tanzania continues on a dynamic growth path, the bulk of employment will be in the private sector with increasing numbers employed in non-agricultural sectors and in higher skilled occupations.⁶ 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 in 2030, the growth and diversification of the economy is likely to lead to a large shift of the labor force into services (trade and hotels, transport, construction, financial services) and smaller shifts into manufacturing and mining (Table 1).⁷ Further, the change in the sectoral composition of employment will also affect the

¹ World Bank, Country Economic Memorandum: Tanzania: Productive Jobs Wanted, 2014.

² Unless otherwise noted, figures are from the Country Economic Memorandum (CEM), 2014.

³ In 2011 mining grew at 2.2 percent, accounting for 3.3 percent of total GDP, construction grew at 9 percent, accounting for 8 percent of GDP, manufacturing enjoyed 7.8 percent growth in 2011, contributing 9.3 percent total GDP, transport grew by 6.7 percent for a 8 percent contribution and tourism contributed over 3 percent of total GDP (URT Economic Survey, 2011; Country Economic Update: The Elephant in the Room, 2015).

⁴ 2011/12 Household Budget Survey and revised 2007 Household Budget Survey.

⁵ World Development Indicators Database; CEU, 2015.

⁶ Work commissioned to support preparation of the Implementation Plan for the ESPJ program estimates that the total number of jobs will increase by 15 million by 2030, of which fewer than a quarter million will be in the public sector.⁶

⁷ Meade, Visualizing Tanzania's Human Capital Needs (draft report), 2015.

occupation and skill mix. There is likely to be a significant reduction in the share of the agricultural and other low-skilled occupations (even though their absolute numbers will continue to rise) while there will be a significant increase in the share and absolute numbers of highly skilled occupations, including professionals, technicians and managers.

Table 1. Employment Share by Major Sector, 2012 and 2030 (Projected, Percentage)⁸

	2012	2030	
		Base	Accelerated
Total Employment	21,764	37,480	38,433
<i>Shares by Major Sector</i>			
1 Agriculture, hunting, forestry and fishing	72.5	58.5	46.9
2 Mining and quarrying	1.0	2.7	7.1
3 Manufacturing	2.9	4.1	4.3
4 Electricity gas and water	0.2	1.4	1.5
5 Construction	1.5	1.9	2.5
6 Wholesale and retail trade, restaurants and hotels	13.0	19.1	21.4
7 Transport, storage and communication	2.1	4.0	4.0
8 Finance, insurance, real estate and business services	1.1	4.3	8.9
9 Community, social and personal services	5.5	4.0	3.5

Source: An Economic Model for Understanding Human Capital Development Needs in Tanzania, (draft report), 2015.

Table 2. Employment by Skill Level, 2012 and 2030 (Projected; in Thousands of People)

		2012	2030		Additional Jobs from 2012-2030	
			Levels		Base	Accelerated
			Base	Accelerated		
Total Employment		21,694	37,480	38,433	15,785	16,739
Managers, professionals, technicians	High skilled	493	3,698	5,608	3,205	5,115
Clerks, service workers, craft and trade workers	Medium skilled	3,768	9,135	11,157	5,367	7,389
Agriculture workers, elementary occupations, operators	Low to medium skilled	17,434	24,647	21,668	7,213	4,234
Percentage Shares						
Managers, professionals, technicians	High skilled	2.3	9.9	14.6		
Clerks, service workers, craft and trade workers	Medium skilled	17.4	24.4	29.0		
Agriculture workers, elementary occupations, operators	Low to medium skilled	80.4	65.8	56.4		

Source: An Economic Model for Understanding Human Capital Development Needs in Tanzania, (draft report), 2015

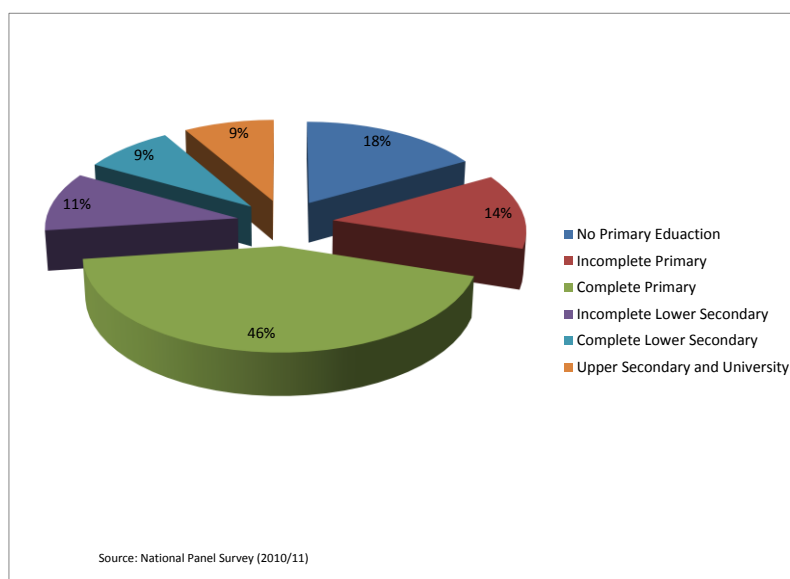
6. There is evidence that skills pose a constraint to job creation for both formal and

⁸ Total Employment figures are in thousands. The base case projects a continuation of current trends in model inputs such as productivity, consumption exports, FDI levels and share by industry, while the accelerated case assumes that these inputs increase at a more rapid rate.

informal private sector firms. This makes improving the quality, quantity and relevance of skills imperative for continued growth and job creation. Overall, about 40 percent of all firms covered by the Tanzania Enterprise Survey 2013 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.⁹ Among failed firms, an even higher number had suffered from 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.¹⁰

7. **Tanzania has a relatively low level of skill compared to other low-income countries, and the gap is greater at the medium and higher levels of skills.** About 32 percent of the population has either no primary education or incomplete primary education and another 46 percent has completed primary education. Only 12 percent of the population has completed more than junior secondary education (see Figure 1). Current enrollment in higher education is less than 4 percent of the appropriately aged population, which is lower than most other SSA countries.¹¹ Thus, of the approximately 1 million¹² individuals who enter the labor market each year, half have only completed primary education, while only 1.5 percent hold a diploma or degree from a technical or academic higher education institution.

Figure 1: Snapshot of Education Levels in Tanzania, 2010



Source: An Economic Model for Understanding Human Capital Development Needs in Tanzania, (draft report), 2015.

⁹ Enterprise Survey for Tanzania, 2013. This survey reveals that skills are one of many business climate constraints to firm growth.

¹⁰ Sabarwal, Skills for Competitiveness in the Small and Medium Enterprise Sector, 2013.

¹¹ WDI, 2015. Tanzania trails Burundi, Ethiopia, Kenya, Rwanda, South Africa and Uganda in higher education enrollment ratio. The difference ranges from 1.1 percentage point in the case of Burundi to 15.8 percentage points in the case of South Africa for the most recent years comparable data are available.

¹² Meade, An Economic Model for Understanding Human Capital Development Needs in Tanzania, 2015. Government estimates of the number of current annual labor force entrants are more conservative, at around 700,000 to 800,000.

