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The World Bank

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Report No.: PAD1156

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EURO 94.6 MILLION (US$100 MILLION EQUIVALENT)

TO THE

GABONESE REPUBLIC

FOR A

SKILLS DEVELOPMENT AND EMPLOYABILITY PROJECT

JANUARY 20, 2016

Education Global Practice
Africa

CURRENCY EQUIVALENTS
(Exchange Rate Effective November 30, 2015)

Currency Unit = Euro
€0.94567119 = US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (*Agence Française de Développement)*
AfDB	African Development Bank *(Banque Africaine de Développement)*
ANPI	National Agency of Investment Promotion (*Agence Nationale de Promotion des Investissements*)
AWP	Annual Work Plan
BAP	Budgeted Action Plan
BEP	Certificate of Professional Studies (*Brevet d'Etudes Professionnelles*)
CAP	Certificate in Vocational Aptitude (*Certificat d'Aptitude Professionnelle)*
CBA	Cost-benefit Analysis
CCAIMG	Chamber of Commerce, Agriculture, Industry, Mines and Handicrafts (*Chambre de Commerce, d'Agriculture, d'Industrie, des Mines et de l'Artisanat*)
CEMAC	Central African Economic and Monetary Community (*Communauté Economique et Monétaire de l'Afrique Centrale*)
CFPP	Professional Training and Development Center *(Centre de Formation et de Perfectionnement Professionnel)*
CN-TIPPEE	National Commission for Public Works for Enterprise and Employment Development (*Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entrepreneuriat et de l'Emploi*)
CPG	National Council of Employers *(Confédération Patronale Gabonaise)*
CPS	Country Partnership Strategy *(Stratégie de Partenariat-Pays)*
CNEFOR	National Council for Education, Training, and Research *(Conseil National de l'Education, de la Formation et de la Recherche)*
DA	Designated Account
DCAF	Finance and Administrative Directorates (*Directions Centrales des Affaires Financières)*
DGRH	General Directorate of Human Resources *(Direction Générale des Ressources Humaines)*
DP	Development Partner
ENEC	National Survey on Employment and Unemployment *(Enquête Nationale sur l'Emploi et le Chômage)*
ESMF	Environmental and Social Management Framework
EU	European Union
FIR	Insertion and Reinsertion Fund *(Fonds d'Aide à l'Insertion et à la Réinsertion Professionnelle)*

FM	Financial Management
GDP	Gross Domestic Product
GoG	Government of Gabon
GPN	General Procurement Notice
GRS	Grievance Redress Service
IC	Individual Consultant
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IFR	Interim Financial Report
IRR	Internal Rate of Return
ISR	Implementation Status and Results
LCS	Least-Cost Selection
LTP	Professional Technical High School *(Lycée Technique Professionnel)*
M&E	Monitoring and Evaluation
MENET	Ministry of National Education and Technical Education (*Ministère de l'Education Nationale et de l'Enseignement Technique)*
MFPIJ	Ministry of Vocational Training and Youth Integration *(Ministère chargé de la Formation Professionnelle et de l'Insertion des Jeunes)*
NCB	National Competitive Bidding
NGO	Nongovernmental Organization
NPV	Net Present Value
ONE	National Office for Employment *(Office National de l'Emploi)*
ONEF	National Observatory on Employment and Training *(Observatoire National de l'Emploi et de la Formation)*
PBC	Performance-Based Contracts
PCU	Project Coordination Unit
PDO	Project Development Objective
PFM	Public Finance Management
PLR	Program Learning Report
PPP	Public-private Partnership
PRONEJ	National Project for Youth Employment *(Projet National d'Emploi des Jeunes)*
PSGE	Strategic Plan for an Emerging Gabon *(Plan Stratégique Gabon Emergent)*
OHADA	Organization for the Harmonization of Business Law in Africa (*Organization pour l'Harmonisation du Droit des Affaires en Afrique)*
QCBS	Quality- and Cost-Based Selection
RAS	Reimbursable Advisory Services
REOI	Request for Expressions of Interest
RPF	Resettlement Policy Framework
SAI	Supreme Audit Institution *(Cours des Comptes)*
SBD	Standard Bidding Document
SC	Steering Committee
SME	Small and Medium Enterprise
SSS	Single-Source Selection
TA	Technical Assistance
TOR	Terms of Reference
TTL	Task Team Leader

TVET	Technical and Vocational Education and Training
UNDB	United Nations Development Business
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WA	Withdrawal Application

Regional Vice President:	Makhtar Diop
Country Director:	Elisabeth Huybens
Senior Global Practice Director:	Claudia Maria Costin
Practice Manager:	Peter Nicolas Materu
Task Team Leader:	Hamoud Abdel Wedoud Kamil

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Skills Development and Employability Project (P146152)

PROJECT APPRAISAL DOCUMENT

AFRICA

GED07

Report No.: PAD1156

Basic Information			
Project ID P146152	EA Category B - Partial Assessment		Team Leader(s) Hamoud Abdel Wedoud Kamil
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 10-Feb-2016	Project Implementation End Date 31-Dec-2021		
Expected Effectiveness Date 31-Jul-2016	Expected Closing Date 31-Dec-2021		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Peter Nicolas Materu	Claudia Maria Costin	Elisabeth Huybens	Makhtar Diop

Borrower: Gabonese Republic			
Responsible Agency: Ministry of Vocational Training and Youth Integration			
Contact:	Jean Fidèle Koumba	Title:	Director of Vocational Training, Ministry of Vocational Training and Youth Integration
Telephone No.:	0024107810658	Email:	jfkmaiss@yahoo.fr

Project Financing Data(in US$, millions)					
[X]	Loan	[ ]	IDA Grant	[ ]	Guarantee
[ ]	Credit	[ ]	Grant	[ ]	Other

Total Project Cost:	100.00	Total Bank Financing:	100.00

Financing Gap:	0.00	

Financing Source	Amount
Borrower	0.00
International Bank for Reconstruction and Development	100.00
Total	100.00

Expected Disbursements (in US$, millions)

Fiscal Year	2017	2018	2019	2020	2021	2022
Annual	5.00	15.00	25.00	25.00	30.00	0.00
Cumulative	5.00	20.00	45.00	70.00	100.00	100.00

Institutional Data

Practice Area (Lead)

Education

Contributing Practice Areas

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[X] Jobs

[X] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Vocational training	100		
Total		100		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for the knowledge economy	80
Public Sector Governance	Other Public Sector Governance	20

Total	100

Proposed Development Objective(s)

The objective of the project is to improve effectiveness of vocational training, short term skills development, and entrepreneurship programs in key growth sectors in the Gabonese Republic.

Components

Component Name	Cost (US$, millions)
Component 1. Extension of Training Supply and Quality Improvement in technical and vocational education and training (TVET) in Key Growth Sectors	65.00
Component 2. Employability Development, Youth Integration, and Entrepreneurship Promotion	20.00
Component 3. Institutional Capacity Support and Project Implementation	15.00

Systematic Operations Risk-Rating Tool

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Low
8. Stakeholders	High
9. Other	–
OVERALL	Substantial

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ] No [X]
Does the project require any waivers of Bank policies?	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]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No [ ]

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	

Natural Habitats OP/BP 4.04		**X**
Forests OP/BP 4.36		**X**
Pest Management OP 4.09		**X**
Physical Cultural Resources OP/BP 4.11	**X**	
Indigenous Peoples OP/BP 4.10		**X**
Involuntary Resettlement OP/BP 4.12	**X**	
Safety of Dams OP/BP 4.37		**X**
Projects on International Waterways OP/BP 7.50		**X**
Projects in Disputed Areas OP/BP 7.60		**X**

Legal Covenants

Name	**Recurrent**	**Due Date**	**Frequency**
Steering Committee (SC)	–	31-Aug-2016	–

Description of Covenant

The borrower shall establish, not later than one (1) month after the effective date, and thereafter maintain, throughout the project implementation period with composition, mandate, and resources satisfactory to the Bank, an SC, to be chaired by the minister of the Ministry of Vocational Training and Youth Integration *(Ministère chargé de la Formation Professionnelle et de l'Insertion des Jeunes,* MFPIJ) or a designate and comprising representatives of key ministries, agencies, the private sector, and civil society.

Name	**Recurrent**	**Due Date**	**Frequency**
National Office for Employment *(Office National de l'Emploi,* ONE*)* Accountant	–	31-Aug-2016	–

Description of Covenant

The ONE shall, not later than one (1) month after the effective date, employ and thereafter maintain at all times during project implementation, an accountant whose qualifications, experience, and terms of reference (TOR) shall be acceptable to the Bank.

Name	**Recurrent**	**Due Date**	**Frequency**
Procurement Training	–	30-Sep-2016	–

Description of Covenant

The Borrower shall ensure that a procurement training has been provided to appropriate staff responsible for project implementation by not later than two (2) months after the Effective Date.

Name	**Recurrent**	**Due Date**	**Frequency**
Computerized Accounting System	–	31-Oct-2016	–

Description of Covenant

The Borrower shall acquire and install, not later than three (3) months after the Effective Date, and thereafter maintain, a computerized accounting system acceptable to the Bank, for the project.

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

Comprehensive Record Keeping System	–	30-Nov-2016	–
Description of Covenant			
The Borrower shall ensure that a comprehensive record keeping system for the project coordination unit (PCU) has been established in a manner satisfactory to the Bank by not later than three (3) months after the Effective Date.			
Name	**Recurrent**	**Due Date**	**Frequency**
External Auditor	–	30-Nov-2016	–
Description of Covenant			
The borrower shall employ, not later than four (4) months after the effective date, the external auditor in accordance with Section III of Schedule 2 of the Loan Agreement and pursuant to TOR satisfactory to the Bank.			
Name	**Recurrent**	**Due Date**	**Frequency**
Technical Auditors	–	31-Jan-2017	–
Description of Covenant			
The Borrower shall no later than six (6) after the Effective Date, recruit technical auditors with qualifications, experience and terms of reference satisfactory to the Bank and in accordance with the provisions of Section III of Schedule 2 of the Loan Agreement, to conduct yearly external evaluations of the performance based contracts (PBCs).			
Name	**Recurrent**	**Due Date**	**Frequency**
Environmental and Social Specialist	–	31-Jan-2017	–
Description of Covenant			
The PCU shall employ, not later than six (6) months after the effective date and thereafter maintain at all times during project implementation, an environmental and social specialist whose qualifications, experience, and TOR shall be acceptable to the Bank.			

Conditions

Source Of Fund	**Name**	**Type**
IBRD	PCU	Effectiveness
Description of Condition		
The borrower shall employ, and thereafter maintain at all times during project implementation, a project coordinator, finance management specialist, procurement specialist, monitoring and evaluation (M&E) specialist, an internal auditor, and an accountant, each of whose qualifications, experience and TOR shall be acceptable to the Bank.		
Source Of Fund	**Name**	**Type**
IBRD	Procedures Manual	Disbursement
Description of Condition		
The borrower shall prepare and adopt a procedures manual for the project, in accordance with the provisions of Section 1.B. of Schedule 2 of the Loan Agreement.		

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Hamoud Abdel Wedoud Kamil	Team Leader (ADM Responsible)	Senior Education Specialist	Education	GED07
Kouami Hounsinou Messan	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO07
Enagnon Ernest Eric Adda	Financial Management Specialist	Senior Financial Management Specialist	Financial Management	GGO13
Abdoulaye Gadiere	Safeguards Specialist	Senior Environmental Specialist	Environmental Safeguards	GEN01
Aissatou Diallo	Senior Finance Officer	Senior Finance Officer	Financial Management	WFALA
Alison Marie Mills	Team Member	E T Consultant	Education	GED07
Atou Seck	Team Member	Senior Education Specialist	Education	GED07
Emanuela Di Gropello	Team Member	Program Leader	Human Development	AFCC1
Kolie Ousmane Maurice Megnan	Team Member	Senior Financial Management Specialist	Financial Management	GGO13
Lucienne M. M'Baipor	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU01
Maya Abi Karam	Counsel	Senior Counsel	Senior Counsel	LEGAM
Laura S. Mcdonald	Team Member	ET Consultant	Operations	GED07
Tshela Rose-Claire Pakabomba	Team Member	Program Assistant	Administrative Support	GED07
Sonia Vanecia Boga	Team Member	Team Assistant	Administrative Support	AFMGA

Extended Team

Name	Title	Office Phone	Location
Ali Sanaa	Consultant	(216-71) 801 615	TUNIS

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Gabon	Estuaire	Libreville	X		

Consultants (Will be disclosed in the Monthly Operational Summary)	
Consultants Required?	Consultants will be required

I. STRATEGIC CONTEXT

A. Country Context

1. **The Gabonese Republic is one of the few African countries with middle-income status**. The country is resource rich and is the locus of extraordinary biodiversity. It has a relatively high gross domestic product (GDP) per capita, driven by extractive industries. The population of Gabon stands at approximately 1.8 million, with a GDP per capita estimated at US$10,660. The demographic profile of Gabon is relatively young, with approximately half of the population under the age of 19.

2. **GDP growth continues to be strong but is on a declining trend.** Annual GDP growth was estimated at 5.1 percent in 2014 and Gabon's economic growth in 2015 is now expected to decline to 4.0 percent, below about 6 percent achieved over 2010–14. The effect of lower oil prices was partially offset by oil production, which is estimated, after a decline in 2014, to have grown by 8 percent thanks to new wells and mature field productivity improvements. However, falling oil prices and revenues have prompted the public sector to rein in spending faster than previously anticipated, and oil companies are sharply curtailing exploration and operating expenditure. As a result, activity in construction, transport, commerce, and services has slowed in 2015, and growth of the non-oil economy, while still significant, is forecast to decelerate to 4.0 percent in 2015. Inflation has come down sharply over the past year and expected to be about zero percent in 2015.

3. **Despite overall declining oil production and attempts to diversify the economy, Gabon continues to remain dependent on natural resource extraction.** The country is Sub-Saharan Africa's fifth-largest oil producer and the world's second-largest exporter of manganese. The oil sector accounts for 80 percent of Gabon's exports, 45 percent of the GDP, and 60 percent of the country's fiscal revenues.

4. **Gabon's human development outcomes fall short of countries with similar levels of per capita income and the level of income inequality in the country is high.** Half of the share of national income accrues to the richest quintile of the population, and a third of citizens live in poverty. Gabon ranked 112th of 187 countries in the 2014 United Nations Development Programme (UNDP) Human Development Index, well below countries with comparative per capita GDP.[1] The most recent national household survey (2005), undertaken with support from the World Bank, found an increase—from 25 percent in 1997 to 33 percent in 2005—in the proportion of Gabon's population living below the poverty line. A new poverty survey is being prepared and will go into the field in 2016 with technical assistance (TA) from the Bank.

5. **Poverty rates remain high, and social outcomes are low.** Despite its relative wealth, Gabon did not meet a number of Millennium Development Goals (MDGs) by the expected 2015 date (according to the 4th national report on Millennium Development Goals). Progress falls short on targets related to poverty reduction, infant and maternal mortality, and the prevalence of HIV/AIDS. Although Gabon has made significant progress in expanding access to primary education with net enrollment increasing from 88 percent in 1990 to 96.4 in 2012, challenges

[1] United Nations Development Programme: Human Development Report 2014.

persist, including the poor quality of education provision; an escalating shortage of suitably qualified teachers; and limited classroom infrastructure. Moreover, basic social services, such as the provision of water and electricity, remain inaccessible to the majority of the population, particularly in rural areas.

6. **Widespread informal economic activity and a poorly skilled workforce undermine the potential for productive jobs to serve as a pathway out of poverty.** A large proportion of economic activity in Gabon is concentrated in the informal sector, and growth in the formal sector is stunted due to the inability of employers to recruit workers with appropriate skills.[2] While the economy grew, on average, 4.5 percent annually over the course of the last four decades, growth failed to affect a stubbornly high unemployment rate. The dominance of the capital-intensive oil industry explains, in part, weak employment creation. However, evidence suggests that a mismatch between the skills provided by the education system and those required by the economy is a critical factor undermining employment creation. Further constraints to job creation include rigid labor and social legislation which, in practice, protects employed workers while discouraging the recruitment of new employees. A holistic strategy to accelerate inclusive and job creating economic growth will need to address these and other regulatory constraints to labor mobility and resolve the skills mismatch perpetuated by the education system.

B. Sector and Institutional Context

Sector Context

7. **Gabon has a young population, 50 percent of which is under the age of 19. Many of the country's youth are unemployed or underemployed.** According to the National Survey of Employment and Unemployment (*Enquête Nationale sur l'Emploi et le Chômage*, ENEC), using an expanded definition of unemployment which takes into account discouraged workers,[3] the unemployment rate was 20.4 percent in 2010. The unemployment rate increased from 16.3 percent to 20.4 percent between 2005 and 2010 and is higher in urban areas (21 percent) than in rural areas (19 percent). Unemployment is particularly high among young people, with an estimated unemployment rate of 35.7 percent among those aged 15 to 24 years, 25 percent unemployment for those aged 25 to 34 years, and 17 percent for those aged 34 to 44 years.

8. **The mismatch between training provided and skills sought by firms is an important driver of the high unemployment rate**. According to the National Office for Employment (*Office National de l'Emploi*, ONE) more than half of the job offers sought applicants with technical skills while 64 percent of applicants surveyed did not possess any relevant vocational training. Due to a shortage of skilled workers in the country's domestic labor force, Gabon must regularly import workers, particularly in the skills-intensive growth sectors of mining, oil, and information and communications technology (ICT).

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[2] In 1985, 44 percent of the economically active population worked in the informal sector, while in 2010, 57 percent of the economically active population worked in the informal sector. Between 1960 and 1985, the Gabonese government carried out expansionary fiscal policies to pave the way to full employment; however, between 1986 and 2009, formal employment steadily dropped with an average downward trend of 3 percent.

[3] Discouraged workers are defined by the International Labour Organization as those who are not working, expressed a desire to work, but did not seek work for reasons implying that s/he felt that undertaking a job search would be a futile effort.

9. **Despite improved enrollment in basic education, with increased access among girls, the quality of basic education remains low, with negative implications for skills development.** Gabon has made significant strides toward universal enrollment, achieving a basic education net enrollment rate of 96.4 percent in 2012 and a national literacy rate of 88 percent in 2010. However, the continued overcrowding of primary schools, high secondary school dropout rates, and the poor working conditions of teachers continue to undermine educational achievement. The overall quality of the education system does not meet the needs of the labor market, leading to a structural labor shortage, particularly in sectors requiring technical specialization.

10. **The technical and vocational education and training (TVET) sector in Gabon comprises both technical and vocational education, each focusing on providing a different level of skills**. Vocational education targets workers and technicians with lower levels of skills while technical education provides more advanced technical training and is intended to serve as a pathway toward further technical education and potential enrollment in advanced courses. Vocational training is provided through nine public vocational training institutions[4] while technical education (in which 7,000 students are enrolled) is provided through 12 public institutions for technical education (11 technical institutions and one national business school). In addition to public TVET institutions, private training institutions and centers run by private firms provide training for youth and on-the-job training for workers; however, the capacity and outcome of these programs have not been measured.

11. **Gabon's TVET institutions offer many types of training across a range of sectors rather than taking a sector-specific approach per institution.** Currently, the TVET institutions deliver 43 secondary programs and 17 programs focused on tertiary sector activities. The secondary sector caters predominantly to mechanical vehicle training (6 centers); carpentry and cabinetmaking (5 centers); industrial electricity (5 centers); and electrical and building training (4 centers). In the tertiary sector, secretarial and accounting training is the most commonly offered course of study and is offered in 4 centers. The Basile Ondimba Professional Training and Development Center (*Centre de Formation et de Perfectionnement Professionnel*, CFPP) provides the most courses of study, with a total of 23 distinct programs.

12. Currently, the TVET subsector faces a number of challenges:

(a) **Low enrollment.** Of the total number of youth enrolled in post-primary education, only 8 percent are enrolled in the TVET institutions. This compares unfavorably with other emerging economies where the TVET enrollment rates often reach 30 to 40 percent.

(b) **Vocational education is inhibited by capacity and spatial considerations.** The majority of institutions are concentrated in urban areas and regional administrative centers. Each year, over 5,000 applicants apply to vocational training institutions but

[4] Vocational training institutions can be divided into two main categories: the CFPPs and Professional Technical High School (*Lycées Techniques Professionnels*, LTPs). The CFPPs were established with the intention of providing youth a pathway to entry-level work or self-employment and offer programs leading to the Certificate in Vocational Aptitude (*Certificat d'Aptitude Professionnel*, CAP*)* or a Certificate of Professional Studies (*Brevet d'Etudes Professionnelles*, BEP).

only approximately 1,700 gain admission.

(c) **TVET programs lack quality and relevance.** The returns to and performance of the TVET system are low. It is estimated that more than 80 percent of graduates from TVET are not hired in the sectors for which they have been trained.[5]

(d) **Limited private sector involvement.** Representatives of the private sector have not been involved in the development of the TVET training programs and linkages to the industry remain weak. The private sector has not been adequately consulted on the relevance of the coursework, shifts in the demand for skills of technical workers, and the development of educational priorities for the TVET institutions.[6]

(e) **Lack of autonomy**. Currently, Gabon's TVET institutions are controlled directly by the Ministry of Vocational Training and Youth Integration (*Ministère chargé de la Formation Professionnelle et de le l'Insertion des Jeunes,* MFPIJ), which retains the power to, among others, recruit and post staff in training institutions. The TVET institutions do not operate as distinct legal entities and they do not have a board of directors (or similar entity) to facilitate private sector participation. Budgets are primarily allocated on the basis of previous allocations and do not take into account the objectives and performance of training institutions. Moreover, the rigid allocation of public resources generally does not provide necessary incentives to foster innovation.

Institutional Context and Government Strategy

13. **The Strategic Plan for an Emerging Gabon *(Plan Stratégique Gabon Émergent,* PSGE) was adopted by the government of Gabon (GoG) in 2009.** The PSGE is the country's medium-term strategy (for the period from 2012 through 2025) for promoting Gabon's economic development. The plan has the following three pillars: (a) Gabon Industrial (*Gabon Industriel*), which aims to position Gabon as an industrial center that uses clean energy and is driven by strategic raw materials including, but not limited to, manganese, iron, gas, and a regional wood processing industry; (b) Green Gabon (*Gabon Vert*) which aims to position the country as a pioneer in the green economy through sustainable management of the country's rich biodiversity and the development of ecotourism; and (c) Service-oriented Gabon (*Gabon des Services*) which aims to develop Gabon as a center of excellence in higher education and to develop the country's capacity in the research, business, tourism, health, media, and ICT sectors.[7]

[5] Three key factors underlying poor returns to TVET education are: (a) programs offered do not provide skills needed by the labor market in key growth sectors (forestry, wood processing, mining, tourism, ICT, and food processing); (b) public institutions are poorly equipped; and (c) poorly trained staff and outdated curricula undermine the quality of training delivered to students. Current curricula place too heavy an emphasis on theoretical knowledge with limited opportunity for practical application of newly acquired knowledge and skills.

[6] A consequence of this and the poor returns to the TVET education has been a refusal by many private sector enterprises to pay the GoG's vocational training tax *(Taxe d'Apprentissage)* outlined in the Labor Code *(Code du Travail)*.

[7] Gabon's development agenda is driven by the Growth and Poverty Reduction Strategy Paper (*Document de Stratégie de Croissance et de Réduction de la Pauvreté*) adopted in January 2006. The government's commitment to address unemployment in the context of the PSGE led to the organization of the National Employment Forum in

14. **The PSGE identified priority sectors with growth potential to generate employment—**specifically, construction and public works, wood processing, mining and petroleum industries, tourism, the 'green' economy, and the ICT. As a consequence, the share of the investment budget accruing to infrastructure development (public works, energy, and transport projects) increased from 51 to 67 percent between 2009 and 2013. Further, in 2012, the GoG announced a US$13 billion infrastructure development plan to be implemented between 2013 and 2016 to promote the socioeconomic development of the country's interior and diversify the national economy; however, implementation progress has not yet been assessed and is unclear.

15. **In support of the PSGE, the GoG approved a series of reforms in the educational and research sectors in 2010.**[8] These reforms are intended to support the following outcomes: (a) the development of a system that encourages lifelong learning and the establishment of bridges between the general education and the TVET systems; (b) the promotion of public-private partnerships (PPPs) in the educational, training, and research sectors; (c) the creation of a National Council for Education, Training, and Research (*Conseil National de l'Éducation, de la Formation et de la Recherche*, CNEFOR) to assess and monitor the design of training courses and the implementation of infrastructure and equipment projects; and (d) the reinforcement of the autonomy of training institutions and the creation of incentives for results-oriented service delivery. However, due to limited capacity, these reforms have not yet been implemented.[9]

16. **Several development partners (DPs) supporting skills development and employment projects in Gabon, for the most part, focus on improving the capacity of the system and curriculum development.** The proposed project is complementary to existing and planned DP-supported interventions, in that, it is the first to introduce reforms intended to support new governance structures. The proposed project is unique, in that, it will introduce greater competition between supported TVET institutions and will focus significantly on capacity building in priority sectors. The current preparation of a National Project for Youth Employment (*Projet National d'Emploi des Jeunes*, *PRONEJ*), to be financed by the GoG and the UNDP (in an amount of US$25 million), will target youth aged 16 to 35 years and will focus on skills development, access to decent jobs, participation in labor-intensive public works, and the strengthening of the technical and operational capacity of agencies tasked with promoting youth employment. Recent DP-supported projects include interventions under the European Union's (EU's) 10th European Development Fund for 2008–2013, which aimed to improve governance in the education sector; improve the quality of primary school teaching through better training; upgrade TVET facilities; and raise the profile of TVET institutions. The EU has implemented two additional projects relating to TVET: the Professional Training and Placement Support

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October 2013, which focused on jobs, training, self-entrepreneurship, and the integration of young people into labor markets.

[8] This reform paved the way for the adoption of a Law on the General Orientation of National Education, Research, and Training (*Loi portant sur l'orientation générale de l'Education, de la Formation et de la Recherche*). This law follows the proposals of the National Convention on Education, Research, and Training-Employment (*Etats Généraux de l'Education, de la Recherche et l'Adéquation Formation-Emploi*) held in May 2010 and the conclusions of the Country Status Report of 2012 that established a diagnosis of the educational system.

[9] In January 2014, a new division of roles and responsibilities became effective in the TVET system—technical education is under the responsibility of the Ministry of National Education and Technical Education (*Ministère de l'Education Nationale et de l'Enseignement Technique*, MENET) and vocational education is now administered by the MFPIJ.

