



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 23-Feb-2023 | Report No: PIDC34546



**BASIC INFORMATION**

**A. Basic Project Data**

Country Cambodia	Project ID P179159	Parent Project ID (if any)	Project Name Cambodia Skills for Better Jobs Project (P179159)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Jun 27, 2023	Estimated Board Date Nov 16, 2023	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of Labor and Vocational Training	

**Proposed Development Objective(s)**

To enhance quality and relevance of skills among Cambodia's upcoming and existing workforce, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	40.00
<b>Total Financing</b>	40.00
<b>of which IBRD/IDA</b>	40.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	40.00
IDA Credit	40.00

Environmental and Social Risk Classification  
Moderate

Concept Review Decision  
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

## B. Introduction and Context

### Country Context

- Cambodia has seen vibrant economic growth and, while it was one of the hardest hit countries in EAP during COVID-19, it is also seeing a relatively rapid recovery from COVID-19.** Cambodia has seen Gross Domestic Product (GDP) growth of 7.7 percent per year between 1998 and 2019, one of the fastest growth rates in the world, allowing Cambodia to reach lower middle-income status in 2015. GDP contracted by 3.1 percent in 2020, with tourism, manufacturing, and construction sharply affected by the COVID-19 pandemic. However, GDP had already recovered in 2021 with GDP growth of 3 percent, and the latest Government estimates for 2022 indicate GDP growth of 5.5 percent.
- This growth has benefitted the poor, with a sharp decline in poverty rates from 33.8 to 17.8 percent between 2009 and 2019/2020, mostly driven by workers moving into non-farm wage jobs, including 1 million foreign direct investment (FDI)-driven jobs in manufacturing.** Macroeconomic stability, openness to trade and benefits of regional (Association of Southeast Asian Nations - ASEAN), global (World Trade Organization - WTO), and preferential access to the EU market under the “Everything but Arms” agreement, helped Cambodia attract high inflows of FDI that have had broad benefits in terms of employment.<sup>1,2</sup>
- While this is remarkable progress and structural change away from agriculture, most workers in Cambodia still work in low skilled, low productivity jobs.** The challenge in Cambodia is not the availability of jobs but rather the quality of these jobs. Labor productivity is low in Cambodia, when compared to its income level, and it has been stagnant in manufacturing and services.<sup>3</sup> Furthermore, stagnant or modest increases in productivity have been outpaced by increases in wages, in particular in the apparel sector and manufacturing, making unit labor costs very high among comparators.<sup>4</sup>
- The low-skilled and low-productivity jobs reflect the low education among Cambodia’s workforce.** Despite significant improvements over the past decades, less than 14 percent of the Cambodian workforce has completed secondary education. The low skills among the workforce pose a challenge for firms, which report challenges in finding qualified workers, in particular in key sectors of the Cambodian economy, such as tourism, logistics and transport, and finance and insurance; with most of these shortages being in medium-skilled occupations. While education levels have increased among younger cohorts, still, enrollment rates even in lower secondary education remain low, at 47 percent. In other words, half a cohort enters the labor market every year without any qualification and very low skills. In particular, women’s education levels are lower than men’s, affecting, together with occupational segregation and gender norms, women’s labor market outcomes. Female labor force participation (LFP) is high in Cambodia, at 84 percent, which is much higher than both regional and global averages (61 percent and 50 percent, respectively), but still lower by seven

<sup>1</sup> World Bank. 2019. Cambodia Future Jobs.

<sup>2</sup> World Bank. 2022a. Poverty Assessment.

<sup>3</sup> World Bank. 2022b. Resilient Development: A Strategy to Diversify Cambodia’s Growth Model - Cambodia Country Economic Memorandum (English). Cambodia Country Economic Memorandum Washington, D.C.: World Bank Group.

<sup>4</sup> World Bank. 2019. Cambodia Future Jobs.



percentage points than men's LFP.<sup>5</sup> While the gender pay gap has decreased since 2011, women still earn an average of 11 percent less than men.<sup>6</sup>

5. **Cambodia's impressive economic performance could be challenged by the country's high vulnerability to the negative impacts of climate change.** Cambodia is one of the world's most flood exposed nations and faces high temperatures, droughts, and sea level rise.<sup>7</sup> Climate change may reduce the country's GDP by 2.5 percent in 2030, and up to 9.8 percent in 2050.<sup>8</sup> The Royal Government of Cambodia (RGC) is committed to combating climate change and accelerating the transition to a climate-resilient, low-carbon sustainable mode of development.

