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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT

IN THE AMOUNT OF SDR 30.3 MILLION
(US\$40 MILLION EQUIVALENT)

TO THE
KINGDOM OF CAMBODIA

FOR A
SKILLS FOR BETTER JOBS PROJECT

May 2, 2024

Social Protection & Jobs
East Asia and Pacific

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2024)

Currency Unit = Cambodia Riel (KHR)

4042.53 = US\$1

US\$1.32405 = SDR 1

FISCAL YEAR

January 1–December 31

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AFD	Agence Française de Développement
AWPB	Annual Work plan and Budget
CBTA	Competency-Based Training and Assessment
CCDR	Country Climate and Development Report
CERC	Contingent Emergency Response Component
CPF	Country Partnership Framework
CSES	Cambodia Socio-Economic Survey
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DGTVET	Department General of Vocational Education and Training
EESD	Employer Engagement in Skills Development
ES	Environmental and Social
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FDI	Foreign Direct Investment
FM	Financial Management
FMM	Financial Management Manual
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
IFR	Interim Financial Report
ILDLP	Industry Linkage Development Plan
ILDPIIM	ILDLP implementation manual
IPF	Investment Project Financing
ISC	Industry-School Committees
ISM	Implementation Support Mission
LMI	Labor Market Intelligence
LMIS	Labor Market Information System
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MLVT	Ministry of Labour and Vocational Training
MoEYS	Ministry of Education, Youth and Sport
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
NDC	Nationally Determined Contribution

NEA	National Employment Agency
NGO	Non-governmental Organization
PDO	Project Development Objective
PMU	Project Management Unit
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
RGC	Royal Government of Cambodia
S4C	Skills for Competitiveness Project
SDF	Skills Development Fund
SFE	Skills for Future Economy Sector Development Program
SME	Small and Medium Enterprise
SOP	Standard Operating Procedures
SSC	Sector Skills Council
STP	Standard Training Package
TA	Technical Assistance
TAG	Technical Advisory Group
TI	Training Institution
TVET	Technical and Vocational Education and Training
WBG	World Bank Group



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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies) Cambodia	Operation Name Skills for Better Jobs Project		
Operation ID P179159	Financing Instrument Investment Project Financing (IPF)	Environmental and Social Risk Classification Moderate	

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date 23-May-2024	Expected Closing Date 31-Mar-2029
Bank/IFC Collaboration No	

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.

Components

Component Name	Cost (US\$)
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Component 1 – Strengthening TVET to Upskill and Respond to Industry Needs	29,230,000.00
Component 2 – Information and Orientation for Better Jobs	5,650,000.00
Component 3 – Strengthening Sector Associations for EESD and Expanding Skills Development	5,080,000.00
Component 4 – Project Management and Monitoring	5,150,000.00
Component 5 – Contingent Emergency Response	0.00

Organizations

Borrower: Kingdom of Cambodia
 Implementing Agency: Ministry of Labour and Vocational Training, Skills Development Fund

PROJECT FINANCING DATA (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No
 Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	45.11
Total Financing	45.11
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
IDA Credit	40.00

Non-World Bank Group Financing

Counterpart Funding	5.11
Borrower/Recipient	5.11



IDA Resources (US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
National Performance-Based Allocations (PBA)	40.00	0.00	0.00	0.00	40.00
Total	40.00	0.00	0.00	0.00	40.00

Expected Disbursements (US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029	2030
Annual	0.00	4.25	11.11	10.50	8.60	4.99	0.55
Cumulative	0.00	4.25	15.36	25.86	34.46	39.45	40.00

PRACTICE AREA(S)

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Appraisal Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category

1. Political and Governance

2. Macroeconomic

Rating

● Moderate

● Moderate



3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Overall	● Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Not Currently Relevant



ESS 9: Financial Intermediaries

Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

Project Steering Committee (Section I.A.2 of Schedule 2 of the Financing Agreement). The Recipient shall, no later than three (3) months after the Effective Date, establish and thereafter maintain a Project Steering Committee with terms of reference, composition and resources acceptable to the Association.

Technical Advisory Group (Section I.A.3 of Schedule 2 of the Financing Agreement). The Recipient shall, no later than three (3) months after the Effective Date, establish and thereafter maintain, a Technical Advisory Group, under the MLVT, with terms of reference, composition and resources acceptable to the Association.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Condition-1	Article V. 5.01(a) of the Financing Agreement. The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, and the Subsidiary Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.	IBRD/IDA
Effectiveness	Condition-2	Article V. 5.01(b) of the Financing Agreement. The Project Agreement has been duly executed by the Project Implementing Entity and the Association and all conditions precedent to its	IBRD/IDA



		effectiveness have been fulfilled.	
Effectiveness	Condition-3	Section 10.02.(a) of the IDA General Conditions. For the purpose of confirming that the conditions specified in paragraph (a) of Section 10.01 have been met, IDA requires the Kingdom of Cambodia to prepare and submit to IDA legal opinion(s) satisfactory to the IDA confirming that the Financing Agreement and the Subsidiary Agreement have been duly authorized by, and executed and delivered on behalf of, the Kingdom of Cambodia and are legally binding in accordance with their terms.	IBRD/IDA
Disbursement	Condition-4	Section III. B.1.(b) of the Financing Agreement. No withdrawal shall be made for ILDP Financing under Category (2), unless and until the ILDP Implementation Manual has been adopted, in form and substance satisfactory to the Association.	IBRD/IDA
Disbursement	Condition-5	Section III. B.1.(c) of the Financing Agreement. No withdrawal shall be made for SDF Training Financing under Category (4), Unless and until the SDF Manual has been adopted, in form and substance satisfactory to the Association.	IBRD/IDA



I. STRATEGIC CONTEXT

A. Country Context

1. **Cambodia's Gross Domestic Product (GDP) grew 7.7 percent annually between 1998 and 2019, allowing Cambodia to reach lower-middle-income status in 2015.** In 2020, GDP contracted by 3.1 percent due to COVID-19, with tourism, manufacturing, and construction sharply hit but grew by 5.2 percent in 2022. GDP growth significantly reduced poverty, from 33.8 percent to 17.8 percent, mainly due to increased non-farm wage jobs driven by foreign direct investment (FDI). Macroeconomic stability, openness to trade, and preferential access to Western markets helped Cambodia attract FDI with broad employment benefits.¹ However, 89 percent of jobs in Cambodia remain low-skilled. The challenge in Cambodia is not the availability of jobs but rather their quality. Even among non-farm wage jobs, 60 percent are informal.² Labor productivity is low compared to Cambodia's income level.³

2. **Female labor force participation is high in Cambodia at 84 percent, much higher than regional and global averages (61 percent and 50 percent, respectively), but still lower by seven percentage points than men's labor force participation.**⁴ While the gender pay gap has decreased since 2011, women still earn 11 percent less on average than their male counterparts.⁵ These gaps can be partly attributed to women's lower formal education levels among the labor force (58 percent of those who did not complete primary school are women).⁶ Women work predominantly in garment manufacturing and services, such as tourism, wholesale, and retail, and are less likely to be employed in other sectors, such as transport and public administration.⁷ While manufacturing and services have near gender wage parity, the low-skill occupations of these industries limit career advancement and wage progression for women.

3. **Traditional gender roles that expect women to care for children and the household may hinder their labor force participation or career progression.**⁸ Cambodia has one of the world's most disparate opinions about whether women should work. Eighty-three percent of women report a desire to work in a paid job or to have both a paid job and carry out domestic duties. Only 58 percent of men shared those preferences.⁹ Women in Cambodia perform some of the highest rates globally of unpaid domestic and care work, at a total of 86 percent of women compared to 54 percent of men. Women spend tenfold more time on these activities (188 minutes per day) than men (18 minutes per day), the lowest contribution by men recorded in time use surveys from 75 countries.¹⁰

4. **Cambodia's impressive economic performance could be challenged by the country's high vulnerability to the negative impacts of climate change.** It is one of the world's most flood-exposed nations and faces high temperatures, droughts, and sea level rise. Ambient temperature has increased by approximately 0.18°C per decade since the 1960s. The average daily temperatures are projected to increase by 1.7°C by the 2050s and 3.1°C by the 2090s. Cambodia is highly exposed to riverine floods, particularly along the Mekong and Tonle Sap floodplains, which are home to 80 percent of the country's population.¹¹ Weak adaptive capacity, poor infrastructure, and limited institutions exacerbate the country's

¹ World Bank. 2019. Cambodia Future Jobs; World Bank. 2022. Cambodia Poverty Assessment: Toward a More Inclusive and Resilient Cambodia.

² World Bank staff calculations using the Labor Force Survey 2019.

³ World Bank. 2021. Resilient Development: A Strategy to Diversify Cambodia's Growth Model - Cambodia Country Economic Memorandum.

⁴ World Bank. 2019. Cambodia Future Jobs.

⁵ Gavalyugova, Dimitria; Cunningham, Wendy. 2020. Gender Analysis of the Cambodian Labor Market. World Bank, Washington, DC.

⁶ World Bank. 2022. Op. cit.

⁷ World Bank staff calculations using the Cambodia Socio-Economic Survey (CSES) 2019/20.

⁸ World Bank. 2020a. Towards gender equality in the Cambodian labor market – perceptions on gender-related constraints. World Bank, miemo.

⁹ ILO Gallup 2017. Towards a better future for women and work: Voices of women and men.

¹⁰ Addati, Laura; Cattaneo, Umberto; Esquivel, Valeria; Valarino, Isabel. 2018. Care work and care jobs for the future of decent work. International Labour Office – Geneva: ILO.

¹¹ The World Bank Group and Asian Development Bank. 2021. Climate Risk Profile: Cambodia.



vulnerability to climate variability and change. Climate change may reduce the country's GDP by 2.5 percent in 2030 and up to 9.8 percent in 2050.¹²

B. Sectoral and Institutional Context

5. **Cambodia aspires to diversify from its current positioning in value chains into sectors that require more medium-skilled occupations.** Cambodia starts from a low level of export sophistication. The wage-content, value-added content, and skill levels are low compared to neighboring countries such as Malaysia and Thailand. The reorganization of global and regional value chains presents an important opportunity for Cambodia, requiring an increase in medium-skilled occupations and training among the low-skilled.

6. **Diversification and movement up value chains are already taking place.** Cambodia saw an increase of 25 percent per year in exports other than garments between 2017 and 2021, with the share of non-garment manufacturing in exports increasing from 25 percent to 38 percent between 2016 and 2021. This diversification has been accompanied by a large relative increase in medium- and lower-medium-skilled occupations. Between 2016 and 2021, the share of technicians and associate professionals increased by 140 percent, that of craft and related trades workers by 56 percent, and that of plant and machine operators by 40 percent.¹³

7. **The Industrial Development Policy 2015–2025 aims to modernize Cambodia's industry from labor-intensive to skill-driven by 2025.** The Royal Government of Cambodia (RGC) has adopted the “Automotive and Electronics Sectors Development Roadmap.” The roadmap outlines a transition from producing 'least complex' products to 'moderately complex' ones, projecting the creation of 10,000 jobs in automotive and 16,000 jobs in electronics by 2027. This shift involves two stages, from less complex components and sub-assembly to higher value assembly and design over the next 10 years.

8. **Firms face challenges hiring medium-skilled workers, with 41 percent of hard-to-fill vacancies in the technician and professional categories.** Firms indicate an inadequately skilled workforce as a major obstacle to their operations, especially among exporting versus non-exporting firms (42 percent and 21 percent, respectively).¹⁴ Challenges in hiring affect business operations, with consequences such as delays in developing new products and services, meeting quality standards, and losing business to competitors.¹⁵

9. **For medium-skilled occupations, technical and vocational education and training (TVET) could play an important role in providing the current and upcoming workforce with in-demand skills.** TVET's focus on technical skills, when accompanied by sufficient attention to cognitive, socioemotional, and other cross-cutting skills, is well-recognized as having the potential to contribute to the “shifting of work and economic activity to more productive uses within and across sectors and thus contribute to structural transformation and economic growth.”¹⁶ By offering short and one-to-four-year courses with classroom and work-based learning, TVET prepares the workforce for evolving job requirements, given the changing nature of work.

10. **Governance of the TVET sector in Cambodia is centralized, with the Ministry of Labour and Vocational Training (MLVT) leading the sector.** Of the 119 training providers reporting to MLVT, 37 are public, which cater to the majority of

¹² Cambodia's Updated Nationally Determined Contribution. 2020. https://unfccc.int/sites/default/files/NDC/2022-06/20201231_NDC_Update_Cambodia.pdf

¹³ ISCO major groups. “Craft and related workers” comprised 65 percent manufacturing and 27 percent construction, while “technicians and associate professionals” are more diversified across services and manufacturing. World Bank staff calculations using the CSES 2019/20.

¹⁴ World Bank. 2016. Enterprise Survey for Cambodia.

¹⁵ National Employment Agency (NEA). 2018. Skill Shortages and Skills Gaps in the Cambodia Labour Market: Evidence from Employer Survey 2017.

¹⁶ Levin, Victoria; Santos, Indhira Vanessa; Weber, Michael; Iqbal, Syedah Aroob; Aggarwal, Ashwani; Comyn, Paul John; Katayama, Hiromichi; Hoftijzer, Margo A.. 2023. Building Better TVET Systems: Principles and Practice in Low- and Middle-Income Countries. Washington, D.C.: World Bank Group.



the reported trainees, and several others are run by reputable non-governmental organizations (NGOs).¹⁷ Besides the MLVT, 11 ministries provide TVET programs, including the Ministry of Education, Youth and Sport (MoEYS), and the Ministry of Tourism. Despite the existence of the National Training Board, which was established in 1996 to set the direction for TVET policy and coordinate the sector, inter-ministerial coordination and information sharing continue to be challenging.

11. **While TVET in Cambodia is still in a nascent to intermediate stage, it has seen significant expansion over the past few years.** In 2021–2022, 37,998 trainees (31 percent women) were enrolled in the 37 public TVET institutions. This is a significant increase from about 20,000 students in 2017–2018 but still low. Only 1.4 percent of 15- to 24-year-olds are enrolled in TVET, compared to 4 percent for lower-middle income countries and 11.9 percent for high-income countries.¹⁸ Most TVET students are pursuing a bachelor’s degree (19,595 out of the total 37,998) or a diploma (10,992).

12. **Cambodia adopted the National TVET Policy 2017–2025 and a Skills Roadmap in 2022.** Cambodia has set goals to improve jobs and upskill its population in the Pentagonal Strategy 2023–2028 and National Employment Policy 2015–2025. Phase I of the Pentagonal Strategy is on human capital and includes “technical skills training,” while one of the five objectives of the strategy is “creating more jobs, both quantity and quality,” and mentions skills and labor market information.

13. **In this context, the RGC has taken steps to improve three key dimensions of skills development: (a) employer engagement in skills development (EESD); (b) quality of training; and (c) information and orientation.** All three dimensions call for reforms and investments. As seen in countries like Germany and South Korea, strong EESD is vital for a successful skills development system. In other countries, new training programs in which industry has been involved – for instance, in governance, design, and provision – have shown success.¹⁹ Public investment in curriculum updates, equipment, and teacher training impact the quality of training. Finally, providing labor market information is crucial in Cambodia's dynamic context.

EESD: Reforms, challenges, and underlying constraints

14. **Key RGC reforms and steps on EESD included establishing the Skills Development Fund (SDF), which applies a cost-sharing model with employers and training providers.** The SDF was established in 2018 as a pilot project in the Ministry of Economy and Finance (MEF) and became a Trust Fund in May 2023.²⁰ The SDF board of directors is chaired by the MEF, with the vice-chairs held by the MLVT and the Council of Ministers, and other members including representatives of other public institutions and the private sector. Since its inception in 2018, the SDF has steadily increased the number of participating employers and training institutions (TIs). The SDF moved from 1,033 trainees in 2021 to 15,787 individuals in 2023. The SDF is working with about 291 enterprises, 41 training providers, and 16 business associations. On average, the SDF contributed 49 percent of total training costs, while the companies and schools contributed 31 percent and 20 percent, respectively. Employers report 92 percent satisfaction with graduates of the SDF-financed training, with an early tracer study indicating an average employment rate of 93 percent among graduates and earnings of US\$423 three months after training completion. The SDF supports skills development for six priority economic sectors, namely manufacturing,

¹⁷ MLVT’s TVET Statistics for 2020–2021. Data for the first semester. 50 TIs reported data: All 37 public institutions under the MLVT reported data. Among these 50 TIs, the percentage of students in public institutions is 92 percent. Public TVET still dominates when missing data is imputed using the mean value of enrollment in private and NGO-run institutions that reported information.

¹⁸ World Bank staff calculations using the results of the Cambodia national census 2019 and Levin et al. 2023. Op. cit.

¹⁹ Arias, Omar; Evans, David K.; Santos, Indhira. 2019. The Skills Balancing Act in Sub-Saharan Africa: Investing in Skills for Productivity, Inclusivity, and Adaptability. Africa Development Series; Washington, D.C.: World Bank and Agence Française de Développement. World Bank; Hoftijzer, Margo A.; Cunningham, Wendy. 2020. Promoting Employer Engagement in Skills Development. A framework to address constraints to promote the effective engagement of enterprises in strengthening workforce skills. World Bank, mimeo.

²⁰ RGC. 2023. Sub-Decree No. 97 on the Establishment of Skills Development Fund issued on May 18th, 2023.



electronics, digital, construction, tourism/hospitality, and automotive. As of end December 2023, the main sectors for which training was provided are manufacturing (20 percent), tourism (25 percent), and electricity (10 percent).

15. **Other efforts to promote EESD have also taken place, such as establishing sector skills councils (SSCs); yet employer collaboration with TIs remains limited.** SSCs were created in four sectors (construction, manufacturing, electrical works, and auto-mechanics). Other efforts toward EESD include interventions to increase work-based learning and the Return to Industry Scheme, which promotes the upskilling of TVET trainers through offering them workplace experience. In a TVET diagnostic conducted for this project, most TIs surveyed reportedly collaborate with employers on curriculum development, provision of equipment, and participation in governance board meetings (78 percent, 56 percent, and 63 percent, respectively).²¹ However, the depth of the collaboration is limited. For instance, only 256 of 2,000 trainers participated in the Return to Industry Scheme. The MLVT data indicates that the recorded number of internships fluctuated between 200 and 500 per year between 2018 and 2022.