Project *(Appui à la Formation et l'Insertion Professionnelle*) which built on the Professional Training Support Pilot Project *(Appui à la Formation Professionnelle*) implemented between 2007 and 2011. The African Development Bank (*Banque Africaine de Développement*, AfDB) is funding The Support to Improvement of Higher Education and Vocational Training Public Services Project.

17. **Gabon and the Bank have recently renewed their relationship and dialogue**. While Gabon has been a member of the Bank since 1963, the Bank's cumulative development envelope for Gabon over the past 50 years totaled just US$267 million. The current Country Partnership Strategy (*Stratégie de Partenariat-Pays,* CPS), covering the period from 2012 to 2016, reflects an expanded agenda to support private sector, infrastructure and human development, and the promotion of good governance. This will be achieved through a combination of the IBRD lending in the amount of US$250 million, reimbursable advisory services (RAS), TA, and analytical work.

Complementarity with Bank Operations

18. **The Gabon Investment Promotion and Competitiveness Project** (P129267), approved by the Bank's Board of Executive Directors in March 2014, aims to contribute to the improvement of the investment climate and foster enterprise development in Gabon. Subcomponent 2.3 of the proposed project links to the Investment Promotion and Competitiveness Project through the provision of entrepreneurship training to youth, assistance to trainees in the development of business plans, support in raising seed funding, and guidance through the start-up phase of business development.

19. **The eGabon Project** (P132824) currently under preparation, aims to contribute to the development of a local ICT industry capable of creating digital content, applications, and services. The proposed project will contribute to the development of workers capable of contributing to the success of the eGabon Project and the location of the TVET ICT institution financed under Component 1 of the project has been discussed with the eGabon team to maximize the opportunities available to those benefitting from ICT training.

C. Higher Level Objectives to which the Project Contributes

20. **An overarching objective of the project is to accelerate growth and reduce unemployment and poverty in Gabon through the development of skills among youth. The project seeks to double[10] the number of young people trained in vocational institutions.** It aims to not only expand access to the TVET programs but also improve the quality of training, facilitate a variety of skills development activities, and increase youth employability. Evidence suggests that the poverty-reducing potential of economic growth is magnified when growth is labor intensive, diversified, and capable of generating employment opportunities across multiple sectors. The project supports the expansion and upgrading of skills across a range of economic sectors to more effectively contribute toward the acceleration of the employment generation in

[10] Each year, over 5,000 aspirant applicants apply to vocational training institutions while only approximately 1,700 get admitted. Construction of two new vocational training institutions will increase the capacity of the system to accommodate an additional 2,250 students per year.

the country. Furthermore, systemic governance reforms and support to two additional vocational institutions are key to the project's design and are meant to ensure benefits beyond the life of the project.

21. **The project is fully aligned with Pillar 2—Increasing Gabon's Competitiveness and Employment—of the Gabon CPS**. Integral to Pillar 2 of the CPS is an analysis of the underlying causes of youth unemployment and challenges to employment creation in Gabon. The project design was informed by a 2010 survey, which identified the main constraints to employment creation and its contingent recommendations. A new employment survey, which will be supported by the project, is planned for 2016. The CPS is currently being extended up to 2018 through the Program Learning Report (PLR) under preparation. The PLR confirms the strong emphasis on support for economic diversification with the proposed project at the very core of the country's skills development agenda, which is conducive to this diversification.

22. **The project has been designed to buttress the government's PSGE** which aims to transform Gabon's economy by 2025—through diversification of the economy, the sharing of prosperity, and poverty reduction. The project is closely aligned with Pillar 3 of the PSGE, which incorporates a comprehensive strategy for human capital development. The education sector plan within Pillar 3 stresses the importance of providing quality education to foster social development. This project is aligned with the PSGE in its intent to improve the quality of training programs and skills development activities as well as youth employability.

II. PROJECT DEVELOPMENT OBJECTIVES (PDO)

A. PDO

23. The objective of the project is to improve effectiveness[11] of vocational training, short-term skills development,[12] and entrepreneurship programs in key growth sectors[13] in the Gabonese Republic.

Project Beneficiaries

24. **The direct beneficiaries of the proposed project are youth between the ages of 16 and 34 including all current and future trainees in programs/institutions supported by the project.** The number of direct project beneficiaries is estimated to be 18,100.

25. **Female participation**. The project will ensure that at least 30 percent of beneficiaries are female. Information campaigns to publicize project activities will include the targeting of female youth and will be developed and implemented with support from nongovernmental organizations

[11] As measured by graduation and/or self-employment or employment.
[12] Less formal, generally short-term training programs for graduates of higher education and technical programs as well as school-leavers who are unemployed.
[13] The project will target a broad range of key growth sectors: for example, 'green' growth, wood processing, food processing, agriculture, information communication and technology (ICT), and construction in accordance with the PSGE, the conclusions of the National Employment Forum of October 2013, the education sector plan, and the Law on the general policy of Education, Training and Research (*Loi portant sur l'orientation générale de l'Education, de la Formation et de la Recherche)* adopted in 2011.

(NGOs) and civil society and women's organizations. With the exception of Subcomponent 1.1, which will support a new institution for the construction industry (where female participation rates have been historically low), the proportion of female students to benefit from the project is expected to be at least 30 percent overall.

PDO Level Results Indicators

26. The project will use the following key indicators to measure progress toward achievement of the PDO:

- Direct project beneficiaries (number) (percentage of which are female)
- Youth graduating from TVET institutions supported by the project (percentage) (percentage of which are female)
- Youth who have completed apprenticeship program (percentage) (percentage of which are female)
- Youth who have completed internship program (percentage) (percentage of which are female)
- TVET institutions with functioning Boards of Directors[14] (number)
- Public-private partnership joint management agreements signed (number)

III. PROJECT DESCRIPTION

27. **The project will address the current skills mismatch evident in the labor market and the low employability of youth** by (a) improving and extending vocational training in key growth sectors; (b) supporting skills development to address the needs of unemployed youth (graduates and school-leavers); and (c) provision of entrepreneurship training. To maximize impact, the project will encourage the development and implementation of PPPs. The project will engage the private sector at all levels of project implementation.

28. **Project design is framed by the following components:** Component 1 will support interventions to enhance the effectiveness of vocational training institutions by focusing on improving the overall governance of the system and the promotion of links with the private sector. This will include support for the creation of two new training institutions (one in construction and public works and one in ICT) and strengthening of the relevance of training in current TVET institutions, with a focus on realigning programs to meet the needs of key growth

[14] Defined as consisting of 50 percent private sector representatives and meeting at least twice annually.

sectors in the economy.[15] Component 2 will target skills development and entrepreneurship training among unemployed youth (graduates and school-leavers) through support to: (a) apprenticeships; (b) internships; and (c) entrepreneurship training. Component 3 will support the institutional strengthening of the MFPIJ, the Ministry of National Education and Technical Education *(Ministère de l'Education Nationale et de l'Enseignement Technique*, MENET) and other implementing institutions.

A. Project Components

Component 1: Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors (US$65 million equivalent)

29. **Component 1 will expand access to training and improve the overall quality of TVET education** to more effectively meet the needs of the key growth sectors. This objective will be implemented through two subcomponents: (a) support for the development and construction of two new vocational training institutions (in construction and public works and ICT) and the development of new approaches to teaching and management; and (b) improvements to the quality of training outputs and the realignment of the existing TVET institutions toward key growth sectors, on a competitive basis.

30. **Component 1 will target youth aged 16 to 24 years** who meet the qualifications for entry into the newly created and restructured vocational training institutions and is expected to directly benefit 9,300 youth during the project, of whom, at least 30 percent will be female.

31. **Component 1 will incorporate PPPs to improve institutional management and inform curriculum development.** Collaboration between the private sector and vocational training institutions supported by the project (both newly created and restructured) will be guided by Act 21-2011, the Law of General Orientation for Education, Vocational Training and Research (*Loi portant sur l'orientation générale de l'Education, de la Formation et de la Recherche)* mentioned earlier. Partnership agreements to facilitate cooperation in four select areas will be signed between the institutions supported by the project and representatives of the private sector.[16] The PPP model is the first of its kind to be implemented in Gabon and will serve as a model for replication across the entire TVET system. Specific actions will include the development of sector-specific curricula and improvement in the training of school managers and trainers.

32. **Additional autonomy to vocational institutions will require the restructuring of the relationship between institutions and the MFPIJ.** Toward this end, multiyear performance-based contracts (PBCs) will be signed between the government and the targeted institutions. The performance of the institutions and subsequent funding arrangements will be weighed against the

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[15] Component 1 will specifically target growth sectors. Subcomponent 1.1 includes building of institutions focused on construction and public works, and ICT. Subcomponent 1.2 will support restructuring of the TVET institutions across a broader range of key growth sectors in accordance with the PSGE, the conclusions of the National Employment Forum of October 2013, the education sector plan and the Law on the general policy of Education, Training and Research adopted in 2011.

[16] The private sector refers to the Chamber of Commerce, Agriculture, Industry, Mines and Handicrafts (*Chambre de Commerce, d'Agriculture, d'Industrie, des Mines et de l'Artisanat, CCAIMG*), the National Council of Employers (*Confédération Patronale Gabonaise*, CPG) and Small and Medium Enterprises (SMEs).

achievement of objectives included in the PBCs, including, among others (a) 50 percent private sector representation on the institution's board of directors; (b) changes in the number of students enrolled by field; (c) the proportion of females enrolled; (d) the proportion of students enrolled in internship programs; (e) the number of graduates; (f) rates of employment for graduates within one year of graduation; (g) the number of trainers trained in new programs and pedagogy; and (h) the formulation and implementation of annual budgets and spending plans for each institution. These PBCs will be monitored by the MFPIJ and each institution through their monitoring and evaluation (M&E) systems.[17]

Subcomponent 1.1: Creation of Two New Training Institutions in Priority Growth Sectors (US$30 million)

33. **Activities to be supported under Subcomponent 1.1 will expand the supply of appropriately skilled youth for employment in key growth sectors of the economy through the construction of two new TVET institutions (US$15 million per institution).** The project will support the construction and equipping of two new institutions: the first will focus on programs oriented toward skills development to support the construction and public works sector,[18] and the second will focus on the training of students for employment in the ICT sector.[19] Both new institutions will incorporate new pedagogical and administrative management models involving the private sector. Despite increasing demand for skilled labor for construction and ICT, none of the 20 existing vocational training institutions currently focus exclusively on construction and public works or ICT.

34. **A new governance framework will be implemented for each TVET institution, with a board of directors composed of public and private sector representatives**. Board members from the private sector will constitute, at a minimum, 50 percent of Board membership and will be drawn from relevant professional and civil society organizations. Management personnel will be recruited on a competitive basis and each TVET institution will sign a PBC to ensure accountability for results, in a process similar to the one described for Subcomponent 1.2.

35. **Sites for the construction of new institutions will target the geographic concentration of clusters of private sector companies** active in the sector in which the

[17] Further detail regarding the structuring and implementation of the PBCs is contained in annex 2.

[18] The construction sector is the fifth largest contributor to the GDP in Gabon with 5 percent of the growth. The Gabonese construction industry, predominantly in the informal market, is not matched by an increase in the number of skilled construction personnel because of insufficient infrastructure and low institutional capacity to match the growing need for sophisticated construction skills needed for new, modern projects. The Mckinsey Report (2013) shows that the sector employs between 45,000 and 50,000 which is two-third of employees. The skills need is between 4,700 and 5,900 employees per year while the capacity in the existing public and private institutions is between 1,100 and 1,300.

[19] The IT sector in Gabon is also facing a supply shortage due to low availability of the ICT-trained personnel, high labor costs, and inadequate industry readiness of graduates. Supply-side bottlenecks are inhibiting demand across the ICT space, in both the core subsector (IT, telecom, and IT-enabled services) and allied subsector (noncore such as banking and insurance). The needs in other sectors such as banking, insurance, and the public sector are rapidly absorbing ICT-trained people in technical, techno-managerial, and support positions. An increase in the supply of adequately skilled labor takes on added importance given the strategy of the government to increase basic infrastructure (transport, energy, and telecommunications) and new economic centers, connected by quality infrastructure.

institution will focus. The choice for the location of the new institutions will be informed by the imperative to deepen the evolving partnership between the TVET institutions and the private sector and the aim to develop internship programs in both institutions.

36. **An international training partner institution will be contracted for each new institution on a competitive basis with the mandate to assist the training institutions** in (a) the development of curricula and programs and training of the trainers; (b) the identification of technical equipment to equip the new institutions; and (c) the development and implementation of institutional management tools and systems. International institutions will partner with the new institutions for a period of two years. The institutions are expected to open and accept the first cohort of students in 2018.

Sub-component 1.2: Quality Improvement and Upgrading of Existing TVET Institutions on a Competitive Basis (US$35 million)

37. **Activities to be supported under Subcomponent 1.2 will result in the restructuring and upgrading of at least 14 of the current 20 TVET institutions** through the implementation of PBCs to improve the quality of service delivery and the efficiency of supported training institutions. It is expected that the number of students enrolled in the restructured institution will be 4,800 students from 14 institutions (out of a total of 20). This number represents 68 percent of the total population enrolled in the system. Envisaged upgrades include: (a) the implementation of new pedagogical and administrative management models incorporating private sector participation; (b) the upgrading of trainers' vocational skills; (c) the provision of equipment; and (d) the rehabilitation of existing training facilities at a value of no more than 20 percent of total costs.

38. **The project will finance PBCs with the selected TVET institutions.** The PBC will take the form of a contract between the GoG and the TVET institution in which the government will agree to pay a predetermined amount of money to cover the costs of a portion of the institutional budget, and in return, each institution will commit to improving its performance in the execution of its activities against clearly defined indicators. Participating TVET institutions will prepare strategic plans from which they will derive priority development plans. The government will support these plans through performance agreements that will be built on the following arrangements:

(a) Each institution will prepare a detailed action plan and budget covering outputs and outcomes derived from their approved strategic plans to be achieved over a four-year period. Agreements will be multiyear and contain: (i) funding commitments for the first year associated with budget projections for proposed activities and objectives; (ii) funding projections for subsequent years of agreement; (iii) agreed targets; and (iv) indicators to monitor progress. Adjustments will be made annually based on the achievement of targets.

(b) The government will negotiate with each beneficiary institution and provide financial support for the implementation of each plan. Third-party verification will be carried out to evaluate each PBC and verify the achievement of results. The details of the third-party verification will inform decisions relating to the adjustment of allocations in subsequent years.

39. **The selection of institutions under Subcomponent 1.2 will be determined through a competitive process.** The selection of institutions will be determined by the steering committee (SC), which will include the participation of an international TVET expert. Evaluation criteria will include (a) the relevance of programs to strategic economic development; (b) the practicality of proposals; (c) the quality of proposal design; (d) institutional arrangements and readiness for implementation; (e) the quality of proposed governance reforms; and (f) an assessment of commitment on the part of the teaching and administrative community of the institution to implement the proposal.

40. **Funds allocated in support of the PBCs will be used for the following activities:** (a) the implementation of new pedagogical and administrative management models incorporating private sector participation; (b) the upgrading of trainers' vocational skills; (c) the provision of equipment; (d) the rehabilitation of existing training facilities at a value of no more than 20 percent of total costs; and (e) the reform of the structure of institutional governance and financing mechanisms.

41. PBC indicators, based on detailed consultation, may include

(a) improved alignment with labor market needs: (i) percentage of trainers recruited from private firms and (ii) percentage of accredited programs that include work experience;

(b) improvements to institutional governance: (i) a functioning board of directors defined as a board with at least 50 percent representation from the private sector and (ii) a new FM system to be established, defined as implementation of software, training of staff, and development of procedures; and

(c) improvement to the quality of training provided: (i) number of trainers trained in new programs and methodologies, (ii) number of new programs developed and implemented, and (iii) percentage of training labs or classrooms renovated and equipped.

42. **Support under Subcomponent 1.2 will be provided on a competitive basis in a process open to all the TVET institutions and will focus on the realignment of educational outputs with key growth sectors.** Training institutions that wish to benefit from support under this subcomponent will be required to prepare development proposals subject to open competition. Operations and procedures manuals and development proposal preparation guides will be developed under the project and will be made available to all institutions. Training will be provided to institutions to assist them in the preparation of proposals.

Component 2: Employability Development, Youth Integration, and Entrepreneurship Promotion (US$20 million equivalent)

43. **Component 2 aims to promote the integration of young people into the labor market by providing youth with entrepreneurship skills and the provision of relevant work**

experience and training. Component 2 will target two groups: (a) youth with limited education and (b) those who have completed programs but do not have sufficient skills to access employment. Youth will be targeted for on-the-job work experience toward learning a trade. In addition, short-term entrepreneurship training programs for the development of basic business skills and a deeper understanding of business development will also be provided. The component seeks to facilitate (a) the implementation of apprenticeship programs for youth with low educational attainment; (b) internship programs for young, unemployed graduates; and (c) entrepreneurship training for youth with varied levels of educational attainment.

Subcomponent 2.1: Apprenticeships (US$11 million)

44. **The apprenticeship scheme aims to encourage greater labor market integration for youth with low educational attainment** through the provision of apprenticeship training programs adapted to their level of qualification. The project will support apprenticeship targeting urban, peri-urban, and rural economic activities and the placement of 3,000 youth in apprenticeships through the project.

45. **This subcomponent will be implemented through two interventions:**

(a) Apprenticeship schemes for urban jobs consisting of practical training in workshops and complementary training in training institutions (25 percent of the total period). The length of the apprenticeship scheme will be adapted to meet professional requirements (6 to 24 months).

(b) Short-term training will be implemented in the workplace with technical supervision to support skills acquisition for professional activities in rural and peri-urban areas (no longer than 12 months).

46. **The project will provide employment payments to apprenticeship participants consisting of stipends and accident and medical insurance coverage** in the amount of CFAF 40,000 monthly as well as mandated workplace accident insurance. Moreover, the project will finance the costs of complementary mentoring and coaching training, tool kits for 3,000 youth (aged 16 to 24 years) placed in urban and rural youth apprenticeships, and costs associated with upgrading the skills of apprentice instructors and equipment. The selection method is elaborated in annex 2.

Subcomponent 2.2: Internships (US$4 million)

47. **The internship program aims to improve the employment outcomes of graduates transitioning from higher education and TVET institutions into the labor market.** Gabon's educational system does not have sufficiently strong linkages with the private sector to facilitate the immersion of young graduates in enterprises during their time at school or following their graduation. The subcomponent aims to address the practical skills gap of current graduates.

48. **This subcomponent will target 3,500 youth (34 years of age and below),** who are unemployed graduates from institutions of higher education or TVET schools and place them in professional internships. At least 30 percent of participants will be female.

49. **The project will finance the following activities:** (a) employment payments to internship participants comprising stipends, accident, and medical coverage; (b) monitoring of youth and follow-up activities during the internship period; and (c) survey of youth following the completion of their internships.

Subcomponent 2.3: Entrepreneurship Promotion (US$5 million)

50. **This subcomponent aims to promote youth employment through the development of entrepreneurial initiatives**. Activities envisioned under this subcomponent include entrepreneurship training programs to promote entrepreneurship among youth, assist trainees with the development of business plans, provide further assistance to trainees to access start-up funding and consolidate businesses through the start-up phase.

51. **Direct beneficiaries will be youth (aged 16 to 34 years).** Training will target 2,000 youth with different levels of educational attainment and tailor training interventions accordingly. The selection method is detailed in annex 2. A simplified, short course will be deployed for youth with lower levels of educational attainment and for those who may have dropped out of school.

52. **Entrepreneurship training will target an initial 2,000 youth.** Following the delivery of the training, a selection committee will identify 1,000 participants who will receive further support in the development of business plans. On completion of the business plans, the best 300 participants' business plans will be entered into a competition, and thereafter, 150 participants will receive financial support for their projects. Beneficiaries will be monitored during the launch of their projects.

53. **The project will finance** (a) a campaign to promote training activities; (b) the development of entrepreneurship training modules; (c) the delivery of 120 entrepreneurship training sessions; (d) the training of 50 trainers to implement entrepreneurship training; (e) entrepreneurship and business plan training; (f) seed funding for winning proposals and the organization of the business plan competition; and (g) an impact evaluation study of the competition.

Component 3: Institutional Capacity Support and Project Implementation (US$15 million equivalent)

54. **The purpose of this component is to strengthen the institutional and management capacity** of the ministries involved in project implementation (the MFPIJ and the MENET) and executing agencies (including ONE) through the provision of TA. Component 3 will fund the following:

(a) **Capacity-strengthening activities** for the MFPIJ, the MENET, the ONE, the General Directorate of Human Resources *(Direction Générale des Resources Humaines,* DGRH*)*, and the National Observatory on Employment and Training (*Observatoire National de l'Emploi et de la Formation*, ONEF).

(b) **Communications activities targeting key stakeholders,** with a particular focus on youth and the private sector, to raise awareness of project activities (including the role of the ONE).

(c) **Assessment activities,** among others, impact evaluations and beneficiary surveys of interventions undertaken in support of Components 1 and 2, as well as support to the ONEF to conduct tracking surveys of those entering the workforce.

(d) **Support for the implementation of a revised Insertion and Reinsertion Fund (*Fonds d'Aide à l'Insertion et à la Réinsertion Professionnelle,* FIR) and disbursement mechanism** to facilitate interventions envisaged under this project and regulations and procedures for their implementation to be adopted by the ONE.

(e) **Financing of the coordination and management activities of the project coordination unit (PCU).** Component 3 will finance goods, works, consultant and non-consultant related services, and training and operating costs.

B. Project Cost and Financing

55. The Project will be fully funded by an IBRD Flexible Loan. The Borrower chose a Fixed Spread Loan with semi-annual level repayments linked to commitments, denominated in Euro. The loan has a maturity of 20 years including a grace period of 5 years. The front-end fee of 0.25% of the loan will be financed out of the proceeds of the loan.

56. The total project cost is US$100 million. The project will be financed through Investment Project Financing and implemented over 5 years.

Table 1. Project Cost and Financing

Project Components	**Project Cost (US$ millions)**	**IBRD Financing (US$ millions)**	**% Financing**
Component 1: Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors	[65]	[65]	100
Component 2: Employability Development, Youth Integration, and Entrepreneurship Promotion	[20]	[20]	100
Component 3: Institutional Capacity Support and Project Implementation	[15]	[15]	100
Total Project Costs	99.75	99.75	100
Front-End Fees	.25	.25	
	100	100	

C. Lessons Learned and Reflected in the Project Design

57. **The project design has been informed by lessons learned from previous interventions with regard to technical and vocational education and the promotion of youth employability**. The project has incorporated elements of the project design implemented through the Cote d'Ivoire Youth Employment and Skills Project, which focuses on improving the transition of young people into the work force and skills development; lessons learned through

interventions in Vietnam, which underscored the importance of addressing the poor alignment between the outcomes of vocational training and the needs of the market; and the benefits accruing to interventions incorporating PPPs. Mainstreamed project implementation arrangements, including the strengthening of the capacity of the MFPIJ, as well as close engagement with the private sector have been integrated into the project design.

58. **The project moves beyond an exclusive focus on supply-side interventions,** and is informed by lessons learned from Vietnam. Findings outlined in the Vietnam Development Report (2014), "Skilling up Vietnam: Preparing the workforce for a modern market economy," demonstrated that a narrow focus on supply-side interventions for the improvement of the TVET systems (for example, through the provision of new building schools) is ineffective. The report highlighted three potential systemic 'disconnects' that policymakers should focus on in targeting the improvement of TVET outcomes: information (from the perspective of students, enterprises, and schools); incentives; and capacity.

59. **The project design has incorporated the priorities listed above as well as lessons learned from prior projects** through its emphasis on (a) strengthening ONE to more effectively operate decentralized centers and close the information gap for students, enterprises, and schools; (b) improving engagement with the private sector to more closely align skills development programs with the needs of critical economic sectors; and (c) through Component 3, further develop capacity in the education sector.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

60. **Steering Committee.** Oversight of the project will be entrusted to the SC with the objective of ensuring that the project activities address the needs of key economic sectors and to ensure that implementation is aligned with the GoG's priorities and the needs of the private sector. The SC will be chaired by the minister of MFPIJ or his designate and supported by two vice presidents representing the private and public sectors, respectively. In addition to the MFPIJ, the public sector will be represented by the Ministry of Education and Technical Education; Ministry of the Budget; the Ministry of Economy, Sustainable Development, Investment Promotion, and Planning; the Ministry of Digital Economy and Postal Services; the Ministry of Infrastructure, Public Works, and Land Management; and other relevant representatives. The private sector will be represented by the following organizations: the CCAIMG, the CPG, trade unions, and other relevant representatives.

61. **The SC will** (a) provide overall policy and strategic guidance to the PCU; (b) review and approve the Annual Work Plans (AWPs) prepared by the PCU and ensure that agreed performance targets and timelines for activities are met for the effective implementation of the project's components; and (c) proactively address critical issues that may arise with the potential to undermine effective project implementation. The SC will meet every quarter to review progress, the activity reports prepared by the PCU, and discuss the findings thereof with relevant stakeholders (for example, public and private sector agencies, NGOs, and other donors).

62. **The MFPIJ will be responsible for the overall management of the project**. A new

PCU under the responsibility of the MFPIJ will be created to handle day-to-day coordination and the FM of the project. To ensure smooth project implementation, the PCU and other implementing agencies will enter into subsidiary agreements spelling out their respective tasks and responsibilities.

63. **The PCU will be headed by a coordinator who will serve as the link between the SC and the MFPIJ**. The PCU will be responsible for day-to-day project coordination and implementation, including (a) carrying out project FM and procurement activities; (b) preparing the AWPs; (c) ensuring compliance with safeguards instruments; (d) monitoring and evaluating project activities and preparing financial, M&E, and progress reports; and (e) other such functions set forth in the procedures manual.

Roles and Responsibilities

64. **Extension of Training Supply and Quality Improvement in TVET in key growth sectors (Subcomponents 1.1 and 1.2)** will be implemented by the MFPIJ in collaboration with the PCU. Moreover, the MFPIJ will be responsible for designing system reforms and implementing, coordinating, monitoring, and evaluating the national policy for employment and vocational training.

65. **Employability Development, Youth Integration and Entrepreneurship Promotion (Component 2) will be implemented as follows:** Technical implementation and FM implementation for the apprenticeship and internship programs (Subcomponents 2.1 and 2.2) will be done by ONE along with the PCU through a delegated management contract with the PCU. The ONE currently manages similar programs on a smaller scale and is responsible for the implementation of the FIR which will be restructured as part of the project.[20] The ONE will establish a specific unit responsible for the implementation of subcomponents and will be capacitated with human resources and equipment necessary for implementation to ensure effective fiduciary accountability. The ONE has an existing network of regional offices that provide orientation for job seekers and assist with job placement. In each of its regional centers, the ONE will appoint a coordinator to be assigned to project activities.

