

PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA6875

Project Name	Stepping Up Skills Project (P146474)
Region	AFRICA
Country	Guinea
Sector(s)	Tertiary education (50%), Vocational training (50%)
Theme(s)	Administrative and civil service reform (20%), Education for the knowledge economy (80%)
Lending Instrument	Investment Project Financing
Project ID	P146474
Borrower(s)	Ministry of Economy and Finance
Implementing Agency	Ministry of Higher Education, Ministry of TVET, Ministry of Youth and Youth Employment
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	12-Aug-2014
Date PID Approved/Disclosed	13-Aug-2014
Estimated Date of Appraisal Completion	30-Jun-2014
Estimated Date of Board Approval	30-Sep-2014
Decision	

I. Project Context

Country Context

The Guinea Stepping Up Skills project (US\$20 million) will contribute to building the robust human capital necessary to effectively utilize Guinea's rich natural resources to promote higher, stable, and sustainable economic growth. The project will boost relevant skills by: a) fostering dynamism in training institutions through a competitive innovation fund awarding grants for the development of short-term professional training programs; b) Creating rewarding employment opportunities for unemployed graduates through private sector-oriented education-to-employment (E2E) program, in close collaboration with industry; and c) Improving governance and management in accordance with ongoing reforms which aim to increase the autonomy of training institutions, development of a comprehensive strategy for TVET at lower levels and building strong and relevant partnerships. The project will take advantage of the Bank's unique position in Guinea. Currently, the Bank is the only institution active in the tertiary education sub-sector, having engaged in the dialogue on tertiary education development and system reforms over the past year. At the same time, the Bank is well positioned because of its international expertise, recent labor market/employer survey on Guinea, and ongoing project to develop micro, small, and medium enterprises (MSME) to support the development of an integrated demand-driven TVET system

across education levels. If implemented properly, the project will:• Improve the quality of skills training and its relevance to labor market needs;• Increase employment rate of educated graduates;• Improve the governance and management of tertiary education with some support for strategy development of professional training at lower levels; and• Lay the foundation for a culture of demand-driven financing of skills training. The project also builds on previous World Bank financed operations at both basic and tertiary education levels which have also allowed the client to strengthen its capacity in implementing WB projects. In the area of tertiary education, three ambitious reforms were introduced over the past ten years: i) the setting up of higher education institutions into public entities, ii) the expansion and diversification of tertiary education institutions and iii) the progressive introduction of the Licence Master Doctorat (LMD). From the previous project (PADES), some gains have been sustained including: (a) improved capacity for the development of institutional plans; (b) increased access to higher education including through the provision of private education, Ministry and institutional staff trained in management and administration, and fiduciary personnel trained in accounting, budgeting, and computer skills. Guinea remains a very poor country with an annual GDP per capita of about US\$500 in 2012. Due to political instability and long periods of weak governance, Guinea has not followed the development path of its neighbors during the last decade. On the contrary, Guinea has sunk even further into poverty. The proportion of the population living on less than a dollar a day increased from 49 in 2002 to 55 percent in 2012. Recent economic performance has been much lower than expected. Over the past five years, growth was 5 points below the average for Sub-Saharan Africa (SSA). The 2008 presidential coup d'état was followed by a recession (-0.3%) that negatively impacted the Guinean economy. In 2012, economic growth reached 4.7 percent, with strong performance in agricultural growth approaching 5.5 percent. This growth has continued and is expected to reach 6 to 7 percent in 2015. These forecasts are subject to continuous engagement in reforms and pursuit of the democratic agenda. Indeed, Guinea is still far from fulfilling the conditions necessary to attract investment and promote business creation, as highlighted in the 2013 World Bank report, "Ease of Doing Business", in which Guinea was ranked 178th of 185 countries. Guinea is endowed with exceptional mineral resources. Its potential reserves of bauxite are by far the largest in the world (estimated at 40 million tons) and large deposits of iron, gold, and diamonds are spread across the country. The exploitation of these mines is not yet industrialized and the Government has no immediate alternative but to grant concessions to foreign groups. These agreements feed into the Government's budget, contributing to large revenues that compensate for the difficulties the authorities have in levying taxes. The revenues generated from the mining sector should facilitate infrastructure construction and further deepen the institutional reforms underway. The Guinean economy is largely composed of mining activities and rural agriculture. The largest portion of the country's export is aluminum ore (61 percent) with another 11 percent are artificial corundum (used in the production of abrasives, and as insulators) made from bauxite. Thanks to its large mining sector, the industry's value-added in Guinea is 44 percent of GDP, compared to about 30 percent in the region, and 24 percent across all low-income countries. However, the size of the manufacturing sector, which is not diversified, has a very low value-added at about 7 percent of the economy, compared to 11 percent in SSA. Outside of Conakry, the economy is largely informal, with the majority of the population living from subsistence agriculture. Accordingly, agriculture in Guinea accounts for 80 percent of employment and contributes to 22 percent of GDP—much higher than the regional average of 12 percent. Services contribute to about 33 percent—much lower than the regional average of 57 percent. Guinea is seeking to introduce transparency and good governance in mining sector: it is a Candidate Country since September 2007 to the Extractive Industry Transparency Initiative (EITI). However, the Government needs to facilitate the