16. **Firms may have limited incentives to engage in skills development while firms that do seek to engage mention challenges with TIs.** Firms may not seek to engage because of (a) high prevalence of industries that rely on cheap and low-skilled labor; (b) poaching; (c) firm size; and (d) the limited presence and strength of sector associations. Poaching across all skill levels has been a significant issue mentioned in employer consultations organized in preparation for this project and in policy research.²² Furthermore, 97.6 percent of firms in Cambodia are micro enterprises and 2.2 percent are small and medium enterprises (SMEs), which usually have less time and resources than large firms for training. Finally, most sector associations are nascent, including in automotive and electronics. Nevertheless, there are some good examples. The Cambodia Federation of Employers and Business Associations, the apex association, has engaged more in skills development, including through SSCs. Firms that want to engage in skills development mention the following barriers: (a) the lack of relevant courses and training (36 percent); (b) low training quality (27 percent); (c) lack of information (20 percent); and (d) lack of TI responsiveness to their needs. When firms train, they tend to do so in-house.²³

17. **The underlying challenges faced by TIs include their limited capacity to reach out to employers strategically as well as limited incentives for EESD.** Employers mention that teachers and TI leaders do not see themselves as service providers.²⁴ TIs may lack incentives to engage with employers if such engagement is not rewarded, given that they have limited decision-making power. Public TIs operate in a relatively centralized environment based on annual plans approved by the MLVT, which provides most of the financing. When TVET does engage employers, there is variation in the type and depth of EESD between providers, indicating space for improved engagement with the appropriate support. All private and NGO-run TIs reported (a) receiving input from employers on equipment purchases and (b) having casual phone conversations with employers, compared to only 56 percent and 84 percent for (a) and (b) of public TIs. However, public TIs sought advice from industry on curriculum development (88 percent) more often than private and NGO-run TIs (50 percent and 67 percent). Information gathered in preparation for this project confirms large variations, including among public TIs. For example, the Industrial Technical Institute reports partnerships with over 30 firms, including Hyundai and Toyota, whereby firms offer internships, equipment, or teacher training. The National Technical Training Institute reports 50 Memoranda of Understanding (MOUs). However, these are mostly with other national and foreign training providers, and only 12 are with firms.

²¹ World Bank. Forthcoming. Cambodia TVET Diagnostic. The report uses the Systems Approach for Better Education and Results – Training Assessment Project (SABER-TAP) Survey. The sample includes 45 institutions: Public (33), Private (6) and NGO (6).

²² Naron, Veung; Seyhah, Ven. 2021a. Attitudes towards Vocational Skills Development in Cambodia's Manufacturing Industries. Policy Brief 02. Zurich: University of Teacher Education and CDRI.

²³ NEA. 2018. Op. cit.

²⁴ Naron, Veung; Seyhah, Ven. 2021. Exploring Insights into Vocational Skills Development and Industrial Transformation in Cambodia. CDRI Working Paper Series No. 131. Phnom Penh: CDRI.



Quality

18. **The limited engagement between TIs and industry directly affects training quality.** The limited engagement leads to: (a) curricula that do not benefit sufficiently from industry input to be up-to-date and relevant; (b) trainers that do not have enough interaction with industry to upgrade their knowledge; (c) certification that does not match industry standards; and (d) limited industry contribution toward the provision of appropriate equipment.

19. **The RGC has implemented important reforms to improve training quality, including Competency-Based Training and Assessment (CBTA).** The RGC adopted new Standard Training Packages (STPs) for 168 qualifications in 70 occupations and conducted teacher training on pedagogical skills. The MLVT highlighted that there are still substantial inadequacies in implementing the CBTA and its related STP approach. There is a need to develop STPs in additional fields and levels and to complete existing STPs that lack, for example, teaching materials.

20. **TVET trainers have low to intermediate capacity, both in terms of technical and pedagogical skills.** Training is provided by full-time formally qualified civil servants and part-time contract trainers. There are currently around 2,000 formally qualified TVET trainers in the public TVET system, of which around half are in teaching positions. Teachers contracted part-time are generally assumed to continue working in industry while also teaching, yet it appears this is not often the case.²⁵ Public institutions interviewed for this project indicate that only 6 percent of trainers work part-time, among whom 64 percent work in the field they teach.²⁶

21. **Some TVET quality challenges stem from trainee characteristics as many trainees come from vulnerable backgrounds and choose TVET due to not meeting general education requirements.** Most are full-time students, with 81 percent having completed International Standard Classification of Education (ISCED) levels 4 or 5. Approximately 40 percent of TVET students are from rural households, and the majority receive scholarships (to promote inclusion). While 76 percent secure employment within six months of graduation, the share of students that drop out – 7 percent in public TVET institutions in 2020–2021, indicates their need for support. Half of those who drop out do so due to finding jobs, while family responsibilities, financial constraints, and program availability are mentioned as reasons.²⁷

22. **Given the profile of TVET students, more reinforcement of foundational skills together with the development of 21st-century skills is needed.** Employers indicate gaps, not only in technical skills but also in basic and advanced cognitive (e.g., oral communication), socioemotional (e.g., teamwork), and digital skills (basic computer literacy). While the MLVT has identified various Basic Competencies that are included in STPs, they appear to require updating.

Information and career orientation

23. **The RGC has made efforts to enhance labor market information and career orientation, including establishing the National Employment Agency (NEA) in 2017.** Cambodia's labor market information system (LMIS) is at an early stage of development. The LMIS (a) partially covers two out of four LMIS functions, which are Labor Market Intelligence (LMI) and job matching performed to a limited extent (the other two functions are career guidance and a government information portal); (b) primarily relies on surveys and could benefit from using administrative data and big data; and (c) serves a wide user base, including workers, students, policymakers, and researchers, but needs improved online visibility for the broader public.²⁸

24. **The LMIS is not well tailored to the needs of users and career orientation needs improvements in quality and an expansion of services.** Current government spending for the LMIS covers one survey with limited cost per year, limited

²⁵ Information in paragraphs 18–22 is based on presentations made by and discussions with MLVT during the project preparation mission.

²⁶ World Bank. Forthcoming. Cambodia TVET Diagnostic.

²⁷ Ibid.

²⁸ World Bank. 2021b. Toward a World-Class Labor Market Information System for Indonesia: An Assessment of the System Managed by the Indonesian Ministry of Manpower.



information technology (IT) support, and some employer outreach to collect job vacancies. A first major challenge is that only job matching is visible on the NEA website, but the quality is not up to par for employers and jobseekers. LMI, aside from being incomplete, is not easy to access or use for decision making about jobs or studies for intended users. For career guidance and job search support, the NEA has limited presence on the ground and needs a review of counseling activities and capacity building to maximize the use of IT and standardize counseling for different audiences. The NEA has 14 job centers and five additional mobile job centers, but some facilities are outdated.

Gender

25. **Mobility constraints may limit the participation of women in TVET and their participation in formal TVET is low and concentrated in certain fields.** Women account for around one-third of enrollments in certificate-level programs and one-quarter in higher diploma programs. In contrast, women make up a large share of trainees in short, non-formal, vocational courses. In 2021–2022, 83 percent of trainees in short courses were women.²⁹ These courses may be more attractive to women due to the short time frame that allows them to balance training with domestic tasks. Longer courses may lack facilities that could increase women’s access, such as dormitories that consider gender-specific needs like separate changing rooms.

26. **Gendered perceptions of certain skills and occupations may be driving enrollment decisions.** When they do train in formal TVET, female students are concentrated in traditional female fields such as food processing, hair and beauty care, and accounting and finance, where their proportion is higher than 90 percent. Women seldom enroll in fields such as electronics (14.1 percent), electricity (9.8 percent), and automotive (three percent).³⁰ Compared to men, women have less access to accurate labor market information. They face barriers in obtaining information due to mobility constraints and thus seek support from parents or relatives, who may provide inaccurate and gendered advice.³¹ The gendered advice may also come when women seek advice outside of their family network, for instance from professionals in their occupations of interest.³²

C. Relevance to Higher Level Objectives

27. **The project is fully aligned with the World Bank Group’s Country Partnership Framework (CPF) for Cambodia FY2019–2024 (Report No. 136500-KH)**, especially CPF Objective 4 ‘Enhance quality of targeted levels of education’, and contributes to the World Bank Group’s mission, ‘to end extreme poverty and boost shared prosperity on a livable planet’. Given that TVET tends to attract trainees from poorer backgrounds, the project will support the poor and vulnerable in building their capabilities and skills, allowing them to obtain better jobs with higher earnings.

28. **The project is consistent with Cambodia’s climate strategy, including the Nationally Determined Contribution (NDC) updated in 2020.** The latest NDC submitted to the United Nations Framework Convention on Climate Change has set ambitious mitigation targets for key sectors and a strong set of adaptation actions. Consistent with the updated NDC, Cambodia’s Long-Term Strategy for Carbon Neutrality suggests that carbon neutrality can be achieved by 2050. The National Adaptation Plan Financing Framework and Implementation Plan prioritize medium- and long-term climate adaptation needs covering the priority sectors. The World Bank Group (WBG)’s Country Climate and Development Report (CCDR) identifies priority actions structured around the 3 Rs – *reduce* (exposure and vulnerability to climate change impact), *realign* the emissions trajectory, and *reorient* (the economy to seize new opportunities) for Cambodia to achieve

²⁹ TVET MIS.

³⁰ Song, S., Chea, P. 2023. Vocational Education and Training in Cambodia. In: Symaco, L.P., Hayden, M. (eds) International Handbook on Education in South East Asia. Springer International Handbooks of Education. Springer, Singapore.

³¹ Kusakabe, Kyoko; Pich Malika. International Labour Office (ILO) & Department of Technical Vocational Education and Training, Ministry of Education, Youth and Sport, Cambodia. 2004. Action Research on the Gender Dimension of Skills Development in Cambodia: Focus on the informal sector, populations living in poverty and social exclusion.

³² For evidence from the US: Gallen, Yana; Wasserman, Melanie. Becker Friedman Institute. 2021. Informed Choices: Gender Gaps in Career Advice. Working Paper No. 2021-23.



its ambitious development vision compatible with climate change. In line with Cambodia's mitigation goals in its NDC, the project will support equipping workers with digital and green skills. In line with the National Adaptation Plan Financing Framework and Implementation Plan priorities, the project will contribute to reducing vulnerabilities and building resilience among the workforce, in particular youth and women, by integrating climate change knowledge and coping strategies into the curriculum and by enhancing the resilience of school infrastructure.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

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.

PDO Level Indicators

- (a) Percentage of employers satisfied with the skills of graduates of project-supported training programs, disaggregated by sex and by upcoming and existing workforce.
- (b) Percentage of graduates of project-supported training programs in good jobs six months after completion of training, disaggregated by sex and by upcoming and existing workforce.
- (c) Number of Industry-School Committees (ISCs) set up and in operation at project-supported TIs.
- (d) Number of new MOUs implemented at project-supported TIs.
- (e) Number of individuals receiving project-supported job counseling or career guidance or completing the online career guidance self-assessment, disaggregated by sex and by type of activity.

29. The project uses the following definitions:

- (a) **Quality** of workforce skills refers to levels of certification among the workforce, meeting minimum thresholds in skills assessments implemented under the project, and employer rating of skill quality.
- (b) **Relevance** of workforce skills refers to the workforce being equipped with skills needed in the labor market (general and technical), resulting in improved employability.
- (c) **Upcoming workforce** comprises Individuals between 15 and 25 years old still pursuing their studies. They will be seeking employment for the first time after they complete training. They are generally expected to enroll in long courses in formal TVET but could also enroll in short courses depending on the demand of firms that partner with TIs.
- (d) **Existing workforce** comprises Individuals who have stopped formal education and are working or looking for work. They are mostly expected to be sent for upskilling by their firms and are generally expected to take short courses delivered by employers, NEA, or formal TIs.
- (e) **Good jobs** include jobs with equivalent monthly earnings higher than US\$237, the median monthly wage. This is higher than the minimum wage in the garment industry, which is the only minimum wage defined for the private sector in Cambodia. 'Good jobs' may be self-employment, but the project will track the type of employment obtained by graduates of project-supported training programs, including formal wage employment, given that the project expects to support such employment, including FDI-led.

B. Project Components

30. **The project focuses on promoting the quality and relevance of workforce skills by addressing constraints along the three dimensions: EESD, quality, and information.** The project will provide a mix of capacity building and financing to



improve the willingness and ability of employers and training providers to collaborate effectively. This will include: (a) updating curricula and increasing their relevance; (b) increasing the quantity and quality of teachers through guest lecturers from industry; (c) improving the quality of permanent staff teachers by training them in industry; (d) improving the quality of students in TVET by making TVET more effective through these partnerships; and (e) providing internships. The project will also expand co-financing for demand-driven training through the SDF. The project will also address information constraints by supporting the LMIS and services of career orientation.

Component 1 – Strengthening TVET to Upskill and Respond to Industry Needs (Total US\$29.23 million, including US\$25.30 million from IDA and US\$3.93 million from RGC)

31. **Component 1 will support the design and delivery of new and updated training courses in public TVET and alleviate constraints of both industry and training providers to collaborate effectively.** The focus is on facilitating partnerships between individual TIs and the associated industry by providing a mix of capacity building and financing to improve both their willingness and ability to interact effectively. Component 1 is expected to provide support to five TIs and their industry partners to train a total of 5,500 individuals. This will be complemented with improvements in the quality of training through strengthening key inputs such as curricula, teachers, and infrastructure and with support to a broader group of stakeholders such as SSCs to improve industry-provider collaboration at the sectoral level.

Sub-component 1.1 – Sector-wide improvements in industry engagement and quality in selected sectors (US\$1.55 million from IDA)

32. **This sub-component supports sector-level activities to create a more conducive environment for effective industry-provider collaboration.** Targeting priority sectors and priority occupations, the sub-component will: (a) provide technical assistance (TA) to establish and strengthen SSCs in their role as facilitators of effective collaboration between TIs and industry; (b) supporting curriculum development by modernizing and developing curricula and standard training packages for critical occupations and skills in priority sectors; and (c) carrying-out training activities for teachers on the curriculum developed under (b).

33. **This sub-component will support the establishment or strengthening of SSCs in priority sectors and help build their capacity by engaging them in project implementation.** SSC operating procedures will be aligned with international best practices. SSCs will identify industry partners for curriculum development (Sub-component 1.1) and provide feedback on Industry Linkage Development Plans (ILDPs) (Sub-component 1.2).

34. **This sub-component will also support quality improvements through curricula development and trainer capacity building.** The sub-component will support the design of new STPs or the revision of existing STPs for occupations and levels in priority sectors. Priority sectors are the automotive and electronics sectors, and other sectors may be included during implementation to respond to labor demand, and to complement activities supported by other donors, in particular the recently signed ADB Skills for Future Economy Sector Development Program (SFE). The sub-component will strengthen STP processes where needed, including by ensuring stronger industry engagement and by proposing simplifications, for instance through using existing off-the-shelf curricula as a basis. Curriculum development will extend to revising and improving Basic Competencies to ensure good coverage of 21st-century skills.

Sub-component 1.2 – Improvements in industry engagement and quality in selected training institutions (Total US\$27.68 million, including US\$23.75 million from IDA and US\$3.93 million from RGC)

35. This sub-component will finance: (a) TA to establish ISCs; (b) TA to TIs and their industry partners to develop, implement, and monitor the ILDPs and conducting information campaigns and building capacity on EESD among staff of TVET providers and industry, with the view to establishing effective partnerships between TVET providers and industry; and (c) result-based financing grants to selected and eligible TIs for implementing the activities set out in ILDPs, including selected civil works and training-related equipment.



36. **TIs supported under this sub-component will be selected based on their potential to deliver high quality and relevant training in priority sectors.** The selection of TIs will be informed by an assessment of the training programs' ability to enroll and retain enough learners with the required entry qualifications. All selected TIs will need to demonstrate the potential for substantial and effective industry engagement. One institution will be selected before project effectiveness and will be eligible to benefit from more substantial investments in infrastructure. Another four institutions will be selected during project implementation.

37. **Selected TIs will establish ISCs to increase the industry's voice in training design and delivery and serve as a platform to facilitate dialogue and collaboration between the TI and the broader employer community.** The ISCs' mandate will be to guide the design and delivery of training to improve its quality and relevance, including by promoting active engagement of employers through taking on interns, training teachers, providing trainers, and participating in assessments and job fairs. ISC administration and organization will be the responsibility of the TI. The project will provide TA and may finance contracted staff at the TI level when needed.

38. **The project will provide intensive TA to selected TIs and industry partners, including by industry experts and employer associations.** The scope and nature of the TA will be based on an assessment of capacity gaps and will include, for example, support to the TIs and ISCs on the design and implementation of the ILDP. Assistance will be provided by consultants, including industry experts, centrally recruited by MLVT.

39. **Each selected TI and its industry partners, including those in the ISCs, will develop and implement an ILDP.** This approach maximizes provider-industry collaboration by creating a conducive environment, providing capacity-building support, and offering financial incentives to develop and implement effective partnerships. ILDPs will be multi-year plans to respond to industry needs, addressing key identified constraints to delivering quality training. While ILDPs will differ among the participating TIs, depending on the needs, capacity, and preferences of the industry and the TI, certain activities, such as internships and guest lectures by industry, are expected to be incorporated into all, with minimum results targets. MOUs will be signed between TIs and a given industry partner to outline how the industry partner and the TI will collaborate, for instance in terms of teacher training in industry or in terms of internships provided by the industry partner.