66. **Entrepreneurship** (**Subcomponent 2.3)** will be implemented by the PCU with technical support from the National Agency of Investment Promotion (*Agence Nationale de Promotion des Investissements*, ANPI). The designated team in charge of the competitive business plan will be responsible for the implementation of Subcomponent 2.3 and will be provided with the requisite human resources and equipment necessary for the implementation and to ensure effective fiduciary accountability. The project will support additional costs related to the procurement of equipment and additional staff wherever necessary. The project implementation manual will include the development of a grievance mechanism to address complaints for any non-successful participants.

[20] In 1993, Gabon created a fund to facilitate the insertion of young graduates and the professional reintegration of laid-off employees into the labor market FIR. This fund aims at financing training internships for young graduates and workers made redundant from public and private enterprises. The ONE helps young graduates integrate better into the labor market through three-month or six-month internships and provides scholarships equivalent to half the minimum salary to the beneficiaries.

B. Results Monitoring and Evaluation

67. The M&E system will be based on the agreed Results Framework (annex 1) and the implementation arrangements (annex 3). The PCU will be responsible for conducting the M&E activities. Baseline data collection for the agreed indicators will be initiated by the PCU in close collaboration with public and private implementing agencies of the project. Implementing agencies will be responsible for data collection and reporting of their respective activities. Overall, the PCU will be responsible for consolidating and analyzing data relating to output indicators and project implementation. In addition, the PCU will be required to produce reports to the SC and the Bank. To this end, the PCU will recruit an M&E specialist.

68. The M&E system will be managed by the expert responsible for M&E and will be linked to the FM system to allow the monitoring of activities against disbursement. The Project Implementation Manual will provide detailed step-by-step guidelines on M&E methodology, including baseline development and indicator calculation. Training and TA will be provided to build capacity for relevant stakeholders such as ministries and implementing agencies. It is expected that the project activities will help build good practices regarding data collection to improve project and sector M&E.

69. **Monitoring activities of the project.** Progress reports will be prepared twice a year outlining the status of program implementation and outcomes as well as presenting updated data relevant to the assessment of the performance indicators. To assist in this regard, the PCU will recruit M&E staff and recruit an international, independent M&E firm to assist the PCU to design a project M&E system capable of executing annual lessons learned/technical audit report and ensure objectivity in the assessment of implementation progress and related indicators.

70. **Annual reviews.** As the technical secretariat to the SC, the PCU will organize two reviews: the first to review interim progress and the second to approve the AWP. Based on the AWP evaluation, the SC will approve activities to be financed in the forthcoming year. In the second year, the Annual Review meeting will also evaluate progress made in the first year of project implementation, take into account lessons learned, and weigh corrective measures. To facilitate and harmonize this evaluation process, one of the two Bank project Implementation Support Missions will be organized to coincide with the Annual Review meeting.

71. The project will also finance (a) an impact evaluation to assess the effects of the project activities on beneficiaries compared to a control group which will be used to inform training programs (adjustments to ongoing training modules under Component 2 and curriculum development under Component 3); (b) a tracer survey of beneficiaries to ascertain their employment status following training and (c) a satisfaction survey of both beneficiaries and non-beneficiaries (i.e. youth who applied and were not admitted and/or did not participate; additional community members) to gauge perception of and satisfaction with project interventions.

C. Sustainability

72. **Overall sustainability.** There is strong evidence of ownership of the proposed project on the part of the GoG and the private sector. The project effectively responds to a request from the GoG to the Bank for assistance in the implementation of interventions to enable a more effective

TVET sector with stronger links to the private sector. All activities envisaged under the proposed project, including the use of PBCs to improve service delivery as well as the involvement of the private sector in the management of the TVET institutions, were drafted after a national consultative and consensus seeking program. Throughout the process of pre-appraisal, private sector representatives demonstrated a strong interest in the project's objectives and expected results although more work needs to be done to forge stronger engagement between the government and the private sector.

73. **Sustainability of skills development activities.** The project appraisal included a review of plans for the funding of recurrent expenditures (teacher salaries and so on) for new institutions as well as measures to be undertaken by implementing partners to ensure the sustainability and maintenance of new construction and activities relating to the upgrading of teaching skills and teacher training. The government has prepared a policy note and has confirmed that new institutions will be financed and supported in alignment with agreed institutional PBCs.

74. **The project design has incorporated measures to promote the sustainability of project interventions, including** (a) continual training of trainers as part of performance contracts to update skills and content delivery; (b) the involvement of the private sector in supply and demand approaches to skills development; (c) the promotion of effectiveness and efficiency in the operation of vocational training institutions (largely articulated in performance contracts); and (d) the strengthening of the institutional capacity of agencies and public institutions involved in the delivery of formal and nonformal training.

V. KEY RISKS AND MITIGATION MEASURES

Systematic Operational Risk-Rating Tool

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Low
8. Stakeholders	High
OVERALL	Substantial

A. Overall Risk Rating Explanation

75. **Institutional capacity for implementation and sustainability.** Poor institutional and managerial capacity may impede project implementation. Associated risks include weak human resources and a lack of familiarity on the part of government employees with the implementation of Bank projects. Moreover, suboptimal fiduciary accountability mechanisms as well as insufficient capacity for effective M&E, project administration, sector coordination, and

technical oversight of skills development and training, job creation, and entrepreneurship schemes cumulatively pose risks to implementation and achievement of project objectives. Limited capacity will be mitigated by capacity-building initiatives supported under Component 3. The capacity of critical stakeholders (the ONE, the CCE, employers, private sector intermediaries, training firms, the DGRH, and educational institutions) will be progressively built throughout project implementation. A comprehensive management information system will be established by the PCU for M&E purposes. A reliable system for data collection and reporting will be established premised on the lessons learned from other Bank-supported skills development projects.

76. **Fiduciary.** Implementing entities are generally characterized by poor capacity with regard to FM. Specific challenges relate to low levels of familiarity on the part of the staff with regard to the implementation of Bank-funded projects, the absence of a procedures manual, the absence of a computerized accounting system within the PCU, and the need to align the ONE's operational system with project activities. Of significant concern is the absence of auditing arrangements. These challenges are being addressed through measures to strengthen internal capacity of implementing agencies and to establish appropriate protocols and controls. The overall FM of the project will be supported by the following interventions: (a) the strengthening of the PCU through the recruitment and training of an FM expert and staffing of the FM unit; (b) the recruitment of an internal auditor to strengthen the internal control systems; (c) the purchase and installation of a computerized accounting system for the PCU; (d) the establishment of a procedures manual for the effective implementation of the administrative and fiduciary protocols of the project; and the (e) the recruitment of an external auditor.

77. **Stakeholders.** The need to continually consult the private sector may lead to delays in decision-making and implementation activities. Weak institutional capacity on the part of the MFPIJ and the implementation agencies may result in delays in project implementation. An SC has been established by the MFPIJ, by the decree 0833/MFPIJ/SG/DGFP signed on December 16, 2014, to facilitate and institutionalize consultation with the private sector and identify and address implementation challenges if and when they arise.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

Economic Context and Labor Market Outcomes

78. Improved educational outcomes are strongly associated with poverty reduction, increasing formal employment, and economic growth in Gabon. Estimates using the ENEC (2010) demonstrate that higher levels of education attainment, including in TVET after primary and secondary education in Gabon, are associated with higher levels of income. Similarly, an analysis of the rate of return to education demonstrates that an additional year of schooling is associated with approximately 7.3 percent higher income. Moreover, the rate of return accruing to female education is higher than that associated with male education. Further analysis demonstrates that skills acquired at higher levels of education, including in TVET, are strongly associated with higher earning potential. The primary challenge highlighted by the analysis is the

large numbers of youth and adults who are either unemployed or underemployed due to poor skills. The fact that higher education, including in TVET, is associated with better labor market outcomes (such as higher earnings, lower unemployment rate, jobs in better paying sectors, more stable job contract arrangements, and so on) underscores the rationale for skills development in Gabon. The analysis moreover demonstrates that the TVET sector is undersubscribed (less than 2 percent of youth and the workforce generally have a TVET qualification) and that poor TVET enrolment is a key contributing factor to the skills shortage in Gabon. In addition to the positive rates of return associated with higher education attainment, skills acquisition in general is associated with positive externalities. For example, the presence of sufficient skilled labor is more likely to attract greater domestic and foreign direct investment, making the social returns to investment in skills greater than private returns. Moreover, more effectively aligning the skills profile of the workforce with the economic needs of the country can spur more efficient technology adoption with beneficial effects for competitiveness and economic growth.

Equity

79. In Gabon, there is significant evidence of inequity in educational attainment premised on gender, household wealth, and area of residence. As documented above, higher levels of educational attainment and skills acquisition are positively correlated with better labor market outcomes and significantly contribute to improved living conditions of individuals and the future opportunities of their offspring. Putting aside the private benefits associated with education, investment in education has the potential to substantively reduce inequality and generate opportunities for disadvantaged groups at a societal level. Evidence demonstrates that poor rural children, with less-educated parents, have the lowest initial primary enrollment rates and the highest dropout rates. Moreover, of children in the lowest consumption quintile, less than 1 in every 100 had completed 13 years of education, compared to 35 and 25 of every 100 boys and girls, respectively, in the highest consumption quintile. An analysis of the earnings differential between male and female citizens demonstrates that differences in educational attainment account for approximately 72 percent of the observable difference (female gender is associated with lower earnings). Overall, females in rural areas have lowest educational attainment and disparities by region are substantial, hindering access to opportunity for all the people of Gabon. This project aims to address these market failures through the provision of training to unemployed workers for building a skills base to increase their chances of employment.

Cost-benefit Analysis

80. A detailed cost-benefit analysis (CBA) of the project was also undertaken (summarized in annex 5). The internal rate of return (IRRs) and the net present values (NPVs) of costs and benefits for quantifiable components and combined estimates for the project demonstrate that the project is economically viable. The lower bound of the present discounted value of benefits associated with the full implementation of the project is estimated to be US$130.43 million while the present discounted value of costs is estimated to be US$116.69 million (US$59.5 million project costs and US$57.19 million opportunity costs) including other unquantifiable portions. The corresponding NPV associated with program benefits is US$21.54 million. The IRR associated with this NPV is 16.7 percent. Overall, the ratio of benefits to costs indicates that for every US$1 invested in the project, US$1.12 will accrue through returns. Therefore, although data to measure all likely benefits were not available and given the high opportunity costs of

participation on the part of project beneficiaries, the expected NPV from quantifiable benefits surpasses the NPV of costs for both components and hence, supports a decision to invest in the project. A sensitivity analysis was also undertaken considering eight scenarios for estimating benefits and costs premised on the project design (see annex 5). In all cases the project is confirmed to be economically viable.

B. Technical

81. **The project design incorporates lessons learned from previous interventions focused on youth employability and TVET**. Particularly, the project has integrated elements of design from the Cote d'Ivoire and Burkina Faso skills projects that focus on improving the transition of young people into the workforce and skills development as well as lessons learned from Vietnam, where interventions have focused on improving the alignment of vocational training with the needs of the labor market through the use of PPPs. Further findings from Vietnam have informed interventions for both supply-side and demand-driven training.

82. **The technical foundation of the project is sound**. Technical discussions relating to TVET have been grounded in long-standing dialogue between the Bank, the French Development Agency (*Agence Française de Développement, AFD*), and the AfDB. Activities have been identified and designed for each component, taking into account the availability and quality of technical studies. Close supervision will be provided to ensure the timely completion of activities and the delivery of outputs. The government has committed itself to further technical studies, the terms of reference (TOR) for which are already being prepared, including studies to inform feasibility measures, aspects of architectural design, and the procedures manual.

83. **Component 1 focuses on the creation of two new TVET institutions to support training in two priority areas**, namely construction and public works and ICT. The construction of new facilities will be accompanied by interventions aimed at improving and upgrading the existing TVET institutions on a competitive basis and in doing so, promote principles of autonomy, the introduction of PBCs, and sharing of autonomous management of training institutions with the private sector. The implementation of activities related to Component 1 will require progressive TA to promote the development of new structures as well as the implementation of a management model based on autonomy and partnership with the private sector. The SC, which is responsible for oversight of the project, will incorporate representatives of the private sector.

84. **Skills development activities to be implemented under Component 2 are being implemented in close collaboration with the private sector and included the private sector in design consultations.** Employers are best positioned to define and anticipate changes in the demand for skills and will play a central role in determining areas of concentration; the appropriate mix of theory and practice to be included in the training programs; the ideal duration for proposed training activities; and the assessment of the suitability of the training provided. Engagement with the private sector was initiated in the needs assessment phase of project preparation and will be maintained through regular consultation throughout project implementation.

85. **Component 3—Institutional Capacity Strengthening and Project Implementation—will focus on the establishment of robust M&E systems across project activities to ensure effective implementation.** In light of the fact that many of the activities and approaches associated with the project will be implemented on a pilot basis, rigorous impact evaluations of interventions implemented under Components 1 and 2 will be carried out to distill lessons learned and inform skills development and employment support activities in the future.

C. Financial Management

86. **The project will be managed by a PCU under the responsibility of the MFPIJ.** The ONE will be responsible for the management of employment payments to beneficiaries under Subcomponents 2.1 and 2.2. The ONE is experienced in implementing similar activities (apprenticeship wages) under current programs supported by the national budget.

87. **In line with paragraph OP/BP 10.00 on Investment Project Financing**, the FM arrangements of the PCU and the ONE have been assessed to determine whether they have sufficient capacity and protocols for implementing the project and to provide reasonable assurance that project funds will be used for the purposes for which they are intended.

88. **In this context, the FM arrangements** are understood to be the planning, budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements of the borrower and the entities responsible for project implementation. The FM arrangements rely on the borrower's existing institutions and systems, with due consideration for the capacity of those institutions.

89. **The objective of the assessment of the FM arrangements determined the extent to which** (a) adequate FM arrangements exist within the PCU and the ONE to ensure the efficient and cost-effective use of project funds and to ensure that these funds will be used for their intended purpose; (b) systems and capacity exist to ensure that financial reports will be prepared in an accurate, reliable, and timely manner; and (c) measures are in place to ensure that the project's assets will be effectively safeguarded.

90. **The assessment concluded that the FM systems of the PCU and the ONE are adequate, subject to the implementation of the mitigating measures listed in paragraph 91.**

91. **The overall FM risk is assessed as Substantial**. The assessment of financial arrangements proposed the following mitigation measures: (a) the development of a procedures manual; (b) the recruitment of one FM specialist, two accountants (one at the PCU and one at the ONE), and one internal auditor; (c) the installation of a computerized accounting system capable of consolidating FM information at the PCU and the ONE; and (d) the recruitment of an independent external auditor in line with a TOR acceptable to the Bank.

92. **Employment payments will be paid to apprenticeship beneficiaries**. Beneficiaries will be selected according to clear and binding criteria by the ONE and the PCU. Each beneficiary will be required to open a personal account at a commercial bank. Payment of subsidies will be made into accounts premised on evidence of effective participation in the apprenticeship program. Field supervision will be performed on a regular basis by the PCU and the ONE to assess the presence and participation of beneficiaries.

93. Detailed FM arrangements are described in annex 3.

FM Conditions and FM Covenants

(a) The preparation and adoption of a procedures manual as a condition of disbursement

(b) The recruitment of one FM specialist, one accountant, and an internal auditor as a condition of effectiveness

(c) The recruitment of an accountant for the ONE, one month after effective implementation

(d) The recruitment of an independent external auditor four months after effective implementation

(e) The installation of a computerized accounting system three months after effective implementation

D. Procurement

94. **Procurement.** An assessment of the project implementation arrangements was carried out as part of project preparation. The capacity assessment concluded that (a) the MFPIJ has no experience in the implementation of Bank-financed projects; (b) as of December 2015, there was no qualified procurement specialist within the PCU; (c) a procedures manual inclusive of a specific section on procurement will need to be prepared for project implementation; and (d) the PCU lacks a comprehensive record keeping system.

95. **A mitigation action plan has been developed** and is detailed in annex 3.

96. **The overall project procurement risk at the time of assessment is** High**.** The satisfactory implementation mitigation measures will reduce procurement risk to Substantial.

97. **The draft procurement plan for the first 18 months of project implementation has been prepared.** The procurement plan was reviewed during the appraisal mission and completed during negotiations. Through the course of project implementation, the procurement plan will be updated (at least, annually) subject to the approval of the project team, to reflect implementation needs and improvements in institutional capacity. The procurement plan will be available in the project's database and a summary will be disclosed on the Bank's external website following project approval.

E. Social (including Safeguards)

98. The project seeks to address the current skills mismatch and low employability of youth by improving and expanding formal vocational training and supporting skills development and entrepreneurship training to address the needs of unemployed youth (graduates and school-leavers). The implementation of these activities, which seek to reduce unemployment through the promotion of more effective integration of young people into the labor market, is envisaged to have a cumulative positive social impact.

99. **Social safeguards have been triggered**. The project triggers OP/BP 4.12 - Involuntary Resettlement. Although the project will not involve land take, for due diligence, the borrower has prepared a Resettlement Policy Framework (RPF).

F. Environment (including Safeguards)

100. **Environmental safeguards triggered**. The project triggers two environmental safeguards: OP/BP 4.01 - Environmental Assessment and OP/BP 4.11 - Physical Cultural Resources due to potential adverse environmental impacts related to the construction and rehabilitation of institutions financed under Component 1. Construction is likely to affect the environment and generate social effects. However, adverse impacts linked to these activities are likely to be site-specific, small-scale, and manageable at an acceptable level and are expected to be limited to problems associated with dust, noise, and waste management. The project design includes measures to address the management of any adverse effects generated by these activities. Implementation will be carried out in accordance with environmental procedures acceptable to the Bank. To address these environmental safeguards triggers, an Environmental and Social Management Framework (ESMF) has been prepared, including a specific chapter providing guidance in case physical cultural resources are discovered.

101. **The GoG has prepared and disclosed the two safeguards instruments (ESMF and RPF).** The ESMF outlines a process for screening the environmental and social impacts of component activities (these include guidelines for an Environmental and Social Impact Assessment, an Environmental and Social Management Plan; environmental guidelines for contractors; and a summary of the Bank's safeguard policies). The RPF addresses the impact of potential land acquisition and/or loss of economic activity on the part of individuals or groups of individuals in project intervention zones. These two documents have been prepared in full compliance with the Bank and national safeguard policies and include a consultative framework to engage relevant stakeholder groups and civil society organizations. Following consultations, the safeguard instruments were disclosed in the country on November 15 and 16, 2014 and at the Bank's InfoShop on November 25, 2014 (RPF) and November 26, 2014 (ESMF). To ensure the efficient implementation of safeguard instruments, the project will support the training of stakeholders, including relevant staff of the PCU, to familiarize them with the Bank's safeguard policies. Specific institutional arrangements to ensure the effective management of environmental and social effects and contingent training needs, including recruitment of a part-time environmental and social safeguards specialist.

102. **Adverse environmental and social effects associated with construction are expected to be small-scale and site-specific, and the project has been classified under Environmental Assessment Category B (Partial Assessment).**

The Bank's Grievance Redressal System

103. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaints to the Bank's independent Inspection Panel which

determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and the Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Gabon

Skills Development and Employability Project (P146152)

Project Development Objectives

PDO Statement—The objective of the project is to improve effectiveness of vocational training, short-term skills development, and entrepreneurship programs in key growth sectors in the Gabonese Republic.

These results are at Project Level

Project Development Objective Indicators

Indicator Name	Baseline 2016	Cumulative Target Values					
		2017	2018	2019	2020	2021	End Target
1. Direct project beneficiaries (Core)	0	200	4900	8,500	14,900	18,100	18,100
Female beneficiaries (Percentage - Subtype: Supplemental) (Core)	0	0	30	30	30	30	30
2. Youth graduating from TVET institutions supported by the project (Percentage)	0	0	0	30	40	60	60
Female beneficiaries (Percentage - Subtype: Supplemental)	0	0	0	30	30	30	30
3. Youth who have completed apprenticeship programs (Percentage)	0	0	0	30	50	70	70
Female beneficiaries (Percentage - Subtype: Supplemental)	0	0	0	30	30	30	30
4. Youth who have completed internship programs (Percentage)	0	0	30	60	80	90	90
Female beneficiaries (Percentage - Subtype: Supplemental)	0	0	30	30	30	30	30
5. TVET institutions with functioning boards of directors (number)	0	0	0	5	8	8	8
6. Signed PPP joint management agreements signed (number)	0	0	5	8	12	12	12

Intermediate Results Indicators							
		Cumulative Target Values					
Indicator Name	**Baseline 2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**End Target**
Component 1. Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors							
Youth enrolled in the TVET institutions supported by the project in the priority sectors (Percentage)	0	0	0	0	2,500	4,500	4,500
ICT	0	0	0	0	1,250	2,250	2,250
Female beneficiaries (Percentage - Subtype: Supplemental)	0	0	0	0	30	30	30
Construction and Public Works	0	0	0	0	1,250	2,250	2,250
Female beneficiaries (Percentage – Subtype : Supplemental)	0	0	0	0	30	30	30
Number of youth enrolled in restructured vocational institutions	0	0	1,200	2,400	3,600	4,800	4,800
Female beneficiaries (Percentage – Subtype : Supplemental)	0	0	30	30	30	30	30
Number of programs that have revised and implemented curricula	0	0	10	25	25	25	25
Component 2. Employability Development, Youth Integration, and Entrepreneurship Promotion							
Number of youth enrolled in apprenticeship program	0	100	900	1,900	3,000	3,000	3,000
Female beneficiaries (Percentage – Subtype : Supplemental)	0	30	30	30	30	30	30
Number of youth enrolled in internship program	0	100	1,500	2,400	3,500	3,500	3,500
Female beneficiaries (Percentage – Subtype : Supplemental)	0	30	30	30	30	30	30
Number of beneficiaries trained in entrepreneurship	0	0	1,000	1,500	2,000	2,000	2,000
Female beneficiaries (Percentage – Subtype : Supplemental)	0	0	30	30	30	30	30
Number of reviewed business plans[21] developed as a result of project intervention	0	0	300	300	300	300	300
Component 3. Institutional Capacity Support and Project Implementation							
Beneficiary survey completed to support ongoing training improvement	0	0	0	1	1	2	2
Tracer survey	0	0	0	1	2	3	3
Number of youth who have registered in the job seekers database established by the ONE	0	0	0	4,000	8,000	12,000	12,000
Satisfaction Survey (beneficiary and nonbeneficiary)	0	0	0	1	2	0	0

[21] The indicator is a measure of quality business plans developed as a result of the project intervention. Of the 1,000 business plans developed, 300 will be vetted by an appointed committee. Those selected will go on to the business plan competition.

Indicator Description

Project Development Objective Indicators				
Indicator Name	**Description (indicator definition)**	**Frequency**	**Data Source/Methodology**	**Responsibility for Data Collection**
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (students in targeted training institutions, in internship, entrepreneurship, and apprenticeship programs). This indicator is calculated as a number with a percentage of female beneficiaries.	Yearly	MFPIJ M&E system TVET Institutions	MFPIJ
Youth graduating from TVET institutions supported by the project and the percentage of graduating females	Numerator: Number of youth graduating from the restructured and newly created TVET institutions supported by the project Denominator: Total number of youth enrolled in the final year of training institutions supported by the project	Yearly	MFPIJ M&E system TVET Institutions	MFPIJ
Youth who have completed the apprenticeship programs (%) (of which % female)	Numerator: Number of youth who completed the apprenticeship programs supported by the project Denominator: Number of youth who are enrolled in the apprenticeship programs	Yearly	MFPIJ M&E system TVET Institutions	MFPIJ and ONE
Youth who have completed internship programs (%) (of which % female)	Numerator: Total number who have completed internship programs Denominator: Number of youth who are enrolled in internship programs	Yearly	MFPIJ M&E system; ONE; beneficiary survey; and the LM observatory data	MFPIJ and ONE
Number of TVET institutions with functioning boards of directors	A functioning board of directors is a board with 50% of representatives drawn from the private sector and which meets at least twice a year	Yearly	MFPIJ M&E system	MFPIJ
Number of signed PPP joint management agreements	Total number of agreements signed between the private sector and the public sector for joint management of TVET institutions based on performance contracts	Yearly	MFPIJ M&E system TVET Institutions	MFPIJ

Intermediate Results Indicators				
Indicator Name	**Description (indicator definition)**	**Frequency**	**Data Source/Methodology**	**Responsibility for Data Collection**
Component 1. Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors				
Youth enrolled in the TVET institutions supported by the project in the priority sectors (number, of which % females)	Number of youth enrolled in the two new institutions (construction and IT) supported by the project	Yearly	MFPIJ M&E system; PCU institutions	MFPIJ
Number of youth enrolled in the restructured vocational institutions (number, of which % female)	Number of youth enrolled in restructured institutions	Yearly	MFPIJ M&E system	MFPIJ
Number of programs which have revised and implemented curricula.	Number of revised and implemented program curricula in new and rehabilitated institutions supported by the project.-	Yearly	MFPIJ M&E system	MFPIJ
Component 2. Employability Development, Youth Integration and Entrepreneurship Promotion				
Number of youth enrolled in apprenticeship programs (of which % female)	Number of youth who are enrolled in apprenticeships supported by the project	Yearly	MFPIJ M&E system; ONE	MFPIJ and ONE
Number of youth enrolled in internship programs (of which % female)	Number of youth who are enrolled in internship programs	Yearly	MFPIJ M&E system; ONE	MFPIJ and ONE
Number of beneficiaries trained in the entrepreneurship program	Number of youth who have completed the entrepreneurship training program	Yearly	MFPIJ M&E system; ANPI	MFPIJ
Number of reviewed business plans[22] developed as a result of project intervention	Number of business plans developed and reviewed by evaluation committee as part of the entrepreneurship program	Yearly	MFPIJ M&E system; ANPI	MFPIJ
Component 3. Institutional Capacity Support and Project Implementation				
Beneficiary survey completed and used to inform ongoing	Measure effects of the project compared to nonbeneficiary group. Survey feedback used to	Every other year	MFPIJ M&E system	MFPIJ

[22] The indicator is a measure of quality business plans developed as a result of the project intervention. Of the 1,000 business plans, 300 developed will be vetted by an appointed committee. Those selected will go on to the business plan competition.

training programs.	inform project design (curriculum development in training institutions and formation of short-term training modules)			
Tracer survey	A tracer survey tracking youth employment six months after completion of training (beneficiaries under component 1 and component 2).	Yearly	MFPIJ M&E system	MFPIJ
Number of youth who have registered in the job seekers database established by the ONE	Number of youth who have registered in the ONE database for job seeking youth	Yearly	ONE	MFPIJ and ONE
Satisfaction Survey (beneficiary and nonbeneficiary)	A survey to measure the perception of and satisfaction with the project of the beneficiaries and nonbeneficiaries (includes youth who applied and were not admitted or did not participate, and other community members).	Year 3 and 4 of the project	MFPIJ M&E	MFPIJ

Annex 2: Detailed Description of Project Components

GABON: Skills Development and Employability Project

1. **The project will address the current skills mismatch evident in the labor market and the low employability of youth** by (a) improving the provision of, and expanding access to, vocational training in key growth sectors and (b) supporting skills development to address the needs of unemployed youth (graduates and school-leavers). The project has been designed around the following components: Component 1 will support interventions to improve the effectiveness of TVET institutions through the creation of two new training institutions (one catering for skills development aligned to construction and public works and the second in ICT) and the improvement of existing institutions with a focus on aligning the TVET institutional programming with key economic growth sectors.[23] Component 2 will target skills development for unemployed youth (graduates and school-leavers) through support to skills development programs, including (a) an apprenticeship program; (b) an internship program; and (c) entrepreneurship training. Component 3 will support the institutional strengthening of the involved ministries (the MFPIJ and the MENET) and other implementing institutions.