8. **Many firms will continue to operate in the informal sector and their skill needs must also be met to enable increases in productivity.** Thus, focusing on the skills needs of the formal sector alone will not be sufficient to achieve Tanzania's development goals. The majority of non-farm firms operate in the informal sector, and many will continue to do so.¹³ Their skill needs, including business and entrepreneurial skills for informal business owners, must also be met. The informal sector is estimated to employ almost half of the non-agricultural workforce, largely as self-employed. Informal non-farm employment, often in urban areas, offers a better standard of living than subsistence agriculture.¹⁴ Informal sector firms face a variety of barriers to growth, including the skill of proprietors and employees. Given the size of this sector, its promise for job creation is large. As the CEM points out, if only 20 percent of firms with two or fewer workers added one more employee, almost a million new jobs would be created.

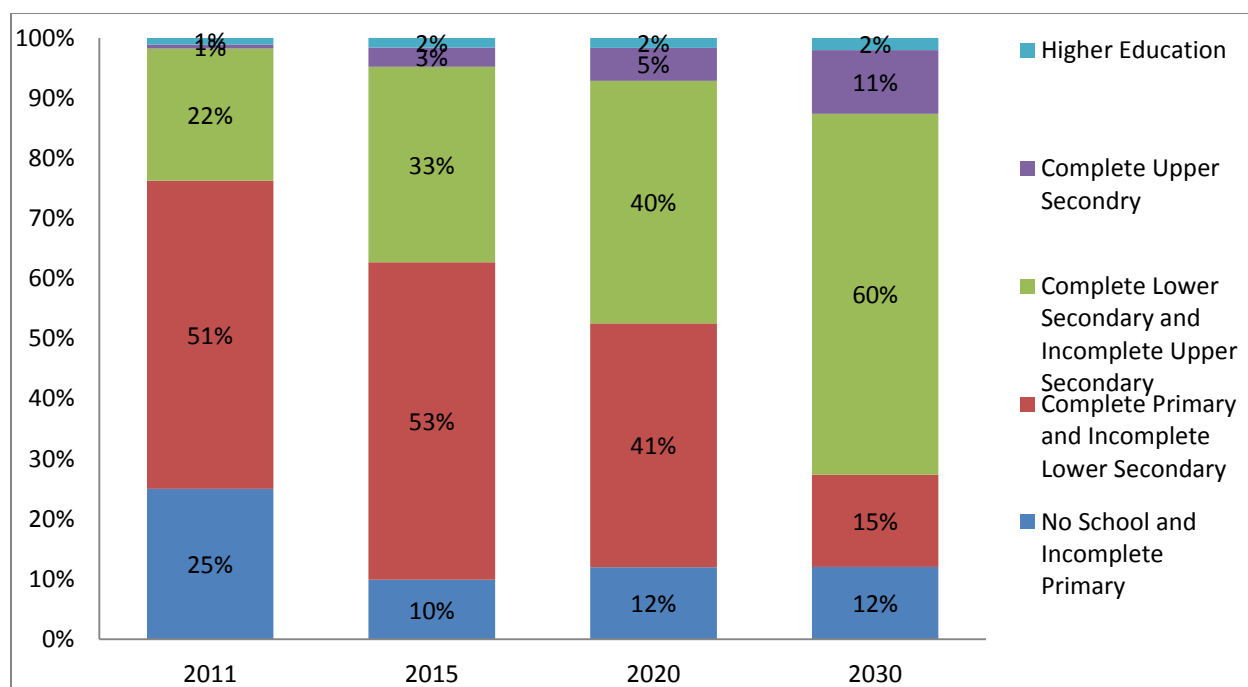
9. **The current workforce was comprised of an estimated 22 million individuals in 2012, with the majority employed in agriculture and low-skill occupations.** Eighty percent of the workforce are employed in low- to medium-skilled occupations, with only 17 percent employed as medium-skilled workers and 2 percent employed in highly-skilled occupations such as manager, professional or technicians. Across all skill levels, agriculture employs approximately three quarters of the workforce. Of the non-agricultural workforce, almost half are employed in wholesale and retail trade and hotels and restaurants (13 percent of the workforce) while sectors such as construction, manufacturing, as well as transport, storage and communication employ approximately 2.9 percent, 1.5 percent and 2.1 percent, respectively.

10. **Over a million young people are expected to leave the education system and potentially enter the labor market every year until 2030, with varying levels of education and skill** (see Figure 2). The annual number of labor market entrants are projected to increase from one million people today to over 1.6 million by 2030. The government has been implementing a policy of universal primary education and of expanding access to junior secondary education through significant investments in both, the provision of schools and improvements in quality, supported by the World Bank and several donor partners. If these policies are successful, the projected educational profile of the new labor market entrants will change significantly. Currently about 75 percent of school leavers have primary education or less, whereas by 2030, this proportion will come down to less than 30 percent. Almost 60 percent of labor market entrants will have junior secondary education. However, at the higher skill levels, there will hardly be any change: only about 2 percent of those who leave the education system will have completed higher education, reflecting the selectivity of the current system of entry into senior secondary.

Figure 2: Share of Potential New Entrants into the Labor Market by Education Level (Percentage)

¹³ 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).

¹⁴ Van Adams, A., Johansson de Silva, S., and Razmara, S. (2012). Improving Skills Development in the Informal Sector: Strategies for Sub-Saharan Africa.



Source: Moreno and Tanaka, Education Attainment Projections for Tanzania, 2015.

11. **As the economy diversifies and industries incorporate technology to improve productivity, there will be increasing demand for a greater variety of skills in the workforce.** At lower levels of skill, workers need training to engage in increasingly technologically advanced forms of production, either by working directly in technology-intensive production or integrating small-scale businesses and farms into value chains through subsidiary, supplier or outgrower relationships. For example, in the construction industry workers in low-skill occupations such as laborers, whether employed directly or a subcontractors, can often learn the tools, materials and processes used in constructing modern buildings on the job, or with short-term training. At higher levels of skill, sharp increases in demand for vocational/technical occupations, to para-professional, professional and scientific occupations (see Annex 2 for examples by economic sector). While not representing the majority of the workforce, employees with technical and scientific skills play a critical role in adopting, adapt and diffusing new inputs and products, production processes and organizational changes. Such skills are difficult to produce through firm-based training, unlike lower levels of skills. They require vocational education and training programs in senior secondary schools, technology programs in short-cycle tertiary institutions, engineering and engineering technology programs in engineering schools, colleges and universities and related applied science programs. However, enrollment in such programs is low. This is because the current system of entry into senior secondary, vocational, technical and higher education is extremely selective, while the system itself is inefficient.

12. **Enrollment in university and above levels of education is less than four percent of the relevant age group, which is lower than most other similarly situated SSA countries.**¹⁵

¹⁵ Meade, 2015. Data from WDI, 2015 show that Tanzania trails Burundi, Ethiopia, Kenya, Rwanda, South Africa and Uganda in higher education enrollment ratio. The difference ranges from 1.1 percentage point in the case of

However, returns to higher education are extremely high. Analysis done as an input to the CEM estimates that median total annual income of those with university education exceeds those of primary school completers by ten times. This is increasing the demand for higher education. Admissions to higher education institutions (offering courses at the diploma-level and above in technical and general subjects) have increased 10.5 percent in the three years between 2009/10 and 2012/13, but further growth may be constrained without significant expansion of the capacity of the higher education system.¹⁶ Such growth also needs to be aligned with Tanzania's development strategy and labor market needs. With respect to science and technology-related fields, the number of graduates is low. Only 17.7 percent of Tanzanian technical college and university graduates completed a program in the hard and applied sciences or engineering in 2012,¹⁷ and Tanzania trails significantly many other countries who have successfully aligned skills needs to support a rapid expansion of export-oriented production.¹⁸

13. The technical and vocational education and training system that provides middle-level technicians and artisans needed for the expansion and diversification of economic activity is still relatively small in Tanzania. According to VETA, for the 2013/14 academic year all public and private vocational education and training institutions had a capacity of 141,700 students, of which just over half of the places were for standard length programs while the rest were for short courses. Graduates from diploma-level courses and above totaled 32,788 students in 2012,¹⁹ accounting for a relatively small proportion of new labor market entrants in that year.