40. **To promote results orientation and accountability, the financing of ILDPs will be result-based.** ILDP financing will provide payments to the selected TIs for them to deliver training on new or updated curricula. The result-based financing will help pave the way for increased autonomy of training providers, as is foreseen in the TVET Strategic Action Plan 2019–2023. While there is a need to better understand the appropriate financial and operational model of increased autonomy, increased decision-making and incentives can increase attention to results (such as employment outcomes, internship placement, and certification), and prepare for autonomy, especially if accompanied by improvements in management capacity and monitoring. Funds will be disbursed in tranches to strengthen these functions, with disbursed amounts linked to the completion of activities and the achievement of targets as specified in the ILDP. To this end, ILDPs will have clear targets, timelines, and cost estimates, and they will identify the stakeholders responsible for implementation. The amount of financing available per TI will depend on the quality and expected outcomes of the ILDP and the extent to which industry is engaged in its development and implementation. Depending on their fiduciary capacity, TIs may receive funding to cover expenses for smaller tasks, but major procurement activities and expenditures will be managed centrally.

Component 2 – Information and Orientation for Better Jobs (US\$5.65 million from IDA)

Sub-Component 2.1 – Strengthening the Labor Market Information System (US\$3.06 million from IDA)

41. **This sub-component will strengthen the LMIS through:** (a) TA to develop a LMIS roadmap; (b) supporting data collection and analysis, and dissemination of labor market information, through the provision of TA and surveys; (c) TA to improve the quality of the job matching function on the NEA website for both employers and jobseekers; (d) revising and



digitizing the self-assessment tool for career guidance; and (e) supporting the modernization and upgrade of the LMIS website, applications, and social media, including inter alia software updates and provision of hardware equipment.

42. **The sub-component will develop a roadmap for the LMIS and then support three of the four functions of an LMIS, beginning with LMI**, the first basic function of an LMIS. LMI aims to provide students and jobseekers with information on job opportunities and earnings depending on workers' (gender, education, occupation) and job (location, formality status, firm size) characteristics. The roadmap will identify gaps for the project to support, including identifying priority needs for data collection, analysis, and dissemination and assessing existing capacity for carrying out these activities. Priority needs could include (a) a critical occupations list and (b) an analysis of online vacancy data.

43. **The sub-component will finance TA and IT to digitize the self-assessment tool for the career guidance function and to improve the quality of the job matching function.** While there is currently a job matching function that suggests suitable vacancies to jobseekers and suitable jobseekers to employers, the quality of the matches needs to be examined. It can be enhanced by increasing the tools available to jobseekers that would allow them to better signal their skills to employers. The employer portal needs to be strengthened, including with a task and skills taxonomy harmonized with those used in surveys, which would facilitate the analysis of job vacancies for LMI.

Sub-component 2.2 – Enhancing job search support and career guidance (US\$2.59 million from IDA)

44. This sub-component will finance: (a) improving career orientation activities undertaken by the NEA by: (i) revising career guidance and job counseling material; (ii) conducting training of trainers for career orientation staff; (b) expanding career orientation services and delivering short trainings for job search support or job retention, including through the hiring of specialized staff selected to conduct career orientation; and (c) refurbishing selected job centers, including the upgrade of the equipment of seven selected centers and the purchase of a mobile job center.³³

45. **This sub-component will support the roll-out of training that improves job retention**, in particular among youth transitioning to their first job and who may also be transitioning from rural to urban areas, with training for a maximum two-week period on socioemotional skills and behavior at work. In reviewing and expanding these activities, complementarity with TVET institutions would be improved through clarifying processes and protocols for career orientation for TVET students and examining possible collaboration for internships.

Component 3 – Strengthening Sector Associations for EESD and Expanding Skills Development (US\$5.08 million from IDA)

46. **This component will support the expansion of demand-driven training and new forms of training through the SDF, complementing the improvements in public TVET provision in Component 1.** Access to better quality and relevant training can be broadened by providing financing to various providers capable of delivering such training with strong employer involvement. This encompasses the TIs supported in Sub-component 1.2 and other stakeholders like public and private training providers, employers, and associations. This component complements Component 1 in two ways: (a) Sub-component 3.1 enhances the capacity of sector associations, which can play an important role in defining skills needs (beneficial for SSCs) and mobilizing employers to address these needs (beneficial for ILDPs); and (b) Sub-component 3.2 supports the expansion of relevant high-quality training delivery, including through private training providers, employers, and industry associations.

Sub-component 3.1 – Strengthening sector associations for EESD in selected sectors (US\$0.45 million from IDA)

47. **This sub-component will provide support to SDF to strengthen industry associations** to increase their engagement in skills development in selected sectors, by providing technical assistance and training to selected industry associations to support its members in defining the industry needs in terms of skills, training activities, and to improve

³³ Career orientation in the project is defined as comprising career guidance and job search support.



their participation in SSCs.

48. **The TA will guide (a) identifying and anticipating growing occupations and critical skills needs; and (b) selecting suitable training options** for addressing skills gaps, especially for sector-wide training, for which sector associations can apply for SDF funding. The specific assistance will vary by sector and consider: (a) the sector's skill demands, including the skill level and composition of occupations, particularly the mix between general, sector-specific, and firm-specific skills; and (b) the sector's distribution in terms of firm size.

49. **The TA will allow sector associations to effectively engage with the SDF in Sub-component 3.2.** Enhanced sector associations in the project's priority sectors are expected to be better able to apply for SDF training financing. Additionally, this sub-component will benefit the implementation of Component 1, as stronger sector associations are better able to be effective: (a) SSC members that articulate their sector's skills needs (Sub-component 1.1); and (b) in mobilizing their members to partner with TIs in ILDPs, in particular, to be members of ISCs and provide internships (Sub-component 1.2).

Sub-component 3.2 – Enhancing and expanding skills development in selected sectors (US\$4.63 million from IDA)

50. **This sub-component will support capacity building of the SDF to expand and manage demand-driven training and will support the provision of SDF training financing to benefit at least 2,500 individuals.** This sub-component will provide support to the SDF to enhance and expand skills development in selected sectors through (a) strengthening the capacity of the SDF to expand and manage demand-driven training through: (i) communication and awareness campaigns to relevant stakeholders about the SDF; (ii) technical assistance: (A) to enhance SDF's capacity in training management (including support with standard operating procedures and selection of SDF beneficiaries), (B) to improve SDF's monitoring and evaluation process, and (C) to strengthen IT systems through digitization and streamlining of SDF processes; (iii) training and study visits; and (iv) purchasing IT equipment (including both hardware and software) to improve the SDF's information system for monitoring and evaluation purposes; and (b) the provision of SDF training financing to eligible training providers carrying out training proposals.

51. **The SDF will provide result-based financing to eligible training providers to implement training proposals, with eligibility criteria and selection processes outlined in an SDF Manual, building on the SDF standard operating procedures (SOPs).** The SDF Manual will be a disbursement condition for the result-based financing of training proposals under this sub-component. Eligible recipients can be public and private training providers, employer associations, or firms (individuals are not eligible to apply). A first list of eligible beneficiaries will be established at the start of project implementation and is likely to include at least training providers accredited with the MLVT and the MoEYS, as well as all large and well-known sector associations. The list will include applicants who have already received funding from the SDF and performed satisfactorily. The list will be expanded regularly and, in particular, when new providers apply for SDF training financing, the list may be expanded to include them based on objective criteria to be specified in the SDF Manual, with the SDF sharing the revised list with the Bank for information. The SDF Manual will specify that a training provider can apply and be selected multiple times, as it can train on a diverse set of skills for different clients.

52. **The SDF has four training schemes: large firms, Small and Medium Size Enterprise (SME) employees, training-of-trainers, and SME owner/manager.** This sub-component will allow applications under all existing SDF schemes and may allow the addition of new schemes. The electronics and automotive sectors, currently identified as the project priority sectors, are already among the SDF priority sectors. While the larger share of funding is expected to be allocated to large firms and SME employees, the project will be open to the two other windows. This sub-component may finance online training and could allow for piloting new forms of training.

53. **The selection process will be outlined in the SDF Manual and will build on the SDF SOPs, with improvements in the governance of the selection process, including the anonymization of parts of the process and the involvement of external assessors to increase perceptions of fairness and independence of the scorers.** The SDF's current selection process already includes the standard steps of a training fund (see Annex 2). The SDF Manual will further outline



expectations from the Technical Evaluation Committee (TEC), including due care and integrity. Other improvements to be outlined in the SDF Manual include (a) the participation of external assessors in scoring applications to bring external expertise and help anonymize the scoring process; (b) streamlining processing by limiting scoring to two staff, only adding a third staff if the gap between the two scores is large; (c) streamlining through using software for scoring, which would allow anonymizing some dimensions of the selection process.

54. **Beyond the selection process, the SDF Manual will detail the amounts and conditions for disbursement and other contracting modalities, including monitoring and evaluation (M&E), again building on the SDF SOPs.** After selecting the training proposals, the SDF will enter into training contracts with providers and then make payments against the achievement of outputs for earlier payments, and key performance indicators (KPIs) for later payments. The SDF Manual will specify the payment schedule and conditions for disbursement, aiming to achieve a balance between incentivizing results, with larger portions of payments pushed to later stages of training or conditional on employment outcomes (as well as internships for pre-employment training where relevant) and encouraging applications and taking into account the performance risk for the providers. The fact that SDF has a cost-sharing model, whereby the applicants finance a minimum of 15 percent of the total training cost, means that providers are already taking some risk (15 percent is the minimum for pre-employment training, the minimum for upskilling and reskilling of the current workforce is 25 percent).

55. **This component will support improvements in key SDF SOPs through TA and implementation support.** To contribute to reinforcing the SDF's institutional capacity, the SDF Manual will propose strengthening processes in key dimensions, such as the processes for selecting SDF beneficiaries and M&E practices. Over time, lessons learned from implementation will inform SOPs revisions.

56. **The project will support improved M&E to increase confidence in the results achieved and support regular improvements in training quality.** Sufficient budget has been allocated for tracer studies as these are a critical dimension for a training fund. The tracer studies will cover at least 1,000 beneficiaries. Monitoring processes will be reviewed and reinforced with the strengthened use of IT, which will improve risk-based monitoring and faster compilation of results. Finally, the SDF's Grievance Redress Mechanism (GRM) will support improved reporting on issues that may arise during training, which also contributes to improved monitoring.

57. **Support to IT systems will cover the digitization of SDF processes and an improved Management Information System (MIS), which will improve and streamline processes, including the scoring and M&E processes mentioned above, and facilitate the use of application data for LMI, thereby complementing Component 2.** Currently, the application form, scoring, organization of spot checks, and reporting by firms and employers are done on paper or, at best, Excel. The project will support the digitization of these steps, supporting both software and hardware investments. Digitization will help streamline and speed processes and allow for easier monitoring of individual beneficiaries. It also allows easier data analysis, thereby allowing the application data to be used for labor market intelligence.

Component 4 – Project Management and Monitoring (Total US\$5.15 million, including US\$3.97 million from IDA and US\$1.18 million from RGC)

58. **This component aims to support project implementation and management, capacity building, M&E, and citizen engagement.** It comprises two sub-components. Sub-component 4.1 will support the MLVT to (a) establish, maintain, and operate the Project Management Unit (PMU) for the day-to-day implementation and management of Components 1 2 and 4.1, and establishing and maintaining the Project Steering Committee (PSC) and Technical Advisory Group (TAG); (b) strengthening capacity of project staff on operations management, financial management, procurement, monitoring and evaluation, and environmental and social management; (c) conduct stakeholder engagement activities; (d) establish and maintain a GRM; and (e) establish and manage the project monitoring and evaluation system. Sub-component 4.2 will support the SDF to (a) establish, maintain, and operate a project implementation unit (SDF-PIU) for the day-to-day implementation and management of components 3 and 4.2; (b) strengthen capacity of project staff on operations



management, financial management, procurement, monitoring and evaluation, and environmental and social management; (c) conduct stakeholder engagement activities; (d) establish and maintain a GRM; and (e) establish and manage the Project monitoring and evaluation system.

Component 5 – Contingent Emergency Response

59. **This component will support the provision of immediate response to an Eligible Crisis or Emergency, as needed.**³⁴ The MLVT has prepared a CERC Annex in the Project Operations Manual (POM) setting forth detailed implementation arrangements with considerations of adapting and mitigating climate risks.

60. **Gender: The project is expected to address gender gaps by increasing the share of female project graduates in good jobs.** Currently, 54 percent of women hold good jobs earning at least US\$237 or more.³⁵ To help women get good jobs, the following activities will be undertaken (Table 1):

- (a) Component 1: (i) communication campaigns to reduce attitudinal barriers and promote women's participation in male-dominated sectors; under ILDPs: (ii) joint training proposals that include provisions that identify women-specific skills development needs and strategies to encourage participation; (iii) dormitories with gender-sensitive renovations; (iv) higher incentives for women’s enrollment in TVET, especially in non-traditional occupations; (v) training women teachers to serve as role models for prospective and current trainees; (vi) peer-networking and group activities to change perceptions and encourage fixed-cost investments that support women’s participation in non-traditional occupations (for example facilities for women).
- (b) Component 2: Distribution of materials about earnings in different occupations, highlighting women in non-traditional occupations and tailored services for women jobseekers, including career guidance activities targeted at both students and parents to encourage students to pursue their interests and acquire in-demand skills, even if outside traditional occupations.
- (c) Component 3: (i) activities to reinforce employer association capacities to promote women working in their member firms; (ii) joint training proposals that include provisions that identify women-specific skills needs and strategies to encourage participation; (iii) expansion of online learning to allow for flexible course work and home-based study.

Table 1. Gender Gap and Project Actions and Indicators

Gender Gap	Project Action	Indicator
Women are less likely to be in a good job compared to men.	Incentivize women to enroll and complete training programs and improve career support services to support the transition to work.	Share of females in project-supported training programs in good jobs (earning US\$237 per month or more) six months after completion of training. Baseline: 0 Target: 65 percent

61. **Citizen Engagement: The project will support citizen engagement through public consultations to raise awareness and gather feedback from all stakeholders throughout the project cycle.** The PMU and the SDF-PIU have dedicated staff for implementing stakeholder engagement activities and operating a project-specific GRM. Consultations are conducted during preparation and will continue periodically during implementation, involving employers, TIs, trainers, trainees, and other stakeholders to gather feedback on project-related opportunities and risks. These consultations will

³⁴ “Eligible Crisis or Emergency” is defined as “an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters”, Paragraph 12, Bank Policy: Investment Project Financing, Projects in Situations of Urgent Need of Assistance or Capacity Constraints. It may include extreme climate event (e.g., flood), nature disasters (e.g., earthquake), public health emergency (e.g., COVID-19), and any natural disaster or man-made crisis.

³⁵ CSES 2019/20. Share of wage-employed women graduates of TVET or secondary school who earn above the median wage of US\$237 per month, where self-employed women have an imputed wage of 75 percent of the median wage, employment (wages were not captured for these employment categories), recognizing that graduates from TVET will pursue a mix of wage, self, and own-account employment.



engage vulnerable individuals or groups, including women, people with disabilities, and ethnic minorities, to address their needs and concerns and ensure their understanding of project activities. Feedback will inform project implementation. The PMU and SDF-PIU will provide a few channels through which comments and/or complaints on the project activities can be received. The design and implementation of the GRM are detailed in the Stakeholder Engagement Plan (SEP), Environmental and Social Management Framework (ESMF) and the POM. The PMU will be responsible for tracer studies and satisfaction surveys of the TIs each year from the third year, and the SDF-PIU will publish a tracer study report from the second year. The project includes a PDO level indicator to monitor employers' satisfaction with trainee skills.

62. **Climate Co-Benefits. The project will finance measures for climate mitigation and adaptation to reduce vulnerability and enhance resilience.** The project-supported school facilities, in particular the TI that will receive significant civil works, and job centers will take measures as feasible to enhance resilience to climate-related shocks and improve energy efficiency. Climate change knowledge and coping skills will be integrated into curricula. Climate-related disasters can lead to food shortages, water scarcity, and loss of livelihoods thereby affecting vulnerable populations with limited coping capacities. Low-skilled workers, for instance, may resort to negative coping strategies such as reliance on natural resources, which can have long-term negative environmental impacts. The project aims to upskill and reskill the workforce to diversify livelihoods and better cope with climate-related disasters. The specific activities by component are listed in Table 2.

Table 2. Climate Change Mitigation and Adaptation Activities by Component

Component	Mitigation and Adaptation Activities
Component 1 – Strengthening TVET to upskill and respond to industry needs	
Sub-component 1.1	<ul style="list-style-type: none"> • Include climate change dimensions in SSC discussions and roadmaps to plan for climate change impact on skills in priority sectors. • Develop or update curricula and STPs to include: (a) courses on climate change, disaster preparedness, and resilience building; (b) green skills; and (c) low-carbon jobs.
Sub-component 1.2	<ul style="list-style-type: none"> • Optimize energy efficiency/low greenhouse gas (GHG) emission measures as applicable, such as adopting energy-efficient design, eco-friendly materials, energy-smart lighting and cooling systems, and use of solar panels in training facilities and dormitories, in particular in the TI that will receive significant civil works. • Integrate climate change into the curriculum to raise awareness and coping skills. • Support cooling of school buildings to reduce GHG emissions and avoid heat stress.
Component 2 – Information and Orientation for Better Jobs	
Sub-component 2.1	<ul style="list-style-type: none"> • Monitor changes in labor demand and within job changes in task and skill requirements. • Use energy-saving equipment and energy-efficient technologies (such as equipment with energy star rating, energy-efficient servers, and cloud data center) for the LMIS.
Sub-component 2.2	<ul style="list-style-type: none"> • Provide career guidance on environment-friendly and sustainable occupations. • Adopt energy-efficient materials and energy-smart equipment for the selected job centers. • Increase the use of online job counseling and career guidance, especially when physical locations or services are disrupted by weather events.
Component 3 – Strengthening sector associations for EESD and expanding skills development	
Sub-component 3.2	<ul style="list-style-type: none"> • Integrate climate change into outreach to raise awareness. • Adopt energy-saving equipment and energy-efficient technologies for IT infrastructure updates.
Component 4 – Project Management and Monitoring	
Component 4	<ul style="list-style-type: none"> • Monitor the implementation and results of climate mitigation and adaptation actions.

