Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD913

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED IDA GRANT

IN THE AMOUNT OF SDR13.1 MILLION
(US$20.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GUINEA

FOR A

STEPPING UP SKILLS PROJECT

September 9, 2014

Public Disclosure Authorized

EDUCATION GLOBAL PRACTICE
AFRICA REGION

CURRENCY EQUIVALENTS

(Exchange Rate Effective July 31, 2014)

Currency Unit = Guinean Francs (GNF)

GNF7,030 = US$1

US$1= SDR0.65

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (*Agence Française de Développement*)
AGUIPE	Public Employment Service Agency (*Agence Guinéenne pour la Promotion de l'Emploi*)
ASCAD	Civic Service Agency of Action for the development (*Agence du Service Civique d'Action pour le Développement*)
BPC	Business Plan Competition
BTS	Higher Technical Certificate (*Brevet Technicien Supérieur*)
CAP	Professional Certificate at the Secondary level (*Certificat d'Aptitude Professionnel*)
DAF	Division of Administrative and Financial Offices (*Division des Affaires Administratives et Financières)*
ECD	Early Child Development
E2E	Education to Employment
ECOWAS	Economic Community of West African States
EITI	Extractive Industry Transparency Initiative
ESMF	Environmental and Social Management Framework
FDI	Foreign Direct Investment
FONIJ	Fund dedicated to youth employability development *(Fonds National pour l'Insertion des Jeunes*)
GAC	Guinea Aluminum Corporation
ICT	Information and Communications Technology
IDA	International Development Association
IDB	Islamic Development Bank
IFC	International Finance Corporation
IT	Information Technology
GAC	Guinea Aluminum Corporation
GDP	Gross Domestic Product
GIZ	German Agency for International Development (*Gesellschaft fur Internationale Zusammenarbeit)*

GPE	Global Partnership for Education
M&E	Monitoring and Evaluation
METFP-ET	Ministry of Technical and Vocational Training (*Ministère de l'Enseignement Technique, de la Formation Professionnelle, de l'Emploi et du Travail*)
MESRS	Ministry of Higher Education and Scientific Research (*Ministère de l'Enseignement Supérieur et de la Recherche Scientifique)*
MIPME	Ministry of Industry and Small and Medium Enterprises (*Ministère de l'Industrie, des Petites et Moyennes Entreprises)*
MJEJ	Ministry of Youth and Youth Employment (*Ministère de la Jeunesse et de l'Emploi Jeune)*
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
ONFPP	Office for training and upgrading of programs *(Office National de Formation et de Perfectionnement Professionnels*)
PADES	Project for the Development of Higher Education (*Programme d'Appui au Développement de l'Enseignement Supérieur)*
PDO	Project Development Objective
PES	Public Employment Service
PRSP	Poverty Reduction Strategy Paper
PPP	Public Private Partnership
RF	Results Framework
SME	Small and Medium Enterprise
SSA	Sub-Saharan Africa
SC	Support Centers
SWOT	Strengths, Weaknesses, Opportunities and Threats (Analysis)
TA	Technical Assistance
TOR	Terms of Reference
TPV	Third Party Verification
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
VLSA	Village Loans and Savings Association
WAPES	World Association of Public Employment Service

Regional Vice President:	Makhtar Diop
Country Director:	Ousmane Diagana
Senior Global Practice Director:	Claudia Costin
Practice Manager:	Peter Materu
Task Team Leader:	Nathalie Lahire

GUINEA

STEPPING UP SKILLS PROJECT

TABLE OF CONTENTS

Page

PAD DATA SHEET

Guinea

Stepping Up Skills Project (P146474)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009057

Report No.: PAD913

Basic Information			
Project ID P146474	EA Category B - Partial Assessment	Team Leader Nathalie Lahire	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ] Financial Intermediaries [ ] Series of Projects [ ]		
Project Implementation Start Date 30-Sep-2014	Project Implementation End Date 30-Dec-2020		
Expected Effectiveness Date 30-Dec-2014	Expected Closing Date 30-Dec-2020		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Peter Nicolas Materu	Claudia Maria Costin	Ousmane Diagana	Makhtar Diop

Borrower: Ministry of Economy and Finance			
Responsible Agency: Ministry of Higher Education			
Contact:	Bailo Teliwel Diallo	Title:	Minister
Telephone No.:	224622696363	Email:	billybailo@yahoo.fr
Responsible Agency: Ministry of TVET			
Contact:	Albert Camara Damantang	Title:	Minister
Telephone No.:	224628205858	Email:	damantang.camara@meetfp.net
Responsible Agency: Ministry of Youth and Youth Employment			
Contact:	Moustapha Naite	Title:	Minister
Telephone No.:	224644970000	Email:	mnaite@jeunesse.gov.gn

Project Financing Data(in USD Million)					
[ ]	Loan	[X]	IDA Grant	[ ]	Guarantee
[ ]	Credit	[ ]	Grant	[ ]	Other

Total Project Cost:	20.00	Total Bank Financing:	20.00
Financing Gap:	0.00		

Financing Source	**Amount**
BORROWER/RECIPIENT	0.00
IDA Grant	20.00
Total	20.00

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019	2020	2021
Annual	1.00	3.00	3.00	4.00	4.00	3.00	2.00
Cumulative	1.00	4.00	7.00	11.00	15.00	18.00	20.00

Proposed Development Objective(s)

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

Components

Component Name	**Cost (USD Millions)**
Fund for Skills and Employability	13.00
Education-to-Employment Program	4.00
Institutional Support and Regulatory Framework	3.00

Institutional Data

Practice Area / Cross Cutting Solution Area

Education

Cross Cutting Areas

[ ] Climate Change
[ ] Fragile, Conflict & Violence
[ ] Gender
[X] Jobs
[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %

Education	Tertiary education	50		
Education	Vocational training	50		
Total		100		

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

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Public sector governance	Administrative and civil service reform	20
Human development	Education for the knowledge economy	80
Total		100

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

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

Legal Covenants

Name	**Recurrent**	**Due Date**	**Frequency**
Competitive Fund Board	**X**		CONTINUOUS

Description of Covenant

The Recipient shall establish and, at all times during project implementation, maintain a Board to oversee activities under Part 1 of the Project, which shall validate selected sub-projects and monitor their results and impacts (Competitive Fund Board).

Name	**Recurrent**	**Due Date**	**Frequency**
Task force	**X**		CONTINUOUS

Description of Covenant

The Recipient shall establish and, at all times during project implementation, maintain a task force responsible for satisfactory execution and monitoring of planned activities under Part 3 of the project.

Name	**Recurrent**	**Due Date**	**Frequency**
External auditor		29-May-2015	

Description of Covenant

The Recipient shall recruit (a) not later than five months after the Effective Date, the external auditor referred to in Section 4.09 (b) of the General conditions in accordance with section III of schedule 2 of the financing agreement and pursuant to terms of reference satisfactory to the Association.

Name	**Recurrent**	**Due Date**	**Frequency**
Internal auditor		30-Mar-2015	

Description of Covenant

The Recipient shall recruit not later than three months after the Effective Date, an internal auditor, whose qualifications and experience and terms of reference shall be acceptable to the Association.

Name	**Recurrent**	**Due Date**	**Frequency**
Strategic Orientation Committee	**X**		CONTINUOUS

Description of Covenant

The Recipient shall, at all times during Project implementation, maintain a Strategic Orientation Committee to provide overall guidance for Project implementation.

Name	**Recurrent**	**Due Date**	**Frequency**
Executive Secretariat	**X**		CONTINUOUS

Description of Covenant

The Recipient shall establish, and at all times during Project implementation, maintain an autonomous Executive Secretariat responsible for overall management of the Project (Executive Secretariat).

Name	**Recurrent**	**Due Date**	**Frequency**
Accounting Software		31-Mar-2015	

Description of Covenant

A computerized accounting software will be purchased and used for recording and reporting purposes.

Name	**Recurrent**	**Due Date**	**Frequency**
Safeguards	**X**		CONTINUOUS

Description of Covenant

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the

Environmental and Social Management Framework (ESMF) in a manner satisfactory to the Association.

Conditions

Source Of Fund	Name	Type
IDAT	Project Manual	Effectiveness
Description of Condition		
The Recipient has adopted the Project Manual.		
Source Of Fund	**Name**	**Type**
IDAT	Executive Secretariat: Appointment of Personnel	Effectiveness
Description of Condition		
The Recipient has established the Executive Secretariat.		
Source Of Fund	**Name**	**Type**
IDAT	Competitive Fund Technical Secretariat	Effectiveness
Description of Condition		
The Recipient has established the Competitive Fund and the Competitive Fund Technical Secretariat.		
Source Of Fund	**Name**	**Type**
IDAT	Disbursement of Performance-based vouchers (PBV)	Disbursement
Description of Condition		
No disbursement will be made under Category 3 (Performance-based vouchers) unless a PBV has been verified and found to comply with the criteria stipulated in the PBV agreement.		

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Janet Omobolanle Adebo	Program Assistant	Assistant	GEDDR
Rita Kullberg Almeida	Senior Economist	Peer reviewer	GEDDR
Karine Angles	Consultant	HR Management	GEDDR
Alpha Mamoudou Bah	Senior Procurement Specialist	Procurement	GGODR
Najla Bouden Romdhane	Consultant	Competitive Fund	GEDDR
Francisco Moraes Leitao Campos	Economist	Private Sector and Peer reviewer	GTCDR
Upulee Iresha Dasanayake	Consultant	Safeguards	AFCF1
Angela Demas	Senior Education Specialist	Peer reviewer	GEDDR
Emanuela Di Gropello	Program Leader	Education	AFCW3
Faly Diallo	Financial Officer	Finance	CTRLA

Safiatou Lamarana Diallo	E T Consultant	Operations	AFMGN
Thierno Hamidou Diallo	Disbursement Asst.	Disbursement	AFMGN
Assane Dieng	Consultant	Economics	AFTEW
Lucy M. Fye	Senior Private Sector Development Specialist	Peer reviewer Peer reviewer	GTCDR
Anna Victoria Gyllerup	Senior Operations Officer	Monitoring and Evaluation	MNADE
Thierno Habib Hann	Operations Officer	Private Sector	GTCDR
Johannes Herderschee	Senior Economist	Macroeconomics	GMFDR
Katia Marina Herrera Sosa	Education Economist	Peer reviewer	GEDDR
Jacques L'Ecuyer	Consultant	Governance	GEDDR
Nathalie Lahire	Senior Education Economist	Team Leader	GEDDR
Tobias Linden	Lead Education Specialist	Peer reviewer	GEDDR
Jean Michel Noel Marchat	Lead Private Sector Development Specialist	Peer reviewer	GTCDR
Laura S. McDonald	E T Consultant	Operations	GEDDR
Siobhan McInerney-Lankford	Senior Counsel	Legal	LEGAM
Claire Valerie Morel	Consultant	Economic Analyst	GEDDR
Soren Nellemann	Country Sector Coordinator	Peer reviewer	GEDDR
Celestin Adjalou Niamien	Sr Financial Management Specialist	Financial Management	GGODR
Tshela Rose-Claire Pakabomba	Program Assistant	Assistant	GEDDR
Youmna Sfeir		Operations	
M'bemba Toure	Receptionist	Assistant	AFMGN
Anubha Verma		Innovations	
Michel J. Welmond	Program Leader	Peer reviewer	EACVF

Locations

Country	**First Administrative Division**	**Location**	**Planned**	**Actual**	**Comments**

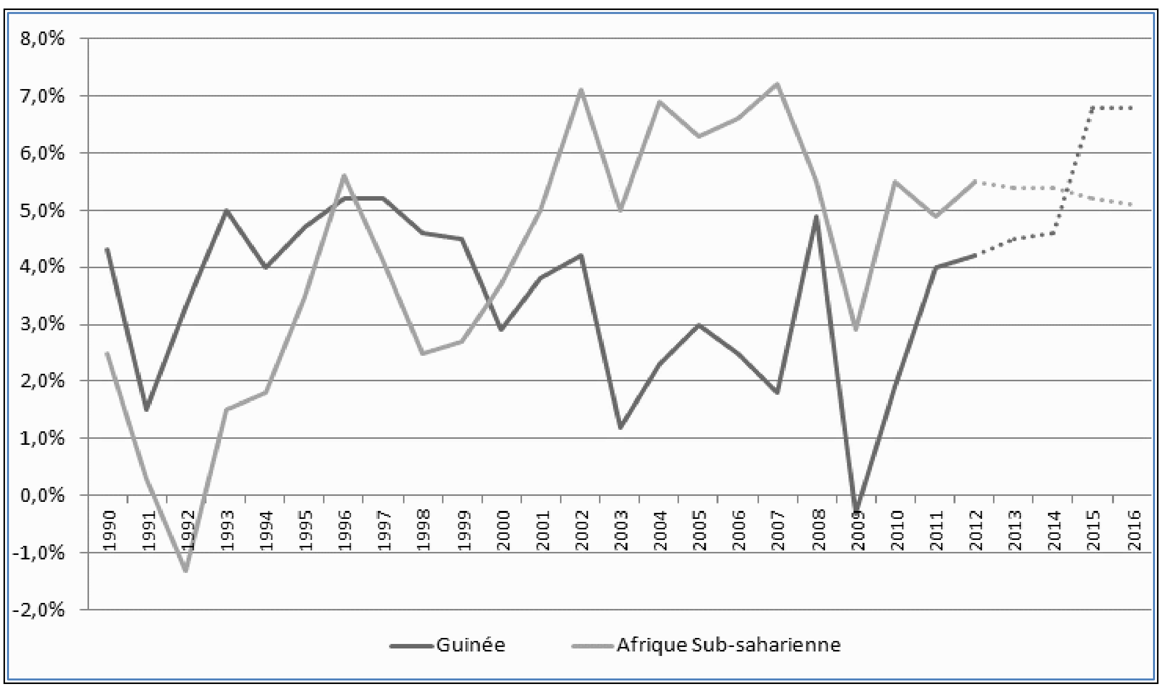
I. STRATEGIC CONTEXT

A. Country Context

1. **Guinea is endowed with exceptional natural resources including high fertile land, important freshwater and saltwater fish stocks, large deposits of bauxite, iron, gold, and diamonds**. Despite these endowments, Guinea is among the poorest countries in the world with an annual Gross Domestic Product (GDP) per capita of only about US$500 (2012). Political instability and long periods of weak governance have contributed to the proportion of the population living on less than US$1 a day increasing from 49 percent in 2002 to 55 percent in 2012.

2. **Recent economic performance has been lower than expected.** Over the past five years, growth was three percentage points below the average for Sub-Saharan Africa (SSA). The 2008 presidential *coup d'état* was followed by a recession (-0.3 percent). As highlighted in the 2014 World Bank report, "Ease of Doing Business", in which Guinea was ranked 175 out of 185 countries, the conditions necessary to attract investment and promote business creation have not yet been met. In 2012, the real GDP growth rate reached 3.8 percent, with strong performance in agriculture. The GDP growth rate was expected to reach five to six percent in 2015; however, for 2014, the real GDP growth rate was revised downward to 2.4 percent in the aftermath of the Ebola outbreak, delays in mining investment and contractions in agriculture and services.

Figure 1: Economic Growth in Guinea



Source: IMF reports

3. **Recently, Guinea has been facing a deadly Ebola virus disease outbreak since mid-February 2014 with serious implications in the country and at the Sub-regional level**. Several airline companies have suspended travel to Guinea and many expatriates working for local companies have moved to different locations until further notice. From an economic standpoint, the country's progressive isolation will likely result in a loss of revenues during the upcoming months, as well as a potential increase in the inflation rate due to rising commodity prices. The partial containment of the outbreak in the southeast due to the vigilance of authorities and Doctors without Borders has helped to prevent further spread of the disease.

4. **Mining activities and rural agriculture are the mainstays of the country's economy, with manufacturing making only a small contribution.** Exports include aluminum ore (61 percent) and artificial corundum (used in the production of abrasives, and as insulators) made from bauxite (11 percent). As a result of its large mining sector, the value-added of Guinean industry (including construction) is about 40 percent of GDP, compared to about 30 percent in the region and 24 percent across low-income countries. However, the undiversified manufacturing sector has a low value-added at about seven percent of the economy, compared to eleven percent across SSA. Outside of Conakry, the economy is largely informal, with the majority of the population living on subsistence agriculture. Accordingly, agriculture in Guinea accounts for 80 percent of employment and contributes to about 20 percent of GDP—much higher than the regional average of 12 percent.

5. **Bright spots in the economic landscape:**

a. *As mentioned in para 1, Guinea is endowed with exceptional mineral resources*, with the largest potential reserves of bauxite in the world and large deposits of iron, gold, and diamond across the country's three mining zones. The latest projections indicate that Guinea will remain a leading producer of bauxite and alumina and become a leading producer of iron ore. Mining potential has not yet been fully harnessed. It is estimated that over the next five to seven years, more than US$20 billion – over three times the current GDP – could be invested in this belt under the right conditions.

b. *With the assistance of the International Monetary Fund* (IMF), *Guinea adopted a comprehensive Public Financial Management (PFM) Reform Strategy.* The new Government's first priority was to re-establish basic controls over public finances by enforcing compliance with existing rules and regulations as well as deep reforms of the legal and regulatory framework for public finances. The Bank supports this ongoing effort through the implementation of an Economic Governance Technical Assistance and Capacity Building Project aimed at strengthening the Government's capacity to implement and monitor reform programs in public finance and human resource management.

c. *Guinea has intensified private sector and infrastructure development* through technical and business training and access to finance for small and medium enterprises (SMEs) in partnership with the World Bank and International Finance Corporation (IFC). Railway, road, and airport development is on the rise: the North-West corridor will provide access to bauxite deposits up to the northern area of Gaoual, and the South-East corridor (Trans-Guinéen) will be developed as part of the Iron Ore Mining Project in

Simandou. Other plans include ports in Conakry and Benti, a new international airport, and a railway link to Mali.

