

## SECTOR ASSESSMENT (SUMMARY): SKILLS DEVELOPMENT

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. The economy of Bangladesh is growing steadily and benefiting from reforms and increasing openness. Annual growth in the gross domestic product (GDP) accelerated from an average 4.0% during fiscal year (FY)1973–1978 to 6.3% in FY2006–10.<sup>1</sup> The country's literacy rate has improved since 1990. So has school enrollment, particularly of girls and women, although the dropout rate remains a concern. The population and the labor force are predominantly young, and more than one-third of both were in the 15–34 age group in 2010.<sup>2</sup> Bangladesh is well-placed to benefit from a demographic dividend up to 2050. This is due to a decline in fertility rates that can trigger faster rates of economic growth and human development, when combined with effective policies and markets. Scores of public and private training institutions are producing a skilled labor force, but they are doing so at a much slower rate than needed to meet the demand. The economy faces a shortage of skilled labor. Labor productivity, while inching up, remains very low.

2. Skills development at various qualification levels is delivered by 20 ministries in a fragmented way due to lack of coordination. The main public providers of technical vocational education and training (TVET) are the Department of Technical Education (DTE) under the Ministry of Education (MOE); the Bureau of Manpower, Employment, and Training (BMET) under the Ministry of Expatriates' Welfare and Overseas Employment; the Ministry of Industries; the Ministry of Youth and Sports; and the Ministry of Women and Children Affairs. The TVET system comprises short, 360-hour courses and three levels of formal TVET—the secondary school certificate (SSC), vocational (2 years); the higher secondary certificate, vocational (2 years); and diploma (4 years). Entrance to the diploma level in single-skill and polytechnic institutes is from both the general and vocational SSC level. The Bangladesh Technical Education Board, also under the MOE, is the apex body responsible for quality assurance through accreditation of training providers, curriculum development, and certification.

3. Every year about 500,000 students enroll in formal TVET programs. About 95% of total TVET institutions are private providers, and they account for about 75% of total enrollment. Vocational students make up only 2.8% of the total enrollment in secondary education. About 1,600 accredited private training institutions receive monthly payment orders from the government that covers 100% of basic teacher salaries. Nonetheless, only about 3% of the education budget goes to TVET. In addition, TVET institutions mainly target male students, and the minimum entry level requirement of Grade 8 education excludes the majority of youths and young adults. This means that a huge number of children who have dropped out before reaching that grade cannot pursue vocational education and are denied a chance to make a greater contribution to and reap better benefits from economic development.

4. The National Skill Development Council (NSDC), chaired by the prime minister and representing key ministries, formulated and got cabinet approval of the National Skill Development Policy (NSDP) in 2012.<sup>3</sup> The executive committee of the NSDC, with operational

<sup>1</sup> Planning Commission. 2011. *6th Five Year Plan FY2011–FY2015, Accelerating Growth and Reducing Poverty, Part 1*. Dhaka. (Table 1.1. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2008 ends on 30 June 2008. The fiscal year of the government of Bangladesh ends on 30 June.)

<sup>2</sup> Bangladesh Bureau of Statistics. 2011. *Report on Labor Force Survey 2010*. Dhaka. (Table 2.1)

<sup>3</sup> Ministry of Education. National Skill Development Policy, 2011. Dhaka, Bangladesh.

support from the NSDC secretariat, has made progress on (i) coordinating the annual skill development plans of all the ministries involved; (ii) facilitating the formation of an industry skills council for each priority sector, with a target of establishing 15 councils by 2015; and (iii) initiating related coordination activities, including sector monitoring. To build on these initiatives, substantially scale-up skills development and job placement, and address the mismatch between the demand for and supply of skills in the country, the government recognizes the need for a more effective institutional arrangement. This requires the creation of either a new ministry or an authority to enhance overall coordination of the skills development sector, establish and operationalize a national human resource development fund, and catalyze the involvement of the private sector. To help sustain and accelerate economic growth rate and transition to middle-income-country status, Bangladesh must fill several gaps in skills development:

- (i) **Gaps in educational attainment and training in the labor force.** Labor force growth of 2.81% during 1974–2011 was faster than population growth (1.86%) due to a rapidly expanding young population (the demographic dividend) and increased labor force participation. However, the labor force is mostly unskilled, and workers often have little or no education (40%). Only 22.8% workers have completed primary education school, and only 4.0% have vocational education.
- (ii) **Gaps in absorptive capacity.** New entrants to the labor force numbered 2 million in 2013, and that figure is projected to reach 4 million in 2025 (footnote 2). These new workers need training if Bangladesh is to grow its economy quickly and earnings are to rise.
- (iii) **Gaps in funding.** Assuming a cost of \$300 per trainee, an investment of \$600 million was needed in 2013 to train the 2 million new entrants. The actual estimated annual investment from public and private sources is about \$150 million, or enough to train only 500,000. The investment requirement will rise to \$1.2 billion in 2025 to train 4 million new workers per year.
- (iv) **Gaps in quality.** The quality and effectiveness of current training is hampered by (a) a lack of trained teachers due to low output by teacher training institutions, a lack of in-service training opportunities, and poor incentives; (b) about a 50% vacancy rate for teaching positions in public training institutions; (c) overemphasis on theory in teaching and testing rather than on practical instruction; (d) inadequate financing to maintain facilities, replace old equipment, and consumables and training materials for training; and (e) a need for government rules to delegate powers, particularly to public training institutions, to generate earnings, hire trainers and resource persons with industry experience, offer market responsive flexible courses, and enter into partnerships with employers and enterprises to make training relevant and place graduates in jobs.
- (v) **Gaps in market responsiveness.** Skills-gap analysis and tracer studies are rare, which leaves training providers without systematic records of job placements and a poor understanding of current and future labor market needs. This problem is compounded by too few public–private partnerships. The results are lost opportunities to make graduates job-ready.
- (vi) **Gaps in equitable access.** Geographical inequalities hamper balanced participation across the country. Training institutions are not located in industrial

clusters. Training centers in remote locations often have no practical exposure to industries. Women and disadvantaged groups are underrepresented.

5. **Opportunities.** There are four major opportunities for Bangladesh's TVET sector. First, Bangladesh can accelerate its current economic growth rate, which now averages more than 6% annually. Potential contributors to faster growth include the ready-made garment sector, leather products, and remittances, all of which are expected to grow rapidly. Providing skilled workers to high-growth industries will lead to high growth. Second, the country's young labor force is expected to expand during the 30 years, and this demographic opportunity needs to be converted into greater productive human resources, increased economic productivity, and higher incomes. Third, Bangladesh needs to make good use of the solid framework provided by the NSDP to transform skills development by enhancing coordination, increasing funding, engaging the private sector, and reducing demand–supply mismatches through public–private partnerships. Fourth, an excellent opportunity also exists to bring together the key stakeholders—the users, government, the private sector, and the country's development partners—to pool resources through a sector-wide approach.

## 2. Government's Sector Strategy

6. The major developments in TVET in the past five years include (i) formation of the NSDC and its executive committee, (ii) establishment of the NSDC secretariat, (iii) approval of the NSDP, and (iv) formation of a cabinet committee on skills development headed by the finance minister. The government aims to achieve middle-income status and decrease poverty rate into half by 2021. Its 2010 education policy calls for a massive expansion of TVET by adding pre-vocational and vocational education to secondary school education.<sup>4</sup> The NSDP advocates a flexible, demand orientation for skills development and spells out the role of industries in achieving this including training in the workplace.