14. There are also supply-side constraints with respect to short-term, non-formal and firm-based training that cater to those already in the workforce, particularly the large proportion of the population who do not progress to TVET or higher education. Tanzania's 59 public and private folk development and VETA centers provide short-term training, reaching less than 100,000 individuals annually. These are supplemented by the efforts of Non-governmental Organizations (NGOs), private training providers, informal apprenticeships and firms. The extent of these activities are not well documented. To better understand the capacity of the training system from short-term and informal courses to higher education, a series of studies have been commissioned whose results are expected in the coming month and will be used to further refine the activities and objects of the government's skills program. Nonetheless, existing information reveals significant challenges on the supply side that need to be addressed if skills are to serve as a key input into Tanzania's continued growth.

15. The expansion of the skilled labor force for growth sectors requires the development

Burundi to 15.8 percentage points in the case of South Africa for the most recent years comparable data are available.

¹⁶ Final Report of the TELMO Study, 2014.

¹⁷ Final Report of the TELMO Study, 2014. These graduates were distributed among disciplines as follows: Agriculture (1.4 percent of total graduates); Engineering Sciences (2.6 percent); Medical Sciences (3.8 percent); Natural Sciences (1.3 percent); Science & ICT (8.6 percent).

¹⁸ By comparison in 2012 graduates in science and technology-related fields at the tertiary level compose 40.1 percent of total graduates in China (2006), 31.0 percent in Korea, 29.9 percent in Malaysia, 28.1 percent in the Russian Federation (2010), 26.8 percent in Mexico, and 20.5 percent in the OECD as a whole (2006). (World Bank EdStats, 2015; OECD, 2009.)

¹⁹ Final Report of the TELMO Study, 2014.

of a continuum of skills from the vocational/ technical level at senior secondary education to tertiary level (undergraduate and postgraduate levels), with a special focus on applied sciences, engineering and technology programs. It also requires basic skills needed for low-skilled jobs in these economic sectors. This sector-focused approach will allow a variety of institutions at different levels and even under different ministries to quickly build up the skill base for particular sectors across a wide range of competency levels from basic skills provided through short-term training to vocational workers, technicians, technologists, engineers and applied scientists.

B. Sectoral and Institutional Context of the Program

16. **The system that provides low-, middle- and high-skilled graduates needed to support the growth of key industries comprises short-term, and alternative training, vocational and higher education, as well as firm-based training.** These levels of education build on foundational cognitive and behavioral skills instilled by 2 years of pre-primary education, 7 years of primary education, 4 years of junior secondary education (O-levels). Students graduating from junior secondary may progress to a further 2 years of senior secondary education (A-levels) or enter vocational or technical training institutions. At the post-secondary levels, students may enroll in technical colleges or universities. Non-formal education is comprised of adult education for those over 19 years old, and second chance and remedial education programs targeted to those school-aged children not in the formal system. Non-formal education is delivered both within and outside of formal public education institutions, and through a network of Folk Colleges whose mission is to provide community-based vocational, foundational and livelihoods training.

17. **There are 174 public vocational centers, 198 public technical colleges regulated by NACTE, and 10 public universities and university colleges regulated by TCU.** These enrolled 102,217; 85,040 and 106,463 students, respectively, in 2010/11.²⁰ Overall policy for and oversight of these institutions is carried out by MoEVT, while registration, monitoring and quality assurance, as well as oversight of program and curriculum development are delegated to dedicated regulatory bodies such as VETA (for vocational education), NACTE (for technical education) and TCU (for universities).

18. **There are a large number of public colleges that are run by ministries and agencies other than MoEVT, and a growing number of private providers at all levels.** For example, the Tanzania Ports Authority runs Bandari College, which provides technical-level training in occupations required for port operations, and the Ministry of Natural Resources and Tourism runs the National College of Tourism. With respect to higher education, strategic partnerships with private universities are a major component of the government's plans for increasing access, quality and relevance of higher education, notably through the creation of higher education hubs that link education/ skills outputs to clusters of regional economic activities (the first being considered is in Arusha, anchored by major investments in Nelson Mandela – African Institute of Science and Technology (NM-AIST) and Aga Khan University (AKU)).

19. **Firms are also a source of training in Tanzania.** The 2013 Enterprise Survey showed

²⁰ MoEVT, Situation Analysis Report for the TVET Development Program, 2013.

that just over 30 percent of firms provided training to some employees. 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.²¹ 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. To finance public training and encourage firms to train, the government requires that employers pay a Skills Development Levy (SDL) of 5 percent on emoluments. While the SDL supports training at the vocational level by providing budget support to VETA, at the university level student financing is supported through the higher education student loans scheme, and firm-based training through a reimbursement scheme for employer expenditure on training.

C. Key Institutional and System-level Challenges

20. **Across these multiple pathways for skills development, there are critical challenges that need to be addressed to ensure that the system is capable of delivering the skills employers need to grow and diversify, and that Tanzanians need to secure a productive job.** These challenges exist on both the institutional and system level. At the institution level, challenges exist with respect to: (i) expanding access, (ii) improving the quality of education and training; and (iii) ensuring the relevance of programs to dynamic labor markets.

21. **A drastic expansion in access to vocational, technical and university level education of adequate quality is needed to supply the requisite number of medium and highly skilled workers to key industries.** According to VETA, for the 2013/14 academic year all public and private vocational education and training institutions had a capacity to produce 141,700 students, of which just over half of the places were for standard length programs while the rest were for short courses. Graduates from diploma-level courses and above totaled 32,788 students in 2012,²² accounting for a small proportion of the estimated one million new labor market entrants each year. Graduates at the post-graduate level who possess the skills needed for research and innovation in key sectors are scarce. The requisite number of appropriately skilled individuals needed by key sectors 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 preparatory study on the tourism industry²³ 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 expected to double from almost 500,000 today to over a million by 2025. Tourism providers cite several obstacles to expansion of quality training including capital constraints (94 percent of those surveyed); a lack of standard curricula (50 percent); limited employment opportunities for graduates (44 percent); and a shortage of qualified competent teachers (38 percent). For students, the cost of applying to and attending

²¹ Enterprise Survey, 2013. Investment Climate Assessment, 2009.

²² Final Report of the TELMO Study, 2014.