C. Project Beneficiaries

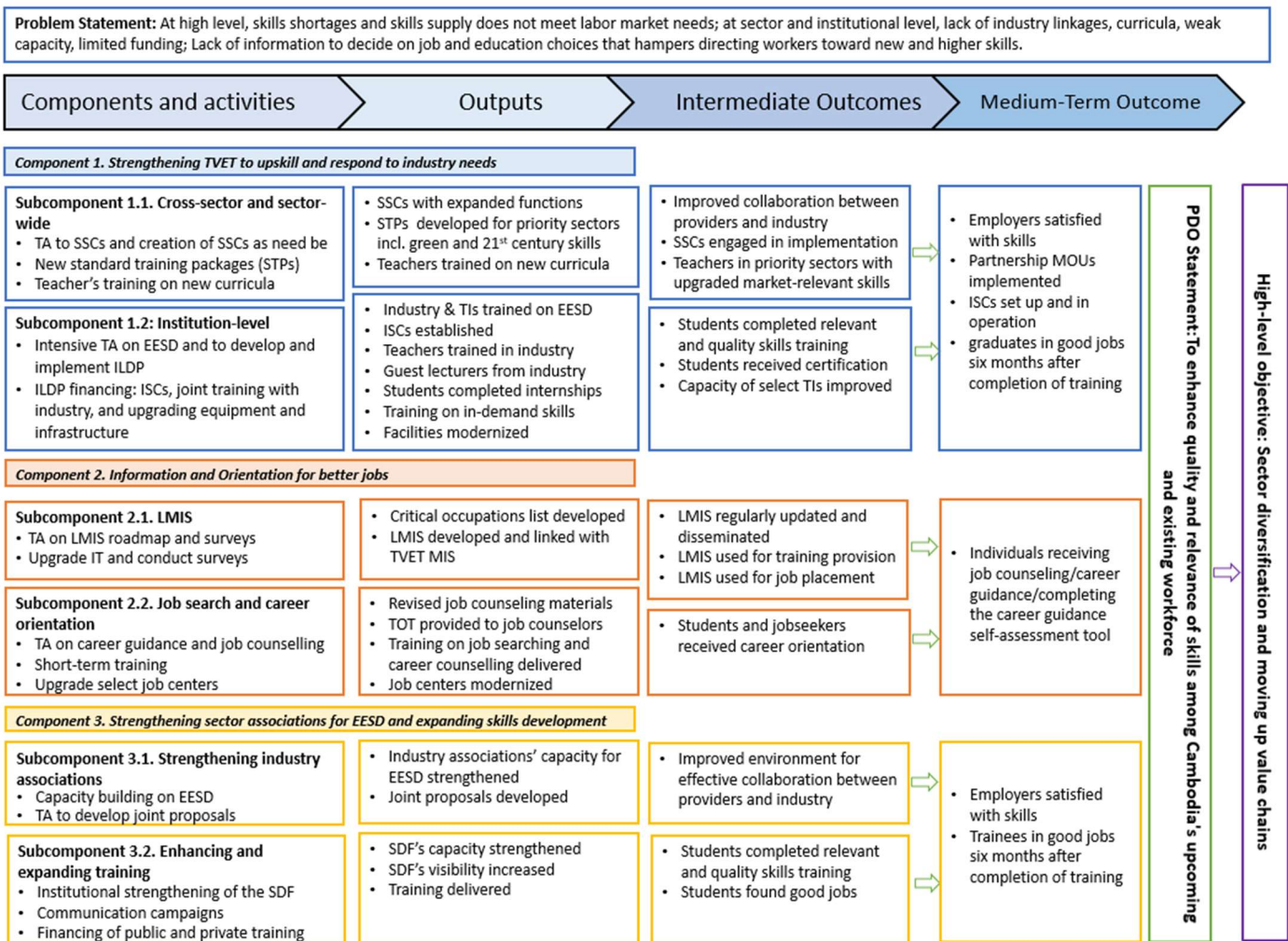
63. **The primary beneficiaries of the project are individuals in Cambodia's workforce, both upcoming and existing, who will gain improved training opportunities and labor market services, enhancing their employability.** The project's



total number of beneficiaries is 33,000. The project will support 8,000 trainees in priority sectors, of which, 5,500 trainees graduate from the project-supported TIs, and 2,500 trainees complete training under the SDF training financing. The job counselling and career guidance services will be more broadly targeted to 25,000 individuals.³⁶ Most beneficiaries are expected to be youths from 15 to 24 enrolling in pre-service training before entering the labor market. Their educational attainment is expected to vary from lower secondary education for certificate programs to upper secondary education for diploma programs. In-service training will mainly target current low- and medium-skilled employees of firms partnering with project-supported TIs. Efforts will focus on attracting and retaining female beneficiaries and those from disadvantaged groups.

64. **The project will directly benefit employers, staff from TIs, and other stakeholders in the skills development ecosystem.** Employers will benefit from a better-skilled workforce and stakeholders will benefit from capacity building including managerial and TI teaching staff; government officials, job counselors, SSCs, and employers’ staff engaged in project delivery.

D. Results Chain



Critical assumptions for C1 and C3: A1. The RGC’s commitment to investing in skills; A2. Employers benefit from upskilling and are interested in partnering with TIs to meet their demand for skilled workers.

³⁶ Some individuals may benefit from multiple project interventions.



E. Rationale for Bank Involvement and Role of Partners

65. **Training and information are domains in which market failures are pervasive.** For training, market failures such as coordination failures, moral hazard, and incomplete contracts can lead to under-investment by firms and individuals.³⁷ More specifically, on the individual side, credit constraints can further hamper investments.³⁸ Information is a public good, which justifies public financing and the need for coordination.

66. **The WBG's value-added includes:** (a) technical expertise in enabling policy framework in skills; (b) experience in similar programs in other countries in the region and beyond; and (c) use of global and regional evidence on the effectiveness of interventions to foster skills development, with an emphasis on transferable skills and private sector engagement. The World Bank has been engaged in jobs and skills in Cambodia, in particular with the large engagement on “Cambodia’s Future Jobs,” the Programmatic Advisory Services and Analytics on entrepreneurship, jobs, and skills for competitiveness (P172080), which provided support to the NEA to develop training on socioemotional skills. The ongoing Advisory Services and Analytics “Skills for Recovery and Resilience” (P179157) also informs the project, with an analysis of growing occupations and a TVET diagnostic.

67. **The ADB, Agence Française de Développement (AFD), and the Swiss Agency for Development and Cooperation have been the main development partners providing financing to the skills sector in Cambodia.** ADB and AFD have two ongoing projects, the Skills for Competitiveness Project (S4C), and the recently approved SFE. The proposed project will complement the SFE in terms of sectors (the SFE’s activities with TIs will not cover automotive or electronics), institutions, and occupations. Under MLVT, the SFE will focus on three skills: industry engineering; machining technology; and IT networking and programming in eight TIs. The SFE will also support skills training in textiles, which is not covered by this project. The IDA financing will cover automotive and electronics as priority sectors. If the IDA financing of US\$2.5 million equivalent proves insufficient, the SDF will use contingency funds under the SFE for these sectors. The SDF confirmed that IDA financing will be used first until it is exhausted.

F. Lessons Learned and Reflected in the Project Design

68. **Components 1 and 3 project interventions are based on international lessons derived from the most recent literature on TVET performance and recent flagship World Bank projects, that have been tailored to the Cambodia context.**³⁹ Lessons learned include the following:

- (a) **To ensure their effectiveness, interventions to promote EESD need to be regularly refined based on a sound understanding of barriers to EESD and close monitoring of how project interventions address these.** While there is a body of knowledge on barriers to EESD, it does not necessarily allow a clear ex-ante identification of the principal constraints in any particular context. The project will strive to collect and use data for decision-making, in particular, to understand EESD bottlenecks and adapt project interventions to address them. ILDPs will incentivize close monitoring of results and data collection by TIs, while centralized tracer studies and employer surveys will take place.
- (b) **Adopting a sectoral approach to skills development, prioritizing sectors with a credible and comprehensive development approach, increases the likelihood that skills interventions equip learners with quality skills that are in critical demand.** The project prioritizes sectors with roadmaps that address skills constraints as well as other

³⁷ Acemoglu, Daron. 1997. Training and Innovation in an Imperfect Labour Market, *Review of Economic Studies*, 64, pp. 445-464.

Review in Brunello, Giorgio and De Paola, Maria. 2004. Market Failures and the Under-Provision of Training.

³⁸ Becker, Gary. 1964. *Human Capital*, The University of Chicago Press, Chicago.

³⁹ Arias et al. 2019. Op. cit.; International Labour Office and African Development Bank, 2023. Building pathways to sustainable growth: Strengthening TVET and productive sector linkages in Africa; Levin et al. 2023. Op. cit.; World Bank. 2018. EASTRIP Project Appraisal Document; World Bank. 2021c. ICR of the Guangdong Social Security Integration and Rural Worker Training Project; World Bank. 2020b. Demand-Driven Skills Training and Results-Based Contracting: Lessons for Youth Employment Programs.



constraints to the sectors' development. This approach increases the likelihood that the skills developed are in demand as the RGC is striving to attract investments in these sectors. At the same time, it is important to remain flexible with respect to sectors. The project will adapt depending on the realization of the sector roadmaps and actual employer demand.

- (c) **Institution-level interventions need a conducive sector-level environment, including through tailored support to industry associations and SSCs.** There are bodies to promote EESD, such as SSCs, in many countries, but the evidence of their effectiveness is mixed, partly resulting from differences in capacity and incentives. SSC activities in the project will be defined in close collaboration with industry to ensure their close alignment with sector needs and capacity. Furthermore, given that EESD works better in contexts in which industry associations are strong, the project will build the capacity of industry associations.
- (d) **Partnerships between individual training providers and employers may have stronger demonstration effects and can be easier to promote than system-wide interventions, given their potential to deliver measurable benefits.** Like recent World Bank projects, such as the East Africa Skills for Transformation and Regional Integration Project (EASTRIP), this project concentrates on supporting institutional-level collaboration, starting with a careful TI selection process. Recent experience with the SDF shows that this is a promising approach in Cambodia. The SDF experience shows capacity weaknesses to develop applications, which the project will address through strong TA to targeted institutions and industry partners.
- (e) **Capacity building and funding are needed to promote the incidence, duration, and quality of internships while decreasing their perceived burden and opportunity costs for firms.** Other lessons learned about internships include the need to manage interns' expectations, ensure a good match between intern and firm, and give effective guidance to firms. Internships in ILDPs will be supported through a focused TA and incentivized with stipends to interns, which employers have mentioned as important.

69. **Component 2 activities leverage extensive experience from World Bank projects and TA in Bhutan, Croatia, Georgia, Indonesia, Kenya, Malaysia, and Ukraine.** Lessons include: (a) in dynamic environments like Cambodia, where returns to education increase exponentially in tertiary versus secondary education, providing information and guidance is crucial as individuals often underestimate returns to education; (b) implementing immediate, tangible activities for the LMI, such as analysis of existing labor data, is vital for building capacity through hands-on experience, disseminating results, and pinpointing missing indicators and data. These activities inform further evaluations, capacity development, and data gathering; (c) investing adequately in outreach, communication, and dissemination is critical; and (d) information interventions and job search aid are more effective for disadvantaged groups, and evidence suggests career guidance correlates with higher earnings, primarily in high-income countries.⁴⁰

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

70. **The project's institutional and implementation arrangements are designed as follows:** An inter-ministerial PSC will be established to ensure cross-sectoral collaboration and coordination. A TAG will provide guidance and advice on the project's interventions. The MLVT will be the project's Executive Agency (EA) and provide overall coordination and the consolidated audit. The SDF will be a Project Implementing Entity (PIE) responsible for Component 3.⁴¹ The MLVT will host the PMU to manage the day-to-day operations and administration. The Department General of Technical and Vocational Education and Training (DGTVET), alongside the NEA of the MLVT, will implement the activities under Components 1 and

⁴⁰ Card, D., Kluge, J., Weber, A. 2010. Active Labor Market Policy Evaluations: A Meta-Analysis. *The Economic Journal*. 120. F452 - F477; Covacevich, C., et al. 2021. Indicators of teenage career readiness: An analysis of longitudinal data from eight countries. *OECD Education Working Papers*, No. 258, OECD Publishing, Paris.

⁴¹ According to Cambodia's SOP on project management for all externally financed projects when more than one ministry is involved in the implementation of a project, one line ministry is designated as the EA while the others are the implementing agencies.



2, respectively. The SDF will establish a Project Implementation Unit (SDF-PIU) to manage Component 3. Component 4 will support project management and M&E across the components. If the CERC is activated, the RGC, through the MLVT, will execute it under the CERC Annex of the POM. The project's institutional and implementation arrangements are detailed in Annex 1.

B. Results Monitoring and Evaluation Arrangements

71. **The MLVT and SDF will be responsible for the M&E of their respective activities, and the day-to-day monitoring and reporting will rest with the PMU and the SDF-PIU.** The progress and achievement of the PDO will be assessed through various activities, including (a) tracer studies, employer satisfaction surveys, and beneficiary assessments; (b) reporting project progress each semester; (c) conducting a midterm review; and (d) producing an Implementation Completion and Results Report at the project closing. To monitor implementation progress, the World Bank will conduct semi-annual implementation support missions (ISM) with the MLVT and the SDF, and the findings will determine whether project restructuring or additional support is necessary.

C. Sustainability

72. **The project's sustainability relies on key elements, including the RGC's commitment and economic and financial viability.** The RGC acknowledges the crucial importance of human capital in promoting economic diversification and economic growth, as evidenced in the Pentagonal Strategy-Phase I, the National Employment Policy 2015–2025, and the Industrial Development Policy 2015–2025. This project aligns with the RGC's top priorities and ultimate goals, and the government is fully committed to investing in skills development, which will ensure the sustainability of the project objectives. The economic analysis shows benefits that significantly exceed the project costs.

73. **The project's institutional sustainability is expected to be ensured, in particular given the emphasis on strengthening TIs.** The project will enhance the capacity of government officials, TIs, job centers, employer associations, and firms. The project will incentivize selected TIs to engage with industry, leading to long-term behavior changes. The lessons learned will apply to other TIs beyond the project. Additionally, the project will facilitate stakeholder engagement to ensure sustainability from both the supply and demand sides.

IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

74. **Cambodia faces a skills deficit both compared to regional and income peers.** Cambodia's skills supply services face challenges in delivering quality and relevant training. On the demand side, individuals, particularly in vulnerable groups, may limit investments in education because they underestimate their returns, due to limited labor market information and career orientation services. To improve workforce employability and be better able to attract investments, Cambodia needs to improve the quality and relevance of skills development services. It also needs to encourage investment in skills and support labor mobility.

75. **The project expects to support Cambodia through the direct impact of supported interventions and a demonstration effect.** The project will promote EESD and result-orientation at the sector- and institution-levels, to bring lessons that can be replicated and sustained beyond the project's lifetime. The project will support TIs in reaching out to and collaborating with firms to improve training. It will also help TIs increase attention to quality and results through result-based financing of ILDPs. These interventions will improve the quality and relevance of training. The project will also support direct interventions to improve quality through curriculum development, upgrading facilities, and purchasing equipment. For the LMIS, the project will provide a vision and roadmap that will serve as basis not only for the project's activities but also to generally guide LMIS development. Finally, for job search support and career guidance, the project



will improve the material used and will foster better use of IT, to result both in efficiency gains and in quality improvements.

76. **The project's economic analysis concentrates on the costliest components, Sub-component 1.2 and Component 3, conducting a cost-benefit analysis of the TVET system investments.** The benefit is estimated as the additional earnings of technical skills training beneficiaries versus non-TVET graduates. Cambodian TVET graduates typically exhibit lower unemployment, higher non-farm sector employment, and higher earnings than non-TVET graduates. The premise is that investments in TVET lead to a greater number of TVET graduates, boosting their employment and earnings. The analysis uses the Cambodia Socio-Economic Survey (CSES) 2019/20 data, considering labor force participation, unemployment, and earnings. Internal rates of return range from 7.07 percent to 12.59 percent, varying by scenario. The conservative scenario includes 5,500 beneficiaries from Sub-component 1.2 and 2,500 from Component 3 over five years. It assumes no new beneficiaries and a constant earnings differential of US\$480 per year for 15 years, as per the CSES. Under this scenario, the net present value of these components is projected at US\$13.4 million. This value is discounted at 5 percent, aligning with rates used in similar TVET projects.⁴²

Paris Alignment

77. **The project is aligned with the Paris Agreement goals.**

78. **Assessment and reduction of adaptation risks.** A climate and disaster risk screening was conducted, and the inherent risk is considered to be Moderate. The increasing climate-related disasters (e.g., floods, high temperatures) and rising sea levels are likely to impact building structures, materials, and overall effectiveness and potentially affect training continuity during extreme climate events. The project will support mitigation measures to enhance the resilience of school facilities in the TI that will carry out building construction by incorporating climate-resilient design principles; adopting adequate drainage and water management practices to reduce the risk of flood and water damage; and installing resilient utilities to ensure continuity of training during power outages or other disruptions from extreme weather events.

79. **The key measures relevant to skills development are integrating climate change knowledge and coping strategies into the curriculum to reduce climate vulnerability and build resilience.** The trainees, trainers, and staff of the TIs will increase their awareness and learn practical skills related to disaster preparedness and emergency response. The project will support job-focused interventions to upskill and reskill the target workforce for more climate-resilient jobs that will enable them to cope financially with climate-related disasters. The residual risk of climate hazards having a material impact on the project is considered acceptable.

80. **Assessment and reduction of mitigation risks.** The project mitigation risks are primarily related to the environmental footprint of the construction and upgrades of school buildings. To mitigate these risks, the project will support low-risk school facilities that will be fully electrified and grid-connected and will optimize energy performance through building design considerations and avoiding carbon-intensive appliances and equipment. The project will take various low GHG emission measures, including using eco-friendly materials, installing windows or structural glazing to optimize daylight and natural ventilation, and adopting energy-smart lighting and cooling systems. The project will promote the use of renewable energy like solar panels.