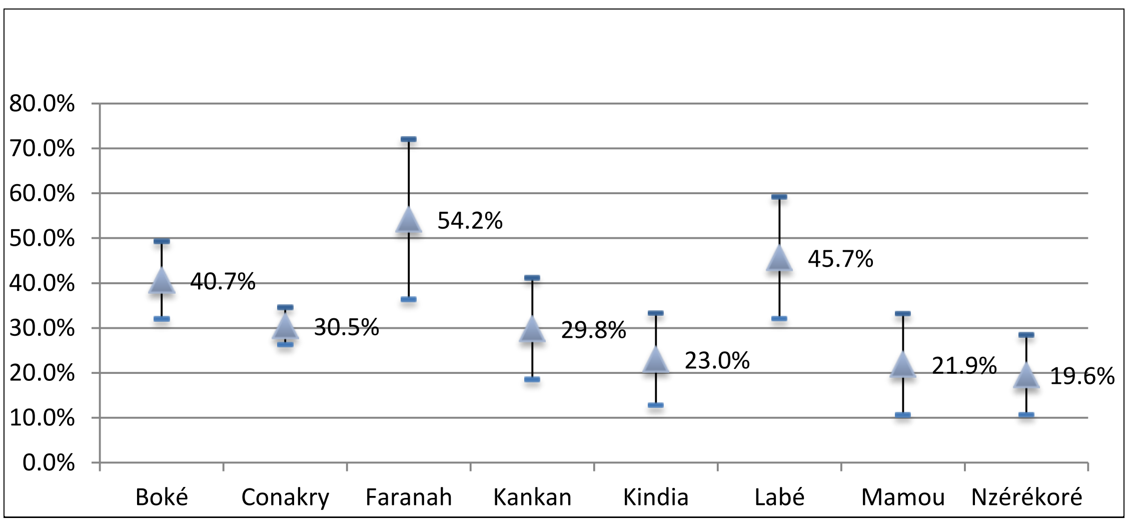
d. *Foreign Direct Investment (FDI) and transnational corporation activity* accounted for about 6 percent of GDP in 2012. However, the Government needs to facilitate the emergence of an industry transformation of these minerals, and ensure that Guineans, rather than foreigners, fill the available positions.

6. **Low levels of skills at the local level impede benefits from FDI from fully accruing**. In mining, FDI spillover in infrastructure such as ports and refineries are the norm. In Guinea, projects advance slowly due to a shortage of skilled workers, and successful projects generally required importing a majority of foreign workers.

B. Sectoral and Institutional Context

7. **Unemployment is highest among Technical Education and Professional Training (TVET) and Higher Education graduates**. A high proportion of youth neither work nor study. Unemployment varies greatly by location but even the most fortunate find work only after a lengthy job search. Only one-third of the most educated Guinean youth find jobs within six-months of graduation; more than 40 percent of TVET and higher education graduates search for employment for over a year. More than 93 percent of these graduates live in urban areas and close to 70 percent of these in Conakry.

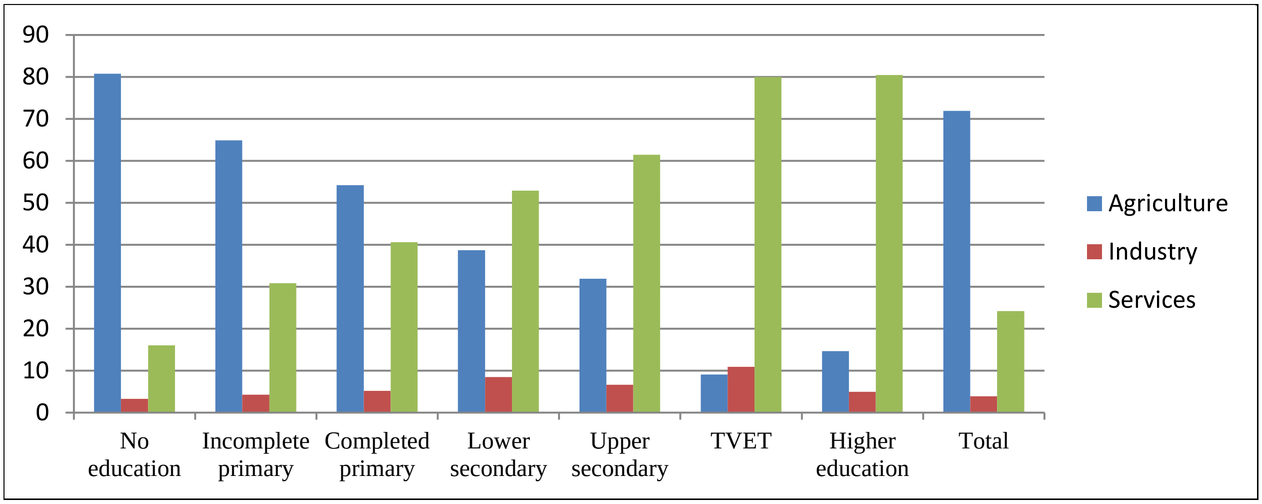
Figure 2: Proportion of tertiary /TVET educated neither working nor studying (Age 20-35, with 95% confidence interval)



Source: ELEP, 2012

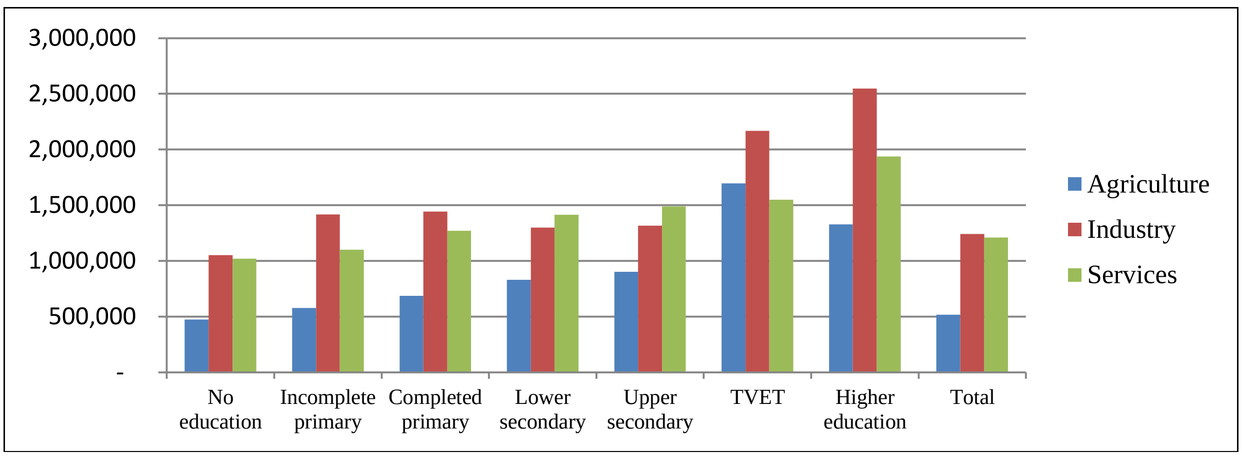
8. According to the recent household survey (*Enquête Légère pour l'Evaluation de la Pauvreté*, (ELEP), 2012), the highest proportion of non- educated youth work in the agriculture sector, whilst those with secondary and higher levels of education work predominantly in the services sector. Figure 4 suggests that higher education levels do translate into higher income especially in industrial sectors.

Figure 3: Youth educational attainment by sector of employment



Source: ELEP, 2012

Figure 4: Average monthly household income of youth by education level and sector of employment, in GNF



Source: ELEP, 2012

9. **High unemployment suggests an imperfect supply-demand relationship in the labor market and market failures at several levels.** There is a skills mismatch due to an oversupply of youth pursuing programs in the humanities and a lack of practical training opportunities generally. Information asymmetry poses additional challenges: training institutions and employers have little interaction, and youth are not aware of job openings unless they have informal connections. The following provides an overview of strengths/constraints in the labor market.

Demand Side

10. **With the exception of large-scale mining companies, the economy is dominated by informal enterprises and low productivity jobs**. The formal private sector is embryonic but growing fast in certain key sectors which have the potential to create jobs because they are labor-intensive. Both the informal and formal sectors have vast potential to improve their productivity through a more skilled labor force. ICTs, mining, hospitality, construction, and agro-business are the sectors deemed to have the greatest economic potential.

11. **The productive sector remains informal largely due to a harsh business climate. Guinea was ranked 175 of 185 countries in the *Doing Business* ranking (2014).** The economy's informality has also increased over time: 67.1 percent independent workers in 2007, compared to 53.3 percent in 2002 (Poverty Reduction and Strategy Paper (PRSP) annual progress report, 2012). The business environment is steadily improving though with Government reforms of macro-economic management and FDI regulation.

12. **At the macro level, the exact size of the private sector—in terms of total number of firms—is not known**. By estimates, there could be more than 12,000 firms including formal and informal businesses. SMEs are estimated to be a large source of employment creation. With a median value-added per worker of US$1,495, Guinea's productivity is on par with Guinea Bissau, Ghana and Mali but lags far behind that of Senegal, Botswana, and South Africa. While these comparisons do not account for differences in firm composition across sectors, they are indicative of a considerable productivity gap.

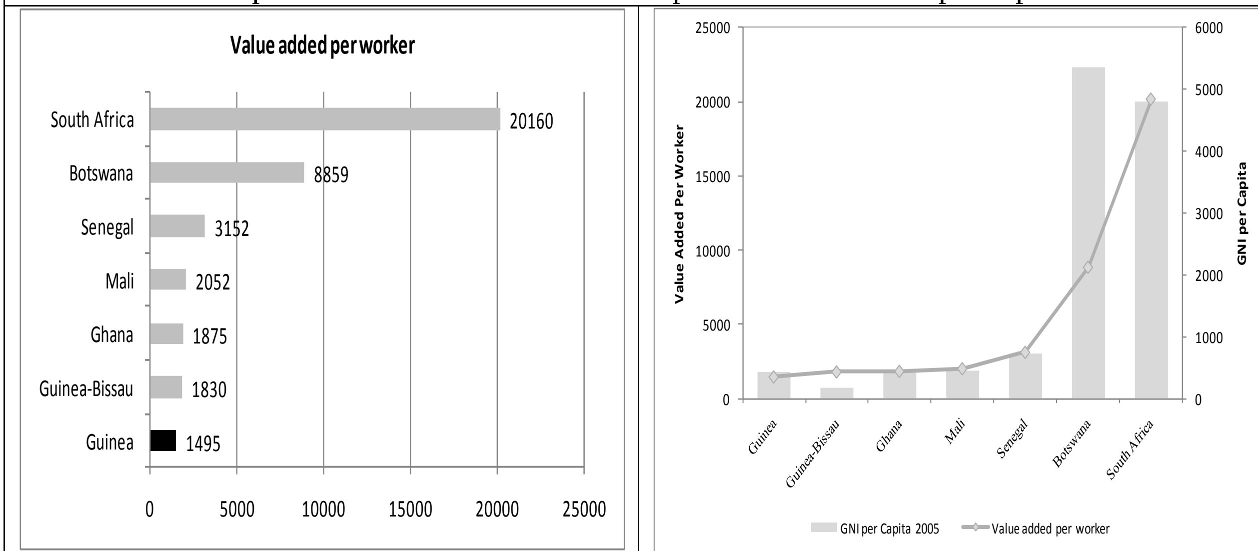
13. **A recent employer survey (ES)[1] (2012) on skills demand and competencies found that firms place a great deal of importance on experience and practical knowledge, as well as non-cognitive or personal skills** (see Annex 8 for more details). Non-cognitive skills, which are valued more highly in certain occupations, include the ability to work in a team or autonomously, problem solving, communication and organizational skills, and conflict resolution, among others.

14. **There is evidence of a skills mismatch between graduates and those demanded by employers.** The same employer survey suggests that most employees' job roles do not match their skills. One-half of government employees hold technical and professional degrees more appropriate for sectors such as construction and manufacturing. Similarly, the distribution of tasks within firms is not sensitive to employee credentials, except perhaps for workers with a post-secondary education.

[1] Employer survey with a sample of 533 formal and informal firms conducted in 2012 as part of World Bank's support in higher education.

Figure 5: Valued added per worker for the median manufacturing firm in 2005 USD

International Comparison and median value added per worker and GNI per capita[2]



Source: Enterprise Surveys and World Development Indicators. Note: Comparisons for value added only include manufacturing enterprises.[3]	Source: World Bank Enterprise Survey Guinea 2006; Note: Comparisons only include manufacturing enterprises.

Source: Investment Climate Survey, World Bank (2011)

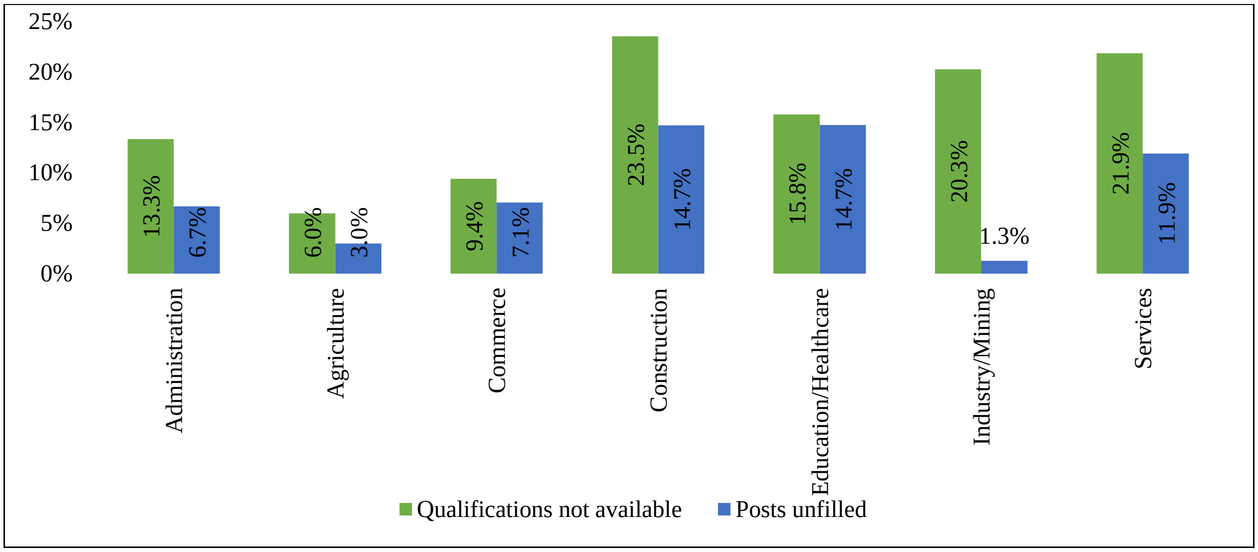
15. **The lack of local skills available is evident in positions that remain unfilled with firms seeking to hire.** The public sector is consistently able to attract skilled labor. For other sectors, agriculture aside, and regardless of the type of employment, recruitment difficulties are observed in filling management and FM positions, as well as in activities clearly linked to the heart of each sector's business. Between 20 and 30 percent of companies report having difficulty recruiting directors (or managers) or accountants. In addition, approximately 15 percent of trading companies face recruitment difficulties in sales, and a similar proportion of firms in industry and mining have problems recruiting engineers and skilled labor. Construction, which is expanding rapidly, is experiencing serious difficulties in recruiting. Across sectors, recruitment is done predominantly through informal networks.

16. **Employers are increasingly offering in-house training to reduce the skills gap**. Though only 14 percent currently provide skills training, 60 percent of employers would like to provide such training. Employees participate in 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). This training is generally funded by employers, but occasionally by employees. Costs associated with training can be a deterrent to new hiring, especially because of attrition and poaching.

[2] In Guinea and Botswana surveys were conducted in 2006, in Senegal, Mali, Nigeria, Ghana, and South Africa in 2009

[3] Local currency values were converted to USD using the average exchange rate for the year 2005 from World Development Indicators

Figure 6: Lack of Qualified Employees by Sector

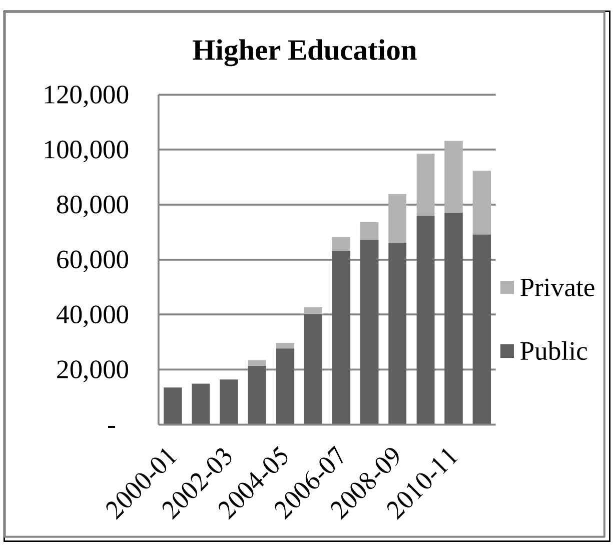


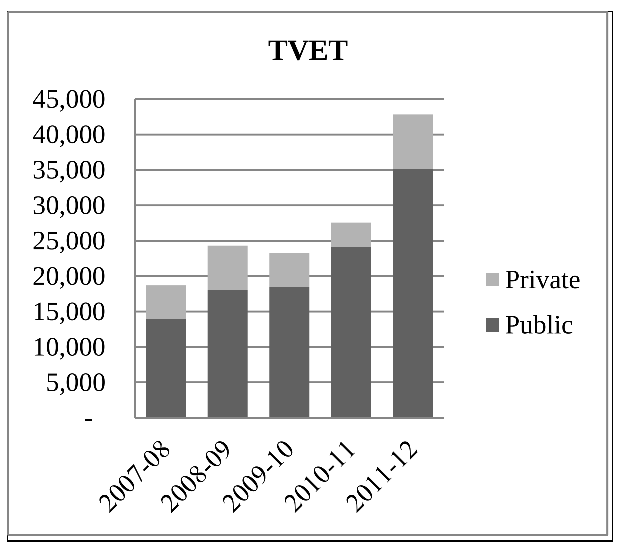
Source: Employer Survey, 2012.