²³ This is one of the core studies commissioned to support preparation of the Implementation Plan for the ESPJ Program. A draft report is available for the tourism sector. Reports for the sectors of agri-business/agro-processing, construction and transport and logistics are underway and results from these studies will be incorporated as they become available.

programs can also be prohibitive.²⁴

22. **The quality of skills imparted through vocational, technical and university level education is low, posing problems for graduates' readiness for the world of work.** A 2013 survey of 264 firms done by the World Bank indicated that 79 percent claimed that there was a skills shortage in Tanzania, of which 57 percent felt the low quality of educational institutions to be the primary reason.²⁵ The survey revealed that employers are not just seeking technical skills; firms across all sectors most frequently rated behavioral skills and numeracy as the hardest to find. Issues with quality of training cited by employers in the tourism industry, for example, include a lack of accountability in public institutions for results; a heavy reliance on traditional input-based public financing that does not incentivize quality; faculty who are not skilled or who have not worked in industry; and lack of workplace training for students.

23. **The relevance of skills imparted through vocational, technical and university level education does not consistently match key industries' needs.** For example, a VETA survey of employers who had hired TVET graduates found that 75 percent of employers were not satisfied with the practical skills imparted.²⁶ Similarly, a study on the tourism done to support implementation of the government's ESPJ Program found that employees often possessed the requisite paper credentials for employment, but that they nonetheless the skills necessary to perform their job functions. Oftentimes graduates obtain generalist skills that require significant additional training on the part of employers to prepare them for job tasks. Keeping pace with rapidly shifting labor market demand, both through the introduction and revision of programs and providing adequate professional development for instructors is a challenge, as is anticipating and proactively addressing emerging skills gaps in key growth areas or in ASET skills. A substantial role of the private sector is essential in keeping occupational and training standards, programs and curricula up-to-date as well as in supporting instructor training and exposure to the working environment in firms.

24. **While improving vocational, technical and university level of education is critical, also important is promoting access, quality and relevance of alternative approaches to training including short-cycle training, traditional apprenticeships, and firm-based training.** At all levels, the key challenge for the government is to offer multiple, flexible pathways for building skills for school completers as well as for those who fail to complete secondary and primary levels so they can build their competencies and skills relevant to the growing sectors of the economy. Employers are an important source of training, both through informal on-the-job training and formal internships and apprenticeships. For instance, 57 percent of employers in the tourism sector surveyed host at least one intern a year. Far more employees hired and trained in necessary technical on-the-job, due both to a lack of employer confidence in the formal training system and employer preference for training existing employees in-house. However, this training is not consistently of high quality, and trainees are not able to formally

²⁴ Though recent reforms to the higher education student loan scheme and the central admission system may well serve to improve access to higher education. For instance, implementing the central admission system is reported to have removed the need for applicants to travel to universities and pay a separate application fee each time, reducing the total cost of application by more than 10 times in some instances.

²⁵ Sabarwal, Improving teacher/training effectiveness presentation, 2015.

²⁶ VETA, Report on the Labour Market Survey for TVET in Tanzania, 2012.

document newly acquired skills. An important challenge given the insufficient supply of medium-skilled workers (e.g. technician level) and the high number of low-skilled workers, is to promote measure to facilitate skills upgrading on the part of providers and firms to help address these issues in a timely and market-relevant way.

25. In order to increase the quality and relevance of TVET, university education and alternative training approaches, important cross-cutting system level issues also need to be addressed. These include: (i) improving information systems for monitoring and forecasting, (ii) strengthening the capacity of regulatory bodies, and (iii) facilitating robust partnerships with the private sector for delivering and governing education and training.

26. With respect to information systems, present system capacity for measuring provider and system outputs and for forecasting future labor market demand is low. The use of information for monitoring and forecasting are two of the weakest system functions examined by the Systems Approach for Better Education Results (SABER)-Workforce Development study commissioned to support program preparation.²⁷ Labor market and provider-level data are collected in Tanzania by the Ministry of Labor and Employment, VETA, and providers themselves, among others. A challenge lies in establishing more regular and comprehensive collection and integrating these in a way that make the data readily available for use in system analysis, managing of providers, and enabling individuals to make informed decisions about obtaining education and training.

27. Strengthening the ability of the regulatory bodies VETA, NACTE and TCU is crucial to improving the quality and relevance of training delivered by providers under these agencies. These agencies face considerable burden in registering, quality assuring and designing curriculum and programs for providers within their levels of responsibility. While the World Bank financed Science and Technology Higher Education Project (STHEP) provided support to NACTE and TCU, further strengthening the capacity of these institutions, as well as VETA, is critical. Areas of capacity building challenges include improving the market-responsiveness of programs, coordination for harmonizing and expanding certification and qualification regimes, quality assurance including through benchmarking with international standards as well as capacity to productively seek input from and partnerships with employers.

28. Involving the private sector in training delivery and oversight is critical to ensure that these important stakeholders can play a proactive role developing high quality, market relevant skills. Governance structures at the macro, sectoral and institutional levels do not adequately involve employers. At the level of service delivery, public-private partnerships between training providers and employers exist, but are most often formed on an ad hoc basis and usually are limited to larger, formal firms, which make up a small percentage of total Tanzanian businesses.²⁸ The existence of a Skills Development Levy (SDL) on employers' wage

²⁷ Mwaduma, SABER-WfD Country Report for Tanzania, forthcoming. Results reveal that although there are 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 understanding present or future skills demand in the economy. Similarly, with respect to monitoring system performance, the detail and completeness of reporting by providers is at a level where only a cursory system level analysis would be possible.

²⁸ Mwaduma, SABER-WfD Tanzania Country Report, forthcoming.

bills provides a mechanism for leveraging resources from employers, incentivizing partnerships and promoting a demand-responsive training system. However, many employers report that they receive no benefits from this levy. The SDL needs to be designed in such a way that employers are capable of exercising oversight of how this money is spent. This was one of the key challenges identified by the Business Environment Lab, which was conducted last year. One major obstacle to ensuring robust employer input for system governance is that many employers do not have the time or manpower to effectively interact with regulators and providers. Employer association can serve as an important aggregator of employer voice, and where these associations exist there is need to strengthen their role in ensuring the relevance of the system. In addition to employer contributions to training delivery and governance, there are limited but promising instances of linking public research institutions to SMEs to support the emergence of production clusters, facilitate linking to local and international value chains, and incubating promising new businesses through providing R&D, business training and supporting services such as finance.²⁹

THE GOVERNMENT'S STRATEGIC DIRECTION FOR SKILLS

29. **The overarching Government Policy Framework on Education and Skills is the Education and Training Policy (ETP) approved in 2015, which sets the strategic direction for skills development.** Key pillars of the government's policy framework on education and skills include: (i) expansion of access to education and training opportunities to increase the supply of workforce skills; (ii) improving the relevance of training to labor market needs by aligning programs to emerging demand and economic development strategy; (iii) improving the employment outcomes of TVET and university graduates by ensuring program quality through improving the quality of instructors, infrastructure and other inputs; (iv) developing science and technology competencies at higher levels of skill, including through establishing knowledge hubs and centers of excellence at universities, and (v) providing access to literacy, life skills and vocational training through short-term and alternative training for the unemployed or underemployed, as well as through on-the-job skills upgrading. With respect to system-level governance, the policy framework stresses the need for: (i) effective reporting, monitoring and evaluation arrangements; (ii) integrating various levels of education into a unified qualifications framework; (iii) improved quality assurance arrangements; and (iv) adequate and efficient funding aligned with the goals of promoting quality and relevance.