2. **To maximize impact, key activities of the project focus on improving the alignment of TVET with the private sector through the development of PPPs.** Links between training institutions and the private sector in Gabon can be generally characterized as weak. As a result, efforts to implement internships and effective skills development programs have been relatively unsuccessful. In an effort to improve the alignment of skills development programming with the needs of the economy, the project will engage the private sector at all levels of project coordination and implementation, including the overall management of the project, through the inclusion of representatives of the private sector in the SC; in the management of, and curriculum development for newly created and restructured vocational training institutions under Component 1; and in framing skills development activities outlined under Component 2.

Component 1: Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors (US$65 million)

3. **While several public and private TVET institutions currently operate in Gabon, the quality of these institutions is variable and programs offered differ from institution to institution.** To date, very limited efforts have been made to harmonize training programs and develop common standards across the system to improve the quality of educational outputs. The TVET system suffers from low levels of internal efficiency, and placement rates for graduates in employment remains poor due to the mismatch between the skills offered by graduates and those needed by employers.

[23] Component 1 will specifically target growth sectors. Subcomponent 1.1 includes building of institutions focused on construction and public works and the ICT sectors. Subcomponent 1.2 will support restructuring of the TVET institutions across a broader range of key growth sectors, for example, 'green' growth, wood processing, food processing, agriculture, and so on in accordance with the PGSE, the conclusions of the National Employment Forum of October 2013, the education sector plan, and the Law on the General Orientation of National Education, Research and Training (*Loi portant sur l'orientation générale de l'Éducation, de la Formation et de la Recherche*) adopted in 2011.

4. **Component 1 will extend access to vocational training and improve the quality of training to meet the needs of the key economic growth sectors that have demonstrated considerable employment potential.** This objective will be implemented through two subcomponents: (a) support for the creation and functioning of two new vocational training institutions focused on the development of skills in the construction and public works and ICT sectors, respectively, including the construction thereof, and the development of new approaches for teaching and management and (b) improving the quality of training outputs and the realignment of existing TVET institutions with key growth sectors on a competitive basis.

5. **Component 1 will target youth aged 16 to 24 years** who meet qualification for entry into new and upgraded TVET institutions. Component 1 is expected to directly benefit 9,300 students, of whom at least 30 percent will be female.

6. **Component 1 will use PPPs to improve management and inform curriculum development.** Component 1 will incorporate PPPs to improve management and curriculum development. Collaboration between the private sector and vocational training institutions supported by the project (both newly created and restructured) will be guided by a law passed in 2011 on the general orientation of national education, research, and training. Partnership agreements to facilitate cooperation in four select areas will be signed between the institutions supported by the project and the representatives of the private sector.[24] The PPP model is the first of its kind to be implemented in Gabon and will serve as a model for replication across the TVET system. Specific actions will include the development of sector-specific curricula and improvement in the training of school managers and trainers.

7. **Private sector participation will be concentrated in four specific areas:** (a) the joint identification of equipment and training needs and the identification of training methodologies and curricula; (b) the development and implementation of a training program with a strong focus on the development of skills; (c) the implementation of an internship program; and (d) the organization and formulation of examinations to be administered at the end of the training. Partnership agreements will stipulate that no less than 50 percent of members of the board of directors for each new and restructured institution consist of representatives from the private sector.

8. **Multiyear PBCs will be signed with targeted institutions and the MFPIJ to clearly specify goals for, and to track the achievements of, each institution,** including among others, (a) the number of students enrolled by field; (b) the proportion of females enrolled; (c) the percentage of students enrolled in internship programs; (d) the number of graduates enrolled; (e) the employment rate of graduates within one year of graduation; (f) programming for the continued training of trainers; and (g) the financing model of the institution. These PBCs will be monitored by the MFPIJ and each institution through their M&E systems.

9. **The MFPIJ will be responsible for the implementation of Component 1,** with assistance from the PCU, which will be responsible for the FM of the project and the oversight and coordination of day-to-day implementation.

[24] The private sector refers to the CCAIMG, the CPG, and SMEs.

Subcomponent 1.1. Creation of Two New Training Institutions in Priority Growth Sectors (US$30 million)

10. **This subcomponent will extend the supply of relevantly trained graduates through the creation of two new TVET institutions (US$15 million per institution)** in the following two priority areas:

(a) **Construction and public works.** The creation of a training institution to support the construction industry and associated professions through the development of professional skills, among others, masonry, coating, soldering, steel construction, reinforcement and shuttering, sanitary plumbing, topography and measurement, elevator construction, and electricity.

(b) **ICT.** The creation of a training institution to support the development of the digital technology sector through the development of critical skills, among others, digital programming and development, project design and management, infrastructure and network development, and industrial computing services.

11. These sectors have been targeted for the following reasons:

(a) **Construction and public works sector.** Further development of the country's construction sector has been hampered by a supply-side bottleneck. The sector is the fifth largest contributor to GDP, with 5 percent growth per year, despite a high concentration of activity in informal economic activities. Despite this healthy growth and the development of increasingly sophisticated and modern infrastructure projects, there has not been an increase in the supply of skilled construction personnel to the labor market. This is largely due to the poor educational infrastructure and the low institutional capacity within the TVET sector. Investment in the construction sector increased by 170 percent between 2010 and 2014. A 2014 report by McKinsey, Accelerating the Reform of the Education System and Training in Gabon around Targeted Sites (2014), highlighted this as a key issue in meeting the economic growth and productivity within the country. The report shows that the sector employs between 45,000 and 50,000 and represents 5 percent of the GDP. The expansion of the construction sector demands the addition of between 4,700 and 5,900 new skilled workers every year while capacity in the existing public and private institutions combined currently supplies only between 1,100 and 1,300 new graduates per year.

(b) **The ICT sector.** The development of the nascent ICT sector in Gabon is currently undermined by supply-side bottlenecks that serve to inhibit demand across the ICT space, in both the core subsectors (IT, telecom, IT-enabled services) and the contingent subsectors (noncore such as banking and insurance). Poor labor supply is characterized by the low number of ICT-trained personnel entering the market, high labor costs, and insufficient industry readiness on the part of graduates. Demand for workers with technical and techno-managerial skills from other sectors such as banking, insurance, and the public sector also serves to divert workers with ICT skills into other sectors. Increasing the supply of adequately skilled labor is critical for the achievement of the government's strategy to expand basic infrastructure (transport, energy, and telecommunications) and the promotion of clustered centers in strategic areas. The PSGE articulates three objectives to promote the development of economic centers: (a) the modernization of transport infrastructure; (b) the creation of sustainable electricity supply and expanded access to electricity; and (c) improved digital infrastructure. In India, approximately 70 percent of IT-based services jobs are filled by young people (aged 26–35 years), and in the Philippines, women represent 60 percent of ICT-based services workforce. Countries such as Mauritius, Malta, El Salvador, and the Dominican Republic have developed ICT-based service industries that parallel the experience of India and the Philippines in growing the share of ICT-related exports as a proportion of total exports. In Africa, Ghana, Kenya, Morocco, and Senegal have made impressive progress in this regard.[25] In developing countries, jobs in the ICT services sector, which pay 50–100 percent more than comparable service sector jobs, have the potential to become key drivers of growth and job creation, especially for youth and women.

(c) Both of the new TVET institutions to be developed will incorporate a strong emphasis on developing partnerships with the private sector for the coordination of educational outputs and the management of institutions. The PPP model is the first of its kind to be implemented in Gabon and will serve as a model for replication across the entire TVET system. Key actions will include the development of sector-specific curricula and improvement in the training of school managers and trainers.

12. **The beneficiaries of this subcomponent will be youth aged between 16 and 24 years, of whom at least 30 percent will be female.** The two new TVET institutions are expected to increase capacity to accommodate 2,250 enrolled students per institution. Moreover, it is expected that the new TVET institutions will offer training programs for employees retained by firms operating in their sectors. Expected capacity in these programs would be around 300 employees per year.

13. **A new governance framework will be implemented for each TVET institution with a board of directors composed of public and private sector representatives.** Representatives from the private sector will constitute, at a minimum, 50 percent of board membership and will be drawn from relevant professional and civil society organizations. Management personnel will be recruited on a competitive basis, and each TVET institution will sign a PBC to ensure accountability for results, in a process similar to that described for Component 1.2.

14. **Two international training institutions will be contracted for each institution on a competitive basis, with a mandate to assist the training institutions in** (a) the development of curricula and programs and training of the trainers; (b) the identification of technical equipment to equip the new institutions; and (c) the development and implementation of institutional

[25] See Chapter 9: ICT Competitiveness, The transformational use of Information and Communication Technologies in Africa, etransform AFRICA, The World Bank and the African Development Bank with the support of the African Union, 2012.

management tools and systems. International institutions will be partnered with the new institutions for a period of two years.

15. **The project will support the training of teachers and trainers in agreed disciplines as well as personnel management for the new schools.** The project will provide TA and support for interventions aimed at implementing training systems premised on partnerships with the private sector, practical in-service training, and PBCs.

16. **The two new sector-specific institutions will deliver theoretical training combined with practical training,** which will be the first of their kind in Gabon in a context in which TVET education has historically been characterized by weak linkages with the private sector and the institutions have tended to focus on more than one sector.

17. **Sites for the construction of new institutions will target geographic concentrations of clusters of private sector companies** active in the sector which will be the focus of the institution. This will help promote partnership with the private sector and assist in the development of internships for both the construction and ICT sectors.

18. **The project will finance the construction and equipping of the two new TVET institutions** including, among others, the construction of classrooms, workshops, laboratories, schools canteens, boarding houses, and staff housing, as well as the procurement of laboratory equipment, technical platforms, and the provision of learning materials.

19. **The new TVET institutions are expected to open in March 2018.** The PPP model will be developed parallel to the process of construction to ensure that the institutions will be operational when construction is finalized. The first cohort of students who will enroll in two-year training programs is expected to commence training in September 2018.

Subcomponent 1.2: Quality Improvement and Upgrading of Existing TVET Institutions on a Competitive Basis (US$35 million)

20. **An analysis of existing TVET programs across 20 institutions found evidence of significant weaknesses,** in particular, with regard to obsolete and aging equipment, poorly formulated training programs, inadequate human resources for training, and shortcomings associated with the management of training institutions due, in part, to limited private sector engagement.

21. **Subcomponent 1.2 aims to restructure and upgrade at least 14 of the 20 existing TVET institutions** through the implementation of PBCs to improve the quality of service delivery and efficiency within the supported training institutions. Envisaged upgrades include (a) the implementation of new pedagogical and administrative management models incorporating private sector participation; (b) the enhancement of trainers' vocational skills; (c) the provision of equipment; and (d) the rehabilitation of existing training facilities at a value of no more than 20 percent of total costs.

22. **Expected beneficiaries of this subcomponent will be 4,800 youth aged 16 to 24 years, of which, at least 30 percent will be female.**

104. The project will finance PBCs with selected TVET institutions. The PBC will be a contract between the government and the TVET institution in which the government will agree to pay a predetermined amount of money to cover the costs of a portion of the institutional budget and, in return, each institution will commit itself to improving performance in the execution of its activities. Participating TVET institutions will prepare strategic plans from which they will derive priority development plans. The government will support these plans through performance agreements that will be built on the following arrangements:

(a) Each institution will prepare a detailed action plan and budget covering outputs and outcomes derived from their approved strategic plans to be achieved over a four-year period. Agreements will be multiyear and contain (i) funding commitments for the first year associated with budget projections for proposed activities and objectives; (ii) funding projections for subsequent years of agreement; (iii) agreed targets; and (iv) indicators to monitor progress. Adjustments will be made annually based on the achievement of targets.

(b) The government will negotiate with each beneficiary institution and provide financial support for the implementation of each plan. Third-party verification will be carried out to evaluate each PBC and verify the achievement of results. The details of the third-party verification will inform decisions relating to the adjustment of allocations in subsequent years.

23. **The selection of institutions under Subcomponent 1.2 will be determined through a competitive process.** The selection of institutions will be determined by a national committee which will include the participation of an international TVET expert. Evaluation criteria will include (a) the relevance of the program to strategic economic development; (b) the practicality of the proposal; (c) the quality of the proposal design; (d) readiness for implementation and institutional arrangements; (e) the quality of proposed governance reforms; and (f) commitment on the part of the institution's teaching and administrative community to implement the proposal. Operations and procedures manuals and development proposal preparation guides will be developed and made available to all competing institutions. Training sessions will be carried out to assist institutions in the preparation of proposals.

24. **The Bank procedures will be used for procurement and FM.** Following the negotiation of each PBC, the Bank will review the draft contract for clearance (no objection). Commencing in the third year of the project, the IBRD monies will be progressively substituted from the GoG's recurrent budget to ensure sustainability. Each institution's board of directors will endorse their respective PBCs and supervise their implementation. It is expected that by the end of the project, substantive links to private sector will have been established in support of upgraded institutions and training.

25. PBC indicators could include the following:

(a) Improved alignment of programs with labor market needs: (i) percentage of trainers recruited from private firms and (ii) percentage of accredited programs that include work experience

(b) Improvements to institutional governance: (i) a functioning board of directors defined as a board, with at least 50 percent representation from the private sector and (ii) the establishment of a new FM system defined as the implementation of software, training of staff, and development of procedures

(c) Improvement to the quality of training provided (i) number of trainers trained in new programs and methodologies; (ii) number of new programs developed and implemented; and (iii) percentage of training labs/classrooms renovated and equipped.

26. **The SC will select beneficiary institutions under Subcomponent 1.2.** Detailed guidelines will be developed to define the standards by which institutional proposals will be assessed.

27. **The project will support interventions to enhance the quality of education in selected institutions,** premised on a comprehensive analysis of all TVET institutions. This approach will contribute to the identification of weaknesses and gaps in the provision of TVET and determine corrective actions to more effectively align institutions with standards and industry demand. This analysis will also help identify programming needs responsive to the emerging needs in priority sectors of the economy.

28. **Restructured vocational training institutions are expected to fully implement the new PPP model by 2018.** A new procedures manual as well as guidance for the development of proposals will be finalized by October 2016, with training extended to interested institutions in the month thereafter. The competitive selection process will commence from November 2016, with the selection of beneficiary institutions finalized by January 2017. In light of the fact that physical rehabilitation of space is expected to be restricted to less than 20 percent of the budget, funding of activities under this subcomponent of the project is expected to be concentrated in new management practices and the updating of curricula and training. In-service training is expected to begin in January 2018 with the first formal cohort of students to commence study in September 2018.

Component 2: Employability Development, Youth Integration, and Entrepreneurship Promotion (US$20 million)

29. **Component 2 aims to promote the integration of young people into the labor market through the promotion of entrepreneurial skills and the provision of work experience and training.** The component seeks to facilitate (a) apprenticeship programs for youth with low educational attainment; (b) internship programs for young unemployed graduates; and (c) entrepreneurship training for youth with varied levels of educational attainment.

30. **Component 2 will target** youth with limited education (Subcomponent 2.1 - Apprenticeships) and youth who have graduated from higher education institutions or TVET

institutions (Subcomponent 2.2 - Internships). Subcomponent 2.3, Entrepreneurship Promotion, will target youth with a mix in levels of education.

31. The technical implementation and FM implementation for the apprenticeship and internship programs (Subcomponents 2.1 and 2.2) will be done by ONE with support from the PCU through a delegated management contract with the PCU. The entrepreneurship program will be implemented by the PCU with technical support from the ANPI. The project implementation manual will include the development of a grievance mechanism to address complaints for non-successful participants under Subcomponent 2.3.

Table 2.1. Overview of Subcomponents

Subcomponent	Beneficiaries	Duration of Program	Implementing Agency
2.1 Apprenticeships	3,000 youth aged 16–24 years with limited to no school instruction	6–24 months	ONE
2.2 Internships	3,500 unemployed youth aged 16–34 years who have graduated from higher education or a vocational training institution	Maximum 12 months	ONE
2.3 Entrepreneurship Promotion	2,000 youth aged 16–34 years with varied levels of education	3 weeks training and 12 months coaching for selection in business plan competition (one visit per month)	The PCU with technical support from the ANPI

Subcomponent 2.1: Apprenticeships (US$11 million)

32. **The apprenticeship scheme aims to promote improved labor market integration for youth with low educational attainment** through the provision of training programs adapted to their level of qualification and the introduction of apprenticeship programs to be taught by professionals and craftsmen in school workshops or training institutions. Training programs will combine practical training and theory and provide participants with an improved understanding of companies.

33. **Subcomponent 2.1 will benefit 3,000 school-leavers aged 16 to 24 years with limited education** (complete or incomplete primary education). The project will support the placement of 3,000 youth in apprenticeships. At least 30 percent of participants will be female.

34. **This subcomponent will be implemented through two interventions**:

(a) Apprenticeship schemes for urban jobs consisting of practical training in workshops and complementary training in training institutions (25 percent of the total period). The length of the apprenticeship scheme will be adapted to meet professional requirements (6 to 24 months).

(b) Short-term training will be implemented in the workplace with technical supervision to support skills acquisition for professional activities in rural and peri-urban areas (no longer than 12 months).

35. **To promote access to training and to further the integration of beneficiaries into labor markets, the project will fund the provision of employment payment to participants in** the amount of 40,000 FCFA and workplace accident insurance, as stipulated by the national law. The project will also finance costs associated with the mentoring and training of trainers, purchase of tool kits to support 3,000 youth, and costs associated with the procurement of equipment and the upgrading of skills of apprentice instructors. Activities related to entrepreneurship development will be organized under Subcomponent 2.3 while the activities related to strengthening the institutional capacity of the ONE and organizing awareness and communication campaigns will be undertaken under Component 3. The project will support costs associated with facilitating apprenticeship placement, guidance to students and employers, work placement, and follow-up and monitoring, as well as the development of new training guidelines and the design and implementation of a regulatory and operational framework for insertion programs.

36. **Selection process.** The selection of beneficiaries will be done by the ONE. A communications campaign will be launched for the apprenticeship using several appropriate media outlets to invite interested candidates to express interest and submit their applications. The campaign will encourage girls to apply and the ONE will file all eligible candidates by geographic area. Based on available apprenticeship placements with craftspeople and small businesses, the youth will be guided by the ONE. This will be followed up with an interview to verify their skills and their motivations to attend the apprenticeship program. The final placement of the apprentices will be confirmed by the companies.

37. **Subcomponent 2.1 will be implemented by the ONE as the office already has accrued significant experience in implementing similar programs.** The ONE is a public entity that operates through a pre-existing network of decentralized offices. The ONE currently manages the FIR created in 1993 to support the integration and reintegration of young people into the labor market through the financing of training internships for young graduates in collaboration with public or private training operators to deliver complementary training modules. The youth placed in training programs under Subcomponent 2.1 will receive mentoring from technicians recruited for this purpose.

38. **The ONE will establish a project team dedicated to the management of the program and will designate focal points in decentralized agencies responsible for the implementation of project activities.** The project will provide TA to support the implementation of the program and to support capacity development of the ONE under Component 3.

Subcomponent 2.2: Internships (US$4 million)

39. **The objective of the internship program is to improve the employment outcomes of graduates transitioning from higher education and TVET institutions into the labor market.** Gabon’s educational system does not have sufficiently strong linkages with the private sector to facilitate the induction of young graduates in enterprises during their time at school or following their graduation. The subcomponent aims to address the practical skills gap of current graduates**.** Subcomponent 2.1 targets youth with limited education, whereas Subcomponent 2.2 will target unemployed youth who have graduated from a formal program. The internship program will be managed closely with the private sector to effectively align the program with the

needs of firms and the economy and to ensure that appropriately skilled trainees are matched to sectors.

40. **This subcomponent will target 3,500 youth (aged 16 to 34 years)** who have graduated from institutions of higher education or TVET schools, and place them in professional internships. At least 30 percent of participants will be female.

41. **The 3,500 beneficiaries will be drawn from a larger group of 5,000 graduates who will benefit from guidance and career counseling services delivered by the ONE.** The project will support the reinforcement and extension of the ONE's decentralized branches and networks, with information and orientation centers established in town halls. Youth will receive training aligned to the needs of SMEs. Training schemes will be organized in partnership with these enterprises and training operators.

42. **The project will finance the following activities:** (a) employment payment to 3,500 participants comprising stipends, accident and medical insurance coverage; (b) monitoring of youth and follow-up activities during the internship period; and (c) a survey of youth following the completion of their internships.

43. **Internships will be six months in duration and may be renewed for an additional 6 months.**[26] They will not exceed a total of one year in duration. The monthly internship stipend will amount to CFAF 40,000 in accordance with the procedures of the FIR.

44. **Selection process**. The number of interns per company will be limited to a percentage of total staff still to be determined, to avoid replacement effects. Companies will select interns themselves from short list of candidates made by the ONE based on transparent, objective criteria agreed upon with the companies offering the internships. The ONE will launch a communications campaign for the internship using several appropriate media outlets to invite interested candidates to express interest and submit their applications. Based on the criteria agreed upon with the company, the ONE will then prepare a short list from the pool of applicants. The ONE will invite short-listed candidates to a second round of selection, for example, in the form of an interview and group activities. A final selection of several applicants for each position will be sent to the company, which will have the final choice in selecting the candidate(s) to be recruited for each internship position (and may ask candidates for a further round of interviews).

45. **The ONE will be responsible for the technical implementation and FM implementation of the professional internship along with the PCU.** This will be carried out through a delegated management contract with the PCU, premised on their past experience in implementing similar pilot programs. The project will support activities to build the capacity of the ONE in a manner that bolsters its existing experience and connections with the private sector. The project will provide TA to support the articulation and implementation of operational procedures, awareness-raising activities, and the implementation of the training program. The reinforcement of the ONE's operational capacity, TA, and impact evaluation will be undertaken under Component 3.

[26] Terms of renewal for internships will be detailed in the procedures manual.

Subcomponent 2.3: Entrepreneurship Promotion (US$5 million)

46. **This subcomponent aims to promote youth employment through the development of entrepreneurial initiatives**. Activities envisioned under this subcomponent will promote entrepreneurship among youth, assist trainees with the development of business plans, and provide further assistance to trainees to access start-up funding and consolidate businesses through the start-up phase. Interventions and activities will be adapted to ensure alignment with the qualifications of youth and to ensure consistency with the project ideas. The subcomponent will be implemented throughout the country and will target economic activities that offer business development and income-generating activities.

47. **Subcomponent 2.3 will benefit 2,000 youth aged 16 to 34 years, of which at least 30 percent will be female.** Training will target 2,000 youth with different levels of education and the training interventions will be tailored accordingly. For young graduates, planned training measures will be delivered following approaches developed by the International Labor Organization (entrepreneurship level 2). A simplified, short course will be deployed for youth with lower levels of educational attainment and for those who may have dropped out of school (entrepreneurship level 1).

48. **Following entrepreneurship training sessions delivered to 2,000 youth**, a selection committee will identify 1,000 participants who will receive further support in the development of business plans. On completion of the business plans, the best 300 participants' business plans will be entered into a competition, and thereafter, 150 participants will receive financial support for their projects. Beneficiaries will be monitored during the launch of their projects. Consultants hired for this purpose will conduct monitoring missions at the rate of one mission per month.

49. **An M&E mechanism will be established through the delivery of Component 3** to assess the effectiveness of training interventions and to evaluate the extent to which youth who benefitted from the project can successfully assess business opportunities and design sound business plans. A grievance mechanism for any non-successful participants will be elaborated in the project implementation manual.

50. **The project will finance** (a) a campaign to raise awareness for activities envisaged under Subcomponent 2.3; (b) the development of entrepreneurship training modules; (c) the delivery of 120 entrepreneurship training sessions; (d) training of 50 trainers for the entrepreneurship training; (e) entrepreneurship and business plan training; (f) seed funding for the implementation of winning proposals and the organization of the business plan competition and (g) an impact evaluation study of the competition.

51. **This subcomponent will be implemented by the PCU with TA from the ANPI.**

Component 3: Institutional Capacity Support and Project Implementation (US$15 million)

52. **The purpose of this component is to strengthen the institutional and management capacity** of the relevant ministries (the MFPIJ and the MENET) and the enforcement agencies (including the ONE) through the provision of TA targeting the strengthening of capacity and the creation of a mechanism to facilitate coordination and collaboration. Component 3 will fund the following activities:

(a) **Capacity strengthening** for the MFPIJ's training and enforcement agencies to improve planning, execution, and the evaluation of skills development programs and TVET supply including

(i) **ONE.** Improving territorial and population coverage through the reinforcement of existing agencies and support the ONE in the creation of new agencies, including staff training, the provision of equipment, and TA. The project will assist in finalizing operating and procedures manuals, staff training, and TA.

(ii) **The DGRH,** also called General Directorate for Employment (*Direction Générale de l'Emploi*). Support for the design, implementation, and assessment of public policies and support for the implementation of the recommendations of the National Employment Forum of October 2013, staff training, and TA.

(iii) **ONEF.** Support for the design of the organizational framework, strategy development, and multiyear operational planning of activities; implementation of identified activities; and upgrading and implementation of tracking surveys of workforce dynamics.

(b) **Communications activities** to raise awareness of the project activities, including the role of the ONE among key stakeholders, especially the youth and the private sector.