emergence of an industry transformation of these minerals, and ensure that Guineans become gainfully employed rather than requiring access to a qualified workforce from foreign countries.

Sectoral and institutional Context

The Government approached the Bank in 2012 for assistance in rebuilding and shaping tertiary education. Reforms are fundamental, and Guineans urgently need to develop the right skills for the needs of emerging and export-oriented sectors such as agriculture, tourism, mining, and telecommunications/Information and Communications Technology (ICT). In its tertiary education strategy (June 2013, politiques et stratégies de développement de l'enseignement supérieur et de la recherche scientifique) for 2013—2020, the Government highlights the importance of human capital development for Guinea to realize its potential. Greater human capital translates into a more inclusive society and more productive workforce, which in turn contribute to increasing competitiveness, diversification, and growth. The tertiary education strategy addresses skills needs for growth and competitiveness, focusing on supply and demand issues, training of staff and students, governance, and program diversification to meet labor market needs. The Bank is currently the only partner in Guinea engaged in policy and technical dialogue in tertiary education and is keen to support skills development at higher levels. This opportunity is not to be missed and critical foundations for reforms should be tackled immediately. At the Government's request, the Bank re-engaged in policy dialogue with Government in 2012 and mobilized resources for targeted technical assistance (TA) in tertiary education. This has allowed both parties to lay the preparatory work for this project. A new focus and political will has been emerging in Guinea, and in the sub-region more broadly, to tackle systemic tertiary education reforms to close the vast skills gaps in science and technology, math, and engineering. There is a general understanding that the exploitation of mineral resources can only be achieved by training a quality workforce equipped to contribute to the growth of firms. Employers value trained candidates. As per the Employer Survey, businesses in construction, mining, and agriculture recommended focusing on skills training courses. More than 90 percent of cooperatives suggested greater investment at the university level and in skills training at the higher levels. Though only 14 percent currently provide skills training, 60 percent would like to. To reduce skills gaps, employees undertake training (70 percent of government workers, 40 percent of construction workers, and 30 percent of workers in manufacturing and commerce) of substantial duration (the average duration of training is 18 months, with little variation across sectors), generally funded by the employers, but occasionally by employees. Guinea's tertiary and technical and vocational education and training (TVET) students are few to respond to those needs. The opportunities available to students, concentrated in the civil service, education, and health services, are no longer enough. Enrollment at tertiary levels has increased tenfold in 10 years, reaching more than 100,000 students in 2011. Nevertheless, at the national level, the gross enrollment ratio (GER) in tertiary education stands at 4 percent, far below the world average of 25 percent and below the needs of the labor market. In TVET, the entire student population is composed of 43,000 students. Students' selected areas of study have changed considerably over the years. While the proportion of students enrolled in humanities subjects has increased from 15 to 23 percent, students enrolled in science subjects decreased from 31 in 2006 to 13 percent in 2011. The private sector accounts for 25 percent of students, with most in IT sciences (Science informatique) or law, and only 10 percent in science. Guinea suffers from a serious lack of faculty renewal. Less than 10 percent of faculty hold a doctorate, and 15 percent hold a master's degree. In TVET, the private participation rate is lower, and showed minimal growth from 2006 – 2011. The entire TVET student population is composed of 43,000 students of which about 35,000 are enrolled in public TVET institutions. This low access rate can be attributed to the low absorption capacity of the different training institutions. To further highlight the considerable

challenges Guinea faces in developing an intellectual and highly qualified workforce, the recent household survey (ELEP, 2012) shows the tertiary education graduate unemployment rate (between the ages of 25 and 35) is approaching 30 percent. This means that the most educated population participates only marginally in the development of the private sector, and even less in activities with strong growth potential. Several challenges on the demand and supply side contribute to the lack or under-employment of tertiary and secondary graduates: (a) lack of skills aligned with industry requirements (skills mis-match), (b) private sector has low productivity. Business climate for firms and access to finance is weak, which constrains demand for labor; and a (c) lack of robust labor market intermediaries (LMIs) that can reduce information asymmetry and match supply with demand. The sections below elaborate on these challenges.