<u>Supply Side</u>

17. **Total enrollment and output of graduates at the tertiary level is low compared to the regional and global averages**. Enrollment at tertiary levels has increased tenfold in ten years, but the gross enrollment rate (GER) in tertiary education stands at eight percent, far below the world average of 25 percent and below the needs of the labor market. The entire TVET student population is composed of 43,000 students, of which about 35,000 are enrolled in public TVET institutions. At the post-secondary level, a student can enroll in a TVET school leading to a BTS (*Brevet Technicien Supérieur*) or a CAP (*Certificat d'Aptitude Professionnel*) or in a higher education institution (leading to Bachelor's or Master's degrees).

Figure 7: Enrollment in higher education and Figure 8: Enrollment in TVET

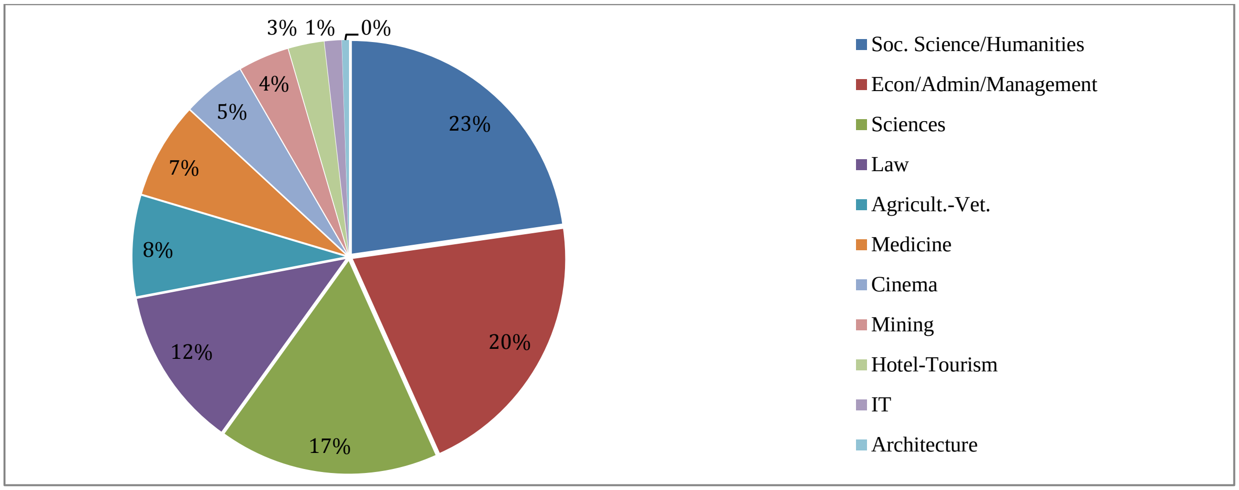




Source: *Annuaire Statistique*, 2012

18. **Quality and relevance are a source of concern for policymakers, because most qualifications are not oriented toward technical trades.** The lack of qualified faculty also poses a serious problem with only about 25 percent holding a post-graduate degree (Master's/PhD). Secondary education is largely geared towards the Humanities and TVET is still, though the trend is changing, perceived as a second class option for the most part intended for early school leavers.

Figure 9: Areas of Study in Tertiary Education, 2010-11 Academic Year



Source: *Annuaire Statistique*, 2012

19. **Moreover, the supply side is characterized by a gender divide.** In 2012, girls made up only one-fourth of students enrolled in higher education, though about 40 percent of high school students are girls.[4] Girls are more highly represented in private education (35 percent). Only 6.6 percent of all teachers are women.

[4] ELEP 2012

Figure 10: Gender divide in enrollment

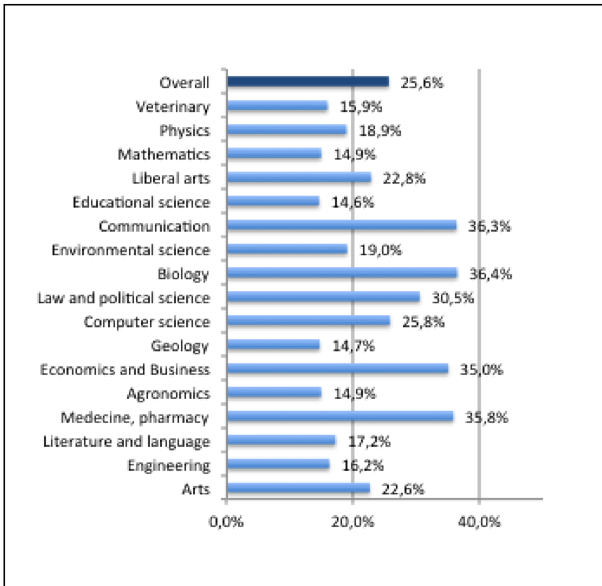
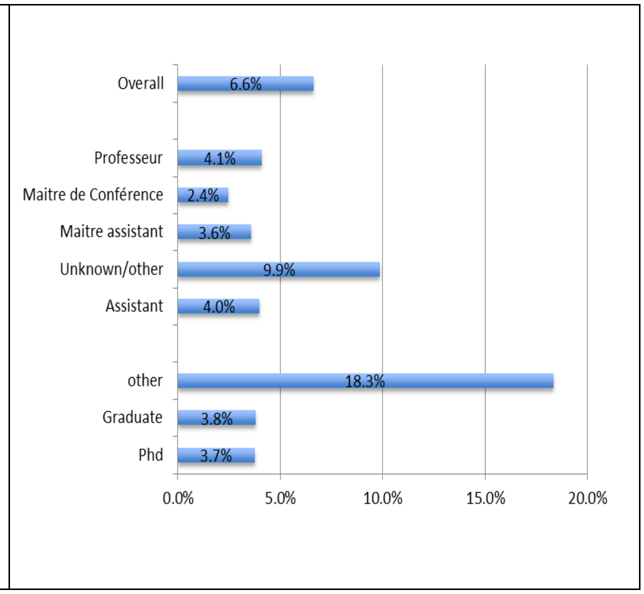


Figure 11: Gender divide in teaching faculty



Source: MESRS, 2012

Labor Market Intermediaries

20. **Labor market intermediaries are in early stages of development and need capacity strengthening,** namely (a) the public employment service agency, the *Agence Guinéenne pour la Promotion de l'Emploi* (AGUIPE); and (b) a labor-market observatory (not yet established). AGUIPE, funded primarily by the Government budget, is mandated to connect supply and demand. AGUIPE maintains a database of employers and firms and offers counseling to registered applicants and recommends training options. However, there is no formal labor market 'observatory' in Guinea, leading to a lack of systematic, reliable, and economy wide labor market data that hinders evidence-based decision making.

Job market situation

21. **The level of education has a strong impact on both employment and the choice of economic activity, especially for the most educated segments of the population**. Guineans who have never been to school are confined to traditional activities: agriculture in the countryside and commerce in the cities. Over 59 percent of people without an education are farmers compared to only 19.4 percent of those who completed high school. For those who have attended primary school, the main option of moving away from the traditional unskilled trades is working in the service sector and in construction for those who have made it to lower secondary. Finally, the sectors of administration, education and health care are accessible only to those who have completed high school with almost 40 percent of those with a tertiary or technical education working in these sectors. The mining and industry sectors are also important employers. The low share of employment opportunities provided by other sectors, including services, shows the lack of dynamism of the country's economy. This weakness is demonstrated by the unemployment rate, which increases with the level of education. The high unemployment rate among university and technical school graduates highlights the inability of the labor market to

absorb individuals with these skills either because opportunities do not exist within relevant sectors and/or universities and TVET institutions do not adequately equip students with the necessary skill set to obtain existing jobs.

Table 1: Summary of Labor Market Failures in Guinea

Market Failures	Response
1. Demand side failures 1.1 Economy is predominantly informal. Private sector faces a difficult business climate for growth, which suppresses demand for labor. 1.2 On-the-job training is expensive, and poaching externalities deter firms from investing in skills upgrade of existing workers, or entry-level training of new workers. 1.3 Small- and medium-sized firms lack knowledge on skills training options and importance of standards in training (especially global frameworks), and rely on ad-hoc training. 2. **Supply side failures** 2.1 Quality of skills: Lack of job-relevant skills or industry-recognized certifications/credentials among labor market candidates. Furthermore, educated graduates may not possess basic cognitive or non-cognitive skills. 2.2 Size of technical labor pool: Small size of graduate pool for technical trades and science and technology domains limits the number of hirable and trainable youth. 3. **Intermediation failures** Very few formal mechanisms exist for private sector and academia/training to come together on a common platform. As an intermediary agency, AGUIPE is relatively new and requires significant capacity development. At policy-making level, information and data collection function is not formalized within any ministry. As a result, coordination weaknesses exist in the following areas: 3.1 Information gap among job-seekers, employers, and training providers. 3.2 Lack of incentives to stimulate supply-demand linkages; incentive mechanisms can be fiscal or non-fiscal. **4. Job market situation** Higher qualifications do not protect this population from joblessness. This highlights the lack of opportunities in the formal high-skilled labor sector. It also reflects how poorly a university education or TVET prepare graduates for existing jobs, either in terms of relevance or quality of training.	*The Project is addressing labor market failures in all four areas (demand, supply, intermediation, and labor market).* The project addresses market failures through two interventions. (a) The Competitive Fund will stimulate demand side to create joint proposals with education and training sector; the E2E intervention will also incentivize agreements and public private partnerships (PPPs) between demand and supply side, thus bridging the gap. (b) A one-stop intermediation based intervention (‘education-to-employment,’ or ‘e2e’) will connect youth to training, job, and entrepreneurship options using AGUIPE’s services; it will also incentivize creation of demand side opportunities through fiscal instruments (i.e. voucher). *E2E primarily addresses labor market failure in the area of intermediation.* (c) *The Project will introduce 2-3 year professional programs adhering to international certification and delivered through a PPP. The joint preparation of programs will ensure a stronger adherence with the labor market needs*.

22. **The recently approved Skills Development Strategy for 2013-2020 highlights the importance of human capital development for Guinea in realizing 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 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.

23. **With the recent nomination of a new Government, each Ministry has committed to objectives for which they will be held accountable**.

- **Ministry of Higher Education and Scientific Research *(Ministère de l'Enseignement Supérieur et de la Recherche Scientifique,* MESRS).** Specific actions relate to: (i) improving governance and management of public and private institutions; (ii) ensuring the quality assurance of training programs; (iii) adapting the training content to labor market demand; (iv) developing partnerships between training institutions and the private sector; and (v) introducing a new scholarship policy.
- **Ministry of Technical and Vocational Training (*Ministère de l'Enseignement Technique, de la Formation Professionnelle, de l'Emploi et du Travail,* METFP-ET)**. Actions entail: (i) improving governance (administrative, institutional, and pedagogic) of training institutions; and (ii) promoting alignment between training institutions and labor market needs.
- **Ministry of Youth and Employment (*Ministère de la Jeunesse et de l'Emploi Jeune,* MJEJ)**. Focus will be on: (i) creation of jobs through high-intensity work; (ii) creation of enterprises; and (iii) access to microcredit.
- **Ministry of Industry and Small and Medium Entreprises (*Ministère de l'Industrie, des Petites et Moyennes Entreprises,* MIPME).** Priorities lie in: (i) strengthening public-private dialogue; (ii) providing entrepreneurship training; and (iii) enhancing the quality and competition of Guinean products.

Table 2: Current Funding instruments for employability training

ONFPP (under METFP-ET)	The ONFPP (*Office National de Formation et de Perfectionnement Professionnel*) under METFP-ET is a levy-financed training fund set up in 1986. The Fund's statutory role is skills development in firms and enterprises. Currently, about 100 firms pay annual contributions. ONFPP has three key sources of financing: tax contributions (1.5 percent payroll tax contribution), state grants, and donations and bequests. The Fund is administered by a *Conseil d'Administration* (CA) with representatives from the government (5), firms (3), and training centers (3). The business model of the ONFPP is that it does not provide training directly, but connects employees of member firms to a list of accredited training providers, underwriting the training cost. As per ONFPP, skill-sets in highest demand include (a) computer and Information Technology (IT), (b) finance and accounting, and (c) business communication (English).
FONIJ (under MJEJ)	The *Fonds National pour l'Insertion des Jeunes* (FONIJ) under the Ministry of Youth and Employment is a fund dedicated to youth employability development. The Fund was established on January 15, 2010, through a decree (A/2010/no 030/MJSPEJ/CAB/2010). The purpose of FONIJ is to implement the Strategy of MJEJ. FONIJ is an autonomous agency, and is managed by an independent Secretariat. It is financed by the parent ministry (900 million GNF) and UNDP (600 million GNF). FONIJ's portfolio currently has one active program: the *Apprentissage Dual* program.
Specialized skills initiatives supported by the government and its agencies	
Public Private Partnership (PPP) driven technical schools for mining companies (under METFP-ET)	METFP-ET is creating selected numbers of technical schools with co-investment and technical guidance from mining companies. The technical school in Boké, currently under construction, is a partnership with Rio Tinto, and the technical school in Beyla is a partnership with Bauxite Company Guinea (CBG). The Boké and Beyla technical schools are partially financed by AFD.
'First Chance' program with AGUIPE, ONFPP, and METFP-ET.	'First Chance' program was started by AGUIPE, supported by the METFP-ET and ONFPP, for embedding youth in a 6-month internship in a firm (public or private, formal or informal). It starts with a 3-day orientation. Day 1 focused on initiating the candidate to the professional world. Candidates tour a set of companies in public/private or formal/informal sector. Day 2: Candidates choose where he/she would like to do the internship. Day 3: AGUIPE validates the choice and prepares an action plan. The company does not pay a stipend or salary. The intern receives a stipend of 375,000 GNF/month from ONFPP.

Table 3: Related activities by partners

Early Childhood Development	Primary and Basic Education	Technical and Vocational training	Specialized Funds and Instruments	SME Skills	Youth Entrepreneurship
• GIZ • UNICEF	• AFD • Islamic Developm ent Bank (IDB)	• Saudi Fund • AFD • IDB	• UNDP (capitalizes FONIJ partly)	• IFC (mining sector SME linkage program, local content) • World Bank (MSME project)	• Plan Guinea (NGO) • Word Bank (Social Protection project)

a. The Global Partnership for Education (GPE) Project (US$37.8 million) under preparation will tackle reforms in basic education including quality, relevance, and access in lower secondary and out of school children. The Social Safety Net Project (US$20 million) is tackling youth employment issues for the public sector through the public works program and skills interventions.

b. The IFC is focusing on SME skills training, in the mining sector, through a "Bridging the Gap between Small Businesses and Mining Companies" program that trains SMEs to become registered suppliers to multinational mining firms. Training program consists of (a) IFC's Business Edge training; (b) individual coaching to local SMEs from IFC in financial management, marketing health and safety procedures; and (c) business plan development and access to finance training. IFC has developed a database of 700 SMEs as potential beneficiaries. The World Bank-funded MSME project (which began in 2013) aims to support the investment climate in Guinea and increased access to finance, as well as technical and management training to SMEs through Support Centers (SC)—two regional SCs are planned and one in Conakry with a focus on women business owners. SMEs targeted are those in non-mining sector, mostly in agro-business. The construction of SCs is expected to start at the end of 2014.

c. The French Development Agency (*Agence Française de Développement – AFD*) has committed Euro 11 million for primary education. The United Nations Children's Fund (UNICEF) and the German Agency for International Development (*Gesellschaft für Internationale Zusammenarbeit* – GIZ) will maintain their support for early childhood development (ECD), primary education, and girls' education. Substantial resources support youth employment and skills training. AFD is preparing a Euro 15 million TVET operation for lower level (secondary level) skills. The Saudi Fund will provide financing for the construction of new regional TVET centers dedicated also to the lower levels of skills training (below the Bac level).

d. The Islamic Development Bank (IDB) has pledged a net portfolio of US$300 million over a three-year period (2013-2016). IDB is active in primary education area, and is financing construction, extension, and rehabilitation of schools. In TVET, IDB is supporting the construction of regional TVET centers co-financed by the Saudi Fund. IDB's contribution is geared towards infrastructure, equipment, and training of trainers for the TVET centers, but it is not involved in design of curriculum or courses. IDB has created a 'Study Fund' to finance analytical studies on skills needs in Guinea.

e. Plan Guinea, an NGO, has developed the 'Pathways to Youth Economic Empowerment' initiative to train youth in the creation of micro-enterprises. Plan Guinea's approach consists of providing training to youth in seven skills modules. Trainees are automatically enrolled into 'village savings and loans association' that extends micro-credit to launch micro-enterprises in productive areas of fisheries, hair dressing, agro-business, etc. Revenue goes toward savings, spending, or re-investments.

C. Higher Level Objectives to which the Project Contributes

24. **This Project is aligned with the twin goals of the World Bank Strategy-poverty reduction and shared prosperity. Education and Skills build human capital, which directly contributes to the productivity and earnings of the population.** Promoting effective transitions from school to higher education or to productive work, education and skills programs enable the bottom 40 percent to improve their ability to boost their own earnings and benefit from economic opportunities. Research shows that each additional year of schooling raises average annual GDP growth by 0.37 percent. The proposed Guinea Stepping Up Skills Project 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.

25. **The objectives of the proposed Project are aligned with the Government Skills Development Strategy (2013-2020), particularly:** (a) Promoting relevant short-term skills programs; (b) strengthening systems and governance; and (c) improving the success rate and employability of students.