(c) **Assessment activities** including impact evaluation and beneficiary surveys of Components 1 and 2 as well as support to the ONEF for the implementation of workforce surveys.

(d) **Support for the implementation of a revised format of the FIR and disbursement mechanism to facilitate** the interventions envisioned under this project and regulations and procedures for their implementation to be adopted by the ONE.

(e) **Financing of the PCU's coordination and management activities.**

53. Component 3 will finance goods, works, consultants' and non-consultant related services, and training and operating costs.

Annex 3: Implementation Arrangements

GABON: Skills Development and Employability Project

Project Institutional and Implementation Arrangements

1. To facilitate ownership of the project on the part of the authorities and in an effort to mitigate the potential for complex institutional implementation arrangements, **the project will be implemented by the MFPIJ.**

2. **A PCU will be established under the responsibility of the MFPIJ to supervise project implementation.** The work of the PCU will be overseen by an SC comprising key project stakeholders drawn from relevant public and private sector entities. This proposed institutional setup is considered the most appropriate for ensuring effective implementation of the proposed project.

3. **Steering Committee.** The project will be overseen by an SC to ensure that the project activities are appropriately aligned with the government's priorities and the needs of the private sector. The SC will be chaired by the minister of the MFPIJ, or his designate, and supported by two vice presidents representing the private and public sectors, respectively. Other representatives will include, but not be limited to, the Ministry of Education; Ministry of the Budget; the Ministry of Economy, Sustainable Development, Investment Promotion and Planning; the Ministry of Digital Economy and Postal Services; and Ministry of Infrastructure, Public Works, and Land Management (representing the public sector); and the CCAIMG, the CPG, and trade unions (representing the private sector).

4. **The role of the SC will be to** (a) provide overall policy and strategic guidance to the PCU; (b) review and approve the AWP prepared by the PCU and ensure that agreed performance targets and timelines for proposed activities under the different components are met; and (c) proactively address issues that may arise, which could hinder project implementation. The SC will meet quarterly to review progress in implementation and activity reports prepared by the PCU. Further, the SC will provide a forum to discuss implementation findings with relevant stakeholders (for example, public and private sector agencies, NGOs, other donors, and so on) and will meet the donors as part of the process of review. The SC members will receive regular progress reports on each component and biannual audit reports produced by the PCU and coordinate the biannual supervision missions. However, the SC will meet quarterly because the SC will be a standing committee, and at any time, any one of its members can call a meeting.

5. **The PCU will** (a) coordinate and monitor the day-to-day implementation of the project; (b) play the role of technical secretariat to the SC; (c) manage all fiduciary and M&E aspects of the project and prepare consolidated technical and financial reports; and (d) support institutional capacity-strengthening activities. The PCU will be responsible for following up on safeguards issues particularly with regard to the construction and rehabilitation of technical and vocational institutions, ensuring implementation of activities, undertaking supervision of project, and ensuring compliance with the Financing Agreement. The PCU will also initiate and conduct an impact assessment of project activities in close collaboration with implementation agencies. The PCU will support institutional capacity strengthening, analytical work, and knowledge sharing

and dissemination. The PCU will be headed by a coordinator who will serve as the link between the SC and the MFPIJ.

6. **The PCU will be responsible for the collection and analysis of Budgeted Action Plans** (BAPs) prepared and submitted by the entities tasked with implementing project activities, including, among others, training, school construction and rehabilitation, skills development, and employment support. The PCU will support implementing entities, when necessary, in the preparation of their BAPs to ensure that they include the following information: (a) specific activities to be financed and associated costs; (b) proposed implementation timetables; (c) the roles and responsibilities of the parties involved; and (d) targets for monitoring progress. The PCU will consolidate the BAPs into an AWP for submission to the SC. The process of the AWP formulation will ensure coherence across project activities, and the plan will provide a comprehensive overview of implementation. The AWP will serve as the project's implementation planning and monitoring tool and will ensure that (a) each entity manager reviews the previous BAP, submits an updated version to the PCU reporting on progress made, and provides explanations in cases of implementation delays or difficulties; (b) the PCU has a global overview of the project's performance; and (c) the SC can make an informed assessment of progress made to validate or adjust the AWP for the following year.

7. **As the technical secretariat to the SC, the PCU will organize annual reviews.** Based on the AWP evaluation, the SC will approve activities to be financed in the subsequent year. The Annual Review meeting will evaluate progress made during that year and take into account lessons learned and propose corrective measures. To facilitate and harmonize this evaluation process, one of the two Bank project Implementation Support Missions will be organized to coincide with the Annual Review meeting.

8. **To effectively carry out its mandate**, **the PCU will be staffed with relevant experts** to support fiduciary, M&E, budgeting, and planning activities, as well as technical proposal evaluation. The PCU will comprise the following staff: (a) a project coordinator; (b) an FM specialist; (c) a procurement specialist; (d) an environmental and social specialist; (e) two accountants; and (f) an internal auditor and such other consultants as required during project implementation. The project will also hire an independent M&E consulting firm to collaborate closely with the project's M&E specialist. The consulting firm will assist with the production of an annual lessons learned/technical audit report and objectively assess implementation progress. It was also agreed that all PCU staff would be recruited locally and on a competitive basis.

9. **Responsibility for the technical implementation of the three project components will be as outlined in the following paragraphs.**

Component 1: Training Provision Extension and Quality Improvement in Technical and Vocational Training in key growth sectors (US$65 million)

10. **The MFPIJ will be responsible for the implementation of Component 1.** The PCU, under the responsibility of the MFPIJ, will be responsible for the day-to-day implementation and fiduciary management of the project

11. **Construction activities.** The MFPIJ and the PCU will require TA for all activities related

to the design and construction of the two training institutions. TA will be contracted to design (a) a master plan for the development of the new training institution; (b) the architectural plan of the buildings; and (c) bidding documents for civil works in close collaboration with the ministerial staff. The PCU will be responsible for procurement of civil works and equipment.

12. **Acquisition of equipment for the new institutions.** Activities related to the acquisition of equipment of the training institutions will be implemented as follows: the identification of the technical equipment required for the training institutions will be the responsibility of the staff of the MFPIJ while the preparation and execution of tenders, documents, and procedures will be the responsibility of the PCU.

13. Support under Subcomponent 1.2 will be provided on a competitive basis in a process open to all TVET institutions. TVET institutions that wish to benefit from support under this subcomponent will be required to prepare development proposals subject to open competition. Operations and procedures manuals and development proposal preparation guides will be developed under the project and made available to all institutions. Training will be provided to institutions to assist them in the preparation of proposals. The SC will evaluate development proposals with the support of consultants who are technical experts hired by the project and select the number of institutions based on the standing with regards to evaluation criteria. Contracts will be signed with the beneficiary TVET institutions and approved activities will receive support from the project. To facilitate knowledge transfer, the government will encourage partnerships with specialized training systems abroad. The government will also pursue bilateral cooperation (with, among others France, Morocco, Tunisia, and other relevant partners) to facilitate support for specific project activities.

Component 2: Employability Development, Youth Integration, and Entrepreneurship Promotion (US$20 million)

Subcomponent 2.1: Apprenticeships (US$11 million)

14. **The ONE will lead the technical and FM implementation of apprenticeship schemes (2.1)** at the central and regional level along with the PCU. Implementation will benefit from the ONE's previous experience in implementing similar programs. The ONE and the PCU will enter into a delegated management contract for the implementation of apprenticeship. Private sector organizations, aligned with selected key economic sectors, will be engaged in the process of design and implementation for dual apprenticeship schemes. To ensure the relevancy of apprenticeship schemes, the ONE will prepare a BAP and submit it to the PCU for review and approval by the SC. The BAP will also serve as the basis for drafting delegated management contracts for the implementation of activities and will be instrumental in monitoring implementation progress.

Subcomponent 2.2: Internships (US$4 million)

15. **The ONE will be responsible for technical and FM implementation of Subcomponent 2.2 along with the PCU.** The ONE and the PCU will enter into a delegated management contract for the implementation of the internships. To ensure successful execution of guidance and counseling services, a special unit will be established, staffed, and equipped.

The new unit will benefit from TA to build its capacity to oversee and implement employment insertion and reinsertion programs in alignment with the needs of the economy.

16. **The FIR created in 1993, and administered by the ONE, will play a key role in the implementation of the subcomponent**. For this, the FIR will be strengthened and the roles and responsibilities in management of the fund will be clarified to ensure smooth implementation of the above activities.

Subcomponent 2.3: Entrepreneurship Promotion (US$5 million)

17. **Subcomponent 2.3 will be implemented by the PCU with technical support from the ANPI**. The project will support additional costs related to the procurement of equipment and additional staff as necessary.

Component 3: Institutional Capacity Support and Project Implementation (US$15 million)

18. **The MFPIJ, through its oversight of the PCU, will assume ultimate responsibility for the coordination of all project activities and the implementation of fiduciary, environmental, and social safeguards**. Moreover, the MFPIJ is tasked with the general mission of designing, implementing, coordinating, monitoring, and evaluating the national policy for employment and vocational training. The MFPIJ will be responsible for the implementation of Components 1 and 2, in close collaboration with the PCU. Dual apprenticeship training schemes, professional insertion, and internships will be implemented by the ONE under the responsibility of the MFPIJ.

19. As the technical secretariat to the SC, the PCU will organize annual reviews. Based on the AWP evaluation, the SC will approve activities to be financed in the coming year. The Annual Review will evaluate progress made during the year and take into account lessons learned and propose corrective measures. To facilitate and harmonize this evaluation process, one of the two Bank project Implementation Support Missions will be organized to coincide with the Annual Review meeting.

Table 3.1. Activity and Implementing Agency Overview

Component	Objective (summary)	Activity	Implementing Agency
Component 1 Extension of Training Supply and Quality Improvement in TVET in Key Growth Sectors	Expanding the provision of TVET in key growth sectors in support of promoting job creation	• Construction and equipment of two TVET institutions • Extension or rehabilitation and equipping of institutions	Department of ministry in charge of vocational training in collaboration with the PCU
Subcomponent 1.1 Creation of two new training institutions.	Construction/rehabilitation and equipping of two new TVET institutions in the construction and public works and in ICT	Civil works including • site attribution; • master plan; • architectural studies; • civil works; • technical supervising of works; • equipment; and • rehabilitation (study on rehabilitation.	Department of ministry in charge of vocational training in collaboration with the PCU
Subcomponent 1.2. Quality Improvement and Upgrading of Existing TVET Institutions on a Competitive Basis	Restructuring and general upgrading of educational institutions and training structures	• Institutional reforms aimed at improving the alignment of TVET provision with demand in the labor market. Establishment of a new autonomous institution. • Study on upgrading of existing TVET • Diagnosis of existing TVET	Department of ministry in charge of vocational training in collaboration with the PCU
Component 2. Employability Development, Youth Integration, and Entrepreneurship Promotion	Facilitation of the integration of young people into the labor market, improvement in employability by providing youth with skills, and promotion of entrepreneurship and partnership with the private sector	• Dual apprenticeship programs; • Professional internships • Entrepreneurship	Department of ministry in charge of vocational training in collaboration with the PCU/ONE
Subcomponent 2.1. Apprenticeships	Dual apprenticeship schemes complemented with theoretical training	Dual apprenticeship schemes in urban professional activities and training professional insertion for a total of 3,000 youth.	ONE
Subcomponent 2.2. Internships	Equipping young graduates from higher education institutions and technical and vocational schools with skills aligned with the labor market demand	• 3,500 youth in internships in enterprises • Communication activities • Stipends for participants • Medical visits and vaccinations	ONE/FIR-specific unit within the ONE
Subcomponent 2.3. Entrepreneurship Promotion	Entrepreneurship training of youth, including developing business plans as well as implementation of entrepreneurship	• 2,000 youth participating in entrepreneurship training sessions • Guidance in creating 1,000 business plans (of which 150 will be awarded seed	MFPIJ/PCU with TA from the ANPI

	training modules.	funding) • Delivery of 120 entrepreneurship training sessions	
Component 3. Institutional Capacity Support and Project Implementation	• Overall project coordination and management and implementation • Technical secretariat to the SC • Support and institutional capacity-strengthening activities	• Fiduciary (FM and procurement) • M&E • Credit disbursement • AWP • Ensuring audit of the project and production of the Financial and Monitoring report	Department of ministry in charge of vocational training in collaboration with the PCU

Social and Environmental Arrangements

20. **Social and environmental management.** As part of the program to progressively build the capacity of the government for the implementation of project activities, the PCU will recruit a part-time environmental and social consultant to provide support as needed. The consultant will be responsible for the monitoring aspects of implementation that may affect environmental and social safeguards, particularly with regard to the construction and rehabilitation of technical and vocational institutions. The consultant will also work closely with the companies retained to undertake construction activities to ensure safeguard compliance in accordance with Bank norms. The consultant will moreover be required to assist in building the capacity of the PCU with regard to safeguards monitoring and compliance through skills transfer and provide guidance to the PCU and review the safeguards compliance on the part of the PCU. Environmental and social safeguard specialists in the Bank's project task team will provide additional guidance to both the PCU and entities responsible for construction and rehabilitation with regard to safeguard compliance. During the course of Bank supervision of construction-related activities, the team's safeguard specialists will assess the implementation of the social and environmental safeguards and recommend their strengthening, if required.

Results M&E Arrangements

21. Overall M&E will be premised on the agreed Results Framework (annex 1) and implementation arrangements (as detailed in this annex). The PCU will be responsible for conducting M&E activities. Baseline data collection for the agreed indicators will be initiated by the PCU in close collaboration with public and private project implementing agencies. Implementing agencies will be responsible for data collection and reporting with regard to their respective activities. The PCU will be responsible for consolidating and analyzing all data relating to indicators, output, and project implementation. Moreover, as the technical secretariat to the SC, the PCU will be required to prepare biannual reports for submission to the SC and the Bank, outlining the status of program implementation and outcomes, as well as presenting updated data relevant to the assessment of performance indicators. To assist in this regard, the PCU will recruit M&E staff and recruit an international, independent M&E firm to assist the PCU to design a project M&E system capable of executing annual lessons learned/technical audit report and ensure objectivity in the assessment of implementation progress and related

indicators.

22. The project will also finance (a) a rigorous impact evaluation to assess the effects of project activities on beneficiaries compared to a control group and (b) a tracer survey of beneficiaries to ascertain their employment status following training.

23. **The M&E system will be managed by the person responsible for M&E** and will be linked to the FM system to allow the monitoring of activities against disbursement; the Project Implementation Manual will provide detailed step-by-step guidelines on M&E methodology, including baseline development and indicator calculation. Training and TA will be provided to build capacity for relevant stakeholders such as ministries and implementing agencies. It is expected that the project activities will help build good practices regarding data collection to improve project and sector M&E.

24. **Annual reviews.** As the technical secretariat to the SC, the PCU will organize two reviews: the first to review interim progress and the second to approve the AWP. Based on the AWP evaluation, the SC will approve activities to be financed in the forthcoming year. In the second year, the Annual Review meeting will also evaluate progress made in the first year of project implementation, take into account lessons learned, and weigh corrective measures. To facilitate and harmonize this evaluation process, one of the two Bank project implementation support missions will be organized to coincide with Annual Review meeting.

25. Joint reviews of project activities, on the part of the government and its development partners, will work to ensure that implementation of each donor 'project' remains consistent with the government's priorities and to ensure the overall coordination of donor activities. Each year, two joint donor-government reviews will be convened to (a) assess the extent to which program objectives are being achieved; (b) identify, through qualitative and quantitative measures, project activities that are behind or ahead of schedule and recommend adjustments to annual, regional, and central implementation plans; (c) identify reasons for shortfalls in the meeting of targets and suggest remedial actions; (d) review performance indicators and assess the functioning of the M&E system; and (e) review expenditure for the previous year and draft action plans and budgets for the coming year.

Financial Management, Disbursements, and Procurement

Country issues

26. **Gabon has embarked upon a series of major governance reforms and initiatives.** These include, among others, the adoption of a new organic budget law in 2015; a new procurement code in April 2012;[27] the ongoing development of a budget management system (Vectis); the outsourcing of public investment programs to a Contract Management Agency (*Agence Nationale des Grands Travaux*) run by Betchel; and the creation of Finance and Administrative Directorates (*Directions Centrales des Affaires Financières,* DCAF) within line ministries, to ease the transition to program-based budgeting and the devolution of budget authority.

[27] This includes, among others, the creation of a Procurement Regulatory Agency (ARMP) and the decentralization of the Directorate of Public Procurement in line ministries.

27. **Against this background, critical challenges persist with regard to Public Financial Management (PFM), as highlighted in the Bank's Public Expenditure Review (2012 Public Expenditure Review).** These challenges relate to (a) the misalignment between public spending and development goals; (b) the lack of a comprehensive public investment management system to coordinate efforts to triple the current investment budget; (c) poor capital budget execution in priority sectors; (d) inefficient and wasteful public spending practices; (e) and weak financial reporting arrangements.[28] The underlying causes of these challenges include, among others, outdated procurement bidding documents; a general lack of transparency in the procurement process; insufficient planning and/or delays in the execution of budget execution tools (for example, procurement/commitment/disbursement plans); the absence of a procedures manual for guiding the formulation of financial reports; and generally poor PFM capacity.

28. **In an effort to improve its economic performance**, the GoG has requested TA from the Bank to improve performance in a number of areas, including PFM. For this, a RAS agreement, to the value of US$2 million, was signed and disbursed in November 2011. The PFM activities under this RAS (P130564) focused on improving budget preparation. Specific activities related to (a) the timely elaboration of the FY 2013 annual budget and contingent plans for procurement, commitment, and disbursement in six key line ministries; (b) the development of a procedures manual for the elaboration of administrative accounts; and (c) the piloting of a performance audit in the health sector, with the objective of assessing the impact and efficiency (value-for-money) of associated spending.

29. **Presidential Decree No 0030/PR/MEED/MBCPFPRE (dated January 2013) requires the use of the country's PFM system for the management of all counterpart and external donor funds for investment lending projects**. However, in light of the weaknesses in the system of PFM currently being used in Gabon, a gradual approach is being encouraged to ensure the successful implementation of reforms outlined in the decree. The Bank, in collaboration with others donors (the EU, the AFD, the AfDB, and so on) is leading a dialogue with the GoG to support a sequential program for implementation, including (a) the involvement of a public accountant to complement the use of in-country PFM systems as applied to counterpart funds; (b) the establishment of a systematic mechanism to channel financial and disbursement information to key actors involved in the PFM system (Directorate of Debt, Directorate of Budget, Supreme Audit Institution, and so on) to promote transparency and the timely availability of financial information related to donor-funded projects; (c) an assessment of the efficiency and effectiveness of the PFM system to tailor systemic interventions adapted to the Gabonese context premised on lessons learned from experience accrued through the administration of counterpart funds in the region.

Table 3.2. FM Risk Assessment and Mitigation

[28] Since 2009, the Court of Account is issuing a qualification on the annual financial reports as a result of comprehensiveness in the administrative accounts produced by the Ministry of Budget.

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Risk after Mitigation Measures	Remarks
Country level. Weak capacity in public financial management	H	RAS activities are ongoing, with the aim of improving budget execution, financial reporting, and external control with the Bank's support	H	Implementation
Entity level. No experience within the line ministry (MFPIJ) with regard to the implementation of the Bank-financed projects	S	The establishment of a PCU with dedicated fiduciary staff, rules, and procedures. Ministry-level DCAF and Financial Controller will be involved. The National Commission of Public Interest works for the Promotion of Entrepreneurship and Employment (*Commission Nationale des Travaux d'Intérêt Public pour la Promotion de l'Entreprenariat et de l'Emploi*,*CN-TIPPEE*) will provide support to the PCU during the first phase of project.	S	Implementation
Project level. Subsistence and transportation stipends are not currently directly targeted toward beneficiaries, with the potential for the misuse of project funds.	M	Define a clear mechanism for the selection of beneficiaries and make payments directly to individual bank accounts to be opened in an acceptable commercial bank.	M	Implementation
INHERENT RISK	**S**		**S**	
Budgeting. Misalignment with country budget preparation calendar	S	Establish a clear timeline for project budget preparation and monitoring in the implementation manual. Ensure that coherent annual work plan in line with the procurement plan is prepared on time and in alignment with the timeline for national budget preparation. Communicate annual work plan to each ministry DCAF involved in project implementation, for inclusion in the consolidated budget of each line ministry.	S	Implementation

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Risk after Mitigation Measures	Remarks
Accounting. Accounting transactions are not recorded on time due to poor capacity and the absence of appropriate systems of control (staff, procedures, and computerized) in the MFPIJ and the ONE to ensure an accurate and timely record of transactions.	S	Recruitment of one finance and administrative officer, one accountant (PCU), one accountant (ONE), and one internal auditor familiar with the procedures of donor-funded projects. Install a computerized accounting system and adequate accounting procedures including a chart of accounts and accounting recording processes.	S	Implementation
Internal controls and internal audit. Absence of adequate internal control arrangements to manage project activities (among others, construction, transportation, and subsistence payments to 2,500 beneficiaries). Lack of a finalized and approved procedures manual at the ONE.	S	Establish a clear administrative and financial procedures manual with detailed requirements for transactions, including key controls for employment payments at the PCU and the ONE. Recruit fiduciary staff familiar with the procedures of donor-funded projects. Involve line MFPIJ Controller and DCAF in the FM and review of project transactions. Provide intense FM training at the beginning of the project. Involve public accountant appointed at the ONE as post reviewer of payment made by the ONE on loan proceeds transferred to transactions account opened by the ONE.	S	Implementation
Funds flow. Delays in the release of funds if *Caisse de Dépôt et de Consignations* hosts the designated account (DA) as the latter does not comply with eight criteria in section 5.5 of the disbursement guidelines.	S	Open a DA in a commercial bank acceptable to the Bank. Open an account for transactions at the ONE to receive funds to employment payments. Require each participant to open an individual bank account in an acceptable commercial bank.	S	Implementation

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Risk after Mitigation Measures	Remarks
Financial Reporting. Delays in the production of the Interim Financial Reports (IFRs) due to an absence of systematic reporting arrangements. The requirement for the ONE to forward financial report to its governing board exists but is not consistent with the format acceptable to the Bank.	M	Install a computerized accounting system, with a consolidation module, to produce project IFRs. One module will be installed at the ONE and one at the PCU. Format of the IFRs agreed upon during negotiation.	M	Implementation
Auditing. Risk of non-submission by due date of an acceptable audit report. No audit report at the ONE since 2008.	S	Recruit an independent external auditor. Involve the Gabon *Cours des Comptes* (Supreme Audit Institution, SAI) in the auditor recruitment process and audit field missions.	S	Implementation
CONTROL RISK	**S**		**S**	
Overall FM risk	**S**		**S**	

Risk Rating Key: L= low; M=medium; S= substantial, H=high

30. The overall residual risk rating is considered Substantial.

Strengths

31. Because the PCU is new and lacks experience, it is difficult to make an assessment of its strengths at this point. The ONE has experience in executing payments to youth using national budget resources.

Table 3.3. Weaknesses and Action Plan to Reinforce the Fiduciary Arrangements

Significant Weaknesses or Risks	Action	Responsible Body	Completion
The MFPIJ staff have no experience in administering donor-funded projects.	Recruit one administrative and finance officer, two accountants, and one internal auditor familiar with the procedures of donor-funded projects.	PCU	Effectiveness
No procedures manual	Establish an administrative and financial procedures manual at the PCU and the ONE.	PCU	Disbursement

Significant Weaknesses or Risks	Action	Responsible Body	Completion
No computerized accounting system at PCU. ONE's computerized system is not adapted to project activities.	Install a computerized accounting system.	PCU	Three months after effectiveness; implementation
No auditing arrangements	Recruit an independent external auditor according to TORs acceptable to the Bank.	PCU	Four months after effectiveness; implementation

32. **Staffing.** The PCU will be responsible for overall fiduciary management and day-to-day implementation of the project. To ensure that the PCU is effectively capacitated to perform these duties, the following will be recruited through a competitive selection process: (a) project coordinator; (b) FM specialist; (c) procurement specialist; (d) environmental and social safeguards specialist; (e) M&E specialist; (f) two accountants; and (g) an internal auditor. Moreover, the MFPIJ's DCAF and the ONE's public accountant will be pilot civil servant financial staff in Gabon. The roles and responsibilities of staff will be detailed in the procedures manual. The ONE's public accountant will be responsible for reviewing payment to unemployed youth participants. The FM specialist will be responsible for recording all project transactions, monitoring compliance in line with fiduciary requirements, and preparing Withdrawal Applications (WAs) and financial reports. The FM staff will receive intensive training with regard to the Bank's financial procedures and reporting requirements at the launch of the project.

33. **Budgeting.** Annual work plans, submitted to the SC for approval, will detail intended activities and form the basis of annual budgets. The ONE and the line ministries involved in project implementation will prepare annual budgets related to activities to be executed in their jurisdiction. The PCU will consolidate each budget and ensure overall alignment with the procurement plan before submitting the annual budget to the Bank for 'no objection'. The MFPIJ, the DCAF, and Directorate of Debt will receive a copy of the annual budget together with an annual disbursement plan. The PCU will be required to ensure that project budget preparation processes are aligned with the national budget preparation calendar. Budget execution will be monitored through a computerized accounting system, to be established within three months of project effectiveness, and in accordance with the budgeting procedures specified in the procedures manual. Any departure from agreed activities and budget execution will be identified in the quarterly IFRs. Only budgeted expenditures will be committed and incurred to ensure that resources are used for their intended purposes and in alignment with budget allocations.

34. **Accounting policies and procedures.** A computerized accounting system will be used (multiproject accounting software) to maintain the project's books and accounts and ensure that the annual financial statements are produced on time in accordance with the Generally Accepted Accounting Principles of the Organization for the Harmonization of Business Law in Africa (*Organization pour l'Harmonisation du Droit des Affaires en Afrique,* OHADA), which are in line with international accounting standards. The software will record project transactions and

generate accurate and timely financial reports. The software will be installed at the ONE and another one at the PCU.