#### Sectoral and Institutional Context

6. **Cambodia has set goals to improve jobs and upskill its population in the Rectangular Strategy 2019-2023 and in the National Employment Policy 2015-2025.** One of the four strategic goals of the rectangular strategy is "Creating more jobs, in terms of both quality and quantity aspects, for the citizens of Cambodia, especially for the youth through skill training, provision of job market information, improvement in working conditions and promotion of business and investment inside and outside the country." The National Employment Policy 2015-2025 outlines three goals: (a) Increase decent and productive employment opportunities; (b) Enhance skills and human resource development; and (c) Enhance labor market governance.

7. **Furthermore, Cambodia's Industrial Development Policy (IDP) 2015-2025 has set objectives to "modernize Cambodia's industrial structure from a labor-intensive industry to a skill-driven industry by 2025".** This diversification includes moving away from the garment, travel goods, and footwear (GTF) sector, and into sectors that require medium and high skills. The IDP outlines an increased focus on higher value-addition and linkages with regional and global value chains. Cambodia has adopted two sector roadmaps, in automotive and electronics, to move up value chains.

8. **Given Cambodia's current positioning in value chains and comparative advantage, it can realistically aspire to move into moderately complex products that require medium-skilled occupations, which can be supplied by technical and vocational education and training (TVET).** However, firms report skills as the third major obstacle to their operations and 50 percent of firms across all sectors report challenges in hiring; in particular in medium-skilled occupations. TVET can play an important role in providing both the current and upcoming workforce with in-demand skills through providing one- to four-year long courses and mixing classroom training with work-based learning. TVET can respond to immediate labor market needs, as well as prepare the upcoming workforce to be adaptable given the changing nature of work, particularly if TVET is modernized to teach a broad set of transferable skills, such as digital and socioemotional skills, all the while catching-up with the technical skills needed for specific occupations.

9. **The TVET sector in Cambodia is dominated by public training institutions and rather centralized, with the Ministry of Labor and Vocational Training (MLVT) tasked to lead and manage the TVET sector.** Of the 119 training providers reporting to MLVT, 37 are public, and these cater to a majority of the reported learners.<sup>9</sup> Decision-making in

<sup>5</sup> World Bank. 2019. Cambodia Future Jobs.

<sup>6</sup> Gavalyugova, Dimitria; Cunningham, Wendy. 2020. Gender Analysis of the Cambodian Labor Market. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34201> License: CC BY 3.0 IGO.

<sup>7</sup> Climate Risk Profile: Cambodia (2021): The World Bank Group and Asian Development Bank.

<sup>8</sup> Cambodia's Updated Nationally Determined Contribution (2020). [https://unfccc.int/sites/default/files/NDC/2022-06/20201231\\_NDC\\_Update\\_Cambodia.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/20201231_NDC_Update_Cambodia.pdf)

<sup>9</sup> MLVT's TVET Statistics for 2020-2021. Data for the first semester of the year 2020-2021. 50 training institutions reported data: All 37 public institutions under the MLVT reported data. The percentage of students in public institutions among institutions that reported data is 92 percent. When assigning the mean values of enrollment in private and NGO-run institutions that reported information (which is 329) to those private and NGO-run institutions with missing data, the proportion of students in public institutions is still the



public TVET institutions is relatively high with respect to pedagogical decisions but limited when it comes to financing and hiring. Several reputable NGO-run and private training institutions are considered delivering quality and relevant training. Besides the MLVT, eleven other ministries also provide TVET training programs, including, among others, the Ministry of Education, Youth and Sports (MoEYS), the Ministry of Tourism, and the Ministry of Women Affairs. Despite the existence of the National Training Board, which was established in 1996 in order to set the direction for TVET policy and to coordinate the sector, inter-ministerial coordination and information sharing continues to be challenging, and each ministry oversees their own training institution using different mechanisms for quality assurance.