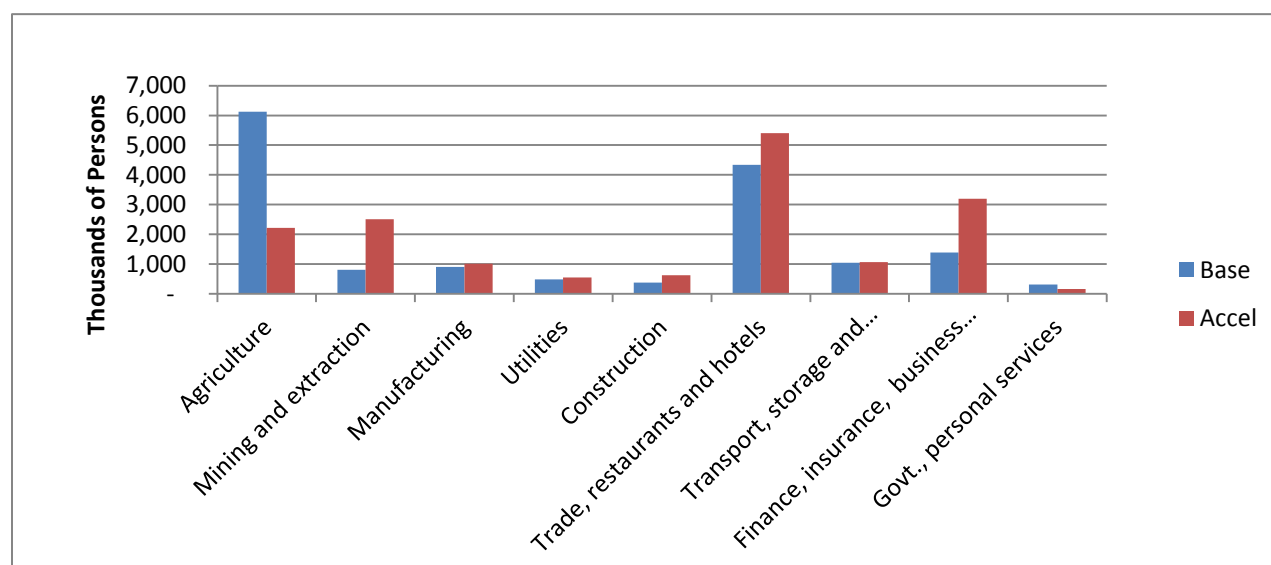
30. **This policy framework on education and skills is being operationalized through the Education and Skills for Productive Jobs (ESPJ) program, which focuses on skills for particular growth sectors.** An input for the program was the government's Big Results Now Lab on the Business Environment in 2014, which targeted constraints in labor regulations and skills. The Business Environment Lab covered some aspects of and interventions for technical and vocational level education and training, notably promotion of soft skills (work ethic and attitude), strengthening quality through accreditation of training institutions and training program for TVET instructors as well as reform of the SDL.

31. **The Education and Skills for Productive Jobs (ESPJ) Program takes a sector-**

²⁹ For an example of one such organization focused on the agribusiness/agro-processing sector that is linked to Sokoine University of Agriculture, see: <http://sugeco.org/preview/objectives-of-sugeco/>.

focused approach to rapidly building skills for the priority sectors of tourism and hospitality, agribusiness/-processing, transport and logistics, and construction. These sectors together accounted for 27 percent of GDP in 2010 and employ approximately one quarter to one half of the non-agricultural workforce. They also show promise for making a growing contribution to GDP and employment, and are projected to add over 1.5 million new jobs between 2015 and 2030 (see Figure 3). The selection of these sectors is based on prior sector work that supported the creation of MKUKUTA II and the World Bank 2014 Country Economic Memorandum, as well as joint discussions among key stakeholders from the private sector, training institutions and other line ministries, and the Ministry of Education and Vocational Training (MoEVT).

Figure 3: Projected Increase in Jobs by Industry 2012-2030³⁰

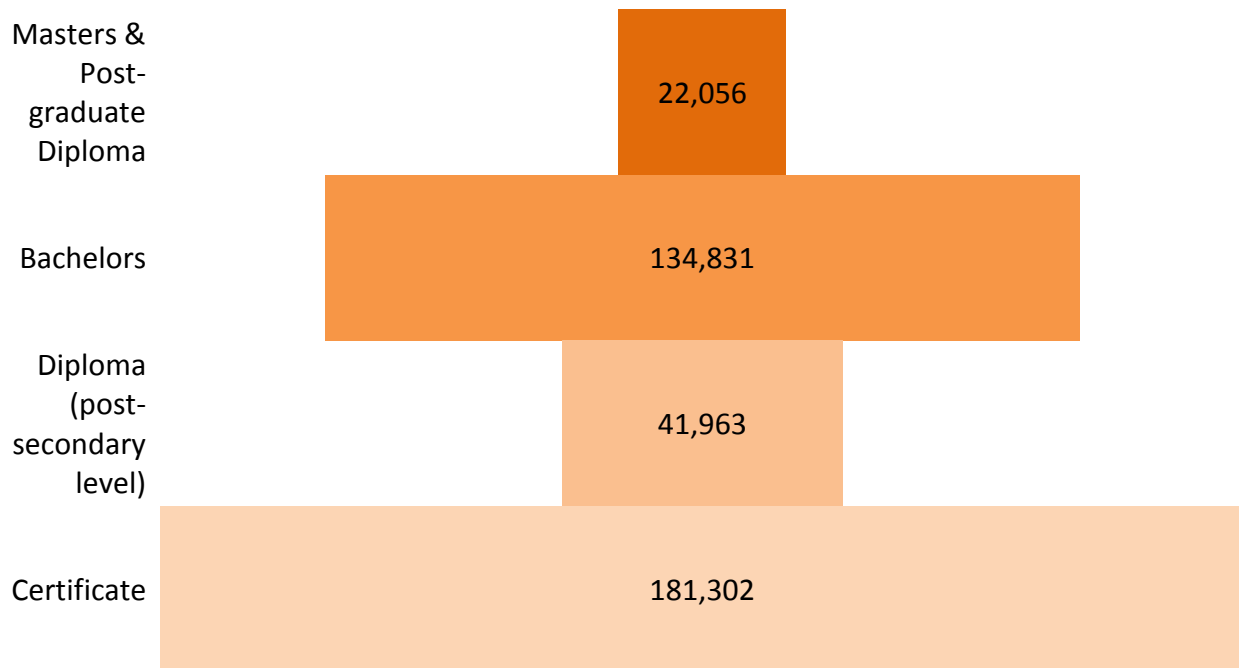


32. **A wide range of occupations exists within these sectors and employment is typically structured like a pyramid.** In Tanzania, as mentioned earlier, the supply of workers for occupations at the top of the pyramid (specialized occupations requiring higher levels skills) is very narrow and needs to be enlarged (see Figure 4). Moreover, in order to enhance productivity, skills of employees (both new entrants and those in service) need to be upgraded in all occupations.