7. The NSDP provides a good framework to prepare Bangladesh for transition from what it calls a “low skills, low productivity and low wage equilibrium” to a “high skill, high productivity and high wage” virtuous cycle by expanding the frontiers of growth with strategic investments in human resource development. The NSDP emphasizes (i) establishing a national human resource development fund (NHRDF) to sustainably finance the scaling-up of quality skills development to meet current and future labor market needs; (ii) strengthening coordination between key institutions involved in skills development by building on the initiatives of the NSDC; (iii) establishing a robust quality assurance framework through a partnership between the Bangladesh Technical Education Board and Industry Skills Councils; (iv) catalyzing the private sector on a large-scale and promoting public–private partnerships to make the skills development programs much more responsive; (v) targeting disadvantaged groups by various mechanisms; and (vi) enhancing sector-wide monitoring by NSDC.

8. To operationalize the NSDP, the Ministry of Finance (MOF), including its economic relations and finance divisions, have organized several high-level stakeholder meetings to seek views on establishing the proposed NHRDF and to explore the establishment of a new ministry or a skills authority. Consensus has been achieved on the establishment of an NHRDF by 2015 under the leadership of the MOF's finance division. The establishment of a new ministry or a skills authority requires further discussions and collaboration between key stakeholders.

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<sup>4</sup> Ministry of Education. National Education Policy, 2010. 2010. Dhaka, Bangladesh.

### 3. ADB Sector Experience and Assistance Program

9. The Asian Development Bank (ADB) is taking a market responsive approach by emphasizing public–private partnerships as the foundation for successful skills development programs. ADB’s approach in Bangladesh draws on the NSDP and lessons learned. The road map indicates how Bangladesh can address skills development, which is the third binding constraint on the economy, after transport and energy. ADB’s approach is also informed by the lessons learned from ADB’s support to other similar projects in Bangladesh and the region and from new analyses and global initiatives to revitalize skills development.

10. Lessons from Bangladesh’s ongoing Skills Development Project include: (i) The design of a new project should be aligned with the existing policy environment and institutional arrangements already agreed at the highest level. (ii) Reforms and implementation should be based on targeted technical assistance, preferably twinning with high quality institutions to support capacity building. (iii) The commitment of the private sector should be confirmed at the outset, along with the roles and responsibilities of the public agencies. Advance preparatory action is needed to avoid start-up delays. (iv) Given persistent past delays in procurement activities, practical options should be explored to engage training providers to minimize such delays. (v) Given that several development partners have an interest in skills development, it is crucial that ADB support the government in facilitating collaboration that leads to a sector-wide approach. (vi) A strong project management unit with the necessary expertise should be established early on to minimize start-up delays.<sup>5</sup>