26. **The third pillar of the Guinea Country Partnership Strategy (CPS) FY2014-2017 (Report No 76230-GN) supports the development of human capital and productive skills**. In alignment with the CPS emphasis on upgrading skills to meet the demands of the economy in key sectors, the proposed Project aims to upgrade the skills of youth, including the large number of unemployed graduates, through relevant vocational/professional programs and practical work experience to meet the demand of the private sector. The objectives of improving the quality and relevance of training programs and increasing the employability of graduates by developing their skill sets for key sectors are also aligned with the broader CPS objective of stimulating growth and economic diversification.

27. **The Project is also aligned with the World Bank's Africa strategy**. The Project is very much aligned with the World Bank Strategy for Africa. Pillar 1 focuses on competitiveness and employment which the Project addresses through its interventions geared towards current students and graduates in key sectors such as agro-business, mining, ICT, and tourism. In accordance with the Strategy, the Project promotes the development of a healthy and skilled workforce, with particular attention to attracting and retaining women in the program. The third component of this Project, institutional strengthening and regulatory framework, supports the Strategy's foundation: governance and institutional capacity building.

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

28. The proposed Project Development Objective (PDO) is to boost the employability[5] and employment[6] outcomes of Guinean youth in targeted skills programs.

Project Beneficiaries

29. The Project will target three key groups of beneficiaries:

a. **Private sector and SMEs** (individual firms and federations). Private sector employers, both SMEs and larger corporations who can potentially employ a large number of youth, will benefit from the Education to Employment (E2E) component including the roll-out of competency-based certifications that will ensure ready availability of competent workers.

b. **Training institutions**. Training institutions will be able to introduce much-needed reforms for institutional capacity development (management, curriculum, faculty), as well as introduction of market-oriented training programs that will set the tone for future growth of these institutions.

c. **Individual unemployed youth**. Unemployed youth, current graduates, as well as youth 'trapped' outside of labor market due to prolonged unemployment can gain access to vouchers for continuous training or practical on-the-job experience. They will gain access to job-oriented training in technical professional domains and/or basic employability skills (cognitive, non-cognitive).

PDO Level Results Indicators

30. **Key PDO Performance Results include**:

- Targeted trained youth employed in an area relevant to training 12 months after completing the training (percentage)
- Students completing professional degrees fostering market-relevant skills developed through the competitive fund (percentage)
- Programs accredited by the new national quality assurance and evaluation agency (number)

[5] Defined as the skills, knowledge and competencies that enhance a worker's ability to secure and retain a job, progress at work and cope with change, secure another job if he/she so wishes or has been laid off and enter more easily into the labor market at different periods of the life cycle (International Labor Organization, ILO).
[6] Defined as persons above a specified age who during a specified brief period, either one week or one day, were in the following categories:
- paid employment;
- self employment. (ILO)

- Employers satisfied with trainees and placing them (percentage)
- Direct project beneficiaries (number) of which female (percentage)

III. PROJECT DESCRIPTION

A. Project Components

Component 1: Fund for Skills and Employability (Total cost including contingencies: US$13 million)

31. **The Fund will support new two- to three-year professional training programs adhering to international certifications and delivered through a PPP.** It will: (a) contribute to reforms by incentivizing and supporting innovative approaches to improve skills, employability, and employment; and (b) create opportunities to design and test new training program models with a view to improving quality and relevance. A gradual approach will be used: a pilot during the first year will provide an opportunity to develop best practices and allow for optimal contextualization. Proposals during this pilot phase will focus on a small number of priority sectors such as: (a) agriculture and agro-business; (b) mining, energy and construction; (c) environment and telecommunications; (d) hospitality and tourism; and (e) education while taking into consideration inter-disciplinary areas such as training of trainers in foreign languages, instruction methods, entrepreneurship, online courses, soft skills, etc.

32. **Eligibility of sub-proposals**: the Competitive Fund is open to trainers, groups of trainers, departments, training institutions organized in consortiums with the private sector, large enterprises, and groups of enterprises. Tripartite partnerships with tertiary/TVET institutions and the private sector will be encouraged. Public and private training institutions may submit proposals for professional programs developing key skills meeting labor market needs, with an emphasis on practical training and ensuring adequacy linked to economic sectors. Private businesses, enterprises, and SMEs may also submit a proposal for financing as long as the proposal is developed in partnership with a training institution.

33. The completed proposals will be evaluated based on predetermined, weighted criteria. For the first call for proposals, the criteria comprise the following areas: relevance and impact; quality and engagement in a partnership; methodology for the preparation and implementation; efficiency in the costing, and dissemination and sustainability of results. A grievance mechanism will also be put in place to adequately and objectively respond to cases of complaints of non-financed projects.

34. **Governance of the Fund.** The Fund will be governed by a Board composed of, among others, university and TVET professors, private sector representatives, and a representative from the Ministry of Economy and Finance (MEF). The proposals prepared by the bipartite or tripartite parties will be reviewed by a panel of external evaluators. A Technical Secretariat will be established, composed of a fund coordinator, three project team leaders, and an IT Communications Specialist. This core team will be responsible for coordinating, providing advice and support in the preparation and implementation of the projects, managing the call for proposal process, and ensuring the monitoring of the projects including the preparation of

technical reports. The Technical Secretariat will also perform the functions of the Secretariat of the Board.

35. **Prior to launching the calls for proposals, potential bidders will be offered training in project preparation and management**. Subsequent to the contract award (winning proposal) and during project implementation, both the Executive Secretariat and the Competitive Fund Technical Secretariat will be responsible for regular coaching and technical support.

36. **For sustainability and vibrancy, the Competitive Fund will also use a PPP approach that leverages external and non-donor financing to create a well-diversified capital structure and augments IDA/donor-provided funds.** The Fund will follow best-practice principles critical for long-term success and sustainability. These include: (a) *security of income*: ensuring sustainable and adequate volume of fund's income; (b) autonomy and control: securing autonomy for Fund's management and its control over budget allocations; (c) *stakeholder ownership:* fostering ownership through substantial representation of major stakeholders of labor market in the Fund's oversight body; (d) *focus:* financing activities linked to pre-specified objectives only; and (e) *instilling decision-making transparency* to ensure grants are open, consistent, competitive, and in accordance with guidelines of the Fund's manual. A legal fund structure will be prepared in conjunction with the private sector and the Government prior to project effectiveness.

Activities financed under the project:

- Technical Assistance (TA) for the set-up of the Competitive Fund and the accompanying fund guide.
- TA for the development and implementation of a communication plan: workshops, fora, development and management of website, and collaborative platform.
- TA for the preparation of sub-grant proposals.
- Personnel and operating costs for the day-to-day coordination of the management of the competitive fund (selection of proposals, evaluation, and M&E of the implementation of the sub-grants).
- Sub-grants that are selected on a competitive basis in response to the call for proposals, within the budget limit, and eligible expenditures.
- TA to assess and evaluate the effectiveness of the sub-grants as an instrument to improve the employability of graduates.

Component 2: Education-to-employment (E2E) Program (Total cost including contingencies: US$4 million)

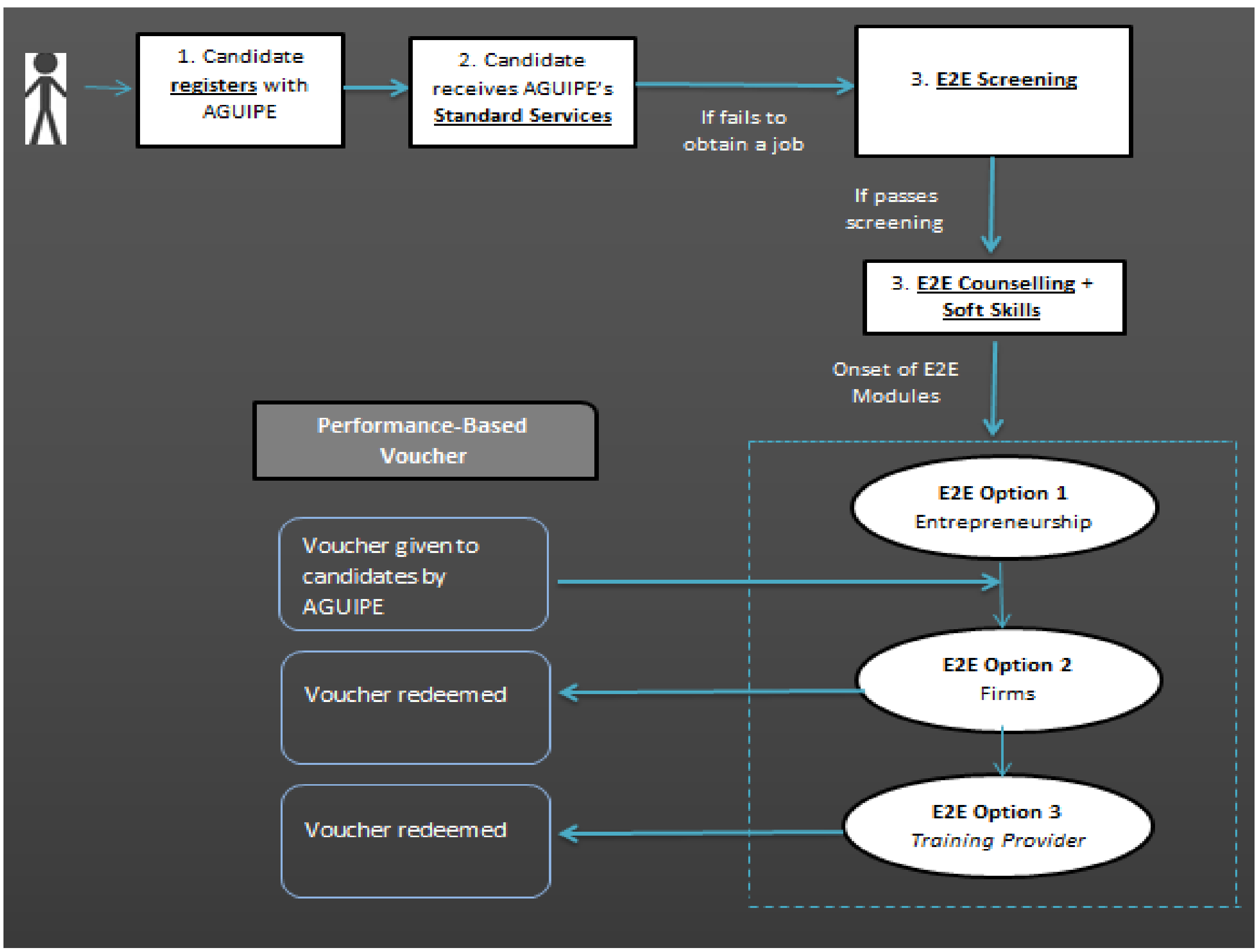
37. **The Education to Employment (E2E) Program will provide unemployed graduates a career pathway to professional opportunities in training, internships, jobs, or self-employment through incentive-based PPP contracts.** This approach is justified for the following reasons: The central aspect of E2E is the use of PPPs. The PPP's public element is financing and creation of an incentive structure, whereas the private element is delivery of training and job placement services. The table below shows the nature of services that Type I, Type II, and Type III providers will deliver.

Table 4: Nature of services providers will deliver:

Provider Type	Public	Private
Type I service provider: Entrepreneurship trainers and business incubators	Financing of Vouchers as an Incentive Mechanism	(a) Private sector entrepreneurs
Type II service provider: Firms	Financing of Vouchers as an Incentive Mechanism	(a) Training Delivery (b) Job Placement
Type III service provider: Training Centers	Financing of Vouchers as an Incentive Mechanism	(a) Training Delivery (b) Job Placement

38. The E2E will focus on high-growth sectors that are employment-intensive. Key sectors being targeted are mining, agro-business, ICT, finance and banking, manufacturing, and hospitality.

Figure 12: E2E programmatic structure



39. **Stage 1: Candidate registers with AGUIPE:** Registration with AGUIPE is on a rolling basis and anyone without a job is eligible to enroll. The registration form captures demographic and educational information, marketable skills, interests, and objectives. AGUIPE is setting up an SMS and on-line based registration tool.

40. **Stage 2: Candidate receives AGUIPE's standard services:** offered without E2E program, open to all enrolled candidates.

41. **Stage 3: If a candidate fails to get a job through Standard Services, he/she enters E2E screening: through an automated process** on the basis of parameters related to age, number of years since graduation, and education qualifications. Screened candidates are then entered into a separate database for E2E.

E2E Eligibility Screening Parameters:

i. Age: 35 maximum
ii. Qualifications: minimum of a University or TVET degree
iii. Gender: 30% should be female

42. **Stage 4: E2E counseling and Soft Skills training screened** candidates will receive counseling which will assess qualifications, interests, and aptitude, and based on results, the candidate will be assigned to one of three tracks. Prior to enrollment in a track, AGUIPE will provide a Soft Skills training package to the candidates.

43. **Stage 5: Candidate enrolls in an E2E track** (Track 1, Track 2, or Track 3)

Track 1: Business start-up and Entrepreneurship

44. Candidates selected for the business start-up track get coaching and mentoring support for business start-up/entrepreneurship. Youth consultations (surveys and focus groups) conducted in April 2014 suggest that many Guinean students and graduates are interested in entrepreneurship, yet have only a very limited understanding of the business creation and development process and skills required to succeed as an entrepreneur.

45. (A) Following the initial E2E evaluation and screening, approximately 100 participants will be directed to Track 1. All eligible candidates may opt to participate in (B) "Entrepreneurship 101", a three-day workshop introducing business basics and walking students through the process of developing a simple business plan. The mini-course will conclude with the first round of the Business Plan Competition (BPC), in which a panel of judges will select the 25 strongest candidates and business ideas to participate in the (C) "Intensive Entrepreneurship Training". This more advanced, in-depth eight-week course will enable participants to develop business management skills, knowledge specific to their target sector and concrete and viable business plans. The latter will be re-submitted to the panel of judges for the second round of the Business Plan Competition, and the 10 finalists will advance to the (D) business incubation

phase. AGUIPE will negotiate Performance Based Voucher (PBV) agreements with entrepreneurship trainers.

46. Delivering the program in phases A through D enables E2E to allocate resources according to candidates' demonstrated potential and readiness for entrepreneurship, and to either offer significant and tailored support, or redirect the candidate to more appropriate options within the E2E program. All Track 1 candidates receive an introduction, and the pool is gradually narrowed down in such a way that E2E invests:

- Modestly (3 days) in youth discovering the concept of entrepreneurship;
- Moderately (8 weeks) in youth familiar with entrepreneurship but not yet ready to develop a viable business plan; and
- Significantly (12 months) in youth demonstrating the ability to master essential business knowledge and skills and create and grow their own businesses.

Track 2: Firm-based opportunities (Training, Internships, and Jobs)

47. A growing number of firms have begun to establish in-house training facilities. Firm-based training can help job-seekers gain credentials for quicker integration into the labor market. E2E will develop PPPs for training and insertion opportunities (e.g., internships, jobs). Prior to implementation, a series of TA will support AGUIPE to undertake preparatory steps to: (i) consolidate a list of firms to act as potential service providers, offering time-bound training or jobs to E2E enrollees; and (ii) conduct a scoping survey on a representative sample to identify PPP options in training and certification and ascertain firm's interest in fiscal incentive via E2E. Key steps in implementing Track 2 are: (i) profiles of candidates in E2E database will be grouped and released from the database on a monthly basis to firms; and (ii) Track 2 will target 20 candidates per month for an estimated total of 1,440 participants during the project period. Training duration is six to twelve months; (iii) if a firm expresses interest in a candidate(s), then AGUIPE will contact the firm to negotiate a PBV agreement with co-financing if applicable. If the candidate remains unselected for Track 2 for a certain period of time (three months), they are eligible for remedial (top-up) training and certification through Track 3.

Track 3: Short term- professional training (1 to 12 months)

48. E2E candidates will have access to a menu of training options delivered by qualified training vendors, including universities and polytechnics, in cognitive, non-cognitive, and technical domains. Prior to implementation, AGUIPE will undertake preparatory steps with the support of TA, to: (i) develop a list of training providers (public and private); and (ii) ensure due diligence and undertake vetting of vendors based on readiness criteria (e.g. certification, standards, trainers, links to private sector, infrastructure, etc). AGUIPE has a working list of approximately 80 training providers. As with Tracks 1 and 2, AGUIPE will negotiate PBV agreements with training vendors. The project will target 20 participants per month for an estimated total of 1,440 participants during the project period.

Performance-Based Vouchers (PBVs)

49. PBVs are the central instrument activating E2E's PBV agreements with service providers (firms, training centers, entrepreneurs) with the goal of promoting job placement and firm-based insertion after training. The PBVs will be redeemed when pre-determined triggers are met (see Annex 2). AGUIPE will carry the technical responsibility to verify redemption request using verification protocols, and will give the signal to the Executive Secretariat to proceed with disbursement of funds when the triggers have been met. Using a randomized control trial (RCT) approach, an impact evaluation (IE) will assess the effectiveness of interventions under Tracks 2 and 3 (more details can be found in Annex 2).

Activities financed under the Project

(i) Targeted TA for AGUIPE: (1) Outreach, communications, and registration of job-seeking graduates in Conakry and outlying regions; (2) Harmonization of databases of registrants in the Head Office (Conakry) and regional centers, and website development; (3) Strengthening counseling services by hiring a team of counselors and psychometricians; (4) Development of a Soft Skills training package; and (5) Administration of PPP surveys to determine the selection of service providers that would be part of the E2E.

(ii) In Track 1 (a) facilitation of partnerships with local entrepreneurship and business programs; (b) coaching and mentoring from local, regional, and international experts, including training in drafting of Business Plans (technical and financial components); and (c) development of entrepreneurship training materials and rental of venues.