81. **The project will support skills training, which is considered universally aligned.** The project will prioritize technical skills training in automotive and electronics and 21st-century skills by increasing the focus on digital and green skills. The skills training in the automotive sector focuses on maintenance and simple components, for example, wiring harnesses, seats, and simple electronics and electrical components. The automotive industry is evolving toward hybrid and electric vehicles (EVs). The National Energy Efficiency Policy endorsed by the RGC in 2022, a sub-decree on GHG Emissions Reduction Mechanisms, and a Roadmap for the Deployment of EV Charging stations are underway.

⁴² Economic analysis note available on request.



82. **Climate change is likely to shape the skills demanded in different industries as the country transitions to a low-carbon economy.** In line with the CCDR's Priority 3 and Policy Package 5 "Adjust trade and investment policies, improve the enabling environment and upskill the workforce," the project will promote employment in less carbon-intensive sectors and occupations, allocate resources in Component 2 to the identification of evolving skills needs, and align occupational skills profiles and training programs with these needs, thereby helping transition to low-carbon jobs.⁴³ In sum, the material risk of the project having a negative impact on Cambodia's low GHG emissions development pathways is low.

B. Fiduciary

Financial Management

83. **A Financial Management (FM) assessment was conducted for MLVT in July 2023 and for SDF in October 2023 in line with the Bank Policy and the Bank Directive for Investment Project Financing (IPF).** The FM and accountability arrangements of the proposed project meet the Bank's minimum requirements. The FM residual risk at the project preparation is rated Substantial and mitigation measures are detailed in Annex 1. The project FM and accountability arrangements will be embedded into a formal structure of the MLVT and SDF and will follow the SOPs/Financial Management Manual (FMM) for all externally financed projects and programs issued by the Ministry of Economy and Finance (MEF), Sub-Decree No. 181 ANK/BK dated December 2, 2019. The project is required to put in place and maintain a robust financial system including budget, accounting, fund flow, internal controls, reporting, and auditing. The MLVT and SDF will be responsible for administrating their respective segregated Designated Accounts (DA-A and DA-B) to be opened at the National Bank of Cambodia to receive funds from the World Bank. Payments for project-related activities will be made according to their approved Annual Work Plan and Budget (AWPB). The disbursement methods are outlined in the Disbursement and Financial Information Letter (DFIL), the Loan Handbook for Bank borrowers, and the disbursement guidelines for IPF.

Procurement

84. **Project procurement will be carried out following the World Bank Procurement Regulations for IPF Borrowers, Fifth Edition, September 2023, and the conditions in the Financing Agreement.** A procurement assessment was conducted for MLVT in July 2023 and for SDF in September 2023. National market approaches, including National Procurement and Request for Quotations, will follow the RGC's Updated SOPs and the Procurement Manual, as per Sub-Decree No. 181 ANK/BK from December 2, 2019, along with additional provisions in the Procurement Plan. For planning, clearing, updating procurement plans, and managing procurement transactions, including contract management, the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) tool will be used. The assigned procurement teams of the MLVT and SDF will undertake procurement activities with clear responsibilities and separation of accountability in carrying out all procurement activities of this project with the support of individual procurement consultants. A Project Procurement Strategy for Development (PPSD) jointly prepared by the MLVT and SDF, recommends procurement approaches to achieve the PDO and deliver the best value for money. Based on the PPSD, the MLVT and the SDF have developed their Procurement Plan for the first 18 months. The project procurement risk assessment has been conducted and the identified risks and mitigation measures are presented in Annex 1.

⁴³ For a discussion of the definition of green jobs, see Doan, Dung; Trang Luu; Nga Thi Nguyen; Abia Safir. 2023. Green Jobs. Upskilling and Reskilling Viet Nam's Workforce for a Greener Economy.



C. Legal Operational Policies

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

D. Environmental and Social

85. **The environmental risks are assessed as Moderate.** The risks are mainly associated with (a) the generation of package wastes/e-wastes connected to information and communication technology upgrades for selected learning facilities and LMIS; and (b) the generation of noise, dust, minor hydrocarbon spills, building construction wastes (hazardous and non-hazardous), pollutants such as stormwater and sediment discharges as well as health and safety risks from civil works activities for rehabilitation and new building construction for selected training facilities and job centers. Other possible impacts from proposed civil work activities will be related to using finite resources (construction materials, power, water) and managing water use, energy use, and waste during building operations. The nature and scale of building renovations, including the scale of demolition and new buildings, will not be known until concept design is completed during project implementation. Overall, the anticipated environmental risks and impacts are anticipated to be limited, localized, site-specific, and temporary, which would be easily mitigated during project implementation.

86. **The social risks associated with the project are assessed as Moderate.** Based on potential new construction and rehabilitation/renovation works of TVET facilities, the project’s activities may pose potential risks and impacts in the following areas: (a) occupational health and safety of workers, including risks of working at heights and wearing personal protective equipment; (b) small-scale labor influx, particularly of skilled workers in provinces outside the main cities; (c) working and labor conditions, including ensuring proper contracts are in place, and there is no child or forced labor, and (d) a low risk of gender-based violence (GBV) and sexual exploitation and abuse (SEA)/sexual harassment, mostly in the workforce but also during the operation of TVETs. In addition, the discrimination and exclusion of disadvantaged/vulnerable groups is a project risk associated with all project activities, not just rehabilitation works, and this needs to be taken into account when developing training and curricula as well as if TVETs are supported in provinces with Indigenous Peoples.

87. **The project will not require land acquisition, as civil works like building renovation, rehabilitation, and new constructions are confined to existing premises of beneficiary institutions.** The project's Labor Management Procedures (LMP) will ensure fair opportunities for unskilled labor, prohibit child labor, and establish proper worker camps if necessary. It will manage the risks of GBV/SEA among the workforce, community, and TVET students during civil works and institutional operations. Occupational Health and Safety (OHS) risks for the workforce and Community Health and Safety risks, such as increased traffic to and from the Technical and Vocational Education and TIs, are assessed and managed within the Environmental and Social Commitment Plan (ESCP) or Environmental and Social Management Plan (ESMP) of selected subprojects. Although the project is beneficial, it carries social risks, especially regarding the social inclusion of disadvantaged groups, including people with disabilities. A Rapid Social Assessment, part of the ESMF, has assessed these risks. Steps to maximize benefits and enhance inclusion, particularly of Indigenous groups as applicable, are detailed in the SEP.

88. **To address ES risks and impacts, the MLVT has prepared and disclosed the ESMF,** encompassing an e-waste management plan, LMP, and an Environmental and Social Code of Practices (ESCP). The ESMF details procedures for implementation once subprojects have been identified, including the screening and preparation of ESMPs. Additionally, the POM describes measures to improve energy as per the WBG Environmental, Health, and Safety Guidelines and



relevant good international industry practices. The ESMF and the SEP were disclosed in-country on June 27, 2023, and re-disclosed on January 31, 2024. The initial disclosure of the ESMF on the World Bank's external website was on June 26, 2023, and re-disclosure on January 10, 2024. The SEP was disclosed on July 30, 2023, and re-disclosed on April 17, 2024. The ESCP, dated April 10, 2024, was disclosed in-country on April 12, 2024, and on the World Bank's external website on April 17, 2024.

V. GRIEVANCE REDRESS SERVICES

89. **Grievance Redress.** Communities and individuals who believe they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred or could occur as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. KEY RISKS

90. **The overall risk rating is Substantial.** The following risk categories are rated Substantial: (a) technical design of the project, (b) institutional capacity for implementation and sustainability, and (c) fiduciary.

91. **The technical design risk is rated Substantial.** The main design challenge is related to EESD, given employer concerns over poaching and lack of incentives and capacity on both employer and institution sides, which may jeopardize the realization of the EESD. The project description includes interventions to mitigate this risk, which include flexibility in implementation and the possibility of revising and adjusting the ILDPs. However, should the EESD not take place as much as initially envisioned, the project has many activities that would significantly improve the quality and relevance of TVET. Another risk is related to the number of trainees in short courses because of supply- and demand-side issues: having enough formal short courses to offer, having enough firms interested in them, and having enough workers taking them. For supply-side issues, the project will put more emphasis in both TA and ILDP financing on short courses. For demand-side issues, mitigation comes from outreach and communication activities to show benefits of such courses but would also accept the reality of the demand and reallocate training targets toward long courses. Finally, the selection process for TIs will need to be carefully established to avoid contestation by TIs that do not benefit.

92. **Institutional capacity for implementation and sustainability risk is rated Substantial.** The envisaged risks are primarily the lack of experience of MLVT and SDF with World Bank operational policies, although they have experience with ADB-financed projects for almost a decade, and the staffing needs for project implementation at national and institutional levels. To mitigate the risks, the project will finance a project management component to support the project implementation arrangements and ensure adequate staffing (including consultants), as well as capacity building for the PMU, PIU, technical teams, and the project-supported TIs and job centers. The project has prepared a POM and will develop the ILDP implementation manual (ILDPIIM) as well as the SDF Manual to provide detailed guidance to the overall project implementation. The project will emphasize monitoring and independent verification. In particular, the project will assess, develop, and incentivize data entry in the TVET MIS and the SDF MIS, which the project will support.

93. **Fiduciary risk is rated Substantial, mainly due to the limited experience of MLVT and SDF in managing World Bank-funded projects.** To mitigate this, both organizations should assign experienced FM staff, hire local FM specialists



for support and skills transfer, implement computerized accounting software, and establish clear internal control procedures and FM manuals in line with the Cash Basis of the Cambodian Public Accounting Standard. The implementing agencies are required to set up strong oversight and coordination mechanisms and engage the internal audit department to ensure that the internal controls of the project are working as intended, including to avoid double charges. The procurement capacity of the project's procurement team will be strengthened, including the provision of consultant support, especially for high-value procurement packages to avoid delays in procurement implementation. The details of the identified risks and proposed risk mitigation measures are presented in Annex 1. For the SDF, see Annex 2.



VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
To enhance quality and relevance of skills among Cambodia's upcoming and existing workforce					
Percentage of employers satisfied with the skills of graduates of project-supported training programs (disaggregated by sex and by upcoming and existing workforce) (Percentage)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of Component 1 project-supported TIs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of Component 3 training providers (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Female graduates of project-supported training programs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of upcoming workforce of the project-supported training programs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of existing workforce of the project-supported training programs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
Percentage of graduates of project-supported training programs in good jobs six months after completion of training (disaggregated by sex and by upcoming and existing workforce) (Percentage)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of Component 1 project-supported TIs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of Component 3 training providers (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
➤ Female graduates of project-supported training programs (Percentage)					
0.00	0.00	0.00	65.00	65.00	65.00
➤ Graduates of upcoming workforce of the project-supported training programs (Percentage)					



0.00	0.00	0.00	75.00	75.00	75.00
➤ Graduates of existing workforce of project-supported training programs (Percentage)					
0.00	0.00	0.00	75.00	75.00	75.00
Number of Industry-School Committees (ISCs) set up and in operation at project-supported TIs (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0.00	1.00	5.00	5.00	5.00	5.00
Number of new MOUs implemented at project-supported TIs (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0.00	8.00	15.00	30.00	40.00	40.00
Number of individuals receiving project-supported job counseling or career guidance or completing the online career guidance self-assessment (disaggregated by sex and by type of activity) (Text)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	3000 Job counseling: 500 Career guidance: 1000 Online self-assessment: 1500	10000 Job counseling: 1700 Career guidance: 3300 Online self-assessment: 5000	18000 Job counseling: 3000 Career guidance: 6000 Online self-assessment: 9000	25000 Job counseling: 4500 Career guidance: 8000 Online self-assessment: 12500
➤ of which, share of female (Percentage)					
0.00	0.00	35.00	35.00	35.00	35.00

Intermediate Indicators by Components

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Component 1 – Strengthening TVET to Upskill and Respond to Industry Needs					
Number of Standard Training Packages (STP) for priority occupations developed (disaggregated by new and updated STPs, and STPs for basic competencies/21st century skills) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	4	10	10	10
➤ of which, STPs for priority occupations (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	4	6	6	6
➤ of which, STP for basic competencies/21st century skills (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	0	4	4	4
Number of teachers trained on new curricula (Number)					



Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	120	240	240	240
Project-supported TIs having achieved the annual goals of their ILDP (Text)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	85 percent on average	85 percent on average	85 percent on average	85 percent on average
Number of teachers being trained in industry (disaggregated by sex) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	30	60	80	120
➤ of which, female (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	12	24	32	48
Number of industry staff providing guest lectures for at least 32 hours per year (disaggregated by sex) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	96	192	288	384
➤ of which, female (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	29	58	87	115
Number of students supported with better education (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	800	2000	3500	5500
➤ of which, female (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	320	800	1400	2200
Number of trainees completing internships of more than three months that benefited from project-supported TIs (disaggregated by sex) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	524	1309	2291	3600
➤ of which, female (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	209	524	916	1440
Percentage of graduates of project-supported TIs receiving certification (disaggregated by sex) (Percentage)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	80	80	85	85
➤ Percentage of female graduates of project-supported TIs receiving certification (Percentage)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029



0	0	80	80	85	85
Component 2 – Information and Orientation for Better Jobs					
Number of users of the Labor Market Intelligence (website, app, social media) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	10,000	40,000	90,000	150,000	200,000
Job placement ratios (jobseeker placement/jobseeker registration) in project-supported job centers (Percentage)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
25	25	28	31	34	40
Number of job advertisements (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
100,000	110,000	120,000	130,000	140,000	150,000
Number of individuals receiving training organized by NEA (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	1,500	3,000	5,000	7,000
Number of key indicators published (on the LMIS website, app, social media) (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	1	3	5	7	9
Component 3 – Strengthening Sector Associations for EESD and Expanding Skills Development					
Number of industry or employer associations' capacity strengthened (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	2	2	2	2	2
Number of persons trained through SDF training financing (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	250	750	1500	2250	2,500
➤ of which, female (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	75	225	450	675	750
Component 4 – Project Management and Monitoring					
Number of tracer studies completed (Number)					
Mar/2024	Mar/2025	Mar/2026	Mar/2027	Mar/2028	Mar/2029
0	0	1	2	5	7
Component 5 – Contingent Emergency Response					



Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

To enhance quality and relevance of skills among Cambodia's upcoming and existing workforce	
Percentage of employers satisfied with the skills of graduates of project-supported training programs (disaggregated by sex and by upcoming and existing workforce) (Percentage)	
Description	This indicator measures the percentage of employers who report being somewhat or very satisfied through a rating scale designed in a survey conducted ideally among employers for whom graduates of the project-supported TIs are working. While ideally measured after graduation, the measurement may target satisfaction at the time when trainees of project-supported training programs are in internships in order to avoid attribution issues and also as a way to involve employers in the project and empower them.
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Graduates of Component 1 project-supported TIs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	DGTVET
Graduates of Component 3 training providers (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	SDF
Female graduates of project-supported training programs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Graduates of upcoming workforce of the project-supported training programs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Graduates of existing workforce of the project-supported training programs (Percentage)	
Description	Sub-indicator



Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Percentage of graduates of project-supported training programs in good jobs six months after completion of training (disaggregated by sex and by upcoming and existing workforce) (Percentage)	
Description	Numerator: Graduates of project-supported training programs who hold wage employment or are self-employed six months after completion of training that meet the criteria of 'good jobs' as defined in the project. Denominator: Total number of graduates of project-supported training programs who completed training. Good jobs include wage employment and self-employed.
Frequency	Annual
Data source	Survey
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Graduates of Component 1 project-supported TIs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Tracer study by DGT VET and project supported TIs
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	DGT VET
Graduates of Component 3 training providers (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Tracer study by DGT VET and project supported TIs
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	SDF
Female graduates of project-supported training programs (Percentage)	
Description	Sub-indicator. This is the gender tag indicator.
Frequency	Annual
Data source	Tracer study by DGT VET and project supported TIs
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Graduates of upcoming workforce of the project-supported training programs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Tracer study by DGT VET and project supported TIs
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate



Graduates of existing workforce of project-supported training programs (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	Tracer study by DGTVET and project supported TIs
Methodology for Data Collection	Sample survey
Responsibility for Data Collection	MLVT to consolidate
Number of Industry-School Committees (ISCs) set up and in operation at project-supported TIs (Number)	
Description	This indicator measures the number of ISCs that are established at TIs and operational with members and chair appointed, mandate agreed, minutes of at least two meetings available.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	Project-supported TIs reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
Number of new MOUs implemented at project-supported TIs (Number)	
Description	This indicator measures the number of MOUs between industry and project-supported TIs. Industry includes FDI-led firms. The MOUs will be reviewed to ensure that they entail significant and meaningful engagement, e.g. with a minimum number of internships or teachers trained (to be further defined during implementation)
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	Project-supported TIs reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
Number of individuals receiving project-supported job counseling or career guidance or completing the online career guidance self-assessment (Text)	
Description	This indicator measures the number of individuals who received “job counseling” or “career guidance”, including:(a) online self-assessment for career guidance on the NEA website (upcoming workforce). (b) off-line job counseling (current workforce) or career guidance (upcoming workforce) provided by NEA job centers or a third party engaged by NEA. The targets are cumulative.
Frequency	Annual
Data source	NEA Management Information System (MIS)
Methodology for Data Collection	Data collected by NEA MIS, and NEA reporting
Responsibility for Data Collection	NEA
of which, share of female (Percentage)	
Description	Sub-indicator. Percentage of women among the individuals receiving the project-supported job counseling, career guidance, or completing online self-assessment
Frequency	Annual
Data source	NEA Management Information System (MIS)
Methodology for Data Collection	Data collected by NEA MIS, and NEA reporting
Responsibility for Data Collection	NEA



Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Component 1 – Strengthening TVET to Upskill and Respond to Industry Needs	
Number of Standard Training Packages (STP) for priority occupations developed (disaggregated by new and updated STPs, and STPs for basic competencies/21st century skills) (Number)	
Description	This indicator measures the number of STPs for priority occupations as defined by MLVT and broken down by new STPs developed, existing STPs completed or updated, STPs for Basic Competencies / 21st Century Skills, STPs will also include “green occupations” or include “green modules”. The targets are cumulative
Frequency	Annual
Data source	DGTVET
Methodology for Data Collection	DGTVET reporting
Responsibility for Data Collection	DGTVET
of which, STPs for priority occupations (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	DGTVET
Methodology for Data Collection	DGTVET reporting
Responsibility for Data Collection	DGTVET
of which, STP for basic competencies/21st century skills (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	DGTVET
Methodology for Data Collection	DGTVET reporting
Responsibility for Data Collection	DGTVET
Number of teachers trained on new curricula (Number)	
Description	This indicator measures the number of teachers completing training on the new curricula for priority occupations developed under the project. The value is cumulative.
Frequency	Annual
Data source	DGTVET
Methodology for Data Collection	DGTVET reporting
Responsibility for Data Collection	DGTVET
Project-supported TIs having achieved the annual goals of their ILDP (Text)	
Description	This indicator monitors the implementation progress and results of the ILDP and its annual work plan through key annual targets, including number of new MOUs signed with industry; number of curricula jointly developed with industry, number of internships completed; number of guest lectures from industry and number of teachers completing in-firm training, as defined in the annual work plan. This indicator includes the results reported by each project-supported TI. For the consolidated indicator, it will be the average of each institution's achievement, weighted by the institution's number of cumulative trainees under the project at the time of measurement, with expected 85 percent achievement on average.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	Project-supported TIs self-reporting, DGTVET verifying



Responsibility for Data Collection	DGTVET
Number of teachers being trained in industry (disaggregated by sex) (Number)	
Description	This indicator measures the number of teachers of the project-supported training institutions who are trained at industry with a minimum number of hours requirements annually. This indicator also measures the female teachers returning to industry.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
of which, female (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
Number of industry staff providing guest lectures for at least 32 hours per year (disaggregated by sex) (Number)	
Description	This indicator measures number of industry staff who taught at project-supported TIs at minimum 32 hours per year. The targets are cumulative, and disaggregated by sex.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
of which, female (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
Number of students supported with better education (Number)	
Description	This is a corporate scorecard indicator for Outcome Area 2 which measures the number of beneficiaries of project interventions to better access and quality of education. Specifically, this indicator measures the number of learners who completed training (> three months) from project-supported TIs. The targets are cumulative, and disaggregated by sex.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	Project-supported TIs self-reporting, DGTVET verifyings
Responsibility for Data Collection	DGTVET
of which, female (Number)	
Description	Sub-indicator
Frequency	Annual



Data source	Project-supported TIs
Methodology for Data Collection	Project-supported TIs self-reporting, DGTVET verifying
Responsibility for Data Collection	DGTVET
Number of trainees completing internships of more than three months that benefited from project-supported TIs (disaggregated by sex) (Number)	
Description	This indicator measures the number of learners from project-supported TIs who completed internships (> three months). The targets are cumulative.
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting and DGTVET verifying
Responsibility for Data Collection	DGTVET
of which, female (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	Project-supported TIs
Methodology for Data Collection	TIs self-reporting and DGTVET verifying
Responsibility for Data Collection	DGTVET
Percentage of graduates of project-supported TIs receiving certification (disaggregated by sex) (Percentage)	
Description	This indicator measures the quality of training through skill assessment and certification. Numerator: Number of graduates of project-supported TIs awarded certification as a result of skill assessment certified by MLVT. Denominator: Total number of graduates of project-supported TIs who took skill assessment. This indicator is disaggregated by sex.
Frequency	Annual
Data source	TVET MIS
Methodology for Data Collection	MIS Data reported by DGTVET
Responsibility for Data Collection	DGTVET
Percentage of female graduates of project-supported TIs receiving certification (Percentage)	
Description	Sub-indicator
Frequency	Annual
Data source	TVET MIS
Methodology for Data Collection	MIS Data reported by DGTVET
Responsibility for Data Collection	DGTVET
Component 2 – Information and Orientation for Better Jobs	
Number of users of the Labor Market Intelligence (website, app, social media) (Number)	
Description	This indicator measures the number of visitors of the LMI website, social media pages, and users of apps.
Frequency	Annual
Data source	NEA MIS
Methodology for Data Collection	Data collected from NEA MIS, and NEA reporting



Responsibility for Data Collection	NEA
Job placement ratios (jobseeker placement/jobseeker registration) in project-supported job centers (Percentage)	
Description	This indicator measures the share of jobseekers registered at NEA and job centers that found jobs.
Frequency	Annual
Data source	NEA MIS
Methodology for Data Collection	Data collected from NEA MIS, and NEA reporting
Responsibility for Data Collection	NEA
Number of job advertisements (Number)	
Description	This indicator measures the number of job vacancies that are advertised on the jobs portal/NEA website. The targets are cumulative.
Frequency	Annual
Data source	NEA MIS and job centers
Methodology for Data Collection	Data collected from NEA MIS, and NEA reporting
Responsibility for Data Collection	NEA
Number of individuals receiving training organized by NEA (Number)	
Description	This indicator measures the number of training organized by NEA mainly focusing on short courses for two weeks or less. The short courses include various types of training, in particular on socioemotional skills and behavior at work, as well as job search support. This indicator is cumulative.
Frequency	Annual
Data source	NEA MIS and job centers
Methodology for Data Collection	NEA MIS
Responsibility for Data Collection	NEA
Number of key indicators published (on the LMIS website, app, social media) (Number)	
Description	This indicator measures key indicators published on the LMIS website, app, and/or social media. Key labor market indicators are to be defined in the LMIS roadmap but are under three domains: (1) Employment; (2) Earnings; and (3) Job vacancies.
Frequency	Annual
Data source	LMIS data and NEA reporting
Methodology for Data Collection	Data collected through LMIS
Responsibility for Data Collection	NEA
Component 3 – Strengthening Sector Associations for EESD and Expanding Skills Development	
Number of industry or employer associations’ capacity strengthened (Number)	
Description	This indicator measures the number of sector associations in priority sectors which the project will provide technical assistance in order to increase the associations’ capacity to support their members in EESD.
Frequency	Annual
Data source	SDF
Methodology for Data Collection	SDF reporting
Responsibility for Data Collection	SDF
Number of persons trained through SDF training financing (Number)	



Description	This indicators measures the number of individuals that completed training in the project’s priority sectors through joint provider-industry training programs selected by the SDF and financed by the project. The targets are cumulative, and disaggregated by sex.
Frequency	Annual
Data source	SDF
Methodology for Data Collection	SDF reporting
Responsibility for Data Collection	SDF
of which, female (Number)	
Description	Sub-indicator
Frequency	Annual
Data source	SDF
Methodology for Data Collection	SDF reporting
Responsibility for Data Collection	SDF
Component 4 – Project Management and Monitoring	
Number of tracer studies completed (Number)	
Description	This indicator measures the delivery of a tracer study report by MLVT starting from year 3 covering all the TIs under Component 1, and a trace study report by SDF each year starting from year 2, covering the training providers under Component 3.
Frequency	Annual
Data source	PMU and SDF-PIU
Methodology for Data Collection	PMU and SDF-PIU reporting
Responsibility for Data Collection	MLVT to consolidate
Component 5 – Contingent Emergency Response	



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Kingdom of Cambodia
Skills for Better Jobs Project

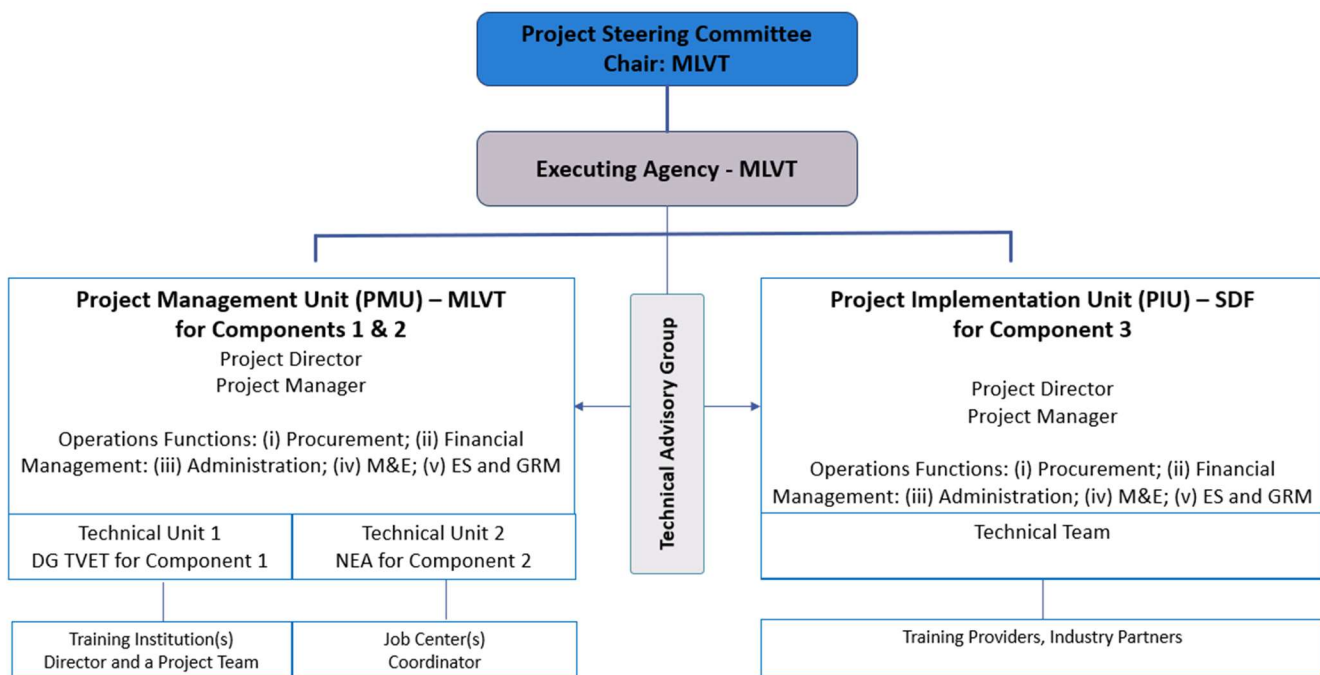
Institutional and implementation arrangements

- 1. The project will be implemented in line with the institutional mandates of the implementing agencies.** Implementation will follow the RGC's SOPs on project management for externally financed projects and programs in Cambodia. The implementation arrangements are outlined in **Error! Reference source not found.**
- 2. A PSC will provide overall guidance to ensure the project aligns with the policy objectives of the skills sector and to ensure inter-ministerial collaboration and coordination across all components.** The PSC will be established no later than three months after the project effectiveness. It will provide overall strategic guidance, coordination, and oversight of the project, including facilitating coordination across agencies, supporting outreach and resource mobilization, and reviewing implementation and audit reports. Given the cross-sectoral nature of skills development, the PSC will be chaired by the Minister of Labor and Vocational Training (MLVT) and include high-level representatives from government agencies, such as the MEF, Council for the Development of Cambodia, SDF, Ministry of Industry, Science, Technology & Innovation, Ministry of Education, Youth and Sport as well as other stakeholders including major firms in priority sectors. The PMU will support the PSC and organize semi-annual meetings.
- 3. A TAG will provide technical guidance and advice to the project interventions across all components.** The TAG will be established no later than three months after project effectiveness. It will consist of subject matter experts, representatives from government agencies, firms of automotive, electric and electronics, and other priority sectors. The TAG is responsible for advising on the project's technical aspects, including school-industry partnership, curriculum development, and teacher training. The TAG works directly with employers, industry associations, SSCs, TIs, job centers, and government agencies to ensure skill development meets market needs. The PMU will support the TAG and hold quarterly meetings.
- 4. The MLVT is the Executing Agency (EA) with overall responsibility for project coordination and consolidated audits.** The MLVT has assigned a project director to oversee the project implementation and coordination. The DGTVET will implement Component 1 in collaboration with SSCs and the project-supported TIs. The NEA will implement Component 2 in collaboration with job centers. The Skills Development Fund (SDF) will execute Component 3 as a project implementation entity. Component 4 will support the project management and M&E. If the CERC is activated, the RGC, through the MLVT, will execute the CERC per the CERC Annex of the POM.
- 5. The MLVT has established a PMU to manage the day-to-day operation and implementation of Components 1, 2, and 4.1.** The PMU comprises a technical unit for Component 1 and a technical unit for Component 2, assigned by the MLVT. Each unit will provide guidance and support to the project-supported TIs and job centers, respectively. The PMU will take responsibility for procurement, FM and disbursement, M&E, ES management, GRM, and administration and make efforts to ensure compliance with the ESF requirements and the grievance redress. In addition to the technical teams, the MLVT has assigned a project manager to lead the PMU and staff to hold key positions in the PMU including a financial officer, a procurement officer, and an ES focal point. The PMU will hire consultants, including a project support consultant, an assistant project support consultant, a finance officer, a procurement officer, an M&E officer, an ES officer, and an industry liaison officer. The PMU will prepare work plans and budgets, update the Procurement Plan, prepare progress reports, and coordinate with the World Bank implementation support.



6. **The SDF will establish an SDF-PIU for the day-to-day operation and implementation of Components 3 and 4.2.** The SDF will have fiduciary, environmental, and social responsibilities. The SDF-PIU will be responsible for financial management, procurement, M&E, environmental and social, and GRM. The SDF will assign its chief executive officer as the project director to lead the SDF-PIU and a project manager to assist the project director. The SDF will hire staff and consultants for key positions, including a project support consultant, a financial management specialist, a finance officer, a procurement officer, an environmental and social officer, and an M&E officer. Like the PMU, the SDF-PIU will prepare work plans and budgets, update the Procurement Plan, prepare progress reports, and coordinate with the World Bank implementation support. The SDF-PIU has the mandate and authority to implement the project and a commitment to achieving the project objective. The SDF-PIU has a clear reporting line to the SDF management and its board. It is important to note that the implementation of this project is separate from the implementation of the ADB projects. The SDF-PIU will clearly define the roles and responsibilities of its staff and establish clear reporting lines to the SDF management to ensure accountability and transparency. In addition, the project will provide training and capacity-building opportunities for SDF-PIU staff to enhance their effectiveness in fulfilling their roles and responsibilities. Internal controls and audits will be implemented to ensure that funds are used as intended and ring-fenced from other funding sources. Together, these measures will strengthen the PIU function and ensure proper use of project funds.

Figure A1.1. Project Implementation Organizational Structure



7. **The project will be carried out in accordance with the arrangements and procedures set out in the POM.** The content includes, but is not limited to, the description of (a) institutional and implementation arrangements; (b) procurement procedures and the preparation and successive updates of the Procurement Plan; (c) FM, disbursement, and audit procedures; (d) project monitoring, reporting, and evaluation; (e) the implementation of an ESCP and other ESF instruments; and (f) personal data collection and processing. The roles and responsibilities of the PSC, TAG, MLVT, SDF, PMU, SDF-PIU, and other stakeholders are elaborated in the POM. The POM provides the sequencing of the ILDP formulation, eligible activities, and ILDP implementation arrangements, including clarifying the role of stakeholders. The POM is a living document and will be updated as needed by the MLVT with prior written agreement from the World Bank.



8. **The project will support the selected TIs through the ILDPs.** The selected TIs will be responsible for implementing the ILDP in partnership with industry and MLVT and will be supported technically by the project-funded TA. Each selected training institution will put in place a project team that will handle (a) planning, coordination, implementation, and monitoring of project activities; (b) procurement and financial management; and (c) reporting on project progress. The project team will be guided by MLVT through the DGTVET and supported by the PMU. The SSCs will be invited to provide technical advice and contribute to implementation monitoring.

9. **Each of the selected TIs will be responsible for developing an ILDP with guidance and inputs from the ISCs and with TA financed by the project.** ILDPs will be endorsed at the TI level by the ISC. At the national level, ILDPs will benefit from industry feedback. SSCs may provide this feedback if they are in place and fully functional. If not, MLVT will organize a review committee that will include representatives from the leading firms in priority sectors. Terms of Reference for the review committee will be developed at the time of establishment. The World Bank will review the ILDP and provide ‘no objection.’ The MLVT approves ILDPs and decides on the financing amount.

10. **The MLVT and the selected TIs will sign a Financing and Implementation Agreement for the implementation of the ILDP.** The selected TIs will prepare the AWPB to implement the ILDP and the performance indicators and targets. The MLVT will approve the AWPB, subject to the World Bank’s ‘no objection.’ The implementation of the AWPB and the use of funds will be regularly monitored and supervised by the MLVT through the PMU and by the World Bank through semi-annual implementation support missions and ad hoc technical reviews as necessary. The ILDP and the AWPB may be revised during implementation in response to a changing context and adjusted based on actual implementation progress. Any changes to the ILDP and the AWPB require the MLVT’s approval and the World Bank’s ‘no objection.’

11. **An ILDPIM will be developed to guide ILDP design and implementation.** The ILDPIM will define the detailed roles and responsibilities of the selected TIs, ISC, employers, the PMU, the MLVT, and other stakeholders. It will specify the arrangements and procedures for FM, disbursement, procurement, monitoring, evaluation, reporting, and the requirements for incorporating relevant aspects and recommendations of the ESCP and other ES instruments for the project. The ILDPIM will define the performance and expected results linked with disbursements to the TI, a specific payment schedule, and a verification mechanism, and will include a template for the ILDP Financing and Implementation Agreement. The ILDPIM should be satisfactory to the World Bank. The ILDPIM can be amended from time to time, based on changing circumstances and lessons learned during the implementation, but requires the World Bank’s prior approval. The ILDPIM will be the disbursement condition for ILDP financing.

12. **The SDF will enter into a training contract with each selected training provider.** The training contract will define the roles and responsibilities of the training providers, industry partners, and the SDF. It will specify the key performance indicators (KPIs), implementation schedule, and payments to be made against achieving KPIs. The SDF Manual will specify minimum expected targets to be met in each contract. The implementation of the training contract will be regularly monitored and supervised by the SDF through the SDF-PIU following the monitoring arrangements outlined in the SDF Manual. The World Bank may conduct monitoring visits during its semi-annual implementation support missions and with random spot checks.