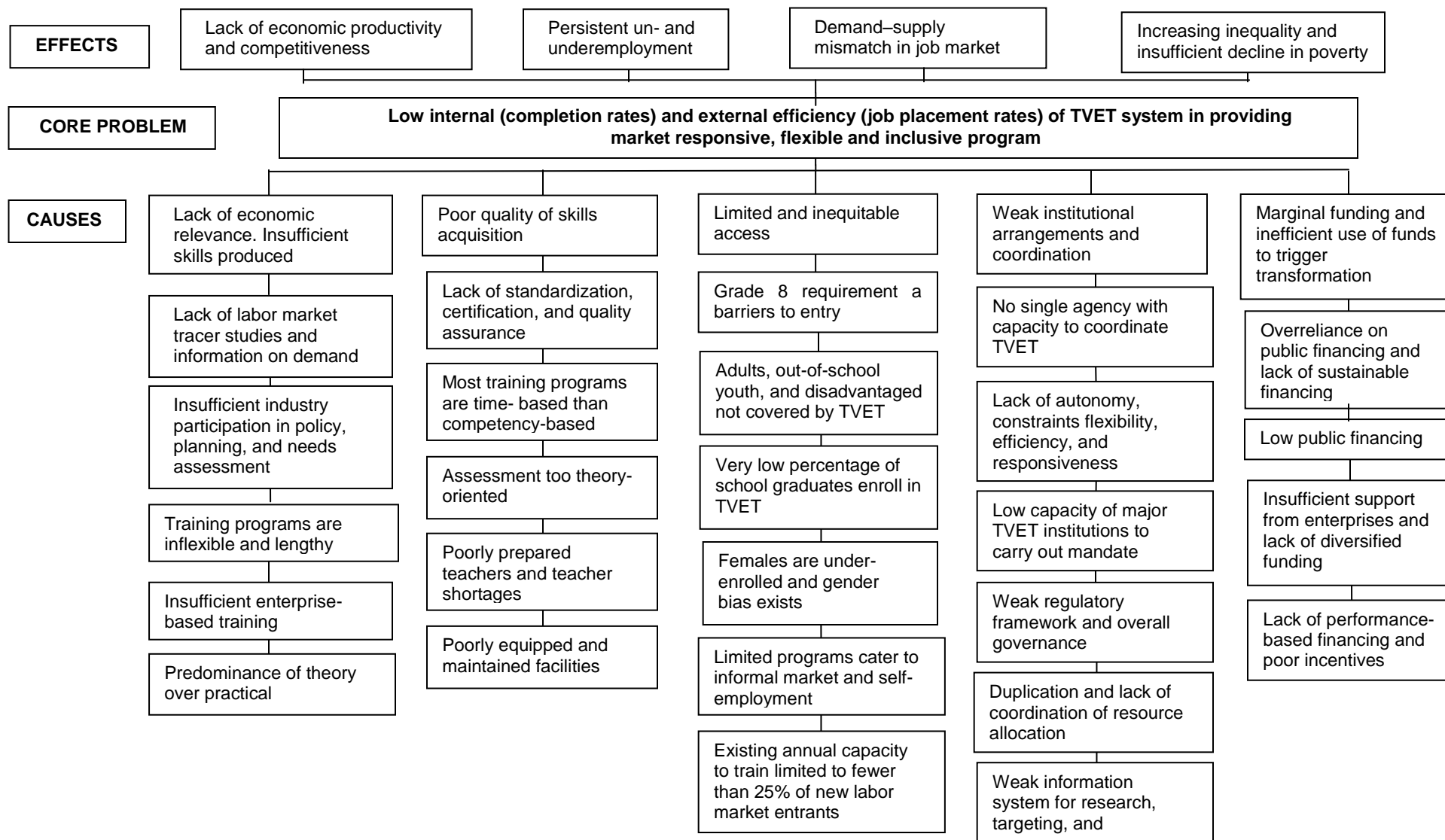
11. Lessons from the completed TVET projects in Nepal and Sri Lanka include the following: (i) The success of public–private partnerships will depend on selection of the most experienced and qualified training institutions through performance-based contracts that emphasize jobs. (ii) Explicit targets for the disadvantaged are needed to ensure the participation of disadvantaged groups. (iii) Planning for procurement and the packaging of contracts need to be thought out carefully. (iv) Project design should ensure the full participation of key stakeholders and the strong leadership and ownership of the executing agency. (v) Adequate time must be allowed for any major reforms. (vi) Study tours and international training should be planned and disseminated well to maximize synergies. (vii) Social marketing is critical, but this should be based on demonstrated quality of training and subsequent job placement.

12. ADB is drawing on recommendations emerging from renewed global interest in skills development. These call for countries to (i) enhance the evidence base so that they can design and implement state-of-the-art skills strategies; (ii) build so-called skills intelligence to situate their strengths, weaknesses, and options for skills development; (iii) prioritize the training needs of disadvantaged women; (iv) harness the potential of technology to enhance opportunities for young people; (v) create active labor market programs to fill the gap when employers or workers underinvest in training; (vi) focus policies on creating the maximum number of jobs and expanding job opportunities for excluded groups; (vii) take new approaches to job creation for low- and middle-skill workers; and (viii) put the creation of jobs at the top of their policy agendas and ensure coherence between macroeconomic, employment, and social policies.<sup>6</sup>

<sup>5</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People’s Republic of Bangladesh for the Skills Development Project*. Manila.