Figure 4: Current Enrolment by Level



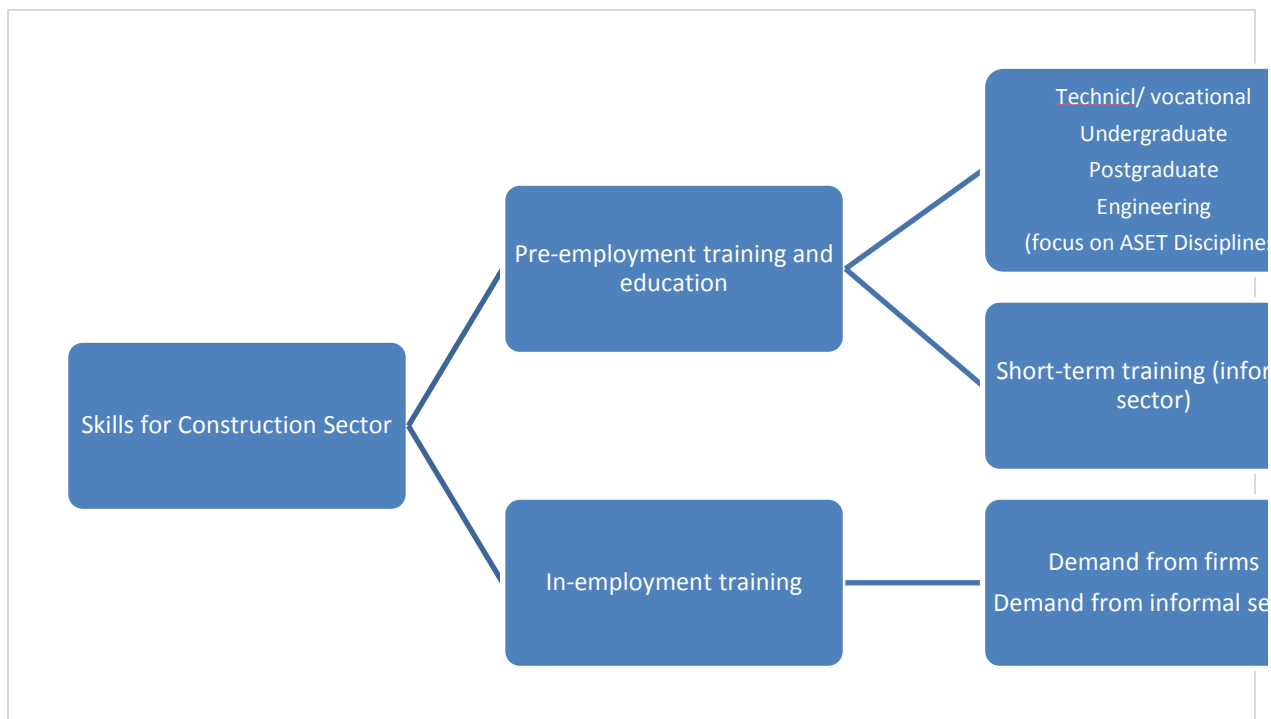
³⁰ Agripocessing makes up approximately about 65 percent of total manufacturing. Tourism and Hospitality constitutes about 10 percent of trade restaurants and hotels.



33. **The Education and Skills for Productive Jobs (ESPJ) Program covers the entire continuum of skills within selected economic sectors.** It is intended to allow a variety of institutions at different levels and even under different ministries to quickly build up the skill base for particular sectors across a wide range of competency levels. The Program encompasses pre-employment training and education to in-service training. Training and education programs will therefore cover (i) short-duration pre-employment and in-service programs for a broad spectrum of occupations (including apprenticeships, training by firms, etc.) and (ii) longer-duration courses, especially those focused on Applied Sciences, Engineering and Technology (ASET) targeting more specialized, technical, professional and scientific occupations. A variety of training and education providers are covered by the program, including providers of short-term courses, technical/vocational institutions and universities.³¹

Figure 5: Forms of Training Serving the Continuum of Skills in the Construction Sector

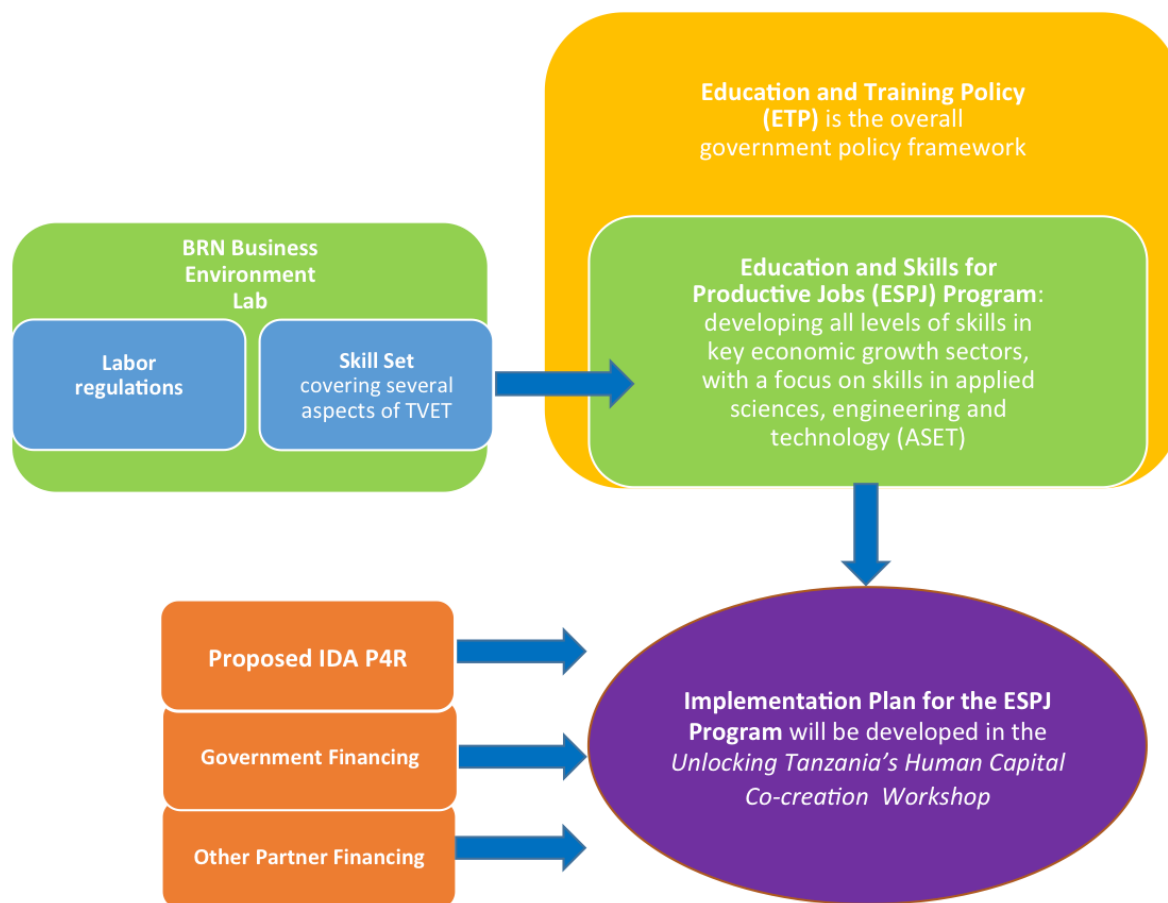
³¹ MoEVT is preparing a plan specifically to develop clusters of ASET programs and institutions, serving the growth sectors, from the vocational and technical level to the post-graduate level, given the dearth of technical/scientific expertise in Tanzania. Tanzania is participating in the regional Partnership for Skills in Applied Sciences, Engineering and Technology (PASET) initiative and an ASET Plan is being developed according to a standard template and based on a set of core diagnostic studies.