13. **For the ILDP financing under the MLVT and for training financing under the SDF, consultancies will provide independent verification of results and prepare a verification report to validate the training activities and results.** The consultancies will include (a) tracer studies that measure employment and training outcomes among project graduates and employer satisfaction; (b) spot checks (which can be unannounced random visits, especially for the SDF); and (c) qualitative work as needed to collect feedback from project stakeholders and inform the quantitative findings. These will add to (a) self-reporting by project-supported TIs and the training providers financed by the SDF; and (b) monitoring visits by the PMU and the SDF-PIU. Consultants, as third parties, will verify results based on the verification protocols as defined in the ILDPIM and SDF Manual and will conduct spot checks and other actions as necessary to ensure the validity of the results. They will have the technical expertise to accurately assess whether the targets have been met, based on the



verification protocols and timeline for each KPI as defined in the ILDPs and the training proposals. The World Bank will retain responsibility for validating the verified results for disbursement and has the right to request more information and conduct additional supervision. The external control and verification are set as a legal covenant in the FA.

14. An SDF Manual will be developed to guide the implementation of training financing under Sub-component 3.2.

The SDF has developed SOPs detailing its governance structure, administration, financial management, and training fund as its core program (for example, eligibility criteria, application procedures, proposal evaluation and approval, disbursement), among others. Building on the existing SOPs, the SDF Manual will focus on increasing transparency and accountability and strengthen arrangements and procedures for training proposal selection, financial management, disbursement, safeguards, M&E, and verification mechanisms, among others. The SDF Manual will be the disbursement condition for the SDF training financing.

15. A Subsidiary Agreement (SA) and a Project Agreement (PA) will be signed to facilitate and ensure correct project implementation.

A PA will be entered into between the World Bank and the SDF to set forth implementation arrangements for Components 3 and 4.2. By signing the PA, the SDF will declare its commitment to the project objective and to carrying out Components 3 and 4.2 following the PA. A SA, with terms and conditions approved by the World Bank, will be entered into between the Royal Government of Cambodia (RGC) and the SDF to govern the financial obligations of both parties to implement Components 3 and 4.2. The signing of both the SA and the PA are effectiveness conditions for the Financing Agreement.

FM and Accountability Arrangements

16. As the country's public financial management (PFM) continues to be strengthened, aspects of the country's system that are considered adequate will be used for implementing the project.

The RGC's PFM Reform Program is helping to strengthen the country's PFM system. Key PFM-related regulatory tools have been in place since 2010, and the government has been streamlining FM control processes. Since 2018 the Financial Management Information System (FMIS) has been rolled out to all line ministries and provincial treasuries nationwide. In 2019, for accounting and reporting, the government adopted the cash basis of Cambodia's Public Sector Accounting Standards following International Public Sector Accounting Standards. As part of its efforts to improve governance, the government continues to emphasize strengthening the overall public financial management system, internal control systems (including internal audit functions), and the National Audit Authority functions. For externally funded projects and programs in Cambodia, the RGC's SOPs/FMM for all externally financed projects and programs issued by Sub-Decree No. 181 ANK.BK dated December 2, 2019, is applied across the portfolio funded by the development partners, including the World Bank. In this regard, the project's FM manual will follow the SOPs/FMM for the respective implementing agencies.

17. The financial assessment was carried out at MLVT and SDF following the World Bank Policy and Directive for Investment Project Financing updated in 2021 to ensure that the FM arrangements of the project were acceptable to the World Bank.

The project is required to put in place and maintain a robust financial system including budget, accounting, fund flow, internal controls, reporting, and auditing. The MLVT and the SDF will have overall fiduciary responsibility for the administration of their respective segregated Designated Accounts (DA-A and DA-B) to be opened at the National Bank of Cambodia to receive funds from the World Bank. Payments for project-related expenses will be made according to their approved AWPB. The Financial Management Manuals will become part of the POM to be developed by MLVT, and the SDF Manual will include guidance on soft expenditures (training workshop and operating costs) and using Sage 50 accounting software.

18. A deeper financial assessment was conducted because the SDF is an Independent Entity created in May 2023.

The SDF has demonstrated adequate finance experience and capacity to manage the FM and disbursement of the proposed project funded by the World Bank. Significantly, the SDF team have familiarized themselves with the ADB-financed procedures and the RGC's SOPs and finance procedures. The SDF manages an ongoing S4C funded by the ADB.



The SDF will be managing the new ADB-funded Skills for Future Economy Sector Development Program. The SDF has the existing SOPs and FM manual to guide staff. The SDF SOPs are in line with the MEF's SOPs/FMM for externally financed projects and programs. Building on the existing SOPs, the SDF will develop an SDF Manual to provide guidance and procedures on the training financing to public and private training providers. The SDF has an adequate number of finance staff with a segregation of duties and will assign a finance staff dedicated to the World Bank project. The head of the finance division is assisted by senior finance officers, a finance officer, a cashier, and a finance officer in charge of RGC funds. The head of finance has over 10 years of working experience and graduated from Cambodia's ACCA professional accounting school. The senior finance officer has over 15 years of working experience and holds a master's degree in finance and banking. The remaining FM team members have equivalent degrees in the relevant field of financing and accounting.

19. **The FM assessment concluded that the FM and accountability arrangements of the proposed project meet the World Bank's minimum requirements.** The PMU of the MLVT will have fiduciary responsibility for the project management and support DGT VET and NEA for Components 1, 2, and Sub-component 4.1. The SDF-PIU will have fiduciary responsibility for Component 3 and Sub-component 4.2. To the extent possible, they will apply their existing structures and mechanisms. Based on the assessment, the key FM risks and mitigation measures identified during the project preparation are (a) first time managing a World Bank-funded project with a mixed-finance capacity; (b) lack of FM information systems that can accommodate financial reporting in compliance with World Bank requirements; (c) demonstration of limited experience in developing a clear set of internal control procedures or FM manual and implementation of the cash basis of the Cambodian Public Accounting Standard issued by MEF; (d) delay of payments to suppliers, contractors, and service providers, and noncompliance with the standard conditions/requirements of the Financing Agreement; and (e) limited experience in managing incentivized performance-based financing. Recommendations related to FM issues from the Joint Country Portfolio Performance Review 2021–2022 led by the MEF have been incorporated into the project design. Both MLVT and SDF will implement mitigation measures, including assigning experienced government FM staff, recruiting local FM officers to support the FM works and skills transfer, installing computerized accounting software, and putting in place a clear set of internal control procedures and FM manuals in line with the Cash Basis of Cambodian Public Accounting Standard. The implementing agencies are required to set up strong oversight and coordination mechanisms and engage the internal audit department to ensure that the project's internal controls are working as intended.

20. **Planning and Budgeting.** The project budget cycle will follow the government's procedures according to the SOPs/FMM for all externally financed projects and programs issued by Sub-Decree No. 181 ANK/BK dated December 2, 2019. The MLVT and SDF will prepare an AWPB in US dollars for the proposed expenditures, submit the AWPB to the MEF for approval, and then submit it for the World Bank's 'no objection' by November 30 each year. The government's Counterpart Funding will be included in the AWPB with the International Development Association (IDA) financing. The interim unaudited financial report describes the eligibility of those expenditures claimed under the Statement of Expenditures and the budget performance against the approved AWPB.

21. **Counterpart Funding.** The MLVT and the SDF will open a separate Designated Account (DA) (advance account in US dollars) at the National Bank of Cambodia to receive the counterpart funding from the National Treasury. The PMU and SDF-PIU will submit fund requests to the General Department of International Cooperation and Debt Management in the MEF. The National Treasury will release the payments to the PMU. The counterpart fund will be included in the AWPB, and the interim unaudited financial report will be submitted to the World Bank. The Counterpart Funding will be disbursed to the PMU and PIU to cover some staff costs, annual audit fees, and student costs in the selected TIs. Counterpart Funding will be used for Components 1.2 and 4 of the Project, and part of Counterpart Funding (an amount equivalent to US\$3,930,000) will be dedicated to the student costs paid under Component 1.2.



22. **Accounting and Internal Controls.** The project will adopt the cash basis of the Cambodian Public Accounting Standard and follow the chart of accounts of the National Treasury according to the SOPs/FMM for all externally financed projects and programs issued by Sub-Decree No. 181 ANK/BK dated December 2, 2019. The project will procure Sage 50 accounting software to be the project's financial management information system. Sage 50 will be used to manage financial transactions and to produce timely and reliable financial reports. Those charged with governance will be responsible for mitigating the risk of overriding internal controls and ensuring project funds are used as intended. The project FM manual will include a clear set of internal controls addressing non-procurement items (training workshops, operating costs) and procurement items such as contract payments (goods, works, and services) as well as processing and approving construction contract payments. The internal audit departments of the MLVT and the SDF will conduct the project's internal audit to ensure the established internal control systems and management of assets and resources are operating satisfactorily.
23. **Financial Reporting.** The MLVT and the SDF are responsible for submitting a six-month unaudited interim financial report (IFR) to the World Bank no later than 45 days after the semester ends. The format and content of this report will be confirmed and agreed with the World Bank. The interim unaudited financial report is subject to audit by the external auditor as part of the audit fieldwork. The interim unaudited financial report will be produced based on the cash basis of the Cambodian Public Accounting Standard, reflecting the source of funds and financial position. The interim unaudited financial report provides a snapshot of project implementation progress as follows: (a) it will record financial transactions, including the expenditures of each component, disbursement categories, and source of funds; and (b) it will provide explanations for variations between the actual and the planned budget.
24. **External Audit.** The external auditor will conduct the annual financial audit according to the Cambodian International Standards on Auditing. A private audit firm will be appointed by the MEF via bundle audit arrangements with a Terms of Reference acceptable to the World Bank. The audit will cover fund sources and implemented project activities, including verification, eligibility, and field visits to sub-project offices and training institutes. It will review contract management systems and physical verification of goods, civil works, and services acquired by the project. The audited financial statements and management letter will be submitted to the World Bank within six months after the end of each financial year. The project will comply with the World Bank disclosure policy (Policy on Access to Information). The audited project financial statements (without any restrictions for end users) will be publicly disclosed on the MLVT and SDF websites.
25. **Frequency of Supervision Missions.** The World Bank will conduct a risk-based implementation support mission to supervise the project's FM performance, including field visits. In the first year, supervision will be carried out more frequently to enhance FM capacity and firm up the FM advance actions (agreed mitigation measures) and project readiness for each component. In subsequent years, the World Bank will conduct supervision missions twice a year.
26. **Disbursement Arrangements.** The IDA Credit will be disbursed according to the DFIL attached to the Financing Agreement. The MLVT and the SDF will open a separate DA-A and DA-B accounts respectively at the National Bank of Cambodia to receive advanced funds from IDA. The DAs will be denominated in US dollar to cover eligible expenditures per the approved AWPB. The DA ceiling is variable and based on two quarters of the cash flow forecast of the AWPB to be approved by the World Bank Task Team Leader. The disbursement methods include: (a) advances, (b) direct payment, (c) reimbursement, and (d) special commitment. The supporting document for reporting expenditures made by the DA to the World Bank is SOEs. The frequency of reporting expenditures made from the DA to the World Bank is quarterly. The minimum value of each application is US\$100,000 equivalent for direct payments, reimbursements, and special commitments for goods, works, and services. The project will have a disbursement deadline date of four months after the closing date specified in the Financing Agreement. The project will follow the Loan Handbook for World Bank Borrowers, April 2017, and the Disbursement Guidelines for Investment Project Financing, February 2017. The IDA Credit proceeds will be disbursed against eligible expenditures (Table A1.1).



Table A1.1. Proposed Allocation of Credit Proceeds

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Parts 1.1, 2 and 4.1 of the Project	9,200,000	100%
(2) ILDP Financing under Part 1.2(c) of the Project	16,550,000	100% of ILDP Financing amount disbursed
(3) Goods, works, nonconsulting services, consulting services, Training, and Operating Costs under Parts 3 and 4.2 of the Project (implemented by the Project Implementing Entity)	2,650,000	100%
(4) SDF Training Financing under Part 3.2 of the Project (implemented by the Project Implementing Entity)	1,900,000	100% of SDF Training Financing amount disbursed
(5) Emergency Expenditures under Part 5 of the Project	0	100%
TOTAL AMOUNT	30,300,000	

27. **ILDP Financing under Sub-component 1.2 (Category 2).** The MLVT will develop a manual for incentivized performance-based financing and document the basis for recognizing funds to TIs. Eligible expenditures include goods, works, consulting services, non-consulting services, training and workshops, incremental operating costs, stipends for internships, remuneration for guest lecturers from industry and trainers on a contractual basis (excluding government civil servants, for instance teachers’ salaries). The ILDPIM will provide fund flow arrangements, impress account systems and reporting, and the conditions and requirements for performance-based financing and verification to be made by MLVT under Sub-component 1.2. No withdrawal will be made for ILDP Financing under Category (2), unless and until the ILDPIM has been adopted, in form and substance satisfactory to the World Bank.

28. **SDF Training Financing (Category 4).** The SDF Manual, building on the latest SDF SOPs version (2023), will provide a clear set of funding mechanisms and procedures with which to review proposals from the training providers. The disbursement for the skills training program will be made based on the agreed payment terms and agreed outputs between the SDF and the provider. Disbursements will be made according to the cost-share stipulated in the training contract. Payments will be made directly to training providers or the industry for the training costs stated in the training contract. No withdrawal shall be made for SDF Training Financing under Category (4), unless and until the SDF Manual has been adopted, in form and substance satisfactory to the Association. The external audit of the SDF training financing will be part of the annual project audit.



29. **Component 5 - CERC.** CERC is a 'zero' component and no withdrawals can be made until the government has (a) prepared and disclosed all safeguards instruments required for activities under Component 5, if any, and has implemented required actions; (b) established adequate implementation arrangements, including a positive list of goods, and/or specific works and services, satisfactory to IDA required for emergency recovery, including staff and resources; and (c) disbursement effectiveness of the CERC manual will be made until the CERC is submitted for World Bank's approval prior to implementation of activities under Component 5.

30. **Reimbursable expenditures for Procurement Start-up Activities between the signing of the Financing Agreement and the project effectiveness.** To expedite the project implementation, following the signing of the Financing Agreement, the MLVT/PMU and SDF will need to pre-finance the costs of start-up activities related to procurement transactions, including, but not limited to, advertising expenses for Requests for Expressions of Interest, Requests for Proposals, Request for Quotations, Invitation for Bids, and so on, to the estimated amount of US\$8,000 for each of the MLVT and SDF between the signing date of the Financing Agreement and effectiveness. The project can reimburse eligible expenditures for these activities. The project can charge these eligible expenditures to the project funds under the operating costs.⁴⁴

Procurement

31. **Applicable Procurement Procedures.** Procurement will be carried out following the World Bank Procurement Regulations for Borrowers under IPF Fifth Edition, September 2023. Procurement under National Procedures will be carried out following the government SOPs and the Procurement Manual updated on December 2, 2019, which is issued under Article 2 of the Kingdom of Cambodia's new Law on Public Procurement dated May 16, 2023, subject to the additional provisions included in the Procurement Plan. The project will use the Systematic Tracking of Exchanges in Procurement, which is a web-based tool for procurement planning, tracking procurement transactions and contract management, streamlining and automation, and monitoring and reporting.

32. **Scope of Procurement.** The costs of procurement items account for about 48 percent of the total project costs. Therefore, they are considered critical for the project. Successful implementation of these activities will ensure that the achievement of the PDO.

33. **Implementation Arrangements.** Procurement activities will be undertaken by the assigned procurement teams of the MLVT and SDF with clear responsibilities and separation of accountability in carrying out all procurement activities of this project. The assigned procurement teams of the MLVT and SDF have experience managing ADB-financed projects but have no experience managing procurement for World Bank-funded projects. The World Bank conducted a capacity assessment of these implementing agencies and procurement risks as part of project preparations.

34. **ILDP Implementation Procurement.** The assigned MLVT procurement team will be responsible for overall procurement work, goods, and consultancy services for the ILDP, including processing large procurement packages for selected TIs, while selected TIs procurement teams are responsible for processing small procurement packages. The procurement arrangements for ILDP financing are as follows: (a) the procurement of small civil works and goods under a certain threshold (at or below US\$25,000/transaction or as defined in the Procurement Plan) will be undertaken by the selected TIs (subject to a capacity assessment after the selection of TIs); and (b) for significant civil works and goods that are above the threshold (including new buildings), procurement will be handled by the MLVT. Each TI will prepare a list of equipment with technical specifications required for the selected course in priority sectors and a utilization plan.

35. **Procurement Risks and Mitigation Measures.** The overall procurement risk of this project is Substantial. The risks are (a) inadequate procurement experience of the implementing agencies under World Bank procurement rules and regulations; (b) a protracted process for high-value procurement of works, goods, and consultancy contracts; (c) possible

⁴⁴ These are reimbursable expenditures for procurement advertising related activities, not retroactive financing.



coordination challenges between the implementing agency and their technical departments (DGTVET and NEA) to obtain technical inputs; (d) possible procurement delays during the project start-up phase; (e) governance risks including conflicts of interest, fraud or corruption; (f) procurement of major works for the project-financed TIs will be delayed if the project delays in identifying the TIs during implementation; and (g) possible unavailability of qualified procurement and technical consultants when needed.

36. **Risks Mitigation Measures** are: (a) efforts and increased advertising to select qualified individual procurement and technical consultants to assist the implementing agencies; (b) assigning a focal person for effective coordination within the technical departments; (c) an effective procurement monitoring system to ensure an effective internal procurement review process by sufficient delegation of authority to the members of all procurement committees and in compliance with the internally-agreed service standard; (d) enhanced disclosure of procurement information, including publication of the annual Procurement Plan and a quarterly summary of the contract award information for all procurement in local newspapers or on the project's website; (e) provision of procurement training and technical support to the project's procurement team during project implementation; (f) support to finalize the Terms of Reference of key consultancies including procurement consultants and FM consultants before signing the Financing Agreement; (g) confirming the composition of the Bid Evaluation Committee, Consultant Evaluation Committee, and Procurement Review Committee after project negotiation; and (h) preparation and regular monitoring of the contract management plan of high-value consulting service contracts to ensure that services will be delivered according to the agreed schedule in the contract documents.