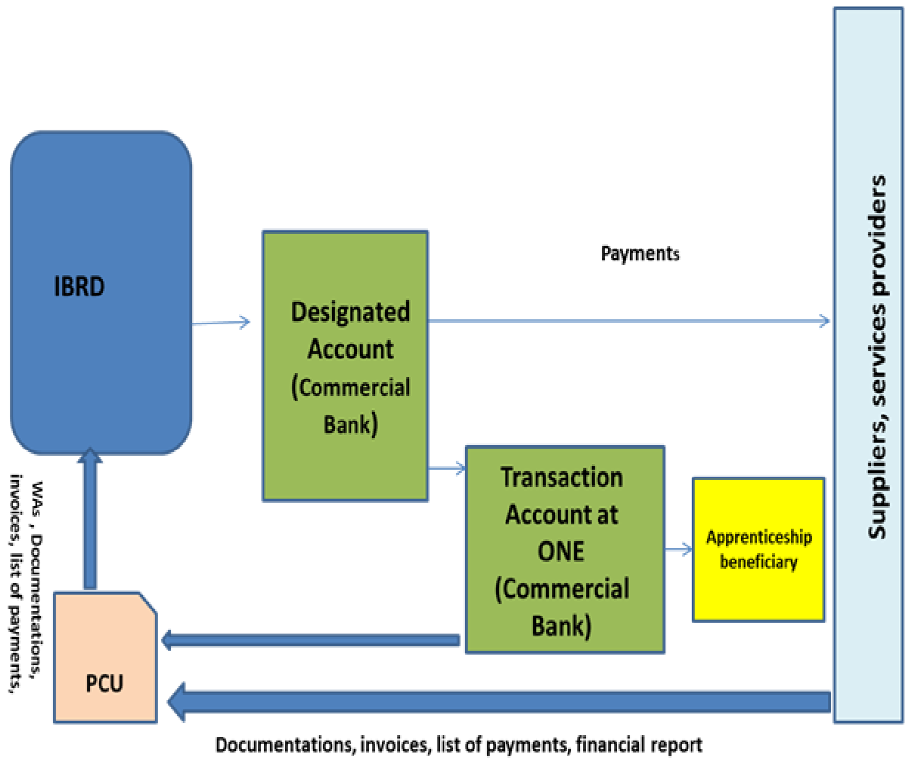
35. **Internal controls.** These controls will build on the proposed staffing arrangements and the procedures manual, with a delineation of duties between the units responsible for technical implementation, administration and finance, M&E, and information and communications. Furthermore, as an example to demonstrate the partial use of in-country PFM systems in the management of donor funds, line ministry DCAFs and financial controllers and the ONE's public accountant will be involved in the management of project transactions.

36. Beneficiaries of employment payments will be selected according clear and binding criteria with oversight from the ONE and the PCU. Each beneficiary will be required to open an individual account in a commercial bank. Payment will be made directly into this account against an assessment of effective participation by the beneficiary in an apprenticeship program supported by the project. Regular field supervision by the PCU and the ONE will monitor the presence and participation of beneficiaries toward this end.

Funds Flow and Disbursement Arrangements

37. Disbursements will be made in accordance with the World Bank Disbursement Guidelines for Projects, dated May 1, 2006. One DA in CFAF will be opened in a commercial bank acceptable to the Bank. The DA will be managed by the PCU's finance and administrative officer and the project coordinator, who will act as joint signatories to the account. In the medium term, the *Caisse de Dépôt et de Consignations* may host the DA following its compliance with the eight criteria highlighted in the Disbursement Guidelines. The DA will receive an initial advance up to the ceiling amount of CFAF 3 billion, equivalent to four months of cash forecast, and will be replenished through monthly WAs supported with Statements of Expenditures (SOEs). Direct payments may be made to service providers at the request of the borrower. All WAs will be signed by signatories designated by the government. A transaction account will be opened in a commercial bank for the ONE to pay for employment payments to youth participants. The transaction account will operate under the joint signature of the ONE's director general, the accountant stationed at the ONE who will be recruited by the project, and the public accountant.

Figure 3.1. Funds Flow and Disbursement Arrangements



38. **Disbursements by category.** Table 3.4 sets out the expenditure categories to be financed by the Loan, taking into account the Country Financing Parameters in setting the levels of financing.

Table 3.4. Disbursements by Category

Categories	Amount of the Financing Allocated (expressed in US$)	Amount of the Financing Allocated (expressed in euros)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, training and operating costs for the project	58,550,000	55,402,500	100
(2) Performance-based payments under Part A.2.(b) of the project	31,600,000	29,883,000	100
(3) Apprenticeship payments under Part B.1.(a) of the project	5,000,000	4,728,000	100
(4) Internship payments under Part B.2.(a) of the project	2,300,000	2,175,000	100
(5) Subgrants under Part B.3(e) of the project	2,300,000	2,175,000	100
(6) Front-end fee	250,000	236,500	100
	100,000,000	94,600,000	100

39. **Financial reporting and monitoring.** The IFRs will be submitted to the Bank within 45 days following the end of each quarter. The format of the IFRs was agreed upon during negotiations. The IFR will contain, among others, a statement of sources of funding, the use of funds, and detailed accounting of expenditure by component. The ONE will submit to the PCU a sub-IFR, accounting for activities under its jurisdiction, for incorporation into the consolidated report. The ONE's IFR will be in the same format agreed to at negotiations and will be submitted through the computerized accounting system. At the end of each fiscal year, the project will prepare an annual financial statement.

40. **Auditing.** Annual financial statements prepared by the PCU and internal systems of control will be audited on an annual basis. The auditor will provide a single opinion on the annual financial statements in compliance with the International Federation of Accountants standards for auditing. In addition to the audit reports, the external auditor will be expected to prepare a management letter articulating observations, comments, and recommendations for improving, where necessary, accounting practices, systems, and controls and an assessment of compliance with the financial covenants articulated in the Financing Agreement, including the soundness of systems of internal control with regard to the payment and distribution of employment payments. The project will be required to produce, no later than six months after the end of the fiscal year, audited annual financial statements for submission to the Bank. Gabon SAI will be involved in field missions and the selection process to identify a suitable external auditor. These arrangements will serve as a starting point for the partial use of the country's PFM system and will provide a practical opportunity for the Gabon SAI to demonstrate its capacity to fulfil its role as an external controller for donor-funded contributions to public funds and projects.

FM Conditions and FM Covenants

- The preparation and adoption of a procedures manual as a condition of disbursement
- The recruitment of one FM specialist, one accountant, and an internal auditor as a condition of effectiveness
- The recruitment of an accountant for the ONE, one month after effective implementation
- The recruitment of an independent external auditor four months after effective implementation
- The installation of a computerized accounting system three months after effective implementation

41. **Implementation Support Plan.** The FM implementation support will be consistent with a collaborative and risk-based approach, involving the entire task team's specialists. The FM supervision will take the form of physical supervision on the ground. A first implementation support mission will be undertaken three months following project effectiveness. Thereafter, the FM missions will be scheduled using the FM unit risk-based model at intervals determined by the initial FM risk rating assigned at entry and subsequently as determined by Implementation

Status and Results (ISR) Reports. The FM support missions will be responsible for (a) monitoring overall FM arrangements; (b) reviewing the IFRs; (c) reviewing audit reports and management letters from external auditors and following up on accountability issues by engaging, as appropriate, the task team leader (TTL), client, and/or auditors; (d) ensuring that the audit is of good quality, it covers all relevant aspects of the project, and provides sufficient assurance with regard to the appropriate use of funds by recipients; and (e) providing intensive assistance to the PCU, the ONE, and other relevant entities, to build or maintain appropriate FM capacity.

42. **Conclusions of the FM Assessment.** The overall FM risk is considered to be Substantial. The proposed FM arrangements for this project, in conjunction with the implementation of stipulated mitigation measures, are considered adequate to meet the Bank's minimum FM requirements under OP/BP 10.00. The assessment recommends (a) the development of a procedures manual; (b) the recruitment of one finance and administrative officer, two accountants, and one internal auditor; (c) the installation of a computerized accounting system; and (d) the recruitment of an independent external auditor according to TORs acceptable to the Bank in consultation with the Gabon SAI.

Procurement Management

43. **Project procurement** will be carried out in accordance with the Bank's Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011 and revised July 2014; the Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credit and Grants by World Bank Borrowers, dated January 2011 and revised July 2014; and the provisions stipulated in the Loan Agreement. Procurement (works, goods, and non-consulting services) and/or consultant selection methods, prequalification, estimated costs, prior review requirements, and time frames will be agreed in the Procurement Plan. The Procurement Plan will be updated annually, or as required, to reflect progress in project implementation. The Bank's Standard Bidding Documents (SBDs), or Gabon National SBDs deemed satisfactory by IBRD, will be used for bidding purposes. To the extent that it is practical, the Bank's SBDs for Works, Goods and Standard Requests for Proposals, as well as all standard evaluation forms, will be used throughout project implementation.

44. **Advertising.** The borrower is required to prepare a comprehensive General Procurement Notice (GPN). The Bank will arrange for its publication in the United Nations Development Business online (UNDB online) and on the Bank's external website. The GPN shall contain information concerning the borrower; amount and proposal of the credit; scope of procurement reflecting the Procurement Plan; and the name, telephone (or fax) number, and address(es) of the borrower's agency(ies) responsible for procurement; and the address of a widely used electronic portal with free national and international access or website where subsequent Specific Procurement Notices will be posted. If known, the scheduled date for availability of prequalification or bidding prequalification or bidding documents shall be indicated. The related prequalification or bidding documents, as the case may be, shall not be released to the public earlier than the date of publication of the GPN.

45. **In the case of International Competitive Bidding (ICB**) or Limited International

Bidding, invitations to prequalify or to bid, as the case may be, shall be advertised as Specific Procurement Notices in at least one newspaper of national circulation in the borrower's country, in the official gazette, on a widely used website or electronic portal with free national and international access, in English or French, or at the option of the borrower, in a national language. Such invitations shall also be published in UNDB online. Notification shall be given sufficient time to enable prospective bidders to obtain prequalification or bidding documents, and prepare and submit their responses. The Bank will arrange the simultaneous publication of all Specific Procurement Notices prepared and submitted by the borrowers on the Bank's external website.

46. **In the case of National Competitive Bidding (NCB),** the complete text of advertisement shall be published in a national newspaper of wide circulation in the national language; in the official gazette, provided that it is of wide circulation; or on a widely used website or electronic portal with free national and international access. The borrower may publish a shorter version of the advertisement text, including the minimum relevant information, in the national press, provided that the full text is simultaneously published in the official gazette or on a widely used website or electronic portal with free national and international access. Notification shall be given to prospective bidders in sufficient time to enable them to obtain relevant documents.

47. **To obtain expressions of interest,** the borrower shall include a list of expected consulting assignments in the GPN and shall advertise a request for expressions of interest (REOI) for each contract for consulting firms in the national gazette, provided that it is of wide circulation; in at least one newspaper or technical or financial magazine, of national circulation in the borrower's country; or on a widely used electronic portal with free national and international access in English or French. In addition, assignments expected to cost more than US$300,000 shall be advertised in UNDB online. Borrowers may also, in such cases, advertise the REOIs in an international newspaper or a technical or financial magazine. The information requested shall be the minimum required to make a judgment on the firm's suitability and not be so complex as to discourage consultants from expressing interest. The REOIs shall at a minimum include the following information applicable to the assignment: required qualifications and experience of the firm but not individual experts' bio data; short-listing criteria; and conflict of interest provisions. No less than 14 (fourteen) days from the date of posting in UNDB online shall be provided for responses before preparation of the short list. The late submission of a response to an REOI shall not be a cause for its rejection unless the borrower has already prepared a short list, based on received expressions of interest that meets the relevant qualifications. The Bank will arrange the simultaneous publication of all REOIs prepared and submitted by the borrower on the Bank's external website. Contract awards will also be published in UNDB online, in accordance with the Bank's Procurement Guidelines (paragraph 2.60) and Consultant Guidelines (paragraph 2.31).

48. **Requirements for National Competitive Bidding.** Works, goods, and non-consulting services contracts will use NCB procurement methods in accordance with national procedures using SBDs acceptable to the Bank and subject to the additional considerations:

- In accordance with paragraph 1.16 (e) of the Procurement Guidelines, each bidding document and any contract financed from project funds will include the following requirements: (a) the bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Bank, as supervising entity, at its request, to inspect all accounts, records, and other documents relating to the submission of bids and contract performance and to have these accounts and records audited by auditors appointed by the Bank/supervising entity and (b) the deliberate and material violation of this requirement may amount to an obstructive practice as defined in paragraph 1.16 (a)(e) of the Procurement Guidelines.

- Invitations to bid shall be advertised in national newspapers with wide circulation.

- The bid evaluation, qualification of bidders, and contract award criteria shall be clearly indicated in the bidding documents.

- Bidders shall be given adequate response time (at least four weeks) to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later.

- Eligible bidders, including foreign bidders, shall be allowed to participate. No domestic or the Central African Economic and Monetary Community's (*Communauté Economique et Monétaire de l'Afrique Centrale*, CEMAC) regional preference shall be given to domestic or regional contractors or domestically or regionally manufactured goods and association with a national or regional firm shall not be a condition for participation in a bidding process.

- Bids are awarded to the substantially responsive and lowest evaluated bidder on the condition that the bidder is qualified. No scoring system shall be permitted for the evaluation of bids, and no 'blanket' limitation will be applicable to the number of lots that can be awarded to a bidder.

- Qualification criteria shall only concern the bidder's capability and resources to perform fulfill the contract, taking into account objectives and measurable factors.

49. **Procurement environment.** No special exceptions, permits, or licenses need to be specified in the Loan Agreement since the procurement code, approved by the President of the Republic on June 19, 2012, allows Bank procedures to take precedence over any contrary provisions in local regulations. A decree creating a procurement regulatory body was already issued. However, this institution is not yet currently operational. It is not yet completely staffed. Only their general director and the president of the Regulatory Board were so far nominated. The Bank provided support to the first phase of a PFM Reimbursable TA which focused on improvement of budget preparation, including support to (a) the timely preparation of procurement, commitment, and disbursement plans in 6 key line ministries; (b) the development of a procedures manual for the elaboration of the administrative accounts; (c) and the piloting of the performance audit in the health sector with the aim of assessing whether value for money was realized in relation to spending. Through the ongoing second PFM RAS, the Bank has been assisting the government on (a) the setting up of budget management tools in line with the new program budgeting approach; (b) the strategy of the newly created Public Procurement

Regulatory Body; (c) the elaboration of the bidding documents; and (d) the training of trainers.

50. **Procurement of works.** The procurement under this project will primarily relate to the construction of two new training institutions. Civil works costing more than the equivalent of US$5,000,000 will be procured through ICB. Other contracts for works costing less than the equivalent of US$5,000,000 will use NCB procurement methods, in accordance with national procedures using SBDs acceptable to the Bank and subject to the additional requirements set forth in paragraph 48 (Requirements for National Competitive Bidding of the current annex). Small works estimated to cost less than the equivalent of US$200,000 per contract may be procured through shopping, based on price quotation obtained from at least three contractors in response to a written invitation to qualified contractors. Direct contracting shall be used in accordance with the provisions of paragraphs 3.7 of the Procurement Guidelines.

51. **Procurement of goods and non-consulting services.** Project procurement of goods and non-consulting services will include equipment for the two new training institutions to be constructed. Taking into account manufacturing/production capacity in the country and to ensure that the project benefits from competitive pricing, the procurement of goods will take the form of consolidated bid packages of at least the equivalent of US$1 million where this is feasible (taking into account the type of goods/services being procured and the timing of their delivery). Procurement contracts for goods estimated to cost the equivalent of US$1 million, or more, will be procured through ICB, using the Bank's SBDs. For goods contracts worth less than the equivalent of US$1 million, NCB procurement will be used in accordance with national procedures, using SBDs acceptable to the Bank and subject to the requirements set forth in paragraph 48 (Requirements for National Competitive Bidding). Further requirements are listed:

- Procurement of goods and non-consulting services, including those of readily available off-the-shelf maintenance of electronic office equipment and other services such as printing and editing, which cannot be grouped into bid packages of US$100,000 or more, may be procured through shopping in conformity with Clause 3.5 of the Procurement Guidelines.

- Based on country-specific needs and circumstances, shopping thresholds for the purchase of vehicles and fuel may be increased up to US$500,000, in consultation with major cars dealers and oil providers.

- Direct contracting will be undertaken in accordance with the provisions of paragraphs 3.7 of the Procurement Guidelines.

- At the beginning of the project, vehicles procurement packages estimated to cost US$200,000 or less can be procured through United Nations Office for Project Services (UNOPS) or other United Nations agencies.

52. **Selection of consultants.** Consultants will be used to provide, among others, the following services and functions: (a) financial audit, (b) procurement specialist, (c) an FM specialist, (d) procedure manuals, (e) TA, (f) communication plan, (g) design and assessment of public policy, (h) feasibility and detailed studies for the construction works of the two new training institutions, and (g) conception of a new operating model for the institutions. Consulting

services will be procured through the most appropriate method in alignment with Bank guidelines and the approved Procurement Plan. Consultancy services procurement methods will include Quality- and Cost-Based Selection (QCBS), Quality-Based Selection, Selection under a Fixed Budget, and Least-Cost Selection (LCS). The following requirements will apply.

- Selection based on the Consultants' Qualifications (CQS) will be used for assignments not exceeding the equivalent of US$300,000. Single-Source Selection (SSS) shall also be used in accordance with the provisions of paragraphs 3.8 to 3.11 of the Consultant Guidelines. All TOR will be subject to the Bank's prior review.

- Assignments for engineering, design, and contract supervision in excess of US$300,000, and for all TA assignments above the value of US$100,000, must be procured on the basis of international short lists in accordance with the provisions of paragraph 2.6 of the Consultant Guidelines. All other consultancy assignments in which the estimated cost does not exceed US$100,000 per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

- Consultants for services meeting the requirements of section V of the Consultant Guidelines will be selected under provisions relating to the Selection of Individual Consultants, through a process of comparing the relative qualifications of candidates expressing interest in the assignment, or approached directly.

53. Consulting services will be procured through the most appropriate method in alignment with Bank guidelines and the approved Procurement Plan. Consultancy services procurement methods will include QCBS, Quality-Based Selection, Selection under a Fixed Budget, and LCS. The following requirements will apply.

54. Selection based on the Consultants' Qualifications (CQS) will be used for assignments not exceeding the equivalent of US$300,000. SSS shall also be used in accordance with the provisions of paragraphs 3.9 to 3.13 of the Consultant Guidelines, with the Bank's prior agreement. All TORs will be subject to Bank prior review.

55. Assignments for engineering, design, and contract supervision in excess of US$300,000, and for all TA assignments above the value of US$100,000, must be procured based on international short lists in accordance with the provisions of paragraph 2.6 of the Consultant Guidelines. The loan is an IBRD fixed spread loan denominated in Euro, with a total maturity of 20 years including a grace period of 5 years with commitment-linked level repayments, financed through the investment project financing (IPF) lending instrument.

56. Consultants for services meeting the requirements of section V of the Consultant Guidelines will be selected under provisions relating to the Selection of Individual Consultants, through a process of comparing the relative qualifications of candidates expressing interest in the assignment, or approached directly.

57. Operating costs to be financed by the project include, among others, utilities and offices supplies; vehicle operation, maintenance, and insurance; and building and equipment

maintenance costs. Associated contracts will be procured using the project's financial and administrative procedures included in the operations manual and based on the project's annual work plan and budget. Services (car maintenance, computers maintenance, and so on) to be financed as operating costs will be structured through service contracts over a defined period.

58. Training, workshops, seminars, conferences, and study tours will be financed based on approved annual work plans and associated budgets. Work plans and budgets will identify the general framework of training and similar activities for the year, including the nature of training, study tours, workshops, the number of participants, and cost estimates.

59. **Procurement capacity assessment of the implementation arrangements.** An assessment of implementation arrangements, particularly at the MFPIJ, was carried out to assess readiness for project implementation. The capacity assessment found, among others, that (a) the ministry has no experience in implementing Bank-financed projects; (b) at present there is no qualified procurement specialist within the PCU; (c) the operational manual including a section on procurement will need to be prepared for use by the project; and (d) the PCU does not have a comprehensive record-keeping system.

60. **Risks identified and proposed mitigation measures.** The overall procurement risk for the project is rated as High. The procurement risk assessment is informed by general weaknesses with regard to procurement in government, particularly with regard to controls and procedures governing public contracting, and inexperience on the part of the MFPIJ with regard to the implementation of Bank-financed projects. A mitigation action plan has been prepared and agreed to. If properly implemented and monitored, the mitigation action plan will reduce the assessment of risk to Substantial. The action plan is presented in the table.

Table 3.5. Procurement Action Plan

Action to be Undertaken	Time frame	Responsible Body
Elaborate and submit a Procurement Plan to the Bank.	First draft at appraisal and final version to be discussed during negotiations (completed)	MFPIJ
Finalize a satisfactorily version of the operations manual comprising a section on procurement for use by the project and submission of this plan to IBRD for approval.	Adoption before project effectiveness	MFPIJ
Recruit a procurement specialist to the PCU with qualifications and expertise satisfactory to the Bank.	By effectiveness	MFPIJ
Strengthen the capacity of staff within the PCU with regard to the Bank's Procurement and Consultant Guidelines, dated January 2011, updated July 2014.	At the launch of project and as needed during project life	MFPIJ
Acquire and install, and thereafter maintain, a computerized accounting system.	Within three months of project effectiveness, with further capacity strengthening, as needed, during project implementation	MFPIJ

61. **Procurement Plan.** A first draft of a Simplified Procurement Plan in support of project implementation was finalized and approved during negotiations. Covering the first 18 months of project implementation, the Simplified Procurement Plan provides the basis for the procurement methods and the types of review. The final plan will be available in the project's database and a summary will be disclosed on the Bank's external website following the approval of the project by the Board. In agreement with the project team, the Procurement Plan will be updated annually, or as required, to reflect the project implementation needs and improvements to in-country institutional capacity.

62. **Publication of results and debriefing.** The borrower shall publish information in UNDB online for all contracts under ICB and Limited International Bidding and all direct contracts and in the national press for all contracts under NCB. Such publication shall be within two weeks of receiving the Bank's 'no objection' to the award recommendation for contracts subject to the Bank's prior review and within two weeks of the borrower's award decision for contracts subject to the Bank's post review. The disclosure of results is also required for selection of consultants. The borrower shall publish information in UNDB online for all contracts when the short list includes any foreign firm and all SSS contracts awarded to foreign firms and in the national press, all contracts where the short list comprises only national firms and all SSS contracts awarded to national firms. Such publication shall be within two weeks after receiving the Bank's 'no objection' for award of the contract subject to the Bank's prior review and within two weeks of successful negotiations with the selected firm for contracts subject to the Bank's post review.

63. **Fraud and corruption.** The procuring entity as well as bidders, suppliers, contractors, and services providers will be bound to observe the ethical standards relating to procurement and the execution of contracts financed by the project in accordance with paragraphs 1.14 and 1.15 of the Procurement Guidelines and paragraphs 1.22 and 1.23 of the Consultant Guidelines. The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and updated in January 2011, will apply to this project.

64. **Frequency of procurement supervision**. The capacity assessment of the implementing agency has recommended that in-country supervision missions take place at least two times a year and a post-review of procurement actions be conducted on an annual basis.

Summarized Procurement Plan

65. The primary works, goods, and non-consulting services to be procured during implementation of the project are listed in table 3.6.

Table 3.6. List of Works, Goods, and Non-Consulting Services Contract Packages to be Procured

Ref. No.	Description	Estimated Cost (US$, million)	Procurement Method	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Comments/ Completion Date
1	Construction of 2 new training institutions	20.000	ICB	No	Prior	December 2017
2	Equipment for the 2 new training	10.000	ICB	No	Prior	March 2017

Ref. No.	Description	Estimated Cost (US$, million)	Procurement Method	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Comments/ Completion Date
	institutions					
3	Equipment for the extension of the ONE	0.450	NCB	No	Prior	December 2016
5	Acquisition of vehicles	0.135	Shopping	No	Post	June 2016

66. **Prior review thresholds for works, goods, and non-consultant services.** The following contracts must be submitted to the Bank for prior review: contracts estimated to cost more than US$5 million for works and US$1 million for goods per contract, the first ICB and NCB contracts for works and goods, eventually others as identified in the Procurement Plan, and direct contracting above US$100,000.

67. The main consulting assignments of the project are listed in the table 3.7.

Table 3.7. List of Consulting Assignments with Selection Methods and Time Schedule

Ref. No.	Description of Assignment	Estimated Cost (US$, million)	Selection Method	Review by Bank (Prior/Post)	Comments/ Completion Date
1	Reform of the FIR	0.120	QCBS	Prior	December 2016
2	Studies for the construction of the 2 new training institutions	0.780	QCBS	Prior	December 2016
3	Project coordinator	0.140	IC	Prior	June 2018/2 year renewable contracts
4	Procurement specialist	0.120	IC	Prior	June 2018/2 year renewable contracts
5	FM specialist	0.120	IC	Prior	June 2018/2 year renewable contracts
6	Accountant	0.100	IC	Prior	June 2018/2 year renewable contracts
7	M&E specialist	0.100	IC	Prior	June 2018/2 year renewable contracts
8	Internal auditor	0.100	IC	Prior	June 2018/2 year renewable contracts
9	Financial auditor	0.100	LCS	Prior	June 2019/3 year renewable contracts

Note: IC = Individual Consultant.

68. **Prior review thresholds for consultant services.** The following contracts must be submitted to the Bank for prior review: Contracts estimated to cost above US$200,000 for firms and US$200,000 for individuals per contract and SSS of consultants (firms and individuals) to cost above US$100,000. Similarly, all audit contracts will be subject to prior review as will any other contract identified in the Procurement Plan.

Annex 4: Implementation Support Plan

Gabon: Skills Development and Employability Project

Strategy and Approach for Implementation Support

1. **The implementation support strategy is based on the project objective, risks, and implementation arrangements**. This strategy is based on (a) close implementation supported by the task team and (b) semiannual and annual reviews, and (c) technical support missions.

2. **Close implementation support.** The task team, including the TTL, the safeguards specialists, the procurement, and FM specialists will play an active role during implementation to support the full implementation and implication of beneficiaries in subproject selection, implementation, and M&E as well as in capacity-building activities. The team will conduct during the first 12 months a video-conferencing every month with project counterparts to support, advice, and follow the implementation.

3. **Semiannual and annual reviews**. Twice annually, in June and November of each year, the task team will join a review meeting to assess the progress made so far, identify the difficulties in the implementation of the project, and agree on the measures to overcome them.

4. **Technical support missions** will be carried out in specific areas where international expertise is needed notably for the establishment of the clusters to guarantee the quality of results or reinforce the technical capacities at the national level.

Implementation Support Plan

5. The Implementation Support Plan is built around semiannual and annual reviews which happen twice a year, in June and November jointly with the local donors. The first is to review interim progress and the second is to approve the annual work plan. The team will attend an annual joint review mission to evaluate progress made in the first year of project implementation, take into account the lessons learned and agreed on corrective measures.