<sup>6</sup> McKinsey Global Institute. *The World at Work: Jobs, Pay and Skills for 3.5 Billion People*. 2012; OECD. *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*. 2012. OECD. *Skills Development Pathways in Asia*. 2012; UNESCO. *EFA Global Monitoring Report: Youth and Skills—Putting Education to Work*. 2012; and World Bank. *World Development Report: Jobs*. 2013. Washington, D.C.

### PROBLEM TREE



TVET = technical and vocational education and training.  
 Source: Asian Development Bank.

## SECTOR RESULTS FRAMEWORK

Country Sector Outcomes		Country Sector Outputs		ADB Sector Outputs	
Outcomes with ADB Contribution	Indicators with Targets and Baseline	Sector Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
Improved access to high quality education and training, and higher educational attainment for all	<p><b>Primary</b> Education expenditure increased to 2.8% of GNP by 2015</p> <p>Primary NER increased from 93.9% in 2009 to 98% in 2015</p> <p>Primary cycle completion improved from 54.9% in 2009 to 70% in 2015</p> <p>At least 80% vacancies filled at all levels by 2015</p> <p><b>Secondary</b> Secondary GER increased from 49.18% in 2008 to 60% in 2015</p> <p>Secondary completion rate increased from 38.62% in 2007 to 50% in 2015</p>	<p><b>Primary</b> HRD plan and institutional analysis concluded</p> <p>SLIP prepared by all eligible schools</p> <p>Diploma in education started to train teachers</p> <p>45,000 new teachers recruited</p> <p>40,000 new classrooms constructed</p> <p>Number of children with special needs increased</p> <p><b>Secondary</b> 59 schools established in underserved areas</p> <p>CPD training provided to secondary teachers</p>	<p><b>Primary</b> Pupil–teacher ratio decreased from 52:1 in 2009 to 45:1 in 2015</p> <p>Dropout rate reduced by 2% yearly</p> <p><b>Secondary</b> CPD training delivered to 200,000 teachers by 2015</p> <p>SSC pass rates increased from 78.19% in 2010 to 90.00% in 2015</p> <p>Student attendance rate increased from 42.66% in 2005 to 75.00% in 2015</p>	<p><b>Ongoing</b></p> <p>Loan 3047: Secondary Education Sector Investment Program</p> <p>Loan 2761: Third Primary Education Development Program</p> <p>Loan: Teaching Quality Improvement II</p> <p>Loan 2266: Secondary Education Sector Development Project</p> <p>Loan 2425: Skills Development Project</p> <p>Loan 1881: Post Literacy and Continuing Education Project</p> <p><b>Planned</b></p> <p>Skills for Employment Investment Program</p> <p>Additional Financing for PEDP3</p> <p>SESIP PFR2</p>	<p><b>Primary</b> 65,000 new teachers recruited</p> <p>65,000 new classrooms built, 15,000 toilet facilities improved, 15,000 tube-wells provided</p> <p>Full set of textbooks provided to all eligible primary students</p> <p><b>Secondary</b> Printing and distribution of secondary school textbooks for grades 9-10 privatized</p> <p>Compulsory bachelor of education training for all new secondary teachers implemented</p> <p><b>TVET</b> Employment rates of graduates improved</p>

CPD = continuous professional development, GER = gross enrollment ratio, GNP = gross national product, HRD = human resource development, NER = net enrollment rate, PATA = policy and advisory technical assistance, PEDP3 = Third Primary Education Development Program, PLCE = post-literacy and continuing education, SESIP = secondary education sector investment program, SLIP = school level improvement plan, SSC = secondary school certificate, TA= technical assistance, SWAp = sector wide approach, TVET = technical and vocational education and training.

Note: Data will be disaggregated by sex wherever applicable.

Source: Asian Development Bank.