37. **The Project PPSD recommends the procurement approaches to achieve the PDO and deliver the best value for money.** Based on the PPSD submitted to the World Bank, the MLVT and SDF have developed their initial 18-month Procurement Plan. The PPSD is a living document and is subject to revision as needed.

38. **Procurement Review.** In addition to the World Bank's prior review based on the prior thresholds, which are subject to change according to the result of risk assessments carried out during project implementation, the World Bank will carry out the annual procurement post-review on a sample of at least 20 percent of all post-review contracts financed by the project. Systematic Tracking of Exchanges in Procurement will help the World Bank monitor the procurement progress and take appropriate supportive actions in due course. The World Bank requires the assigned procurement officers of the IAs to promptly update the procurement tracking and monitoring form in the SOPs to monitor procurement performance.

Implementation Support Plan

39. **The World Bank will provide the necessary implementation support based on the risks identified and the mitigation measures proposed in the risk section.** The World Bank will bring expertise in skills development, EESD, LMIS, employment services, M&E, and others as needed. The World Bank will provide training and guidance on procurement, FM, and social and environmental aspects of project management. The World Bank team will provide support through regular communication and meetings, ISMs, midterm reviews, TA in thematic areas, project document review, and project completion evaluation.

40. **The World Bank team will provide intensive support in the first 18 months of implementation and regular support in the subsequent years.** The task team will conduct four formal ISMs (in-person or virtual) during the first 18 months of implementation, including field visits. Afterward, the ISMs will be conducted twice a year and maintained throughout the project. Besides the ISMs, the task team will maintain regular communication with the MLVT, SDF, and others engaged in implementation and provide timely support. The implementation support plan will be reviewed after the first year of implementation.

- (a) **Technical support.** Key areas of TA for the project include, but are not limited to, skills development, industry-school partnerships, labor market information system, data collection and analysis, gender, and M&E. The World



Bank team will mobilize an expert team that will be part of the World Bank’s implementation support missions as needed and provide timely guidance on technical issues. To facilitate the selection of TIs, the development of the ILDPIM, the preparation for ILDPs, and the SDF Manual, senior consultants engaged during the preparation will continue supporting the implementation.

- (b) **M&E.** The World Bank team will organize M&E training for the PMU, DG-TVET, NEA, selected TIs, job centers, and SSCs. Through regular interactions with the PMU and MLVT, the World Bank team will emphasize the need for regular updates of the indicators defined in the Results Framework.
- (c) **FM.** The World Bank team will provide support by (a) carrying out regular desk reviews and communication with the government; (b) monitoring the continued adequacy of the FM arrangements, including accounting, auditing, budgeting, financial reporting, internal control, and fund flow; (c) conducting site visits twice a year or as necessary; and (d) following up on agreed action plans and observations from reviews of audit reports, management letters, and IFRs. Given that the FM risk is Substantial, the World Bank will conduct frequent finance support missions to review the project’s FM performance. In the first 18 months, there will be more frequent visits to increase FM capacity, firm up the key FM advance actions, ensure front-end FM activities are complete, and provide FM orientation and training.
- (d) **Procurement.** The task team will support the PMU and the PIU to conduct procurement in accordance with the World Bank’s Procurement Framework by (a) providing training on the procurement framework and procedures as needed; (b) ensuring the project’s annual progress report contains a section covering procurement performance; and (c) conducting regular post-procurement reviews. The support will be carried out through increased implementation support when requested by the government. The procurement supervision will be part of the semi-annual ISMs, and procurement clinics and training will be conducted based on need.
- (e) **ESF.** The World Bank team will closely monitor the implementation of the ESCP, SEP, ESMF, and other instruments, if needed, during project implementation to ensure compliance with the World Bank’s ESF. The World Bank’s Environmental Specialist and Social Development Specialist will join the missions, including field visits twice a year or as necessary.

Table A1.2. Team Composition Required for Implementation Support

Skills Needed	IS for the First 18 Months		Annual IS after the First 18 Months		Comments
	Number of Staff Weeks (SWs)	Estimated Costs (including Personnel and Travel)	Number of SWs	Estimated Costs (including Personnel and Travel)	
Task team leader (overall quality of IS)	18	108,000	10	60,000	Senior Economist will be responsible for the overall quality of implementation support, the oversight of the entire operation, and the coordination with the counterparts.
Co-Task team leader	12	60,000	8	40,000	Social protection specialist / senior social protection specialist will support the TTL, with focus on Component 2.
EESD specialist	8	42,000	4	26,000	The international consultant will provide TA for Components 1 and 3 on school-industry linkages, including supporting the preparation and revision of the ILDPIM and the SDF Manual.



Skills Needed	IS for the First 18 Months		Annual IS after the First 18 Months		Comments
	Number of Staff Weeks (SWs)	Estimated Costs (including Personnel and Travel)	Number of SWs	Estimated Costs (including Personnel and Travel)	
Skills development specialist	8	42,000	4	34,000	The international consultant will provide TA to Component 1 on curriculum development, teachers training and other school development activities.
Labor economist	6	28,000	4	26,000	The international consultant will provide TA to Component 2.
IT system specialist	4	16,000	2	8,000	The international consultant will provide TA to Component 2 on the IT system related issues
Gender specialist	3	9,000	2	6,000	The Gender Specialist will provide TA to the gender related activities
M&E	4	16,000	2	8,000	The M&E specialist will provide TA in the project M&E activities, including the tracer study.
Civil engineer	3	12,000	3	12,000	The international consultant will support the supervision of the civil works.
Procurement specialist	4	12,000	3	9,000	The Procurement Specialist in Phnom Penh will support the implementing agencies on related issues.
FM specialist	4	12,000	3	9,000	The FM Specialist in Phnom Penh will support the implementing agencies on related issues.
Environment specialist	4	12,000	2	6,000	The Environmental Specialist and Social Development Specialist will jointly supervise the IA to implement the ESCP and ES instruments and to operate of the GRM, in compliance with the ESF requirements.
Social development specialist	4	12,000	2	6,000	



ANNEX 2: Detailed Background Information for Component 3

COUNTRY: Kingdom of Cambodia Skills for Better Jobs Project

- 1. The SDF was established in 2018 as a pilot project in the Ministry of Economy and Finance (MEF), and became a Trust Fund in May 2023.**⁴⁵ The stated aim of the SDF was to “test a new and innovative financing mechanism to promote demand-driven and sustainable skills development, with the ultimate objectives of diversifying and increasing the value addition of Cambodia’s Economy, and creating better and well-paid jobs for Cambodian citizens”.⁴⁶ The SDF received TA from the ADB-financed Skills for Competitiveness Project, which provided training financing from 2021. The SDF board of directors is chaired by the MEF, with the vice-chairs held by the MLVT and the Council of Ministers, and other members including representatives of other public institutions and the private sector.
- 2. As of end December 2023, the SDF trained 15,787 individuals through 121 training projects.**⁴⁷ The SDF is working with about 291 enterprises, 41 training providers, and 16 business associations. Thirty-six percent of the trainees are women, which is more than the SDF minimum requirement of 25 percent female participation. The SDF experienced a relatively slow start due to COVID-19 but has expanded rapidly since 2021, moving from 1,033 trainees in 2021 to 6,586 in 2022 and 5,432 in 2023. The average proposal trained about 130 individuals. On average, the SDF contributed 49 percent of total training costs, while the companies and schools contributed 31 percent and 20 percent, respectively. The main sectors for which training was provided are manufacturing (20 percent), tourism (25 percent), and electricity (10 percent). About 60 percent of the trainees were in the workforce and received upskilling, and 40 percent were in pre-employment.
- 3. Employers report 92 percent satisfaction with graduates of the SDF-financed training, with an early tracer study indicating an average employment rate of 93 percent among graduates and earnings of US\$423 three months after training completion.** The employer satisfaction survey was conducted between January and June 2020. Employers were asked to rate each 305 graduates trained in 2018 (272 men and 33 women) on six dimensions (knowledge of theory, practice knowledge, personality, teamwork, problem-solving, and good communication among colleagues and supervisors when problems arise). The tracer study was conducted in May 2020 among a randomly selected sample of 192 trainees of the 529 trained in 2018 (158 men and 34 women).
- 4. The SDF supports skills development for six priority economic sectors through four different schemes, including upskilling and reskilling the current workforce and pre-employment training for the future workforce.** The priority sectors are manufacturing, electronics, digital, construction, tourism/hospitality, and automotive. The four schemes cover large firms, SME employees, training-of-trainers, and SME owners/management.⁴⁸ To balance encouraging applications and managing risks, the SDF has been agile in revising its selection criteria depending on firm size. Requirements for large firms are generally more stringent than for smaller firms. For example, the SDF requires a graduation rate of 85 percent for large firms, compared with 70 percent for SMEs; similar distinctions are made in the areas of dropout and employment rates.⁴⁹

⁴⁵ RGC. 2023. Sub-Decree No. 97 on the Establishment of Skills Development Fund issued on May 18th, 2023.

⁴⁶ MEF. 2023. Skills Development Fund. Standard Operating Procedures Part 1 – General Policy.

⁴⁷ Most of the figures in this paragraph are based on SDF M&E data shared with World Bank staff, covering 2018 to December 31st, 2023. The figures on the number of enterprises, training providers and business associations, as well as the figures on cost sharing are from October 2023. The annual figures on the number of trainees are from the 2022 SDF Progress Report

⁴⁸ Training-of-trainer is a scheme for private enterprises and TI focused on upskilling the trainers.

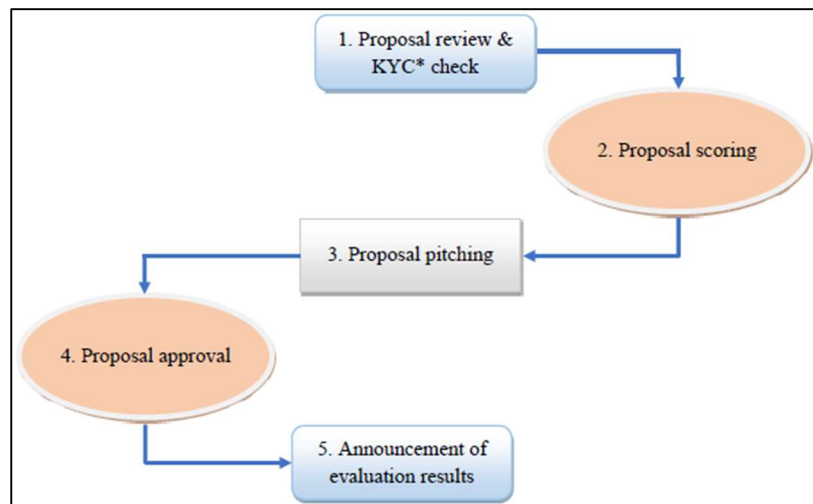
⁴⁹ SDF. 2023. Selection Criteria for Normal Program.



5. **The SDF conducts outreach to training providers, SMEs, and large firms, including in Special Economic Zones (SEZs).** In collaboration with the Council for Development of Cambodia, which oversees all SEZs, the SDF promotes its core business by organizing workshops with a number of multinational corporations operating inside the leading SEZs in Phnom Penh, Svay Rieng, and Sihanoukville. This outreach is generally followed by workshops with training providers in major provinces. The SDF also actively promotes itself through social media (Facebook, LinkedIn, Telegram), on which there are more than five million followers and viewers: higher than the SDF’s expectation.

6. **The SDF’s selection process for training proposals includes four stages: an eligibility review, in-person visits, pitching, and a review of costs.** The selection process emphasizes quality (Figure A2.1), and the pass rate for proposals is 41 percent. The process starts with reviewing and scoring written applications by a Technical Evaluation Committee comprising five SDF staff members. The scoring process begins with a review of the training proposal, with the main criteria being: (a) priority sector; (b) MOU/Partnership Agreement; (c) certificate upon graduation; (d) cost-sharing; and (e) commitment to Key Performance Indicators (KPIs) (e.g., dropout, graduation, and employment rates). For each criterion, there is a minimum expected 25 percent for cost-sharing, 60 percent for employment, and applicants receive higher scores when a proposal demonstrates better quality or a higher likelihood of achieving the KPIs.⁵⁰ If a training proposal receives at least 60 points out of 100, the applicant is invited to present (pitch) to the Technical Evaluation Committee. The pitch focuses on quality and cost, where quality is the first criterion. The cost discussion covers instructors, allowances, materials, utilities, and other costs. The SDF can provide student allowances of up to US\$50 per trainee per month. The SDF expects the applicant to cover the additional amount when proposals include higher allowances. A final decision on the application is made by the Approval Committee, which comprises the SDF’s CEO, Deputy CEO, and Finance Department Head.

Figure A2.1. SDF Training Proposal Evaluation Process⁵¹



Note: KYC=Know Your Customer.

7. **After a positive selection decision come contract signing, implementation, disbursement, and monitoring and evaluation.**⁵² KPIs for the training providers are dropout rates, employment outcomes of graduates, and employer satisfaction, monitored through attendance lists, self-reports, and spot checks, and tracer studies. The SDF has a tracking

⁵⁰ While there are expected minima, they are not binding: A proposal that does not meet an expected minimum on a criterion could still be considered if it is in a critical sector or is strong on other criteria.

⁵¹ Source: MEF. 2023. Skills Development Fund Standard Operating Procedures Part II – Core Programs.

⁵² MEF. 2023. Skills Development Standard Operating Procedures. Part II – Core Programs.



system for monitoring from the signing of training proposals to final disbursements, flagging projects at risk of not being on track in terms of disbursement. Spot checks are prioritized for training providers that are not disbursing. Training providers report dropout rates monthly by submitting attendance lists. Employer satisfaction is reported by employers (in a sealed envelope) and has been compiled in 2019 and 2020 (for training in 2018 and 2019, respectively). Since then, employers have reported individually on their satisfaction with graduates, but no report has yet been compiled. Due to procurement challenges, only one graduate tracer study has been conducted, and another will be commissioned in the first quarter of 2024.⁵³

Complementarity to Asian Development Bank (ADB)-financed interventions and ring-fencing of IDA funding

8. **The project activities will complement those of the ADB in terms of TA and investments and the targeted economic sectors.** Throughout project implementation, the World Bank and ADB will liaise closely to continue to ensure complementarity and alignment of activities.

9. **The World Bank TA will focus on supporting sector associations and improving operational dimensions of the SDF.** This complements the ADB's focus on policy dimensions. The exact and planned TA activities of ADB and World Bank will be reviewed once a year by the SDF management to ensure that complementarity continues. The World Bank's focus on operational dimensions will relate to the selection, payment schedule, contracting modalities, monitoring. Improvements will be outlined in the SDF Manual, and the training financing under the project can serve to test different modalities before streamlining them in the SDF SOPs. On the other hand, TA under the ADB SFE will focus on more high-level dimensions of policy, such as aligning the SDF strategy and guidelines with regulations for newly established government agencies and will not get into as detailed operational processes as the World Bank TA. Every year, as the specific training and capacity-building activities are defined, the SDF management, PIU, and World Bank team will review the complementarity of the activities financed by IDA and the ADB.

10. **The SFE will finance SDF training under its Sub-output 3b with US\$13 million over six years.** An estimated US\$7 million will be used to expand demand-based training programs financed by the SDF to provide training to at least 7,000 individuals. Project interventions will have an "increased focus on SMEs; increasing women's participation, responding to skill needs for green industry and jobs, 4IR (Industrial Revolution 4.0) technologies and processes, and digitization; lean and 5S principles; regionalization of training; and middle-level management and entrepreneurial skills".⁵⁴ The remaining US\$6 million will serve as a contingency fund for the automotive and electronics sectors. It will only be used once IDA resources have been exhausted. The SDF does not have KPIs attached to these sectors in the SFE.

11. **The SDF's capacity is expected to be sufficiently high to produce the combined number of graduates as envisaged in the result frameworks of both the World Bank and ADB projects and to absorb the financing allocated by both projects.** The combined number of expected graduates is 9,500 over five years. Considering that the SDF has trained 15,787 individuals between 2018 and end September 2023, this target is considered manageable. Considering that the SDF assumes an average training cost of US\$1,000 per beneficiary, there is absorptive capacity in the SDF for the total available financing by IDA and the SFE.⁵⁵

⁵³ A new tracer study was conducted in December 2023 to cover training conducted in 2019, and 2021–2023 for training funded by the RGC.

⁵⁴ ADB. 2023. Kingdom of Cambodia: Skills for Future Economy Sector Development Program (Subprogram 1). Project Administration Manual.

⁵⁵ The estimated unit cost anticipates higher cost of training in automotives and manufacturing than in the current sectors covered by the SDF. The average unit cost so far has been US\$356, which is low and due to large numbers of short-term training during COVID-19. The unit cost also varies considerably by type of training and by sector, and it is about twice as high in electronics as the average, at US\$787. Assuming an average cost of US\$700 per trainee, the SDF would spend US\$1.7 million to train 2,500 individuals. The extra amount if the unit cost does turn out to be lower than US\$1,000 could be used to train more individuals or for more IT investments or TA. The project will carefully review unit costs in the initial proposals received for IDA funding.



12. **Ring-fencing IDA resources to the SDF and ensuring separation from other funding.** The FM arrangements and accountability measures for Component 3 include a separate Program Implementation Unit with separate Financial Management Information System and record management. The financial transactions under IDA will be coded using a chart of accounts to be designated for Component 3, including separate financial information and reporting to be submitted to the World Bank. There will be separate financial arrangements for the IDA-funded project, including the Annual Workplan Budget to be approved by the MEF and the World Bank, accounting records, chart of accounts, as well as reporting and auditing arrangements acceptable to the World Bank. Finally, there is a clear separation of training financed by the SFE and training financed by IDA, given that the World Bank funding is channeled as a priority for the automotive and the electronics sector. IDA's training funds (US\$2.5 million) will be prioritized and used until exhausted.