6. Key elements of the Implementation Support Plan are described below:

- **Monitoring with respect to safeguards instruments by including safeguards specialists in semiannual missions**. These specialists will also assure knowledge transfer and development of adequate training program for additional PCU staff to be recruited to monitor safeguards aspects. The SC representing the private sector, the administration, and the civil society will receive support to monitor project implementation, particularly with respect to the safeguards instruments and will be able to draw attention to any problematic areas.

- **Support to develop and regularly monitor a communication strategy** and implement responsive feedback mechanisms (spot checks, dedicated safeguards compliance support) for quality assurance and M&E.

- **FM implementation support plan.** The FM implementation support will be consistent with a collaborative and risk-based approach involving the entire task team's specialists. FM supervision will take the form of physical supervision on the ground. A first implementation support mission will be undertaken three months following project effectiveness. Thereafter, the FM missions will be scheduled using the FM unit risk-based model, at intervals determined by the initial FM risk rating assigned at entry, and subsequently, as determined by Implementation Status and Results Reports. FM support missions will be responsible for (a) monitoring overall FM arrangements; (b) reviewing the IFRs; (c) reviewing audit reports and management letters from external auditors and following-up on accountability issues by engaging, as and when appropriate, the TTL, the client, and/or the auditors; (d) ensuring that the audit is of sufficient quality, that it covers all relevant aspects of the project, and provides sufficient assurance with regard to the appropriate use of funds by recipients; and (e) providing intensive assistance to the PCU, the ONE and other relevant entities to build or maintain the appropriate FM capacity.

7. **Procurement.** A procurement specialist will be in charge of providing support and coaching to project implementation agencies at all levels.

8. **Technical support** will be required to support the team to assess the implementation of the PBCs, the design of the training courses, the implementation of infrastructure and equipment projects, the reinforcement of the autonomy of training institutions, and the creation of incentives for results orientated service delivery. The following skills mix and resources needs are estimated:

Table 4.1. Main Focus in Terms of Support to Implementation

Time	Focus	Skills Needed	Resource Estimate (US$)	Partner Role
First 12 months	Start-up phase, preparation of implementation of APAB, elaboration of TOR, and preparation of subprojects including procurement.	Infrastructure, institutional development, procurement, FM, safeguards, M&E, and communication.	100,000	–
24 months	Continued subproject implementation, implementation study recommendations, and capacity building	Infrastructure, institutional development, procurement, FM, social development, M&E, economic analysis	100,000*2 year = 200,000	–
24–36 months	Technical design studies and start of subproject construction, capacity building, studies, and implementation of the PBCs in the TVET institutions.	Infrastructure, institutional development, procurement, and FM	100,000*2 years = 200,000	–
36 months	Midterm review (subproject implementation, construction, capacity building, and the implementation of the PBCs)	Infrastructure, institutional development, procurement, FM, social development, M&E, communication, and economic analysis.	100,000	–
Total (5 years)			600,000	–

Table 4.2. Skills Mix Required

Skills Needed	Number of Staff Weeks (for the Duration of the Project)	Comments
Team Leader	100	Support the implementation, TTLs to split mission travel
Procurement Specialist	20	Twice-yearly missions
Financial Management Specialist	30	Twice-yearly missions
Environment Specialist	20	Twice-yearly missions
Social Specialist	20	Twice-yearly missions
Financial Management Specialist	15	Twice-yearly missions
M&E Specialist	10	Three times in the beginning
Program Assistant	18	Ongoing team support
Skills Specialist	20	
Total	**253**	

Annex 5: Economic and Financial Analysis

Gabon: Skills Development and Employability Project

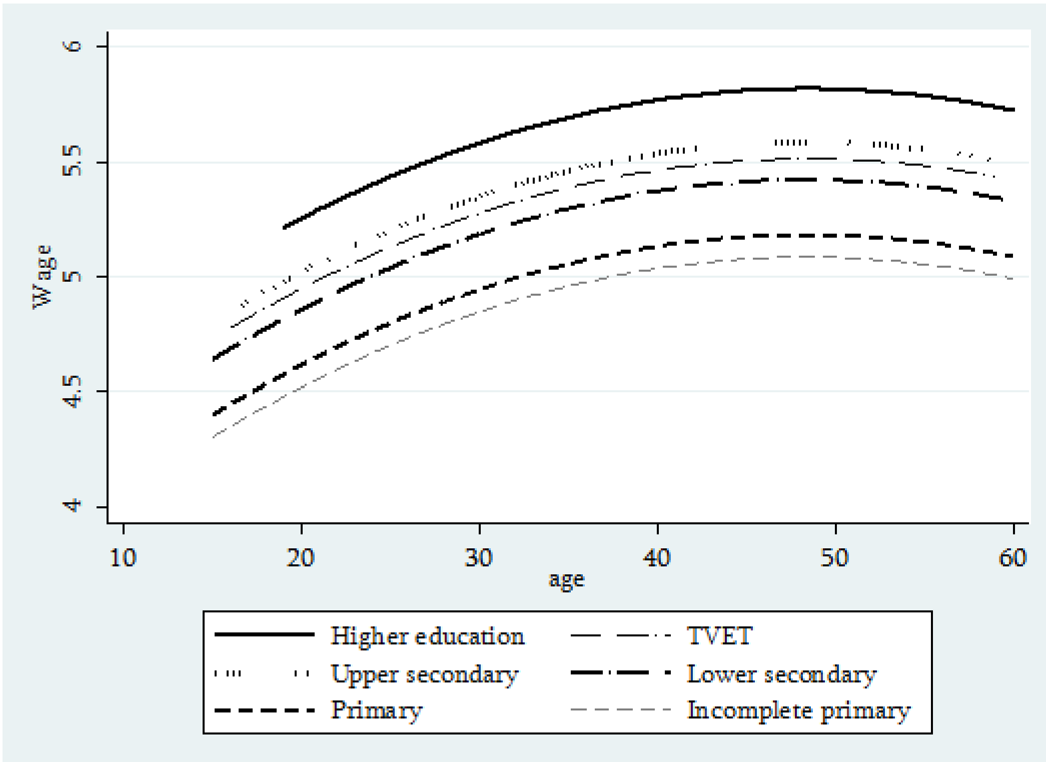
1. The economic and financial analysis covers labor market outcomes, the relevance of educational outcomes in alignment with labor market needs, and the cost-effectiveness of the proposed interventions. The annex is divided into five parts: (a) economic context and labor market outcomes, with a focus on the impact of education on employment and growth; (b) equity in educational attainment, and the corresponding difference in labor market outcomes; (c) a cost-benefit analysis of the proposed project; (d) sensitivity and sustainability analyses to assess uncertainties and the fiscal burden of the project and (e) rationale for public investment and rationale for World Bank involvement.

Economic Context and Labor Market Outcomes

2. The education profile of a country is strongly associated with rates of poverty, formal employment, and economic growth. Many studies argue that participation in education constitutes an investment in human capital, with the expectation of returns later in life (Becker 1964; Smits and Hoşgör 2006). At the macro-social level, higher levels of education are associated with improved productivity and income, and at the aggregate level, education contributes to economic development and improved quality of life (Harbison and Myers 1964). At the micro-social level, higher levels of education are associated with healthier and better-nourished individuals and greater autonomy for women (Martin and Juarez 1995; Sanderson and Lutz 2010). Improving the educational status of the female population has developmental spillover effects on fertility, mortality, and migration (Jejeebhoy 1995). Other studies argue that improving education plays a role in mitigating conflict, encourages long-term stability, improves equity with regard to accessing public resources, and contributes to greater gender parity. In addition to the positive private returns to education, there are positive externalities associated with skills acquisition. The presence of skilled labor, in sufficient numbers, is associated with higher levels of domestic and foreign direct investment. Moreover, sufficiently skilled labor plays an important role in the speed of technological adoption, with beneficial contingent effects for competitiveness and economic growth.

3. In Gabon, education qualifications are strongly associated with levels of income. Data derived from the ENEC 2010 demonstrated that a higher level of educational attainment is associated with higher levels of income (figure 5.1). In Gabon, TVET is provided at different points in the education cycle, and the ENEC survey only captured two of these categories (after primary, and after secondary education). As a consequence, the monthly earnings associated with a course of TVET education is below upper secondary, but above lower secondary, implying that wages accruing to TVET graduates are relatively high.

Figure 5.1. Monthly Earning by Education Level (CFAF '000)

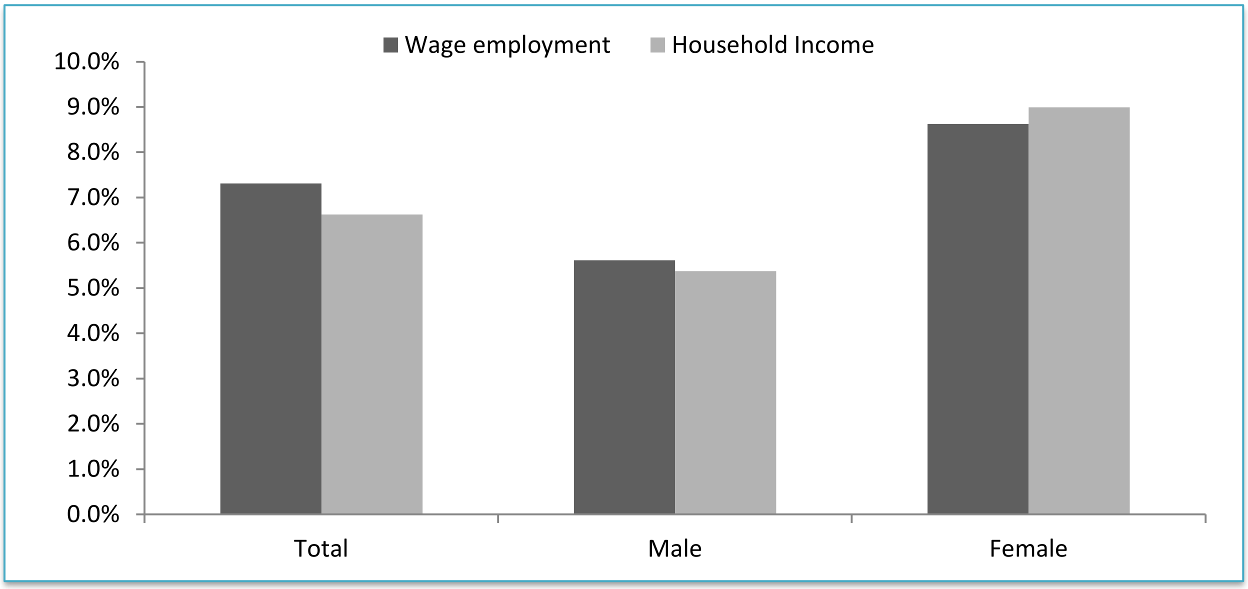


Source: Author's estimate using the ENEC 2010.

4. Evidence from the Gabonese labor market suggests that an individual's level of educational attainment is associated with greater likelihood of that individual being engaged in wage employment and is a strong predictor of household income. The following analysis draws on a sample of salaried workers surveyed by the ENEC whose earnings information was available. Observations from this sample were complemented with data regarding household consumption. When estimating returns to education based on household consumption, the level of education of the head of the household is generalized to the entire household. Analysis was performed using both the number of years of education held by the head of household and categorical dummies for the level of educational attainment. Regression analysis demonstrates that in Gabon, an additional year of education is associated with a 7.3 percent increase in income (figure 5.2), which is close to the trend observed in high-income countries. The rate of return accruing to females in the form of higher income associated with an additional year of schooling is higher than that observed for men for both wage employment and household income. In general, the returns accruing through an additional year of schooling is inversely related to the educational profile of the labor force. In other words, as a population becomes generally more educated, the returns accruing to an individual through additional years of schooling becomes smaller. In Gabon, only 28 percent of the labor force had completed a full cycle of secondary education, although the proportion of the labor force that has not completed primary school is relatively low compared to other African countries. This may imply that the relatively low average rate of return accruing to an additional year of education in the Gabonese economy may undermine the role that higher levels of education play in signaling improved earnings and

quality of life. However, to make an accurate assessment further disaggregation of the data will be required.

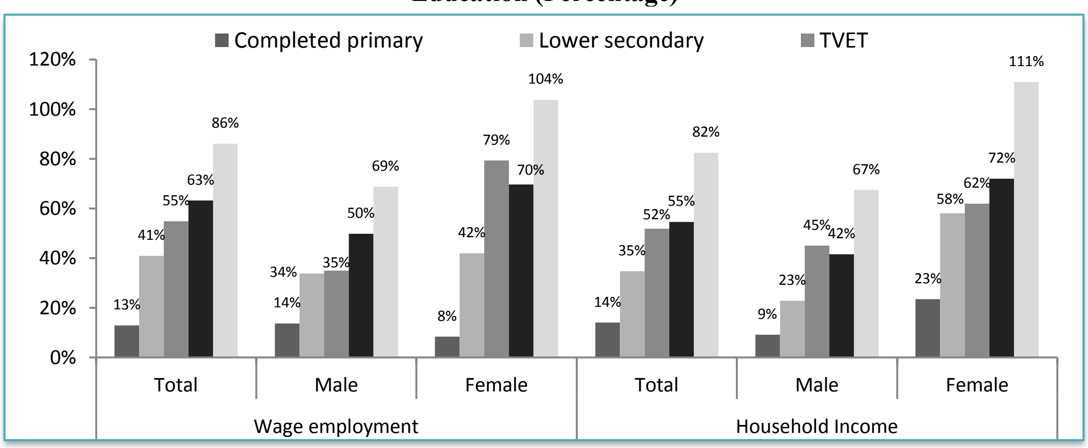
Figure 5.2. Mincerian Regression Result: Earning Increase per Additional Year of Schooling (percentage)



Source: Author's estimate using the ENEC 2010.

5. In general, members of the country's labor force with higher levels of education receive greater returns on their investment in education (figure 5.3). For example, a wageworker with completed primary education earns 13 percent more than one with an incomplete primary education. Moreover, workers who have completed a full cycle of lower secondary education earn 27 percent more than those who exited the system after primary education and workers with a TVET qualification earn 14 percent more than workers who have completed only lower secondary cycle of education.

Figure 5.3. Mincerian Regression Result: Earning Increase Compared with Incomplete Primary by Level of Education (Percentage)

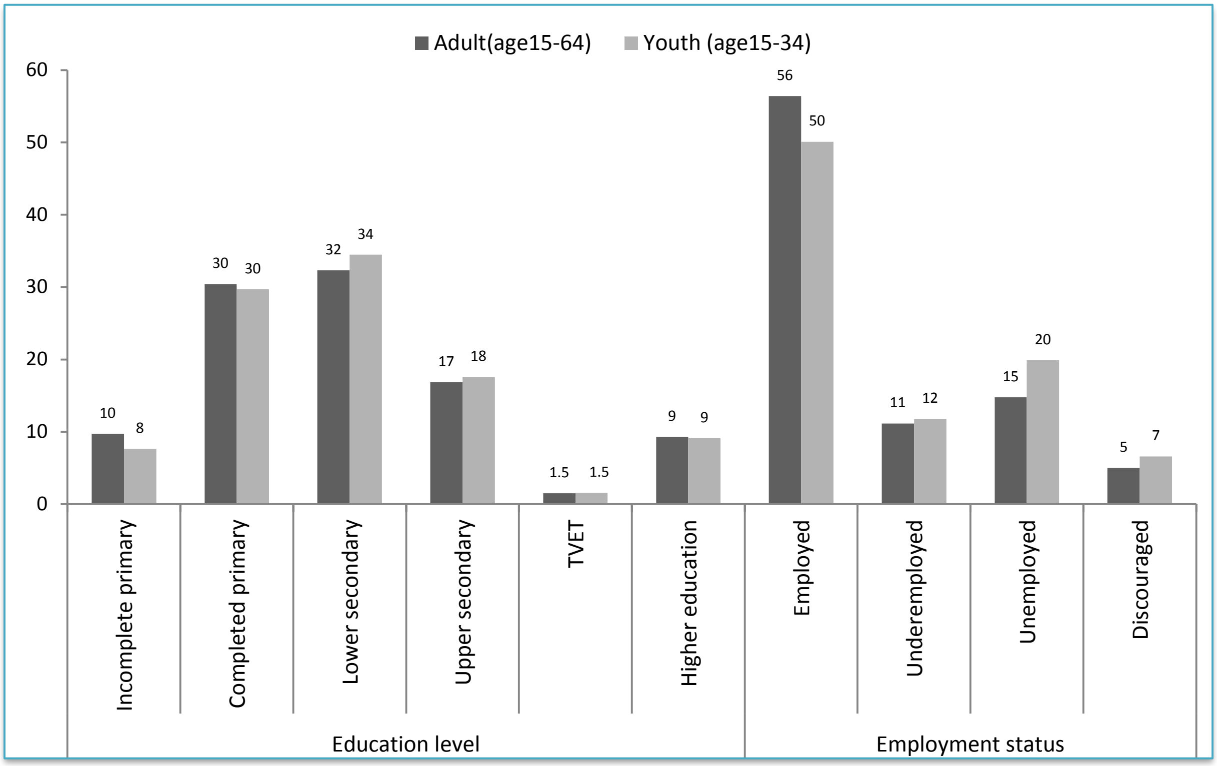


Source: Author's estimate using the ENEC 2010.

6. Analysis of data collected through the ENEC survey suggests that the TVET sector is under- explored and there is significant potential for expansion. Limited TVET provision has been cited as a key challenge contributing to skills shortages in Gabon. As illustrated in figure 4, less than 2 percent of the working age population (aged 15 to 64 years) and less than 2 percent of youth (aged 15 to 34 years) held a TVET qualification. Moreover, figure 5.4 illustrates that in

2010 approximately 40 percent of youth were unemployed, underemployed, or were discouraged workers. A youth unemployment rate of 20 percent in conjunction with evidence demonstrating very low levels of TVET enrollment suggests that the expansion of TVET opportunities could help improve youth employment rates.

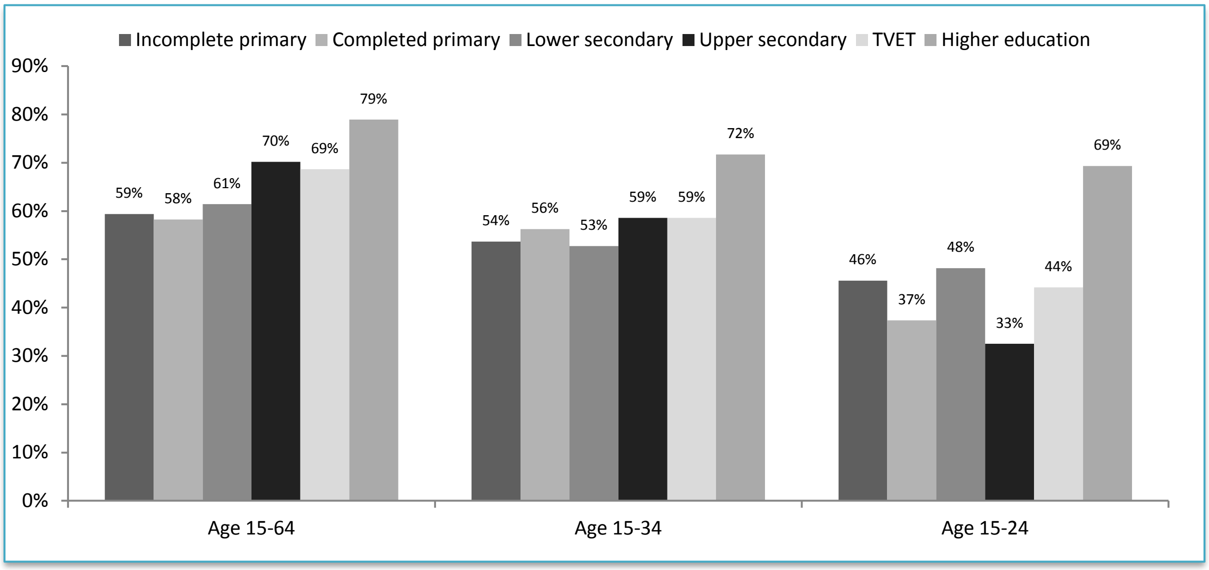
Figure 5.4. Educational Attainment and Employment Status of Adult and Youth (Percentage)



Source: Author's estimate using the ENEC 2010.

7. For both the workforce as a whole and the youth population, workers holding a higher education qualification demonstrate relatively high levels of employment. However, the youth are employed at lower rates relative to the general working age population, regardless of their educational attainment (figure 5.5). Although, many factors contribute to low levels of youth employment, the fact that those with higher levels of educational attainment compare poorly relative to the general working age population, may be a result of a skills mismatch between more recent graduates and the needs of the labor market. For example, only 33 percent of younger youth (aged 15 to 24 years) holding a high school diploma were employed in 2010, compared to 70 percent of the working age population holding the equivalent education (age 15 to 64 years). The disjuncture evident in the data clearly indicates that the general education system in Gabon is not providing workers with skills required for employment. In addition, due to the poor quality of TVET provision in Gabon, it is likely that existing TVET activities are not sufficient to improve a worker's employability relative to workers holding a high school diploma. Given the limited footprint of TVET provision in Gabon, the strategic expansion of TVET to improve the supply of skills to the labor market will contribute to growth and competitiveness.

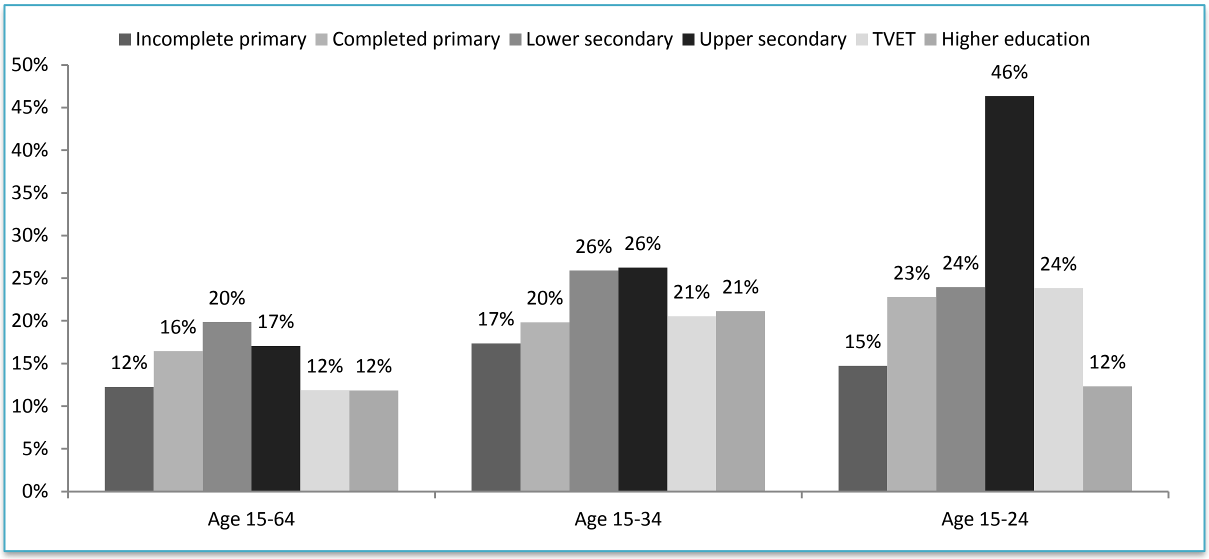
Figure 5.5. Employment Rate by Educational Attainment Adult, and Youth (Percentage)



Source: Author's estimate using the ENEC 2010.

8. Unemployment data disaggregated by educational attainment demonstrate that workers holding a TVET qualification have lower rates of unemployment compared to those holding only a high school diploma (figure 5.6). It is important to note that this analysis is limited by the ENEC survey only capturing workers with post-primary and post-secondary education TVET qualifications, and one would assume that the inclusion of workers with post-secondary TVET qualifications would demonstrate even better labor market outcomes. In light of the fact that higher education qualifications are associated with lower unemployment rates for all age groups, it is reasonable to expect that the expansion of quality TVET provision will enhance the rates of youth employment.

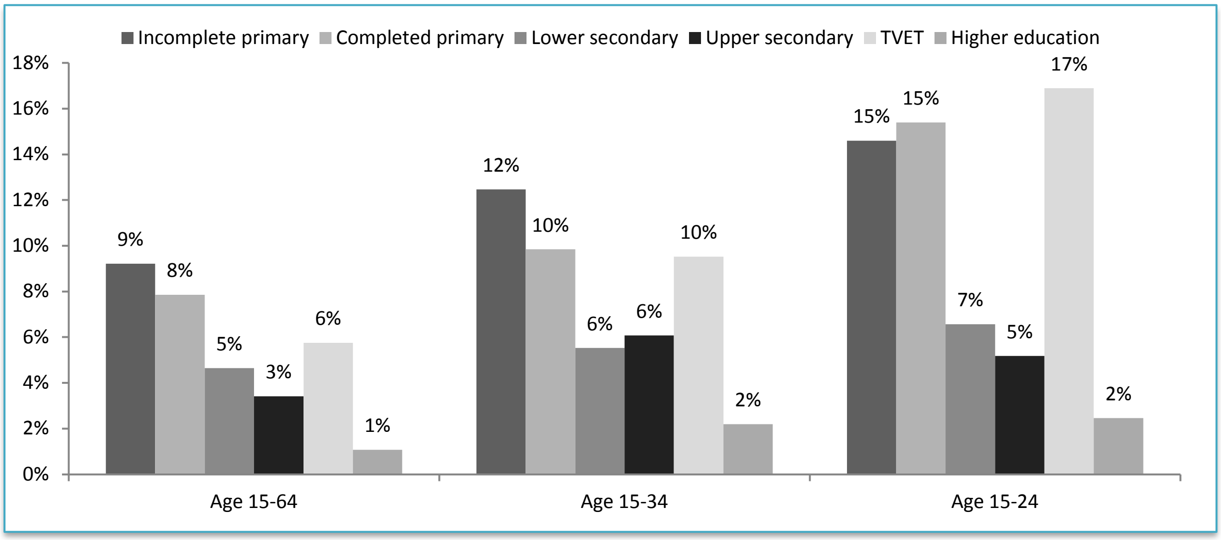
Figure 5.6. Unemployment Rate by Educational Attainment, Adult, and Youth (Percentage)



Source: Author's estimate using the ENEC 2010.