(iii) For Tracks 1, 2, and 3: PBVs will be the largest category of expenditures under the E2E component (Component 2).

(iv) Data collection and analysis under the Impact Evaluation (IE): Baseline, midline and endline surveys, recruitment of a primary investigator and field coordinator, and M&E reports.

Component 3: Institutional Support and Regulatory Framework (Total cost including contingencies: US$3 million)

50. **By allocating resources directly to training institutions and introducing more spending flexibility, the Competitive Fund encourages a paradigm shift in institutional management and governance**. It strengthens the autonomy of managers and institutions by deconcentrating the resources and reducing the distance to reach beneficiaries, expanding the responsibility of managers and accountability of institutions. Recently approved legal texts, which spell out the autonomy of training institutions (Decrees 62 and 63/PRG/SGG from April 3 2013)[7] support this reform process. However, this autonomy has not yet been put into practice

[7] Decrees 62/63 from April 3, 2013, spell out the governance of public and private tertiary institutions with regard to administrative, financial, pedagogic, and scientific autonomy of institutions and allowing them to define their vision,

and can only materialize once the capacity to manage resources effectively has been strengthened. The central Ministries will shift from a centralized management system to holding institutions accountable for results. A detailed analysis of the governance of institutions and associated recommendations can be found in Annex 7.

51. The current regulatory framework needs to be revised through a participatory approach involving all relevant ministries, who will have responsibility for revising the current texts to ensure consistency with the ongoing reform process (administrative, human resources, and financing). To this end, an Interministerial Commission was set up in early August 2014.

52. The Government reform process also includes institutional strengthening in the following areas:

- Setting up a national agency responsible for evaluating the performance of training institutions benchmarked against international norms.
- Targeted training programs for Ministries and institutions, including training of trainers to fill an important gap in faculty upgrading (eligible under the Fund).
- Improved availability of reliable and comprehensive information systems on teachers, students, youth, and quality and relevance of services for more effective targeting of institutions and youth in general.

Activities financed under the Project:

53. **Technical and logistical support to the Interministerial Commission for the revision of the regulatory framework consistent with current administrative, fiscal, and human resource reforms.** This support would include technical assistance specifically focused on reforms in higher education including better criteria for granting scholarships and institutions' financing mechanisms, human resource management and career path, better management of *Licence (Bachelor's, Master's, Doctorate (LMD)* programming. It will also include an organizational diagnostic of the main management functions (namely administrative, financial, human resources, evaluation of institutions and programs) impacted by the ongoing reforms (especially institutions' autonomy, quality promotion, financial reform). It will provide a basis to make recommendations to the subsequent redefinition of the organization and will guide revisions of the regulatory framework.

54. **Technical and logistical support for setting up and operationalization of a national quality assurance and accreditation agency for higher and vocational education.** The Project will provide TA for the identification, recruitment and training of members of the agency (except their salaries), the development of evaluation standards and internal and external evaluation guides, support for the implementation of quality assurance units within the institutions, and conducting institutional and programs' evaluations (beginning with training programs and institutions that will be awarded funding by the Competitive Fund). The Project will also finance logistical and material support, in line with the capacity strengthening plan (training for presidents, directors, deans, department heads, etc.)

objectives, strategies, and activities in in exchange for an increased responsibility of their leaders. The MESRS has henceforth the responsibility to allocate public funds to institutions and to evaluate the performance of institutions.

55. **Technical support for strengthening the information system of the higher education TVET institutions, as well as their respective Ministries** and particularly (i) the development of an information systems master plan, and (ii) the conceptualization of the linked functions and information flows as well as the architecture of the overall system. The information system will be designed in order to streamline the future development and initiatives (coming from internal investment or other donors contributions) and will integrate, as much as possible, the technical constraints and costs of the biometric recruitment of students.

56. **Technical and logistical support for the establishment and operationalization of a Youth observatory**. The Project will finance a feasibility study and technical support for the operationalization of the youth observatory.

57. **Technical assistance will be provided to develop and implement a plan of priority training areas**. These will be consistent with the other areas of Quality Assurance, administrative and financial management, human resource (HR) management, institutional governance, IT technicians and *ad hoc* training for the benefit of the MJEJ for a successful implementation of the Project.

58. **Personnel and operating costs for the day-to-day management of the Project**.

B. Project Financing

59. **Lending Instrument.** The lending instrument for the proposed Project would be a six-year Investment Project Financing (IPF) (2014-2020) through a US$20 Million IDA grant.

Project Cost and Financing (in US$ million)

Project Components	Project cost	IDA Financing	% Financing
Component 1	US$13.00	US$13.00	100%
Component 2	US$4.00	US$4.00	100%
Component 3	US$3.00	US$3.00	100%
Total Costs	US$20.00		

C. Lessons Learned and Reflected in the Project Design

60. The Project design reflects best practices and lessons learned in (a) relevant Bank-supported Projects and technical work in the Region on tertiary education and skills (Egypt, Tunisia and Morocco); (b) the previous and current education and private sector development projects in Guinea (Project for the Development of Higher Education (*Programme d'Appui au Développement de l'Enseignement Supérieur* – PADES), MSME, IFC's SME development); (c) other countries that have implemented demand-driven funds for skills (Chile, Tunisia, Ghana, India, Malaysia); and (d) recent education-to-employment (E2E) programs (Nigeria, Egypt).

61. Key lessons incorporated in the Project are: (i) reforms are crucial for sustainability; (ii) reforms are a long-term process, and targeted initiatives in parallel are critical for much-needed results in the short and medium terms; (iii) specific incentive structures, such as a competitive fund, can induce an attitude shift among stakeholders and induce market-oriented thinking; (iv) private sector federations and associations are an effective way for reaching SMEs and corporations; (v) demand-driven training is essentially competency-based and linked to job profiles. This means, the design of training must begin by understanding and capturing the needs of key economic sectors; (vi) PPPs can lead to pragmatic wins, even if small in nature; for instance, obtaining content and trainers or through specific negotiations, incorporating hands-on industrial attachment as part of training; and (vii) stakeholder engagement and communication, through purpose-driven fora and platforms, are crucial.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

62. **The Project has specific characteristics that require thinking "outside the box".** First, 85 percent of the project budget is allocated to Components 1 and 2. Second, three ministries are equally and directly responsible for the implementation of the components of the Project. The Project targets a significant number of beneficiaries: youth (unemployed and in-school), training institutions, corporations and SMEs, associations and chambers). In addition, the fund beneficiaries will need capacity building in terms of project management, FM, procurement, and monitoring.

Implementation structure

63. **Project overview:** The Project will operate under the guidance of the Strategic Orientation Committee chaired by the Minister of MJEJ and comprising a cross section of ministries which would include Ministers of Industry and Small and Medium Enterprises (MISME), International Cooperation, METFP-ET, MESRS, MEF, a representative of the Prime Minister's Office, as well as Presidents of the Mining Chamber, Agriculture Chamber, Industry Association, and Tourism and Hospitality Federations.

64. **Project management:** An autonomous Executive Secretariat will be established to manage the Project. The Executive Secretariat will report to the Strategic Orientation Committee and the World Bank on project implementation. It will also be responsible for all fiduciary aspects of the project. The Manager within the Executive Secretariat will be responsible for the overall management of the Project. The Manager will oversee a team composed of a fiduciary team (a Procurement Specialist, an FM Specialist, and an Accountant), a Communications Specialist, and an M&E Specialist who will be recruited according to an open and competitive process.

65. **Component 1** will be coordinated by a Competitive Fund Technical Secretariat. The Technical Secretariat will be composed of a Fund Coordinator, three Sub-Project Facilitators, and one IT Communications Specialist. The Fund is overseen by a Board that validates selected sub-projects and follows closely on their results and impacts. The Board will be composed, among others, of university and TVET professors, private sector representatives, and a

representative from MEF. The Board will rely on a panel of external evaluators to carry out the selection of sub-projects and will report to the Strategic Orientation Committee. The Board will also advise the Strategic Orientation Committee of its decisions regarding the selection of sub-projects.

66. **Component 2** will be coordinated by AGUIPE building on its support of registered jobseekers. The E2E program will target young graduates registered and looking actively for a job opportunity in one of the sectors covered by the Project or with an objective of creating an enterprise. With the support of AGUIPE, selected job seekers will be able to benefit from short-term training or practical work experience in an enterprise/firm. AGUIPE will be responsible for the E2E implementation. The Executive Secretariat will provide support to AGUIPE in terms of program monitoring, financial management and procurement.

67. **Component 3** A taskforce composed of focal points from MJEJ, MESRS and METFP-ET will be responsible for the satisfactory implementation and monitoring of planned activities. This task force will work in close collaboration with concerned directorates in charge of actual implementation. The three ministries will follow a rotating secretariat arrangement (rotating the leadership role every six months). It will provide technical reports to the Executive Secretariat, which will be responsible for all fiduciary aspects of the Component. To continue to engage in reforms in higher education and TVET, an Interministerial Commission was established in early August 2014.

68. These implementation arrangements have been confirmed based on a similar experience in health. The establishment of an autonomous Executive Secretariat had the following positive impact: (i) facilitated collaboration between public institutions and private sector, as well as between ministries; (ii) ensured autonomy of delegated management of various financing sources resulting from fundraising mechanisms; (iii) attracted qualified professionals based on a competitive process; and (iv) managed funds according to the procedures of various technical and financial partners.

69. A Project Manual will be developed and validated before project effectiveness. The project manual will include the following: A Project Implementation Handbook will define the missions, roles, responsibilities of entities as well as procedures related to management, financial management, procurement, monitoring, and communication. It will also contain an annex that will set out the details of overall FM, procurement, and accounting procedures of the training institutions. The Manual will also include a Fund Guide for the Competitive Fund, which will be reviewed following each call for proposals in order to take into consideration lessons learned and introduce improvements as necessary. Finally, it will include a Voucher Guide spelling out the implementation guidelines of the E2E Program (Component 2).

B. Results Monitoring and Evaluation

70. The Executive Secretariat will be responsible for coordinating and overseeing all M&E activities under the Project. The Project's M&E framework strengthens the Government's capacity to routinely collect, analyze and verify data from institutions, and firms. The Executive Secretariat will be responsible for providing: (i) status reports on project implementation by activity, including summary description of outputs and outcomes achieved at the institutional

level; (ii) status reports on the progress made on all PDO and intermediate-level indicators specified in the Results Framework (RF); and (iii) annual progress reports. AGUIPE will be responsible for monitoring the adherence to the PBV agreements. Upon meeting of milestones the payment of the vouchers redeemed will fall under the responsibility of the Executive Secretariat. Third-party verification (TPV) will conduct spot checks to monitor the presence and performance of the youth benefiting from a voucher. AGUIPE will prepare semi-annual technical reports to feed into the annual progress reports.

71. Each beneficiary institution will be responsible for monitoring regularly the project performance indicators. These will be regularly tracked by the project team leaders situated in the Competitive Fund Technical Secretariat under the MJEJ and will be consolidated in a database managed at that level. Component 3 will also provide capacity-building to strengthen the information systems at the institutional and Ministry levels to ensure interface between the various systems for improved oversight.

72. The annual report will also rely on the data produced under the youth observatory to provide an overview of the status of youth and the challenges they face.

73. **Data Sources.** Various sources of data will be used to measure implementation progress and achievement of PDO and intermediate indicators (see Annex 1):

a) *PDO level indicators.* Data sources for measuring progress on PDO-level indicators will include: consolidated M&E reports produced by institutions/firms/ministries and compiled by the Executive Secretariat.

b) *Intermediate-level indicators.* Sources for information on progress on intermediate-level indicators will include: (i) institutional level M&E reports; (ii) independent third party monitoring reports; (ii) AGUIPE reports; and (iii) data from the three Ministries.

74. **Reporting.** In addition to the core M&E reports outlined above, the Bank will also prepare semi-annual implementation status reports (ISRs) which describe project implementation progress and progress towards achievement of PDOs.

C. Sustainability

75. The Project will undertake the following sustainability measures.

a. *Maintaining reform momentum and political will.* For the Project to succeed, it is critical that sectoral ministries continue with reforms and maintain political will to implement their strategies. The World Bank will ensure that if a change in ministry counterpart occurs, the technical and policy dialogue will be reinforced.

b. *Stakeholder engagement and communication.* Stakeholders will include Government, training institutions, private and public sector actors, students and graduates, and enterprises. A comprehensive stakeholder communications strategy will be essential for the success of the Project. Limited Internet access and other challenges (namely spotty, sometimes non-existent, tracking of graduates) will require creative thinking around the most inclusive and cost-effective tools to reach the relevant groups. AGUIPE and training institutions should be the starting point to reach students, and the sector unions can act as the liaison with the private sector. Providing enterprises with incentives – or at the very least proactively mitigating the potential risks they perceive – to hire interns can constitute a first step towards shifting the view of internship programs as a burden rather than a source of new talent and productivity. Student-interns can be a tremendous asset to firms in the sense that because they have not yet entered the workforce they can be trained to excel in a specific environment, and shaped to fit the specific needs of the firm. Encouraging enterprises to take this view and therefore invest in hands-on training of interns could initiate a shift towards developing a standardized school-internship-employment continuum in Guinea.

c. *Financial Sustainability.* The Competitive Fund is a major component of the Project, as a result, financial sustainability of the Fund is critical for the Project's long-term success. The government's vision is to utilize the fund (as per procedures encoded within the Fund Guide) as a long-term instrument that can survive beyond the duration of the Bank-funded project. The Fund is purely a grant-making facility and is non-revolving. For it to be sustainable, it is important that it is replenished through periodic fund-raising. The Fund's structure allows for donations from both private and public contributors. At the time of Project's effectiveness, the Fund will be financed solely by IDA. Beginning in year two of Project implementation, Government will commit counterpart funds. Guinea already has a fund (FONIJ) under the MJEJ committed to the insertion of youth. This fund is dedicated to the development of youth employment and was established in 2010 by decree. It currently mobilized from the government an amount of 900 million GNF US$129,000 equivalent) and UNDP an amount of 600 million GNF (US$86,000 equivalent). The FONIJ does not follow the principles of the Project. To this end, Government agreed to evaluate the FONIJ and assess the possibility of eventually integrating the two funds under a global fund for youth employability and to take stock of lessons learnt for improved efficiency.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary

Stakeholder Risk	Substantial
Implementation Agency Risk	
- Capacity	Substantial
- Governance	Substantial
Project Risks	
- Design	Substantial
- Social and Environmental	Negligible
- Program and Donor	Substantial

- Delivery Monitoring and Sustainability	Substantial
- Exogenous Risk	Substantial
Overall Implementation Risk	**Substantial**

B. Overall Risk Rating Explanation

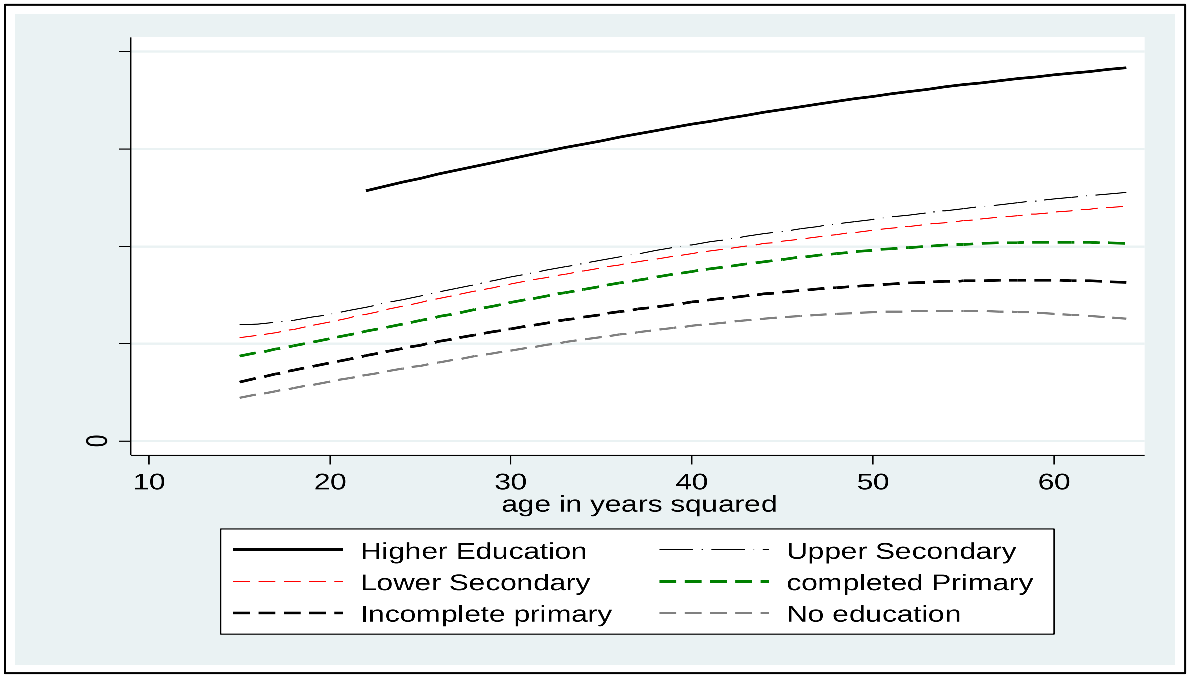
76. The overall implementation risk rating is **Substantial** as a result of the innovative nature of the project design, fiduciary capacity, governance challenges in the sector, and the need for multi-sectoral coordination and engagement across agencies. All stakeholders have shown enthusiasm and interest in designing and implementing this first World Bank skills project in Guinea. Given the multi-sectoral nature of the Project, significant support will be required. This support has been, for the most part, embedded in Component 3 to reduce the implementation risk while also providing institutional support in line with recent government reforms. This Project relies highly on the participation of the private sector; however, there is an important risk of business slowdown for them if the Ebola virus is not rapidly contained in the whole sub-region. Risk mitigation measures incorporated into the design, preparation, and implementation, of the Project include: (i) involvement of the private sector as partners at all stages, (ii) creation of a Strategic Orientation Committee composed of Government and private sector representatives, (iii) establishment of an autonomous Executive Secretariat to manage the Project, (iv) establishment of strong governance mechanisms to govern the Competitive Fund, (v) creation of an Interminsterial Commission to coordinate reforms, and (v) provision of extensive TA for all project stakeholders.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

77. **The Project is expected to contribute to improving the quality of skills training and its relevance to labor market needs, increasing the employment rates among graduates, and improving the governance of skills training**. In contrast to other neighboring countries, the Government of Guinea allocates only a small portion of its budget to education: 13 percent in 2012, or just 2.6 percent of GDP. Personnel costs consume about 80 percent of total current expenditures for the primary and secondary levels, while at the higher levels, namely tertiary education, the largest share of current expenditure is dedicated to subsidies and transfers. Estimates from ELEP 2012 show that Guinea's labor market clearly signals for investment in education. Figure 14 shows average simulated annual income by level of education and age. As shown, a higher level of education rewards a higher lifetime earning horizon.