10. **There are challenges with both the quantity and quality of TVET trainees.** According to the National Census 2019, a small proportion of the population aged 15-59 (0.7 percent for males and 0.6 percent for females) had completed a TVET program. These proportions are much smaller than those with upper-secondary education (3.2 percent for males and 2.5 percent for females) and a bachelor's degree (3.5 percent for males and 2.4 percent for females). In terms of quality, employers indicate not being fully satisfied with workers' skills and mention gaps in all of basic and advanced cognitive, socioemotional, digital and technical skills. TVET trainees are often from vulnerable backgrounds and seem to end up in TVET as the result of "negative selection" when they do not qualify for general education. These individuals may need support to catch-up with foundational skills in order to be successful in the labor market. Gendered perceptions of occupations and mobility constraints may limit the participation of women in TVET. Female participation in formal TVET is low and concentrated in certain fields.

11. **Both a symptom and cause of challenges in TVET, employer engagement in skills development (EESD) in Cambodia is low when compared to best practice; impeded by poaching concerns and a lack of familiarity and know-how among key stakeholders on EESD benefits and best practices.** On the side of TVET institutions, teachers often lack the capacity to reach out to employers in a strategic manner. Employers indicate they find the training in TVET to be too generic to respond to their needs and they also do not perceive that teachers and TVET institution leaders see themselves as service providers for employers.<sup>10</sup> All in all, there seems to be lack of trust among employers about training providers' willingness and ability to provide demand-responsive and high-quality training.

12. **The limited engagement between TVET institutions and the industry affects quality at both sector and institution-level.** This low industry engagement has implications on quality of training as training institutions do not teach on up-to-date curricula or methods, do not benefit from regular training of teachers in industry or receive teachers from industry, and can struggle to find meaningful internships. The limited industry engagement affects the quality of training in multiple ways: (a) the relevance of skills curricula; (b) the quality and relevance of teaching given that full-time teachers lack industry experience while there are few (part-time) teachers that come from industry; (c) having up-to-date equipment that matches what is used by industry; and (d) availability of internships and other opportunities for trainees to learn on the job and thereby acquire the latest knowledge and use the latest equipment. Ultimately, these challenges affect the preparedness of the current and upcoming workforce. There are efforts to strengthen coordination at sector- and institution level, in particular the establishment of sector skills councils (SSCs), although they are to be enhanced and operationalized. The RGC has established the Skills Development Fund (SDF) in 2018 to expand demand-driven training with and in firms.

13. **Lack of information may also hinder enrollment in TVET – for men and women – and, more broadly, investment in human capital.** The labor market information system (LMIS) in Cambodia includes two functions: labor market intelligence and job matching, out of four possible functions (the other two being career guidance and a government information portal). The National Employment Agency (NEA) has been created to address LMIS gaps and while some useful data on occupation shortages and skills needs is collected, this is done on an ad-hoc basis but there is no routine exercise

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majority, at 62 percent.

<sup>10</sup> Veung Naron and Ven Seyhah. 2021b. Exploring Insights into Vocational Skills Development and Industrial Transformation in Cambodia. CDRI Working Paper Series No. 131. Phnom Penh: CDRI.



for data collection, analysis, and dissemination. This results in information gaps to guide skills programs, at all of policymaker, institution, and individual levels. Dissemination of labor market information (LMI) is key to guiding workers toward better jobs, including to transition out of informality, through both career orientation and job counseling as well as the use of technology.

#### Relationship to CPF

14. **The proposed project is fully aligned with the Country Partnership Framework (CPF) of the World Bank Group (WBG) for the period of FY2019-FY2023 (Report No. 136500-KH) as extended to FY2024.** The project will contribute to the achievement of Objective Four: Enhance quality and alignment of education with labor demands, under Focus Area II Fostering human development, which mentions that “skills development will be the key to move from a low-technology and low-skills economy to one built on knowledge and innovation, and a skilled and productive workforce with better qualifications is essential to sustain Cambodia’s economic development and enhance its competitiveness”. The proposed project will also support aspects of the CPF’s cross-cutting theme “strengthening governance, institutions and citizen engagement,” which underpins reforms in the CPF’s three focus areas.