34. **In addition to supporting the expanded provision of higher quality training and education for the growth sectors, the ESPJ also supports the system level mechanisms that are required to improve access, quality and relevance.** The system-level measures will target strengthening of information systems on skills demand and supply; strengthening regulatory bodies; ensuring sustainable financing of training and education and enhancing the private sector engagement in training program development, quality assurance and delivery.

35. **The Government plans to hold a workshop to prepare a more detailed Implementation Plan for the ESPJ Program.** Called the *Unlocking Tanzania's Human Capital Co-creation Workshop*, this activity will involve multiple key stakeholders to prepare a detailed and costed Implementation Plan for the EPSJ. During this process, the expenditure on the program will also be delineated.

Figure 6: ESPJ Program operationalizes the government's Policy Framework on Education and Skills and will be implemented according to a detailed Implementation Plan



D. Relationship to CAS

36. The proposed IDA P4R supports several pillars of the World Bank’s Country Assistance Strategy (CAS) 2010-2015. More specifically, it will contribute to the third CAS pillar of *Strengthening Human Capital and Safety Nets* and within this pillar, support both aspects *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 proposed IDA P4R 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, respectively.

E. Rationale for Bank Engagement and Choice of Financing Instrument

37. The focus on impact and accountability for results in the government Skills Program lends itself well to financing through the use of the Program for Results instrument. The P4R presents several design and implementation advantages over alternative instruments. These advantages include (i) supporting the government to engender a ‘results-oriented’ program and implementation culture to improve the quality and relevance of skills to

key industries; (ii) leveraging and strengthening existing government systems, including public financial management, social and environmental systems management, and procurement management; and (iii) aligning incentives along different levels of the service delivery chain across multiple ministries and agencies.

38. **The proposed IDA P4R builds on a track record of recent collaboration between the Government of Tanzania and the World Bank on results-based financing, including on Big Results Now in Education program being financed in part through a P4R instrument.** Use of the P4R aligns with the desire of the government to leverage this mechanism to amplify its own efforts to strengthen technical and institutional capacity. Given its wide experience with results-based financing in social sectors, the Bank is also seen as a credible partner that can help institutionalize results-based development culture with the use of the new P4R instrument. The World Bank has issued a strong endorsement of this instrument and its use in education, recently committing to double to US\$5 billion results-based financing in the sector over the next five years.³²

II. Program Development Objective(s)

A. Program Development Objective(s)

39. The **Program's Development Objective** is to increase the number, quality, and relevance of graduates from vocational and technical, short term, and university-level training programs serving selected economic growth sectors.

B. Key Program Results

40. **The six proposed PDO indicators were selected based on the following "SMART" principle:** (i) Specific; (ii) (easily) Measurable; (ii) Attainable; (iv) Relevant; and (v) Time bound, as well as using existing data sources as much as possible. The following preliminary PDO indicators are a combination of outcome and output indicators, covering the core Program interventions:

- Number of beneficiaries: Increase in number of enrolled students in short-term, TVET and university-level programs in selected economic sectors (of which % female)³³
- Percentage of graduates³⁴ of training programs³⁵ in selected economic sectors (of which % female)
- Percentage of graduates of short term training programs in selected economic sectors (self-) employed within 1 year of graduation
- Percentage of employers' satisfied with performance of graduates of short-term, TVET, and

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.

³³ This would be defined as additional enrolled students in existing training programs (compared to baseline) and total enrolment in newly established training programs.

³⁴ Number of graduates in relation to number of students enrolled in the program.

³⁵ This includes technical and vocational training, short term skills development, and university-level programs.

university-level programs in selected economic sectors

- Percentage of training programs achieving full accreditation in selected economic sectors
- PDO Indicator on high level skills (tbd, such as increase in number of PhDs in key economic growth sectors)

III. Program Description

A. Description

PROPOSED ESPJ PROGRAM ACTIVITIES

41. **The ESPJ will include activities to improve access, quality and relevance of education and training programs as well as strengthen the capacity for data collection and monitoring and system governance.** The ESPJ program will finance activities at (i) the service delivery level through a Flexible Financing Facility (to promote access, quality and relevance in selected economic sectors at all levels of skills), and (ii) the system level.

PROGRAM ACTIVITIES TO IMPROVE ACCESS, QUALITY AND RELEVANCE OF ALL LEVELS OF SKILL FOR SELECTED ECONOMIC SECTORS

42. **The ESPJ will seek to improve education and training capacity in key sectors through a focus on improving access to and the quality and relevance of training programs.** Within the key sectors identified above it will seek to fund interventions that promise to meet pressing emerging skills gaps, regardless of level of skill, through a focus on expanding the capacity of programs and breadth of program offerings, enhancing linkages with the private sector for improving program relevance and supporting training delivery, as well as improving the quality and relevance of programs through curriculum revision, instructor professional development and building in incentives for quality and relevance through governance and funding arrangements.

43. **The Flexible Financing Facility (FFF) will be the key implementation modality for the increasing access quality and relevance of training programs at the training provider level.** The FFF will be performance-based competitive grants, under STHEP-AF, will provide a mechanism for expanding and improving the quality and relevance of delivery that will strengthen links with the private sector and incentivize results at the provider level. The proposed ESPJ program will extend the scope of the FFF, which is in the process of being piloted.

44. **For this purpose, the FFF will consist of three different windows, focused on (i) higher education, (ii) TVET and (iii) short-term training/firm-based training/apprenticeships.** Windows under the FFF will support all levels of skill in selected growth sectors, and will leverage proposed IDA P4R funds to strengthen links with the private sector, stimulate demand for training, increase focus on ASET skills, encourage cost-sharing among firms and providers in selected sectors, and incentivize results at the provider level.

45. **The FFF would consider proposals submitted on a self-selection basis, by firms, employer association, or registered education and training providers or a department within one in response to a request for proposals.** Applicants will have to present feasible, cost-effective proposals that illustrates their intent for collaboration with private enterprises or

registered education or training provider, a strategic agenda focusing on planned outcomes related to economic growth or improved productivity in key growth sectors, and a sound financial framework. Appraisal of programs will be based on a specific set of criteria such as (i) registration status of the education or training provider applying; (ii) provision of baseline administrative data using a standardized template; (iii) the availability of matching funds from the applicant firms/associations; (iv) potential impact in terms of numbers trained and improvement of access, quality, and/or relevance of education and training in selected economic sectors; and (iv) alignment to a demonstrated skills gap within a selected economic sector. Evaluation of applications will be based on internationally recognized best practice from peer reviewers' inputs.

46. **The FFF application process will include activities to promote awareness of the program to potential beneficiary institutions and firms as well as capacity building for applicants to ensure quality of applications.** These activities will provide support in assessing labor market needs, forming partnerships with other institutions and technical support on application procedures and content to increase access to FFF to as wide a set of potential beneficiaries as possible.

47. **These different windows under the FFF will support skills training in line with the overall goal of improving access, quality and relevance of training such as:** (i) Expansion and improvement of existing TVET and higher education programs; (ii) setting up of new TVET and higher education programs to address identified skills gaps; (iii) Short-term training to improve employment outcomes for unemployed/underemployed; (iv) Apprenticeships; (v) Partnerships between employers and training providers, for example for develop or revise courses or standards, or to facilitate technology transfer/adoption.