Figure 13: Average Annual Simulated Earning by Education Levels



Source: Estimates based on ELEP 2012

78. **The Mincerian regression coefficient shows that the Guinea labor market has a strong effect on education in wage employment as well as household income**. The result shows that, among salaried workers, one additional year of education is associated with an average increase of monthly earnings by nine percent while income based estimation hovers around eleven percent increase in household income per additional years of household head's education or working household members mean and median years of schooling.

79. **Estimates by level of education reveal that a higher level of education is associated with better earnings at all levels of education, both for wage employment and household income** (see Annex 6 for details). Primary education has the highest private and social rates of return. Private returns are higher than social returns at all levels of education as the social rates of return also include private costs. This is in line with other findings in developing countries[8]. After primary education, the rates of return for post-secondary education are the most favorable. Private rates of return are 8.9 percent compared to 7.5 percent of social rates of return.

80. **Aside from the private and social benefits of investing in education, the overall unfavorable human development measures of Guinea demonstrate another reason to invest in education**. In Guinea, about 22 percent of youth were either economically inactive or unemployed in 2012 with the highest unemployment rates amongst the educated population Thus, this Project will provide a unique opportunity for such youth to gain skills that are closely tied to economic and growth sector needs to compete in the labor market. As Guinea embarks on

8 Lee and Psacharopoulos (1979), Baumol, Blackmann, and Wolff (1989)

a path of accelerated development, its ability to meet the demands of a diversified economy will be determined in part by the quality and quality of its trained workforce.

B. Technical

81. **The proposed Project builds on previous successful practices and is fully aligned with existing efforts being carried out by the Bank and other partners.** Previously financed Bank operations at the basic and tertiary education levels have allowed the client to strengthen capacity in implementing World Bank projects. From the previous Bank-funded project (*Programme d'Appui au Développement de l'Enseignement Supérieur,* 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; and (c) Ministry and institutional staff trained in management and administration, and fiduciary personnel trained in accounting, budgeting, and computer skills. At the Government's request, the Bank mobilized resources for targeted TA in tertiary education in 2012. This has allowed both parties to lay the groundwork for this Project, which has been broadened to also focus on skills harnessing and improved employability of youth.

82. **The technical design of the project calls for out-of-box solutions to a problem with both short-term and long-term elements**. The foundations of tertiary education and TVET in Guinea require long-term strengthening. At the same time, urgent skills gaps in the short term are hampering growth of economic sectors, especially those that are FDI-intensive where the investments are far outpacing stock and flow of skills. The Project's two main initiatives (i) the Competitive Fund and; (ii) the E2E Program are complimentary, addressing long-term and short-term dimensions of the problem. In both, there is use of innovations derived from external experiences but adapted with forward-looking features. Component 3 supports key reforms and critical institutional strengthening.

83. **Competitive Fund**: The technical design of the Competitive Fund is derived from a model typical of grant-making facilities established in developing as well as developed countries. The strengths of the model include a well-defined and clearly established set of rules and guidelines for funding, and procedures that protect accountability for results, representation of stakeholders, transparency in decisions and disclosures, and quality assurance of funded projects. There is a strict adherence to pre-determined criteria of quality and alignment with development objectives. At the same time, Guinea's Competitive Fund has several technical advancements over designs that the Bank has previously executed (for example, in Ghana or Tunisia). (i) The Fund is not a budget line within a supervising ministry but set up as a decree protecting its independent status, (ii) for financial sustainability, it is structured in a way that allows blended and flexible contributions from external and private donors (e.g. as part of corporate social responsibility by mining companies), (iii) Finally, there is a PPP element which encourages joint projects between public universities/TVET institutions and private sector partners.

84. **E2E Program:** The Program's strength is that it is fully blended with core functions of AGUIPE and does not create an extraneous layer. One key technical feature of E2E is that PBV agreements are negotiated individually with providers. Individual contracts allow flexibility and customization, leveraging the strengths of private sector firms that typically do not open their facilities to external trainees. Another important technical feature of the E2E Program is the use

of PBVs that are instruments for activating a PBV agreement. Vouchers ensure a greater control on results and outcomes, by creating an incentive mechanism based on pre-agreed triggers/milestones. A key risk in implementation is weak institutional capacity, and the third component on institutional strengthening mitigates that risk.

C. Financial Management

85. **The assessment of the MJEJ concluded that the FM arrangements need to be established with an autonomous Executive Secretariat to manage the Project thus handling its overall coordination and fiduciary aspects.**

86. The following mitigation measures will be taken to establish the Executive Secretariat:

- By Project effectiveness, a FM specialist and an accountant will be recruited as part of the Executive Secretariat team, financed through the PPA, and competitively recruited based on TORs (Terms of Reference) acceptable to IDA and draft FM procedures spelled out as part of the Project Implementation Handbook.
- Additional actions were established as covenants: (i) a computerized accounting software will be purchased and used for recording and reporting purposes; (ii) internal and external auditors will be recruited based on TORs acceptable to IDA to conduct ex-posts reviews of the projects transactions and independent audits of project financial statements and activities.

87. The overall residual risk for the Project is rated **Substantial**. The assessment has concluded that the FM arrangements for the Project will satisfy the Bank's minimum requirements under OP/BP10.00 once the proposed mitigation measures are implemented.

D. Procurement

88. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers", dated January 2011, revised July 2014; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014, and the provisions stipulated in the legal Agreement.

89. The Bank conducted an assessment of the procurement capacity of the MJEJ, METFP-ET, and MESRS in February 2014 in accordance with the Bank's procurement Risk Assessment and Management System. The assessment reviewed the organizational structure for implementing the project taking into account a number of actors and stakeholders. The potential risks identified are: (i) the large number of actors; (ii) insufficient skills and experience of the Bank's procurement procedures of the Ministries' staff; (iii) lack of the existing institutions to implement the Project; and, (iv) lack of a procurement handbook.

90. Based on the assessment of the current system in place, the overall Project risk for procurement is **High.** It may be lowered to Substantial once the mitigations measures are implemented. Detailed procurement risk mitigation measures are presented in Annex 4.

E. Social (including Safeguards)

91. The social impact of the Project, by the nature of its development objective is positive. The Project aims to have a positive impact on Guinean youth, in particular those who are educated but unemployed. Given that many of educated graduates in Guinea are jobless, and those that find a job do so many months or years after graduation, the support provided through the Project will clearly contribute to alleviating a pressing social issue in the country. Specifically, Component 2, through the E2E program will provide unemployed graduates a career pathway through professional opportunities in training, internships, jobs, or self-employment.

92. The Project responds to the pressing social issue of youth unemployment by improving the skills and the employability of youth who are currently unable to reach their full potential through the tertiary education and TVET systems. There are no social safeguard issues (involuntary resettlement and Indigenous Peoples) associated with this Project. Therefore, no social safeguards policies are triggered by the proposed project activities.

F. Environment (including Safeguards)

93. The Project civil works activities will be limited to re-engineering, equipment and rehabilitation of existing facilities made available by the Recipient. As these activities will have a negligible to minimal environmental and social impact, the Project has triggered only the Environmental Assessment (OP 4.01) safeguards policy. Due to the difficulty inherent in defining what the real environmental impacts of envisioned project activities are, and determining what mitigation measures to put in place, an Environmental and Social Management Framework (ESMF) has been prepared and was disclosed in country and in the World Bank InfoShop on May 19, 2014. The ESMF provides an environmental and social screening process for all future works and outlines the standard methods and procedures, along with institutional arrangements for screening, review, approval and implementation and monitoring of specific Environmental and Social Management Plans (ESMPs).

G. Other Safeguards Policies Triggered

Safeguard Policies Triggered by the Project	Yes	No	TBD
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**	

ANNEX 1: RESULTS FRAMEWORK AND MONITORING

Guinea Stepping Up Skills Project (P146474)

Results Framework

Project Development Objectives

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

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values						
		2015	**2016**	**2017**	**2018**	**2019**		**End Target**
1. Students completing professional degrees fostering market relevant skills developed through the Competitive Fund (Percentage)	0	0	0	65	70	75		80
2. Programs accredited by the new National Quality Assurance and Accreditation Agency (Number)	0	0	0	0	3	5		8
3. Targeted trained youth employed in an area relevant to training 12 months after completing the training (Percentage)	0	0	50	55	60	65		70
4. Employers satisfied with trainees and placing them (Percentage)	0	0	50	50	50	50		50
5. Direct project beneficiaries (Number) - (Core)	0	1,120	2,960	9,360	15,440	20,400		20,800
Female beneficiaries (Percentage) - (Core)	*0*	*30*	*30*	*30*	*30*	*30*		*30*
Students enrolled in professional degrees fostering market relevant skills developed through the competitive fund (Number)	*0*	*720*	*2,160*	*8,160*	*13,440*	*18,000*		*18,000*
Trainees receiving vouchers (Number)	*0*	*400*	*800*	*1,200*	*2,000*	*2,400*		*2,800*

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values						End Target
		2015	2016	2017	2018	2019		
Component 1: Fund for Skills and Employability								
6. Governance structure of Competitive Fund established (Board, Competitive Fund Technical Secretariat) (Yes/No)	No	Yes	Yes	Yes	Yes	Yes		Yes
7. PPP project proposals endorsed by the Competitive Fund (Number)	0	3	6	6	25	25		25
8. Financing partners contributing to the Competitive Fund (Number)	0	1	1	2	2	2		3
9. Training Institutions conducting tracer studies of their graduates (Percentage)	0	0	5	20	30	40		50
Component 2: Education-to-Employment (E2E) Program								
10. Employer satisfaction survey completed (Number)	1	1	2	2	3	3		4
11. Targeted unemployed youth certified (Percentage)	0	0	80	80	80	80		80
12. Impact Evaluation completed (Yes/No)	No	No	No	No	No	Yes		Yes
Component 3: Institutional Support and Regulatory Framework								
13. Training institutions in compliance with the legal acts (Percentage)	0	0	20	40	60	70		80
14. Completion of activities listed in Interministerial Commission's TORs (Percentage)	0	20	40	50	60	70		90

15. National Quality Assurance and Accreditation Agency in place (Yes/No)	No	No	Yes	Yes	Yes	Yes		Yes
16. Youth Observatory in place and functional (Yes/No)	No	No	No	Yes	Yes	Yes		Yes
17. Training institutions with an Information System adhering to the new master plan (Percentage)	0	0	5	10	20	40		50

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Students completing professional degrees fostering market relevant skills developed through the competitive fund	No description provided.	Annual	Administrative Data (120 students for higher education and 120 for TVET) for three years for N projects, disaggregated by gender	Competitive Fund Technical Secretariat, Executive Secretariat, Training Institutions
Programs accredited by the new National Quality Assurance and Accreditation Agency	No description provided.	Annual	Administrative Data	Executive Secretariat
Targeted trained youth employed in an area relevant to training 12 months after completing the training	No description provided.	Annual	Survey	Executive Secretariat
Employers satisfied with trainees and placing them	No description provided.	Annual	Survey Data, Individual reports	Executive Secretariat, AGUIPE
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project	Annual	Survey	Executive Secretariat, AGUIPE

	beneficiaries are female. This indicator is calculated as a percentage.			
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	Annual	No description provided.	No description provided.
Students enrolled in professional degrees fostering market relevant skills developed through the Competitive Fund	No description provided.	Annual	Administrative data	Executive Secretariat
Trainees receiving vouchers	No description provided.	Annual	Administrative Data	AGUIPE, Executive Secretariat

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Governance structure of Competitive Fund established (Board, Technical Secretariat)	No description provided.	Annual	Administrative data	Executive Secretariat
PPP project proposals endorsed by the Fund	No description provided.	3 calls for proposals during the project period	Administrative Data	Executive Secretariat
Financing partners contributing to the Competitive Fund	No description provided.	Annual	Administrative Data	MJEJ
Training Institutions conducting tracer studies of their graduates	Training institutions benefitting from a sub-grant under the Competitive Fund.	Annual	Administrative Data	Training Institutions, MESRS/METFP-ET
Employer satisfaction	No description provided.	three times	Administrative Data	Executive Secretariat

survey completed		during the course of the Project		
Targeted unemployed youth certified	No description provided.	Annual	Administrative Data	Executive Secretariat, AGUIPE
Impact Evaluation completed	No description provided.	Baseline, Midline, Endline	Survey data	AGUIPE, Field Coordinator
Training institutions in compliance with the legal acts	Legal acts: decrees 62 and 63 for private and public higher education institutions. Procedures Manual for TVET institutions (public and private) Compliance refers to: composition of university and TVET boards, application of new institutional fiduciary guide, and annual performance reports.	Annual	Institutional reports	Training Institutions, MESRS, METFP-ET
Completion of activities listed in Interministerial Commission's TORs	Revision of legal texts in alignment with decrets 62 and 63;develop a new financing formula for public institutions taking into consideration the cost of student, field of study, and level; new criteria and management of scholarships; revision of institutional guide taking into consideration the revised legal texts; include specific budget lines for TVET institutions in the budget law.	Annual	Interministerial Commission reports	Interministerial Commission
Youth Observatory in place and functional	Functional defined as fully staffed, issuing quarterly reports, holding regular meetings with stakeholders, providing updated data on youth on website.	Annual	Administrative Data	MJEJ
National Quality Assurance and Accreditation Agency in place	No description provided.	One time	Administrative Data	MESRS/METFP-ET

Training institutions with an Information System adhering to the new master plan	The master plan will be further defined during implementation	Annual and starting in 2016	Institutional reports	Training Institutions MESRS, METFP-ET

ANNEX 2: DETAILED PROJECT DESCRIPTION

GUINEA: STEPPING UP SKILLS PROJECT

1. **The Guinean tertiary education and TVET systems are dominated by programs that do not meet the needs of the labor market**. Inappropriate orientation of training is a major cause of programs' lack of relevance to business requirements. The system lacks scientific, technical, and professional training opportunities. Graduates rarely develop entrepreneurial skills, as most aspire to enter the public service. Challenges include overstaffing, poor linkages between training institutions and businesses, an overabundance of theoretical courses, dilapidated laboratories, and lack of practical activities. The result is a very high unemployment rate among young graduates, despite many years of study.

Component 1: Fund for Skills and Employability (Total cost including contingencies: US$13 million)

2. **Competitive funds have shown their efficiency in comparison to more traditional and centralized practices of financing education system.** In Guinea, the Competitive Fund aims to create the necessary incentives to: (i) involve the community of actors in the training institutions to initiate innovative sub-projects in alignment with the economic sectors; (ii) modify the institutional culture to a results based approach; and (iii) improve training programs' efficiency through a public private partnership (PPP).

3. **The objective of the Fund will be to support new two –three year professional training programs adhering to international certification and delivered though a PPP.** It will: (i) contribute to reforms by incentivizing and supporting innovative approaches to improve skills, employability, and self-employment; and (ii) create opportunities to design and test new training program models with a view to improving quality and relevance. A gradual approach will be used, starting with a pilot during the first year to learn lessons from this first experience (new approach in Guinea) and to allow for the optimization and contextualisation that was desired by local stakeholders. The launch of proposals of this first phase will focus on a number of priority sectors such as: (i) agriculture and agribusiness, (ii) mining, energy and construction, (iii) environment and telecommunications, (iv) hospitality and tourism, and, (v) education taking into consideration the inter-disciplinary areas such as training of trainers in foreign languages, pedagogy, entrepreneurship, on line courses, soft skills etc.

4. **Eligibility of proposals**: The Competitive Fund is aimed at trainers, groups of trainers, departments, training institutions organized in consortiums with the private sector, large enterprises, group of enterprises, and tripartite partnerships (tertiary/TVET institutions and private sector). Public and private training institutions may submit proposals for professional programs developing key skills meeting labor market needs, with an emphasis on practical training and ensuring adequacy linked to economic sectors. Private businesses, enterprises, and SMEs may also submit a proposal for financing as long as it is founded in partnership with a training institution. The selection criteria have been discussed and widely endorsed.

- For the training institutions: They need to show the results of a self-evaluation and potentially an external evaluation which would provide a better understanding of their managerial competence, financial situation, pedagogic programs, and student environment. Each institution would also need to show proof of: (i) capacity to engage and maintain a PPP that is responding to the objectives of professionalizing training for employability; and (ii) existence of a team with experience in implementing projects and strategies for project sustainability. The allocation of funds is also conditional on the setting up of governance mechanisms such as an institutional board (*Conseil d'administration/d'établissement professionnel*). Preference will be given to those institutions that belong to a consortium (TVET and higher education institutions).

- For the professional partners/private sector: They need to demonstrate a coherent analysis of needs linked to their sector (sectoral analysis and provisional gaps in skills/job profiles, evolution of jobs in the medium term).