#### C. Proposed Development Objective(s)

To enhance quality and relevance of skills among Cambodia's upcoming and existing workforce, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

#### Key Results (From PCN)

1. Employers’ satisfaction level with the skills of graduates from project-supported training programs
2. Percentage of graduates of project-supported training programs receiving certification, disaggregated by gender
3. Percentage of graduates of project-supported training programs in good jobs, disaggregated by gender
4. Number of individuals receiving career orientation (online and offline), disaggregated by gender

#### D. Concept Description

15. **The proposed project will emphasize industry engagement and focus on delivering skills that are in demand by industry, in order to support the RGC in achieving strategic goals to move up value chains and increase productivity.** To respond to the challenges faced in developing skills among the workforce, the proposed project will put emphasis on expanding industry engagement in all its activities, building on global evidence as well as on the available lessons in Cambodia. The project is aligned with National TVET Policy 2017-2025 and will support the second phase of the IDP 2015-2025.

16. **In order to respond to industry’s demand and spur a change in mindset and approach, participating training institutions would need to work closely with industry to develop training programs from the project’s outset.** Given the agreement on the need to respond to industry needs under the proposed project, training institutions could be asked to demonstrate their demand-responsiveness by showcasing their collaboration with industry through joint proposals. The project can support participating training institutions in reaching out to industry and developing partnerships in an initial phase but with the objective of forming the partnerships relatively quickly, for institutions to then benefit from project support.



17. The proposed project will comprise four components: (a) skilling-up to respond to industry needs; and (b) information and orientation for better jobs; (c) project management; and (d) Contingent Emergency Response Component (CERC).

- (a) **Component 1: Skilling-Up to Respond to Industry Needs** will improve the quality and demand-responsiveness of TVET by strengthening and incentivizing industry’s engagement in the design and delivery of TVET. It will support sector-wide activities to promote effective collaboration between industry and training institutions; strengthening select sector skills councils; capacity building among both employers and the management and teachers of training institutions on the benefits of employer engagement in skills development (EESD), and updating curricula to meet current skill demand. It will also improve industry engagement and quality of training delivery in select training institutions, through establishment of industry-school committees (ISC), financial incentives for EESD activities, capacity building of training institutions, and upgrading of equipment and facilities.
- (b) **Component 2 - Information and Orientation for Better Jobs** will support labor market information and expand services on job search and orientation. It will support a Labor market information system (LMIS) with the functions of labor market intelligence, job matching, and career guidance. It will also support services of job search and career orientation, and rehabilitation and equipment of select job centers.
- (c) **Component 3 – Project Management** will support the establishment and maintenance of the project implementation arrangements, the operation of an effective project management unit, stakeholder engagement activities and the operations of a grievance redress mechanism (GRM).
- (d) **Component 4 – CERC** will provide swift response in the event of an Eligible Crisis or Emergency.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

18. At concept stage, the overall E&S risk is Moderate. The Environmental Risk Rating is Low, with the potential risks related to (a) disposal/recycling of package and electronic waste of ICT upgrades of some learning facilities, job centers, and for LMIS; (b) generation of noise, dust, minor hydrocarbon spills, waste and sedimentation during minor civil works from rehabilitation of selected training facilities and job centers. The Social Risk Rating is Moderate, with the potential risks related to (a) exclusion of indigenous groups and (b) site-specific Occupational Health and Safety (OHS) risks to workers and potentially to the community living close to the TVET locations. The Gender Based Violence (GBV) Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) risks are screened as low, while the project will be mindful both during rehabilitation and the operation of the project supported TVET facilities.

19. To mitigate the project Environmental and social risks and impacts, an Environmental and Social Management Framework (ESMF), a Stakeholder Engagement Plan (SEP), and an Environmental and Social Commitment Plan (ESCP) will be prepared, consulted with project stakeholders, and disclosed prior to appraisal. The ESMF includes specific risk management instruments such as the electronic waste management plan, Environmental Code of Practice (ECOP), Labor Management Procedures (LMP), and OHS procedures. The SEP, including a Grievance Redress Mechanism (GRM), will guide the Government to identify stakeholders, build and maintain a constructive relationship with them, and to meet communication and disclosure requirements with a particular focus on project-affected parties. The ESCP will set out the important measures and actions that will be required for the project to meet environmental and social requirements over



the project's lifetime.

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## APPROVAL

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### Approved By

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