9. Finally, the inactivity rate for workers who have completed a cycle of TVET education is very high compared to workers holding secondary and higher education qualifications, and are particularly high for workers in the younger youth demographic (age 15 to 24 years). Again, although the post-primary share of TVET training could exaggerate the rate, the very high youth inactivity rate is a justification for intervention in skills and employability of youth (figure 5.7).

Figure 5.7. Inactivity by Educational Attainment, Adult, and Youth (Percentage)

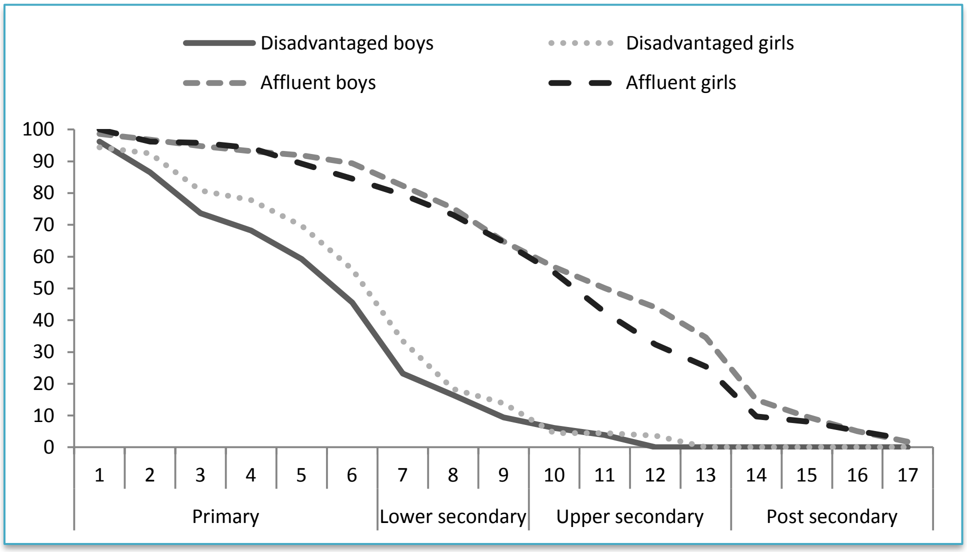


Source: Author's estimate using the ENEC 2010.

Equity

10. Investing in education can reduce inequality and mitigate the challenges faced by disadvantaged groups. Public investments in education can also help correct market failures inhibiting access to education for poor households, thereby increasing opportunities for advancement available to subsequent generations. Poor and rural children with comparatively less educated parents demonstrate the lowest primary enrollment rates and the highest dropout rates. Urban children from households in the top quintile of consumption and whose head of household held a secondary or higher education qualification achieved almost universal primary school enrollment with a primary school dropout rate of less than 2 percent, and less than 5 percent per year through a full general education cycle. In comparison, children from rural households in the lowest quintile of consumption, whose household head had incomplete primary education, demonstrated relatively healthy primary school enrollment of approximately 95 percent, but thereafter demonstrated much higher rates of dropout. By the end of the six-year cycle of compulsory basic school, enrollment among the top quintile urban children from high education households was 89 percent and 85 percent for boys and girls, respectively, compared to 56 percent of boys and 46 percent of girls from the lowest quintile of rural households whose heads of household had incomplete primary education. Moreover, less than one out of every 100 children from the poorest quintile complete 13 years of education, compared to 35 and 25 of every 100 boys and girls, in the wealthiest quintile (figure 5.9). This project aims to contribute to correcting the effects of market failures that have inhibited access to education for poorer citizens by providing skills training for those who are unable to obtain skills through the traditional education system, thereby improving the likelihood of their accessing employment.

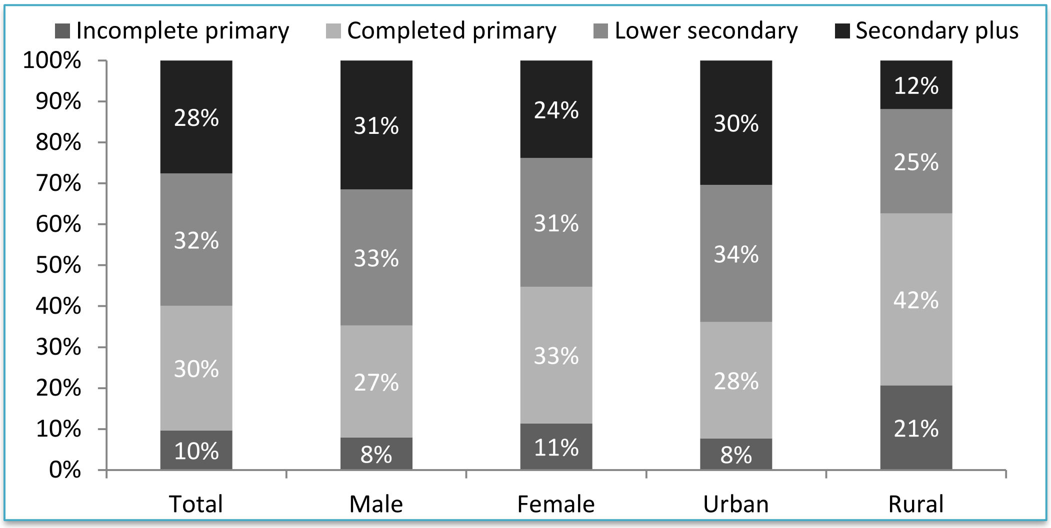
Figure 5.8. Inequality in Educational Attainment of Youth and School Age Children (aged 6 to 30) (Percentage)



Source: Author's estimate using the ENEC 2010.

11. Gender and spatial inequalities heavily influence educational attainment. An analysis of the ENEC data demonstrates that 24 percent of working age females (15 to 64 years) in 2010 had completed a full cycle of primary education compared with 31 percent of their male counterparts. Similarly, 30 percent of the urban working age population had completed a cycle of secondary education compared to only 12 percent of the rural working age population (figure 5.10). Evidence suggests that the poverty reducing potential of economic growth is magnified when growth is labor-intensive, diversified, and capable of generating employment opportunities across multiple sectors. The project will support the expansion and upgrading of skills across a range of economic sectors to more effectively contribute toward the acceleration of employment generation in the country, with a close focus on addressing spatial and gender inequity.

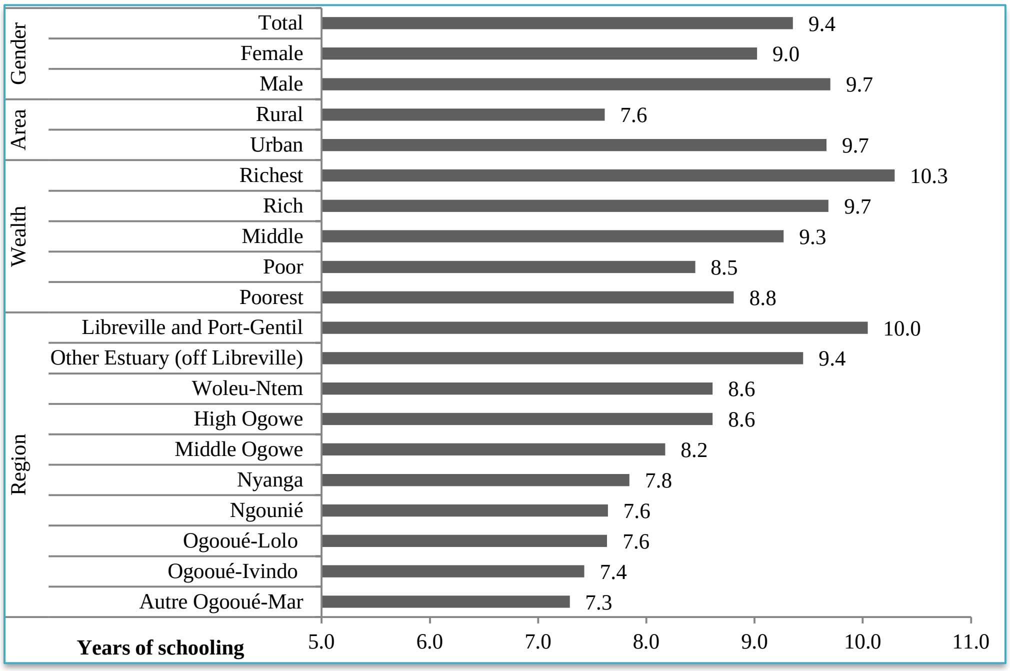
Figure 5.9. Inequality in Educational Attainment by Gender and Areas of Residence (Percentage)



Source: Author's estimate using the ENEC 2010.

12. Disparities in the stock of human capital varies by area of residence, region of residence, and income quintile. The average working age person in Gabon has completed 9.4 years of schooling, equivalent to an incomplete lower secondary education. Large spatial variation in educational attainment is demonstrated by the fact that the average working age urban resident has achieved 9.7 years of education, compared to 7.6 mean years of school for working age rural resident (figure 5.10). Regionally, residents of the Libreville area demonstrate the highest levels of average education, but even this subgroup's educational performance is only equivalent to a lower secondary education. The three Ogooue regions have the lowest educational attainment. Gabonese of working age from the richest quintile of households had completed an average of 10.3 years of schooling compared to 8.8 years of educational enrolment for the poorest quintile of households.

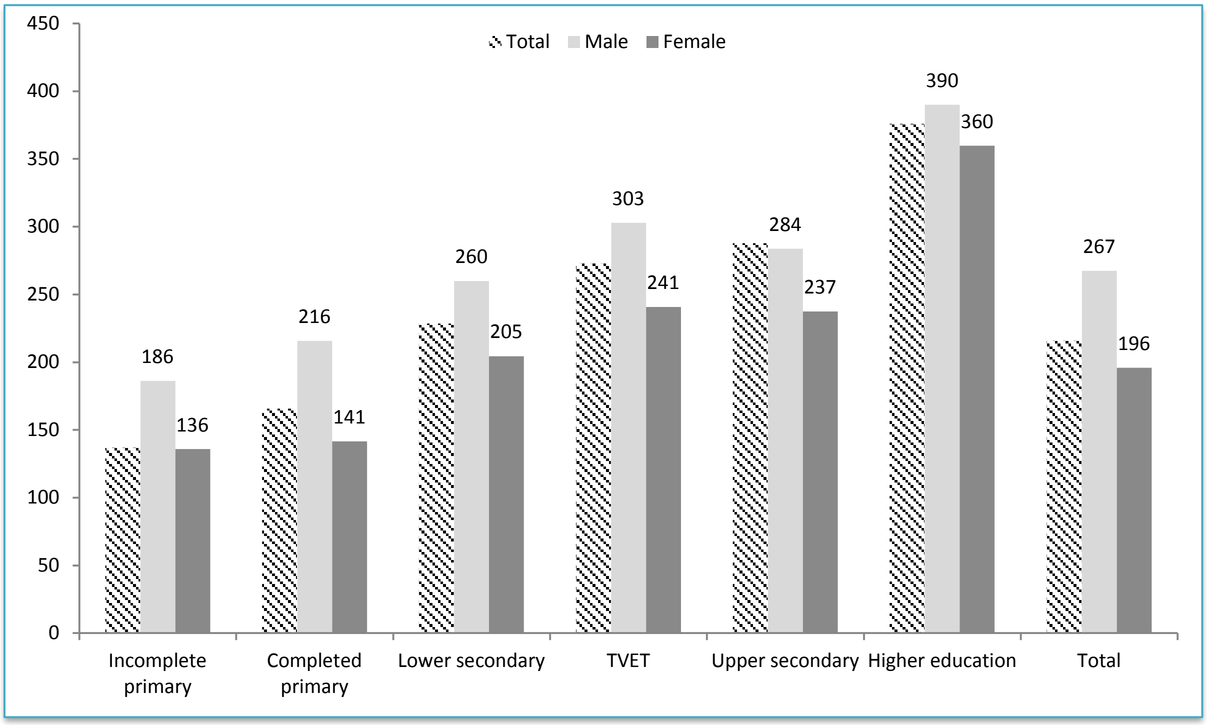
Figure 5.10. Inequality in Years of Schooling by Different Socioeconomic Group



Source: Author's estimate using the ENEC 2010.

13. At least 30 percent of project beneficiaries will be female. As indicated above, educational attainment for the female working age population is lower than that of male workers, which contributes to a significant earning gap between male and female workers. However, the fact that females earn less than their male counterparts for all levels of education does require further analysis. However, as education attainment increases the gap between male and female earnings marginally decreases (figure 5.11). For example, the average monthly wage for a working age female who has completed a full course of primary education is CFAF 75,000 which is less than their male counterparts with the same level of education which is CFAF 216,000.

Figure 5.11. Earning Gap between Male and Female by Level of Education (CFAF '000)



Source: Author's estimate using the ENEC 2010.

14. Finally, the Oaxaca decomposition model can be used to explain the earnings gap between the means of males and females across levels of educational attainment.[29] The decomposition results show that the explanatory variables (endowments or characteristics) account for a significant proportion of the average wage differential between males and females, whereas education differences explain almost the entire endowment component of the wage gap. This evidence implies that education played the primary role in accounting for wage differences between males and females. After controlling for experience, areas of residence, years of schooling and a regional dummy, the average male earns CFAF 70,000 more per month than the average female counterpart does. The decomposition suggests that 27 percent of the differences in wages is accounted for by observable factors (endowments), with differences in educational attainment accounting for 72 percent of the observable difference. This implies education, either directly or indirectly, leads to higher earnings, and that males appear to be at a greater advantage in Gabon. Investment in education, generally and through targeted interventions to improve gender parity in educational attainment will have positive effects for earnings streams and

[29]We used the Oaxaca-Blinder (1973) decomposition model to decompose the wage gap between males and females: (a) the endowment (or characteristic) effect (first term) is the difference in wage due to differences in the average for each covariates (education, experience, areas of residence, and region). It represents the part of the wage gap that can be explained just because of different average characteristics between males and females, that is, it represents the explained component of the wage gap. (b) coefficient (or called the returns effect) represents the proportion of the wage gap that can be explained by differences in the slopes between both groups (given the average female characteristics). (c) Interaction term represents the interaction effect of the male and female characteristics and, (d) details of the each component further reveals the contributions of each covariate and the coefficient component further decomposed to the slope effect and the pure residual (detailed discussion available on Oaxaca-Blinder (1973).

generate significant positive social spillovers if the general educational profile of the female population is improved.

Cost-benefit Analysis and Sustainability

15. The projected benefits accruing to the successful implementation of the project are both quantifiable and unquantifiable. The extension of training supply and quality improvements to TVET (Component 1) and employability development, and youth integration, and entrepreneurship promotion (Component 2) are quantifiable benefits. Institutional capacity support and project implementation (Component 3) are unquantifiable. The quantifiable portion of benefits is equivalent to 89 percent of the total project costs. The main objective of the unquantifiable portion is to facilitate the effectiveness of the quantifiable portions and, hence, the benefits of the unquantifiable portion are embedded in the benefits of the quantifiable portions. However, to provide an economic rationale for each component, the CBA is computed separately excluding Component 3. We combine the cost-benefit estimates for both quantifiable components inclusive of the costs of the non-quantifiable portion. To conduct the CBA, the model makes several assumptions about the project and the associated costs and benefits. The following presents the model's assumptions, the NPV and the IRR for the project.

16. The analysis takes into account beneficiaries from varied educational backgrounds. In particular, Component 1 focuses on TVET enrollees and graduates, Subcomponent 2.1 targets beneficiaries with low education attainment (completed or incomplete primary education level), and Subcomponent 2.2 focuses on beneficiaries who have completed TVET or higher education. While Subcomponent 2.3 targets all education levels for beneficiaries aged 16 to 34 years, we used completed lower secondary education as the education level for this group, based on education profiles of this target group in the survey, to estimate opportunity costs of enrollment in the entrepreneurship program. In addition, although the future is uncertain, the current labor market outcomes will play a crucial role in informing the expected earnings and chances of employment for workers with different levels of educational attainment. Moreover, as demonstrated by the rates of return to education, the labor market has a very strong signal for formal education, which may influence the expected returns in the long run. We consider several different assumptions including project targets for success in the sensitivity analysis. The summary of specific assumptions informing the base scenario is given here.

(a) As shown in figure 5.11, youth unemployment is very high and higher than that demonstrated by the adult population as a whole. We have used the youth unemployment rate by level of education to align it with the project target group at labor market entry age.

(b) Assumed discount rate of 15 percent based on the recent prime lending rate by the Central Bank of Gabon.

(c) An inflation rate of 5.6 percent was used to adjust earnings by level of education in 2010 to determine levels of earning at the beginning of project implementation in 2015. In addition, the same rate is applied to adjust for inflation on annual earnings for the project benefit cycle.

(d) Earnings by level of education were estimated using the ENEC 2010 for all relevant education levels of the project's participant education profile.

(e) Incremental benefits have been estimated using the rate of return presented on table 4, which is premised on an average 7.3 percent increase in earnings associated with one additional year of schooling. The rate of return is applied based on duration of project activities.

(f) Maintenance costs are assumed to be 1.5 percent for Component 1 for the life span of associated infrastructure.

(g) The life-span of building infrastructure is assumed to be 40 years, the life-span for equipment is assumed to be 10 years.

(h) The analysis assumes an average student teacher ratio (STR) of 30:1 to ensure sufficient teaching staff and to account for the incremental costs of running institutions. In developing countries, the post-secondary education STR can range as high as 100:1. However, the larger STR will be taken into account in the sensitivity analysis.

(i) An average age of 24 years for project beneficiaries is assumed in alignment with their level of education at entry, based on the ENEC 2010.

(j) Assuming a retirement age of 60, beneficiaries of the project are expected to remain active in the labor market for 36 years following training.

(k) Opportunity costs of program participation were estimated using the relevant education level for the participants based on an earning rate below what is currently associated with a TVET qualification. Since TVET is provided following the completion of primary and secondary education, the average earnings for the TVET graduate is estimated as equivalent to lower secondary completion earnings (equivalent to 9 years of schooling).

(l) An average annual exchange rate of CFAF 490 CFA per U.S. Dollar (based on 2010 exchange rates) has been used for local currency conversion to U.S. Dollar.

17. Table 5.1 presents the CBA for the base scenario. The IRRs and the NPVs of costs and benefits for quantifiable components, and combined estimates for the project demonstrate that the project is economically viable. The lower bound of the present discounted value of benefits associated with the full implementation of the project is estimated to be US$130.43 million, while the present discounted value of costs is estimated to be US$116.69 (US$59.5 project cost and US$57.19 opportunity costs) including other unquantifiable portions. The corresponding NPV associated with program benefits is US$21.54 million. The IRR associated with this NPV is 16.7 percent. Overall, the ratio of benefits to costs indicates that for every US$1 invested in the project, US$1.12 will accrue through returns. Therefore, although the data to measure all likely benefits were not available and given the high opportunity costs participation on the part of project beneficiaries, the expected NPV from quantifiable benefits surpasses the NPV of costs, for both components, and supports a decision to invest in the project.

Table 5.1. NPV and IRR in Base Scenario

	Component 1 (infrastructure)	Component 2 (employability)	Total Project
IRR (%)	17.0	19.0	16.7
Discounted cost (present value of costs) (US$)	93.73	15.15	116.69
• O/w project cost (US$)	44.35	15.15	59.50
• Forgone earning (US$)	49.38	0.00	57.19
Present value of incremental benefits (US$)	113.66	16.77	130.43
NPV (US$)	19.93	1.61	21.54
Benefit/cost ratio	1.21	1.11	1.12

Source: Bank staff estimates based on the ENEC 2010 and the project costs.

18. To account for the nontangible benefits of the investment portion, and the usual difficulties associated with measuring benefits accruing to education through externalities, Component 3 targets capacity building, which makes it unquantifiable for the purposes of a standard cost-benefit analysis (including calculation of a NPV and an IRR). As described in the main section of the PAD, Component 3 aims to support institutional capacity building at the MFPIJ, the MENET, and vocational training for TVET provision. While the benefits associated with Component 3 are not quantifiable in monetary terms, associated activities are expected to contribute tangibly to the sustainability of the project and its benefits.

Sensitivity Analysis

19. The project's likelihood of success is dependent on several factors including, among others, the successful and timely completion of the project, the quality of the infrastructure constructed, and to what extent the assumptions underlying the benefits and cost estimates are accurately reflected in future scenarios. The sensitivity analysis focuses on adjusting key project target indicators and core assumptions to estimate benefits and costs. The sensitivity analysis considers eight scenarios for estimating benefits and costs premised in the project design. The lower end case scenario outlines the minimum conditions necessary to ensure the viability of the project (warning level), and the high case frames a context in which maximum benefits accrue to the project. The sensitivity analysis was carried out by relaxing base scenario assumptions to identify the primary sources of impact.

20. The sensitivity analysis is informed by adjustments and variations as applied to the following assumptions:

(a) The probability of employment used in the analysis is generated from the ENEC survey data. The observed probability of employment is also used as the lower bound since training is expected to inculcate skills to improve the employability profile of targeted beneficiaries. In the high case scenario, the chance of employment is fixed at the project target of 90 percent.

(b) Earning levels in the lower case scenario are based on observations from the ENEC survey data while in the highest case scenario the quality of the training is assumed to increase earnings by 2.3 percent based on international benchmarking.[30]

(c) In the lower case scenario, the maintenance rate is assumed to increase to 10 percent as opposed to the baseline assumption of 1.5 percent to reflect higher maintenance costs for infrastructure, while the higher case scenario is the same as the base scenario assumption.

(d) The higher case scenario assumes the life- span of buildings to be 40 years, in alignment with the base scenario, while the lower case scenario assumes a 10-year reduction in the life-span of the buildings to be 30 years.

(e) In the lower case scenario, the STR is reduced to 20 students per teacher to capture the higher end of incremental costs arising from employing a larger number of teachers. The higher case scenario STR is assumed at 60 based on international observations in post-secondary education.

(f) The program success rate is assumed to be at 70 percent in the lower scenario, 10 percent lower than the base scenario while the higher scenario assumes a program success rate of 90 percent.

21. **Lower scenario:** Table 5.2 shows the projected outcomes of the project targets under the lower scenario. As indicated in the table, the returns to the project are slightly lower at 15.1 percent compared to 16.7 percent in the base scenario. Using the assumptions informing this case, the resulting benefit-cost ratio indicates that the project would more or less break even and for every dollar invested in the project, it would generate approximately 95 cents in benefits.

Table 5.2. Lower Scenario: NPV and IRR

	Component 1 (infrastructure)	Component 2 (employability)	Total Project
IRR (%)	15.4	17.5	15.1
Discounted cost (present value of costs) (US$)	112.83	15.15	135.80
Project cost (US$)	44.35	15.15	59.50
Foregone earning (US$)	68.48	.00	$76.30
Present value of incremental benefits (US$)	113.66	15.09	128.75
NPV (US$)	.83	-.06	.76
Benefit/cost ratio	1.01	1.00	0.95

Source: Bank staff based on the ENEC 2010 and project costs.

22. **Upper scenario:** Under the assumptions adopted in the higher case scenario, as illustrated in table 3, the IRR rises to 19.8 percent, off a base scenario of 16.7 percent. The improved IRR is mostly a consequence of changes informing the probability of employment, an

[30] Details of the competition are available PAD for Gambia: Results for Education Achievement and Development (READ) Project (2014).

assumed increase in earnings levels, and higher STR assumptions. The estimate of earnings is based on the assumption that program participant's earnings will be concentrated in the second quintile of earnings' distribution. An IRR of 19.8 percent is higher than the discount rate of 15 percent (table 5.3).

Table 5.3. Upper scenario: NPV and IRR

	Component 1 (infrastructure)	**Component 2 (employability)**	**Total Project**
IRR (%)	19.9	24.5	19.8
Discounted cost (present value of costs) (US$)	101.50	15.15	124.46
Project cost(US$)	44.35	15.15	59.50
Foregone earning (US$)	57.15	.00	64.96
Present value of incremental benefits (US$)	162.84	22.94	185.78
NPV(US$)	61.35	7.79	69.13
Benefit/cost ratio	1.60	1.51	1.49

Source: Bank staff estimates based on the ENEC 2010.

Fiscal Sustainability Analysis

23. As described in the main project document, the macrofiscal outlook for Gabon is positive. The medium-term International Monetary Fund projection projects economic growth of approximately 6 percent per year through 2019, with GDP per capita projected to reach US$16,000 over the same period.[31] The government's own revenue is about 24 percent of the total GDP, supporting an assessment of strong federal government revenue generation, and public spending as share of GDP is reasonably high (30 percent). The incremental cost that this project imposes on the public is relatively small and is not expected to impose strain on public resources: the project is expected to add 115 teaching staff to the public payroll, with the estimated costs associated with the life-span of the new institutions reflecting a current value of US$7.3million. Other aspects of incremental cost are associated with the maintenance costs associated with running the new institutions over their full life span, estimated at a current value of US$5.3 million. Therefore, total running costs are assumed at the equivalent of US$12.6million in current value, equivalent to 0.2 percent of revenue and 0.5 percent of total public spending.

Rationale for Public Investment and Provision

24. Given that education is positively correlated with better earning and employment opportunities, disparities in access to education contribute to inequality in living standards. For example, as stated earlier, an additional year of schooling is associated with approximately 7.3 percent higher income. Furthermore, analysis demonstrates that skills acquired at higher levels of education, including in TVET, are strongly associated with higher earning potential. Disparities in access to education and human capital stock greatly vary by area of residence, region, wealth status and gender. The government of Gabon is aware of this situation and is committed to undertaking the necessary interventions to correct such market failures. In particular, given the

[31] International Monetary Fund: World Economic Outlook April 2014.

positive returns to education, public investment on education can reduce inequality and create opportunities for the disadvantaged groups as well as provide access to households that are too poor to afford their day-to-day needs. In particular, given the high unemployment rate of youth and the low quality of the current TVET provision, there is a clear rationale for the government to provide (i) a short term response for provision of skills that can immediately generate economic and social benefits for the youth and (ii) reform to TVET institutions for longer-term improvement of the system given that currently TVET institutions are not offering programs linked to the economic needs but are almost exclusively in business, management and accounting. The role of the government is critical in providing skills training that not only increases the chance of employment in the existing labor market, but also contribute to economic growth.

World Bank Value Added

25. There is an urgent need to increase the productivity of the economy and meaningfully diversify the productive base in Gabon. The World Bank has engaged in similar interventions with relevant intervention modules and has a clear comparative advantage in providing better implementation design. In addition to building upon previous experience in countries such as Côte d'Ivoire, and Senegal among others, the World Bank is expected to engage global experts at the different stages of the intervention value-chain of the TVET implementation. Furthermore, given its comparative advantage in the TVET sector, the World Bank is effectively positioned to leverage and collaborate with other partners as needed.