5. The proposed sub-projects could focus on the following areas:

   - Revising and modernizing the curriculum using a competency-based approach in coordination with the private sector.
   - Distributing learning between professionals and trainers by ensuring the complementarity necessary for the professionalization of programs.
   - Optimizing the learning time in real or simulated work situations, case studies, and/or practical work founded on problems of enterprises, internships or dual training.
   - Updating the material and pedagogic equipment.
   - Developing the competencies of trainers trough training, and certification.
   - Developing an entrepreneurial spirit and the capacity to initiate a professional project.
   - Developing transferable competencies or soft skills (foreign languages, computer skills and communication techniques etc.) and certify them.
   - Generating own resources (through in-service training and expertise) to ensure sustainability of the sub-project after the funding has expired.
   - Introducing mechanisms for quality assurance (training and management) which could lead to international certification/accreditation of training/institutions.

Box 1: Examples of PPP

International experience in higher education, professional training, and research and development has proven the feasibility and viability of public-private partnerships (PPPs). A PPP is defined as "a cooperation project between the public and private sectors, based on the expertise of each partner that best meets the clearly defined needs of the public sector, through the appropriate allocation of resources, risks, and advantages". It can take several forms and assign different degrees of participation and inclusion to the private partner; relevant examples for the Project's first component include joint ventures between: Training institutions (public or private) and companies or groups of companies engaged in joint training, research, or development to meet specific needs identified by the private partner. In Tunisia, professional degrees and applied masters degrees built jointly with and for professionals were introduced in 2008 in response to the national objectives on improving the employability of young graduates. Set up in emerging sectors (mechanics, retail, aerospace, food processing, etc.) at the request and with the active participation of professionals at every level of preparation, implementation, and evaluation, the training programs boast an employment rate of nearly 100%; a number of these trainings benefitted from grants from the Tunisian competitive fund for quality improvement (*Programme d'appui à la Qualité – PAQ*.)

In Morocco, the *Institut des Métiers de l'Aéronautique* (Institute for Aeronautical Trades) is managed by an independent firm, IMA-Sa, to whom the Moroccan state has entrusted infrastructure and equipment management. In Tunisia, the Centre d'Excellence *dans les Métiers de l'Industrie Aéronautique (CEMA)* (Center of Excellence in the Aeronautics Industry Trades) is a pilot initiative of the Ministry of Professional Training and Employment in partnership with the Ministry of Higher Education, piloted by two national federations of mechanisms and electricity and electronics.

Professional associations and professional sectors for initial and vocational training in response to the needs of a given sector. In France, *Union des Industries et des Métiers de la Métallurgie* (UIMM) is a consortium bringing together Industry Professional Associations (*Associations professionnelles de l'Industrie* (AFPI)) for vocational education and training and the Industry Apprentices Training Centers (*Centres de Formation d'Apprentis de l'Industrie (CFAI)*) for initial training from the CAP to the engineering degree. AFPIs and CFAIs are nonprofit organizations, autonomously managed by firms.

6. Eligible expenditures comprise the following:

- Technical assistance (TA) (consultants and non-consultants);
- Acquisition of equipment (laboratory equipment, Information and Communication Technology (ICT), pedagogic technology platform);
- Rehabilitation of classrooms;
- Training of personnel, trainers through (i) training, (ii) certification, and (iii) internships/practical training;
- Partnerships with other members of the consortium.

7. For each call for proposals, the ceilings will be adjusted with the first round being composed of the following categories.

Table 1: Ceiling by category of expenditure

CATEGORY	CEILING OF ALLOCATION (3 YEARS OF EXECUTION)
Goods and Services	60%
Works (rehabilitation linked to the financed project)	20%
Services of Consultants	20%
Training	60%
Foreign Internships	10%
Seminars for Dissemination	5%

8. During the six-year project implementation period, it is estimated that based on the amount allocated to this component, approximately 25 sub-projects will be financed composed of three distinct calls for proposals. The completed proposals will be evaluated based on a pre-set criteria that would be weighted according to a certain percentage. For the first call for proposals, the criteria comprise the following areas: relevance and impact, quality and engagement in a partnership, methodology for the preparation and implementation, efficiency in the costing, and dissemination and sustainability of results.

9. **Governance of the Fund.** The Fund will be governed by a Board composed of, among others: university and TVET professors, private sector representatives, and a representative from MEF. The proposals prepared by the bipartite or tripartite parties will be reviewed by a panel of external evaluators. A Competitive Fund Technical Secretariat will be composed of a Fund Coordinator, three Sub-Project Team Leaders, and an IT Communications Specialist. This core team will be responsible for coordinating, providing advice and support in the preparation and implementation of the projects, managing the call for proposal process, and ensuring the monitoring of the projects including the preparation of technical reports. The Technical Secretariat will also take on the responsibility of the Secretariat of the Board (i.e. writing the minutes of the meetings, scheduling the meetings etc).

10. Prior to launching the calls for proposals, potential bidders will be offered training in project preparation and management. Subsequent to the contract award (winning proposal) and during project implementation, both the Executive Secretariat and the Competitive Fund Technical Secretariat will be responsible for regular coaching and technical support along with clearly defined monitoring. A grievance mechanism will also be enforced. All complaints will be registered with the President of the Board. All formal complaints have to be made no later than two weeks after the notification of results. The President of the Board will submit the complaints and the response of the Board to the Strategic Orientation Committee no later than two weeks after the complaint was registered. The Strategic Orientation Committee will make the final decision. Once a final decision is made, it is final and cannot be changed. Sub-project agreements, which will govern the sub-projects, will include the terms and conditions stipulated in the Financing Agreement and included in the Fund guide.

11. **For sustainability and vibrancy, the Fund will also use a PPP approach that leverages external and non-donor financing to create a well-diversified capital structure and augment International Development Association (IDA)/donor-provided funds.** The Fund will follow best-practice principles critical for long-term success and sustainability. These include (a) security of income: ensure sustainable and adequate volume of Fund's income; (b) autonomy and control: secure autonomy for Fund's management and its control over budget allocations; (c) stakeholder ownership: foster ownership through substantial representation of major stakeholders of labor market in Fund's oversight body; (d) finance activities linked to pre-specified objectives only; and (e) instill decision-making transparency to ensure grants are open, consistent, competitive, and in accordance with guidelines of the Fund's manual. A legal fund structure will be prepared in conjunction with the private sector and the Government prior to Project effectiveness.

12. **Activities financed under the Project**:
- TA for the set-up of the Competitive Fund and the accompanying fund guide.
- TA for the development and implementation of a communication plan: workshops, fora, development and management of website, and collaborative platform.
- TA for the preparation of sub-grant proposals.
- Personnel and operating costs for the day-to-day coordination of the management of the competitive Fund (selection of proposals, evaluation, and M&E of the implementation of the sub-grants).
- Sub-grants that are selected on a competitive basis in response to the call for proposals, within the budget limits, and eligible expenditures.
- TA to assess and evaluate the effectiveness of the sub-grants as an instrument to improve the employability of graduates.

Component 2: Education to Employment (E2E) Program (Total cost including contingencies: US$4 million)

13. **The Education to Employment (E2E) Program, implemented by AGUIPE, will provide unemployed graduates a career pathway to professional opportunities in training, internships, jobs, or self-employment through the use of Performance-Based Voucher (PBV) agreements.**

14. E2E's objectives are to:

a) *Strengthen linkage between jobless graduates and formal sector*. E2E, implemented under AGUIPE, will connect graduates with formal opportunities in high-growth sectors that have urgent deficit of skills.
b) *Incentivize creation of opportunities through a voucher system.* E2E will use incentive-based instruments ('vouchers') to stimulate demand-side opportunities.
c) *Create a one-stop platform for employment opportunities.* Youth can access a menu of career-related opportunities, i.e. counseling, training, internships or jobs, through E2E.
d) *Maximize choices for youth and employers*. E2E seeks to maximize choices for youth and employers.

e) *Build long-term capacity in public employment agency (AGUIPE).*The implementing agency AGUIPE will strengthen organizational capacity to offer employment development and job counseling services.

15. Guinea has a growing universe of employability-focused short-term training programs: (a) Universities are conducting professional training in partnership with private sector, e.g. Sonfonya University launched an employability program in 2013; (b) Vocational schools are developing PPP programs with foreign investors and private corporations (most visibly in FDI-intensive mining sector. For instance, Rio Tinto is co-financing a technical school in Boké and CBG is investing in a technical school in Beyla; (c) Ministerial initiatives under METFP-ET, MJEJ are supporting training programs linked to private sector; (d) a federal initiative, the President's ASCAD program, is developing job skills among unemployed youth ; (e) NGOs such as Plan Guinea have launched training for micro-enterprise creation; (f) AGUIPE employment offers career counseling and placement; (g) national-level skills financing instruments are: first, ONFPP, financed by payroll levies (1.5 percent) and second is FONIJ, financed by donor and public funds. Building on these initiatives, the Project will provide support to AGUIPE in building a *one-stop skills and employability solution*.

AGUIPE, the implementing agency for E2E

16. AGUIPE is a public agency under METFP-ET. Its headquarters are located in Conakry, and it has seven regional offices. The objective of decentralization is to reach out to youth in remote geographies. AGUIPE is essentially an education-to-employment agency. Its core objectives are:

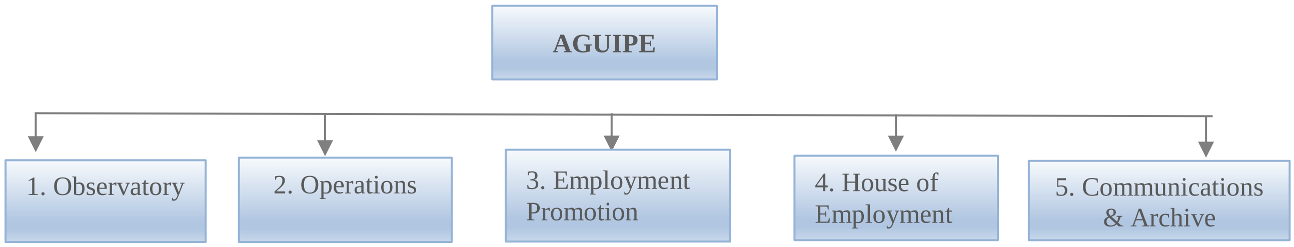
- Implementation of government's employment policy,
- Integrating youth in labor market,
- Linking jobseekers to enterprises,
- Conduct labor market studies and analysis

17. AGUIPE's legal mandate makes it a central player in meeting employability and jobs goals. First, a government decree requires all firms to register recruitment needs with AGUIPE. AGUIPE declares the information publicly on a web portal for job seekers. AGUIPE, established in 1989, is defining new departments and decentralizing through regional offices. Figure 1 shows AGUIPE's departments: (a) '**observatory,'** for collection data on graduates and employment. AGUIPE's database has 18,000 registered candidates currently. AGUIPE has a 'Facebook' page that targets clients of younger demographics. To register, job-seekers must physically visit AGUIPE's office; (b) '**operations'** is responsible for administrative tasks, including registration of foreign workers; (c) '**employment promotion'** department is responsible for youth employability and career counselling. Counselling is a newly-established service for which AGUIPE has hired two experts; (d) '**house of employment'** department is tasked with linking youth with the private sector. The House of Employment has one office established, in Kissidougou district (e) '**communications and archive**,' undertakes internal communications (with regional centers) as well as external communications.

18. AGUIPE is funded primarily through national budget for covering operations costs. It generates some own income, too. For instance, foreign workers pay US$300 to obtain a work

permit. AGUIPE does not offer direct training, but organizes occasional training seminars (e.g., computer skills) for jobseekers).

Figure 1: AGUIPE's organizational structure



19. The value-addition from establishing an E2E program at AGUIPE are: (i) AGUIPE needs more institutional strengthening to address intermediation failure in labor market; (ii) AGUIPE can streamline its existing processes and functions for improved results; and (iii) AGUIPE can benefit from innovations in processes and products.

20. The central aspect of E2E is the use of PPPs. There are three categories of service providers associated with E2E: Type I (entrepreneurs), Type II (firms) and Type III (training centers).

Table 2: Service Providers of E2E

Provider Type	Public	Private
Type I service provider: Entrepreneurship trainers and business incubators	Financing of Vouchers as an Incentive Mechanism	(a) Private sector entrepreneurs
Type II service provider: Firms	Financing of Vouchers as an Incentive Mechanism	(a) Training Delivery (b) Job Placement
Type III service provider: Training Centers	Financing of Vouchers as an Incentive Mechanism	(a) Training Delivery (b) Job Placement

Program Description for E2E

21. The E2E component gives youth access to an education to employment intervention that is a 'best-fit' based on qualifications and interest.

22. **Stage 1: Candidate registers with AGUIPE:** The registration with AGUIPE is on a rolling basis and anyone without a job is eligible to enroll. The process requires filling out a registration form, converted later into electronic format by AGUIPE's data-entry specialists,

feeding into a database tool. 18,000 candidates are currently in AGUIPE's database. Registration takes place in Head Office (Conakry) and at the 5 regional bureaus: Kindia, Boké, Kankan, Kissidougou, and Nzérékoré. The registration form captures demographic and educational information. AGUIPE is setting up an SMS based and on-line registration tool.

23. **Stage 2: Candidate receives AGUIPE's standard services:** This is the general support which all enrolled candidates have access. AGUIPE's Standard Service consists of matching enrolled candidates with the positions advertised by firms on its website (offered without the E2E program).

24. **Stage 3: If a candidate fails to get a job through Standard Services, he/she enters E2E screening:** those who do not obtain a job through standard service will undergo screening on the basis of parameters related to age, number of years since graduation, and education qualification. If screening is a success, the candidate becomes eligible for E2E. Screening is an automated process and done on AGUIPE's database with simple Excel-based filtering tool. Screened candidates are fed into a separate database for E2E.

Box 2: E2E Eligibility Screening Parameters:

iv. Age: 35 maximum
v. Qualification: minimum of a University or TVET degree minimum
vi. Gender: 30 % should be female

25. **Stage 4: E2E counseling and Soft Skills training.** Candidates who clear past screening stage receive counseling which will assess qualification, interests, and aptitude, and based on results, candidates get assigned to one of the three E2E tracks. The objective of counseling is to determine 'best-fit' track. Prior to enrollment, AGUIPE provides a soft skills training package to the candidates.

26. **Stage 5: Candidate enrolls in an E2E track (Track 1, Track 2, or Track 3).** Based on counseling results, those selected for business start-up track get coaching and mentoring support for business start-up/entrepreneurship. To enable such an arrangement, AGUIPE will maintain a database of platforms and options available for enterprise creation (an indicative list is in Box 3).

Track 1: Access to Entrepreneurship training

27. **Eligibility criteria for Track 1 includes: (a) expression of interest and demonstrated motivation,** (b) having some background in business (c) a preliminary outline of a business plan that can be vetted by AGUIPE's counselors. There will be a cap on the number of enrollees gaining admittance into E2E Track 3 (100 in total).

Box 3: Existing Entrepreneurship Support Initiatives

Start-up and Entrepreneurship programs in Guinea

- Ministry of Youth's start-up program with AFRILAND Bank
- Plan Guinea's micro-enterprise creation training
- ONFPP's "CREE" program for creating your own enterprise
- University-based programs in Sonfonya University and Gamal University
- MSME project's support centers (SC) to support agro-business entrepreneurs

Angel Groups and Business Incubators in West Africa

- CTIC business incubator in Dakar, Senegal has a focus on technology and mobile businesses.
- **"We"nnovation Hub, Lagos:** There are two ICT incubators (Wennovation Hub and Co-Creation Hub) in Lagos seeking to support start-ups.
- Africa Venture Capital Association (AVCA), the Lagos Angel Network, the Ghana Angel Network, and Senegal Angel Network are potential sources of funding and mentoring.

28. Guinea, at present, lacks a one-stop 'hub' to support entrepreneurs. For instance, a seed has been sown by the Ministry of Youth's recent initiative to support 25 business start-ups, through a financial guarantee scheme by AfriLand Bank. The initiative, the first of its kind in Guinea, is expected to generate a pipeline of ideas for incubation. In West Africa, innovation/incubation hubs have developed in Cameroon, Nigeria, Benin, Togo, Ghana, Ivory Coast, Liberia, and Senegal.

29. Youth consultations (surveys and focus groups) conducted in April 2014 suggest that many Guinean students and graduates are interested in entrepreneurship, yet have only a very limited understanding of the business creation and skills required to succeed as an entrepreneur.