48. **Window 1 will focus on public and private higher education institutions registered with TCU and allocate funds based on two separate priority streams:** (i) Meeting higher-level skills development needs of key growth sectors and (ii) promoting the creation/strengthening of centers of excellence in key science and technology fields with the goal of creating sufficient numbers of qualified researchers able to contribute to innovation and technology diffusion. Proposals under priority stream (i) will fund activities meant to increase access, quality and/or relevance of education provided by public or private institutions involving collaboration with either firms or associations of firms. Either providers or firms will be expected to take the lead in defining program scope, content and delivery arrangements, as well as strong rationale for how education and training satisfies a substantial market need and/or supports innovation and technological diffusion in key growth industries.

49. **Proposals under priority stream (ii) will be expected to align with on-going government efforts to create world-class regional higher education institutions that attract talented faculty and students from across the region under the ACE II project.** They will thus be evaluated against their capacity to increase the supply of research and high-level technical skills in key growth sectors for innovation as well as to link these skills to existing research and business activities, for example through advisory/incubator/extension services.

50. **Activities under this stream will, among other objectives, serve to reinforce the government's efforts to create a higher education hub in Arusha as pilot.** This higher

education hub concept is based on the experience of other countries such as India and the USA that proximity of high quality academic institutions, research facilities and growing industries/services would promote collaboration, innovation, investment and employment. A higher education hub in Arusha would be anchored by public and private investments in two institutions with significant potential, Nelson Mandela-African Institute of Science and Technology (NM-AIST) at the graduate and post-graduate level, and establishing a campus of Aga Khan University (AKU) to provide high quality undergraduate level education. Up to US\$5 million of the proposed IDA P4R funding disbursed through this window could be used to unlock additional regional IDA financing made available under the African Regional Centers of Excellence (ACE II)³⁶ project to strengthen these institutions in line with the ESPJ program development objective.

51. **Window 2 will focus on activities to improve access, quality and/or relevance of vocational and technical education institutions registered with VETA and NACTE.** Funding will focus on middle-level skills development provided by public and private training institutions in collaboration either formal sector firms or associations of firms. Firms will be expected to take the lead in defining program scope, content and delivery arrangements and provide some measure of matching funds, to be further specified during program development. Evaluation criteria will include alignment to a demonstrated market need, arrangements for firm-based training, apprenticeship/internship arrangements or practical workplace exposure as a component of the program, as well as a plan for ensuring program sustainability at the end of ESPJ program financing.

52. **Window 3 will focus on activities to improve access, quality and relevance of short-term training programs based in training institutions or firms as well as short-term industry placements or apprenticeships in key growth sectors.** Funding will focus on providing basic skills for employment in key growth sectors, either through wage employment or through self-employment in the formal or informal sector. It would target unemployed or underemployed individuals, employee beneficiary of firm-based training and those engaged in apprenticeship programs, as well as support self-employed individuals to facilitate their transition into more productive opportunities. Training will be delivered either in registered training providers or through quality assured programs delivered at employers themselves. Either training providers or firms will take the lead, but a clear plan for collaboration between employers and providers would be expected in either case. In the case that applicant or targeted beneficiaries are self-employed or SMEs, it is expected that an intermediary organization (either an industry association or CSO) may apply on behalf of beneficiary SMEs/entrepreneurs.

ESPJ PROGRAM ACTIVITIES TO IMPROVE THE SYSTEM-LEVEL GOVERNANCE ENVIRONMENT FOR SKILLS

53. **At the system level, program activities are selected strategically to enhance the capacity of the government to monitor, quality assure and improve the education and**

³⁶ACE II supports the (i) promotion of regional collaboration and specialization among participating universities, especially in agriculture, science and technology, and (ii) capacity strengthening of these universities in high quality training and applied research.

training system. They include improving information systems for monitoring and forecasting, strengthening the capacity of regulatory bodies for data reporting and management, quality assurance and broadening access to disadvantaged and out-of-school groups, as well as promoting robust engagement of private sector firms and associations to take part in overseeing, financing and delivering education and training.

54. **Support to develop integrated reporting and management information systems.** This component aims at improving management of the skills supply system by strengthening the capacity of MoEVT to collect, consolidate and use on-time data on service delivery for planning and monitoring, including monitoring ESPJ program activities. The program will finance data collection and analysis, technical assistance, studies, computers, servers, software and informatics infrastructure to strengthen existing mechanisms. The program will also support training institutions receiving program funds to develop systems to track post-training employment of their graduates for the purposes of monitoring program activities.

55. **Support for tracer studies.** The program would fund a tracer study to assess the outcomes of workforce training programs financed under the FFF. Employment outcomes for students in programs funded under Windows 2 and 3 would be assessed 12 months after they receive training, while both employers and employees will be surveyed on the impact of training on productivity for firm employees in need of training. Compared with baseline data at the beginning of participation, the data collected through the tracer study will allow the program to observe short-term impact of the training on employment outcomes and productivity. Building the government's capacity to collect and analyze this data will require capacity building and is expected to build sustainability of the program.

56. **Support to regulatory bodies.** The program would provide support for strategic planning, institutional and resource management, data collection and management industrial partnerships and post-training services for VETA, NACTE, and TCU. An important component of this activity would strengthen on-going efforts to ensure students' seamless transition between VETA, NACTE and TCU institutions as they progress to higher levels of skill through continued operationalization of a unified national qualifications framework. To ensure that informal learning and work-based training are recognized for employment and admission to further education and training, current pilots to introduce an assessment system for recognition of prior learning would be evaluated and revised/expanded.

57. **Creation of 'one-stop-shop' to facilitate public-private partnerships in service delivery.** This one stop shop will provide a single entry point within the government for businesses and business associations seeking to partner with registered providers in delivering training, providing industry exposure to students, providing feedback and resources for program content, and supplying equipment and materials. This one-stop-shop would act as an aggregator of industry interest in partnerships, provide referral services and provide technical assistance to businesses and providers on determining and formalizing partnerships and financing arrangements.

58. **Promoting public-private partnerships for institution level governance.** The program would encourage industry presence in training provider boards and support existing industry

associations whose membership includes firms from key economic sectors, through a competitive bidding process, to anchor Sector Skills Councils to formalize public/private cooperation in defining and revising occupational and competency standards. Councils would be composed of private sector firms, training providers, labor, ministries and relevant regulatory agencies for the purposes of developing high quality occupational standards for priority occupations within selected key industries. Councils would be comprised of a strong employer majority and consist of 7-15 members each. They would carry out the following functions: (i) identifying and prioritizing skill requirements in the economic sector; (ii) development of industry skills strategies and training plans to achieve priority goals; (iii) establishing occupational and competency standards for key occupations; (iv) pilot the use of developed standards for curricula revision in partnership with the relevant regulatory body and training providers; (v) facilitation industry membership on training institution boards; and (vi) promoting enterprise based training for students and instructors in the sector.

IV. Initial Environmental and Social Screening

59. In accordance with the P4R guidelines, the World Bank will undertake an environmental and social systems assessment (ESSA), which will be consulted on with key stakeholders and made publicly available prior to appraisal. This will include an assessment of existing policies and regulations, institutional capacity and effectiveness of implementation, and demonstrated record. It is expected that the ESSA will result in an action plan to strengthen institutional capacity to minimize identified environmental and social risks to the program. A similar assessment was undertaken for the BRNed and its implementation experience will further support the findings and recommendations of the ESSA for this program.

V. Tentative financing

Source:	(\$m.)
Borrower/Recipient	TBD
IBRD	
IDA	120.0
Others (specify)	
	Total 120.0

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