Supply Side Secondary and tertiary education is not producing the skilled stock that is required by the labor market. Tertiary training is not oriented toward technical trades. The bulk of courses lead to careers in finance and administration whilst the production of technical and scientific manpower is extremely limited. Similar issues are being faced by lower levels of education. Secondary education is excessively geared toward humanities. Recent Bac results show that out of approximately 30,000 high schools graduates, only 3,190 students passed science and 6,146 mathematics subjects.

Demand Side Businesses and entrepreneurs face a harsh business climate. The environment for conducting business in Guinea is comparatively much difficult compared to neighboring countries (figure below). Guinea ranked 178 out of a total of 185 countries in doing business ranking (2013). This slows down growth in private sector, and hence demand for skills. Private enterprise is largely informal. Other than large-scale companies operating in the mining sector, the economy is dominated by informal economic operators. Development of small and medium-sized companies is important for employment creation, since the few hundred jobs created by a small number of large firms had a negligible impact on youth unemployment. The bias toward informal employment is growing over time. Among the working population, 67.1 percent were independent workers in 2007 compared to 53.3 percent in 2002 (PRSP annual progress report, 2012).

The employer survey shows a widely used method to provide information about the needs and expectations of employers regarding the skills and characteristics of their employees. Employers were asked to rate the importance of different types of skills: basic, technical/cognitive, and non-cognitive/social. The skills were analyzed beyond the scope of the knowledge acquired during schooling. Special skills tend to be associated primarily with certain occupational categories. This is obviously the case for computer skills for IT, but also knowledge of calculation for accounting, writing for public administration, and secretarial and communication skills for sales and services. Analytical and theoretical knowledge are important in all categories, especially for business management and engineering. In all fields, employers value a set of so-called non-cognitive skills: teamwork and autonomous organization, conflict resolution, etc. Employers attach a great deal of importance to experience and practical knowledge. While tertiary education is always preferred to lower levels of training, never more than 20% of enterprises consider it very important. In contrast, between 30 and 50 percent of enterprises consider experience and practical knowledge as very important, a symptom of the low confidence they hold in initial or theoretical training. This is particularly striking in occupations where theoretical knowledge is paramount and where tertiary education has an important role to play, such as financial management or engineering.

Supply-Demand Intermediation Information asymmetry and lack of robust labor market intermediaries (LMIs): Linkage between Supply and Demand is weak due to lack of robust LMIs. For instance, career placement services for graduates or a well-functioning labor market information system (LMIS) can reduce cost of search and forge connections between job seekers and job providers. Growth outlook for sectors Nevertheless, select sectors are exhibiting positive growth outlook due either to resource endowment or changes in market regulations (a) telecommunication and ICTs: the level of mobile

telephony access rose from 2 percent in 2005 to over 40 percent in 2010, a 38 percentage point increase in 5 years. For sector wide growth, during 2010 the Ministry of Posts, Telecommunications, and New Information Technologies (MPTNTI) finalized and validated its National Policy and Strategy Paper on the Development of Information and Communication Technologies. Skills development is one of the pillars of the ICT strategy, (b) mining: issuance of a large number of mining licenses in 2008-2010, and efforts to improve transparency and governance in the mining sector, is expected to contribute to a sustainable growth of mining industry in four mineral segments: iron ore, bauxite, gold, and diamond. In total, more than 900 mining titles and permits have been granted by the government (EITI, 2012). Employment opportunities exist in industrial and artisanal mining. Certain sectors, for example manufacturing, are exhibiting negative growth outlook, as per government's analysis for PRSP.

II. Proposed Development Objectives

The objective of this project is to boost the employability and employment outcomes of Guinean youth in targeted skills programs.

III. Project Description

Component Name

Fund for Skills and Employability

Comments (optional)

Component Name

Education-to-Employment Program

Comments (optional)

Component Name

Institutional Support and Regulatory Framework

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	20.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
IDA Grant			20.00
Total			20.00

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

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