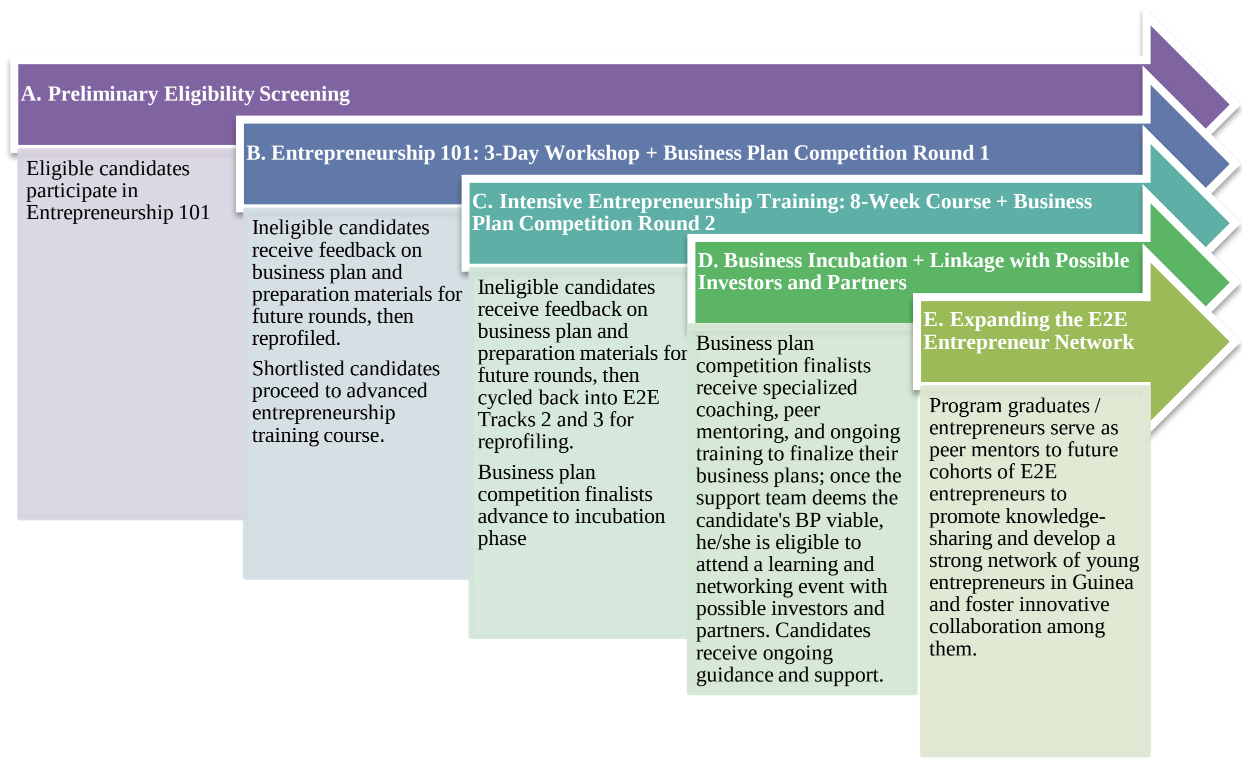
(A) Following the initial E2E evaluation and screening, approximately 100 participants will be preliminarily directed to Track 1. All eligible candidates may opt to participate in (B) "Entrepreneurship 101", a three-day workshop introducing business basics and walking students through the process of developing a simple business plan. The mini-course will conclude with the first round of the Business Plan Competition (BPC), in which a panel of judges will select the 25 strongest candidates and business ideas to participate in the (C) "Intensive Entrepreneurship Training". This more advanced, in-depth eight-week course will enable participants to develop business management skills, knowledge specific to their target sector, and concrete and viable business plans. The latter will be re-submitted to the panel of judges for the second round of the Business Plan Competition, and the 10 finalists will advance to the (D) business incubation phase. AGUIPE will negotiate PBV agreements with entrepreneurship trainers.

30. Delivering the program in phases A through D enables E2E to allocate resources according to candidates' demonstrated potential and readiness for entrepreneurship, and to either

offer significant and tailored support, or redirect the candidate to more appropriate options within the E2E program. All Track 1 candidates receive an introduction, and the pool is gradually narrowed down in such a way that E2E invests:

- <u>Modestly</u> (3 days) in youth discovering the concept of entrepreneurship;
- <u>Moderately</u> (8 weeks) in youth familiar with entrepreneurship but not yet ready to develop a viable business plan;
- <u>Significantly</u> (12 months) in youth demonstrating the ability to master essential business knowledge and skills and create and grow their own businesses.

Figure 2: Entrepreneurship program under Track 1



31. The remaining candidates are eligible for Track 2 and Track 3.

Track 2: <u>Firm-based opportunities (Training, Internships, and Jobs)</u>

32. A growing number of firms have started to establish in-house training facilities. Firm-based training can help job-seekers gain credential for quicker integration into labor market. E2E will develop PPPs for training and insertion opportunities (internships, jobs). Prior to implementation, a series of TA will support AGUIPE undertake preparatory steps to (i)

consolidate a list of firms to act as potential service providers, offering time-bound training or jobs to E2E enrollees.; (ii) conduct a scoping survey on a representative sample to identify PPP options in training & certification and ascertain firm's interest in fiscal incentive via E2E.

33. Key steps in implementing Track 2 are: (i) profiles of candidates in E2E database will be batched and released on a monthly basis to firms in AGUIPE's database; (ii) Track 2 will target 20 candidates per month for an estimated total of 1,440 participants during the project period. Training duration is six to twelve months; (iii) just like with Track 1, if a firm expresses interest in a candidate(s), then AGUIPE will contact the firm to negotiate a PBV agreement. Signing these agreements with individual firms will be a critical part of implementing E2E.

34. **Terms of negotiations will cover:**

(a) Duration and description of training
(b) Competency framework and certification
(c) Time allocation: theoretical versus practical
(d) Training content: technical versus non-cognitive
(e) Assignment of facilities, workshops, and machines
(f) Fixed cost for delivery of (i) training and/or (ii) job insertion, subject to a cost range bracket
(g) Agreement on terms and conditions embedded in PBVs including (i) events qualifying as triggers, (ii) a payout schedule as per agreed triggers, (iii) an e-payment mechanism, and, (iv) a trigger verification protocol.
(h) Reporting and disclosures required of signatories
(i) Co-financing if applicable

35. If the candidate remains unselected for Track 2 for a certain period of time (three months), they are eligible for remedial (top-up) training and certification through Track 3.

Track 3: Short term- professional training (1 to 12 months)

36. E2E candidates will have access to a menu of training options delivered by qualified training vendors, including universities and polytechnics, in cognitive, non-cognitive, and technical domains. Prior to implementation, AGUIPE will undertake preparatory steps with a TA: (i) developing a list of training providers (public and private), (ii) due diligence and vetting of vendors based on readiness criteria (e.g. certification, standards, trainers, links to private sector, infrastructure, etc.) AGUIPE has a working list of approximately 80 training providers and negotiate PBV agreements with certified training vendors. Track 3 will target 20 candidates per month for an estimated total of 1,440 participants during the project period.

Performance-Based Vouchers (PBVs)

37. PBVs are the central instrument activating E2E's PBV agreements with service providers (firms, training centers, entrepreneurs) with the goal of promoting job placement and firm-based insertion after training. The PBVs will contain the terms stipulated in the Financing Agreement and reflected in the voucher guide. The voucher guide will also outline the general rules and guidelines for vouchers. It will outline the terms & conditions and set-up mechanism. The following table shows Payout Triggers and Payout Schedule for service providers.

Table 3: Performance-based Vouchers: Triggers and Payouts

Trigger	Type 1 entrepreneurs	Type II service provider (Firm)	Type III service provider (Training Center)
Trigger 1:	20% for successfully completing the “Entrepreneurship 101”	20% for 4 courses/sessions of training program	20% on spending 20% of agreed time in the firm
Trigger 2:	40% on completion of business development plans deemed viable	50% on completion of training & certification	50% on training and certification
Trigger 3:	40% on successfully starting a business, keeping the business open for at least 4 months.	30% on placement	30% on placement
TOTAL	100%	100%	100%

Verification protocol for Vouchers

38. PBVs will be subject to a rigorous verification to ensure services agreed in PBV agreements were delivered. AGUIPE will be responsible for implementing the Verification Protocol, and will use a team of qualified verifiers who will look into quality and quantity of services delivered. These verification protocols are further described in the voucher guide.

39. The agreed amount to be disbursed will be triggered when pre-determined triggers are met. AGUIPE will carry the technical responsibility to verify redemption using the verification protocols and will give the signal to the Executive Secretariat to proceed with disbursement of funds when the triggers have been met.

Rigorous prospective impact evaluation (IE) of E2E

40. Using a RCT approach, an impact evaluation (IE) will assess the effectiveness of interventions supported under Tracks 2 and 3. It aims to answer the following questions: What is the impact (and cost-effectiveness) of (i) E2E counseling, (ii) firm-based training and/or (iii) short-term professional training?

41. The RCT design capitalizes on the selection process through-out the E2E program. At different points in the process, the design calls for random selection of the candidates:

- At E2E screening, eligible candidates to the E2E counseling + soft skills will be randomly assigned either to: (i) both counseling and soft skills training or (ii) soft skills training only. Those who are assigned to soft skills training (without counseling) will form the RCT control group. (C).
- After completing E2E counseling, candidates deemed adequate for the firm-based training will be listed (internally) and then randomly selected to be included in Track 2. The same will be done for candidates who are identified as ready to go to Track 3. Those

not included in Track 2 or 3 will be the “counseling-only groups”, one for each type of candidates (Counseling only, no training (COF and COP). Those included in Track 2 and 3 will be the two full treatment groups: firm training (CF) and provider training (CP).

Groups	**No Counseling**	**Counseling**
No training opportunity	C	COF / COP
Opportunity to firm-based training	COF	CF
Opportunity to provider-based training	COP	CP

42. The following comparison will allow the study to assess the following:
- CF+CP to C: the impact of counseling and opportunity to participate in training (any type);
- COF+COP to C: the impact of counseling
- CF/CP to COF/COP: the marginal effect of the specific training opportunity, after counseling

43. **Possible Outcome Indicators for the IE**
- Effort to find a job (number of applications, interviews, visit to job posting centers, etc.)
- Time to find a job, and type of contract
- Conditional on finding one:
  - Type (alignment with training and/or objectives)
  - Salary
  - Duration on the job
- Satisfaction / Happiness / Expectation

44. The IE will rely on a baseline, midline and endline survey monitoring outcomes on job search intensity and acquisition of knowledge. Sample stratification will occur by sector and gender. Overall, the evidence from the impact evaluation will inform how best to build linkages between skills training and labor-market insertion for unemployed educated youth in Guinea and beyond.

Activities financed under project

(i) Targeted TA for AGUIPE: (1) Outreach, communications, and registration of job-seeking graduates in Conakry and outlying regions, (2) Harmonization of databases of registrants in the Head Office (Conakry) and regional centers, and website development, (3) Strengthening counselling service by hiring a team of counsellors and psychometrics, (4) Development of a Soft Skills training package, and (5) Administration of PPP surveys on firms and training providers to determine the selection of providers that would be part of E2E.

(ii) In Track 1 (a) facilitation of partnerships with local entrepreneurship and business programs (b) coaching and mentoring from local, regional, and international experts, including training in drafting of business plans (technical and financial components), and (c) development of entrepreneurship training materials and rental of venues.

(iii) For Tracks 1, 2, and 3, PBVs will be the largest category of expenditures under the E2E Component.

(iv) Data collection and analysis under the IE: Baseline, midline and endline surveys, recruitment of a primary investigator and field coordinator, and M&E reports.

Component 3: Institutional Support and Regulatory Framework (Total cost including contingencies: US$3 million)

45. **By allocating resources directly to training institutions and introducing more flexibility for the utilisation of funds to reach the intended objectives, the Competitive Fund introduces a paradigm shift in the management and governance of institutions**. It also strengthens the autonomy of managers and institutions by deconcentrating the resources and reducing the distance to reach beneficiaries. This shift introduces greater responsibility of managers, and accountability of institutions. This reform process is already supported by the recently approved legal texts, which spell out the autonomy of the institutions (decrees 62 and 63/PRG/SGG from April 3 2013[9]. However, this autonomy has not yet been put into practice and can only materialize once the capacity to manage funds effectively has been strengthened. To better tailor the type of support to be provided, a detailed analysis of the financial governance of institutions was carried out and presented by status, strengths, weaknesses, and recommendations for support. (The analysis is presented in Annex 7).

46. Training institutions are penalized in the development of quality training programs by the current regulatory framework namely: (i) the administrative and financial procedures applied by the higher education institutions have become obsolete, not updated since 2001, and they do not take into account recent reforms related to their autonomy nor the recent reforms led by the MEF and in the Budget administration; (ii) the recurrent budgets of technical and vocational education institutions are not included as separated line items in the budget framework; (iii) the evaluation of their financing needs are assessed on the sole basis of the student numbers, without taking into account the specific costs of training; and (iv) in higher education, financing is for the most part composed of student scholarships.

47. The reforms related to the autonomy of institutions need to be tackled hand in hand with the Ministries of Economy and Finance and Civil Service; therefore, the current regulatory framework needs to be revised in a participatory approach involving all relevant ministries. An

[9] Decrees 62/63 from April 3, 2013, spells out the governance of public and private tertiary institutions with regard to administrative, financial, pedagogic, and scientific autonomy of institutions and allowing them to define their vision, objectives, strategies, and activities in in exchange for an increased responsibility of their leaders. The MESRS has henceforth the responsibility to allocate public funds to institutions and to evaluate the performance of institutions.

Interministerial Commission has been established in early August 2014 with the mandate to revise the current texts in line with the ongoing reforms.

48. Institutional strengthening activities planned under the project would specifically target those that are required to take on the new responsibilities of governance and management in line with autonomy. Similarly a paradigm shift is required within the central Ministries whose practices will change from a centralized management system to giving autonomy to institutions whilst holding them accountable for results. The change in roles within the MESRS requires a rebalancing of functions between all parties involved and consequently some structural reorganization.

49. The government reform process also refers to a national agency which will have the mandate to evaluate the performance of training institutions benchmarked against international norms. As current practices in place do not fulfill this requirement, promoting a culture of quality assurance responds to the need to (i) ensuring the credibility of training and certification, (ii) certifying the diploma, and (iii) and ensuring adequacy between training and labor market demand based on quality standards (in alignment with the design of the competitive fund supported under the project's first component). A draft decree spelling out the creation of the National Quality Assurance and Accreditation Agency (of tertiary education and technical and vocational training) is under preparation. However, to be ready for implementation, this agency requires the following support: (i) identify, recruit and train its members, (ii) implement internal quality assurance units in higher education, research and TVET training institutions, (iii) develop internal evaluation standards and external evaluation guides of institutions and programs, and (iv) train staff involved in this entirely new process (presidents, directors, deans, department heads, assessment unit managers, evaluators, etc.)

50. Guinea suffers from an insufficient inflow of qualified faculty. Less than twenty percent of teaching faculty has a Ph.D.[10], both teaching and non-teaching staff are nearing retirement, and young graduates are not incentivized toward careers in education. If new teachers are not trained by 2016, most training institutions will need to be closed due to a lack of qualified trainers. At the same time, various donors' support is being provided to build and equip regional schools of arts and crafts. Guinea has set a target to increase the percentage of post graduate faculty to 40 percent in 2020. An analysis of staffing needs of all institutions of technical and vocational training revealed a gap of 500 teachers to fill in the coming years. Nevertheless, this analysis was not accompanied by an organizational diagnostic of training institutions to assess the adequacy of the existing training and demand of the labor market, or the obsolescence of certain sectors, the analysis of which could provide a basis for the development of a ten-year strategy, which will be supported by AFD. Training of trainers could form an integral part of projects eligible to be submitted to the Competitive Fund.

51. The lack of reliable and comprehensive information on teachers, students and youth, and on the quality and relevance of services, has indeed led to inappropriate decisions in targeting training over the years with a negative impact on the employability of Guinean youth. This weakness is largely due to a deficient information system, both in its architecture as in its usage

[10] MESRS: *Politique et Stratégies de développement et l'enseignement supérieur et de la recherche scientifique* (2013-2020)

in a prospective way and represents a barrier to an effective targeting of institutions and youth in general, and therefore creates a risk for the success of Components 1 and 2.

52. Meanwhile, the IT function remains underdeveloped in the three Ministries (MESRS, METFP-ET, MJEJ) and institutions, which makes it difficult to develop an IT integrated management system. Applications exist in some institutions, but they are not harmonized between them, do not always cover the main functions of management (management education, financial management and human resource management) and do not always meet the needs of managers and users (particularly in connection with the LMD system). Tracking of students and curriculum management are consequently difficult. With the support of the project, it will focus on the residual gap after pooling all sources of data. The improvement of the information system in higher education institutions and in the central Ministries, and secondly the establishment of a youth observatory based on reliable and secure data at the MJEJ would facilitate a better beneficiary targeting.

Activities financed under the project:

53. **Technical and logistical support to the Interministerial Commission for the revision of the regulatory framework consistent with current administrative, fiscal, and human resource reforms.** This support would include technical assistance specifically focused on reforms in higher education including better criteria for granting scholarships and institutions' financing mechanisms, human resource management and career path, better management of LMD. It will further include an organizational diagnostic of the main management functions (namely administrative, financial, human resource, evaluation of institutions and programs) impacted by the ongoing reforms (especially institutions' autonomy, quality promotion, financial reform). It will provide a basis to make recommendations to the subsequent redefinition of the organization and will guide the revision of the regulatory framework.

54. **Technical and logistical support for setting up and operationalization of a national quality assurance and accreditation agency for higher and vocational education.** The Project will provide technical for the identification, recruitment and training of members of the agency (except their salaries), the development of evaluation standards and internal and external evaluation guides, support for the implementation of quality assurance units within the institutions, and conducting institutional and programs' evaluations (beginning with training programs and institutions that will be awarded by the Competitive Fund). The Project will also finance logistical and material support, in line with the capacity strengthening plan (training for presidents, directors, deans, department heads, etc).

55. **Technical support for strengthening the information system of the higher education TVET institutions, as well as their respective Ministries** and particularly (i) the development of an information systems master plan, and, (ii) the conceptualization of the linked functions and information flows and the architecture of the overall system. The information system will be designed in order to streamline the future development and initiatives (coming from internal investment or other donors contributions) and will integrate, as much as possible, the technical constraints and costs of the biometric recruitment of students.

56. **Technical and logistical support for the establishment and operationalization of a Youth observatory**. The Project will finance a feasibility study and technical support for the operationalization of the youth observatory.

57. **Technical assistance will be provided to develop and implement a plan of priority training areas**. These will be consistent with the other areas of Quality Assurance, administrative and financial management, HR management, institutional governance, IT technicians and *ad hoc* training for the benefit of the MJEJ for a successful implementation of the Project.

58. **Personnel and operating costs for the day-to-day management of the Project**.

ANNEX 3: IMPLEMENTATION ARRANGEMENTS

GUINEA: STEPPING UP SKILLS PROJECT

Project Institutional and Implementation Arrangements

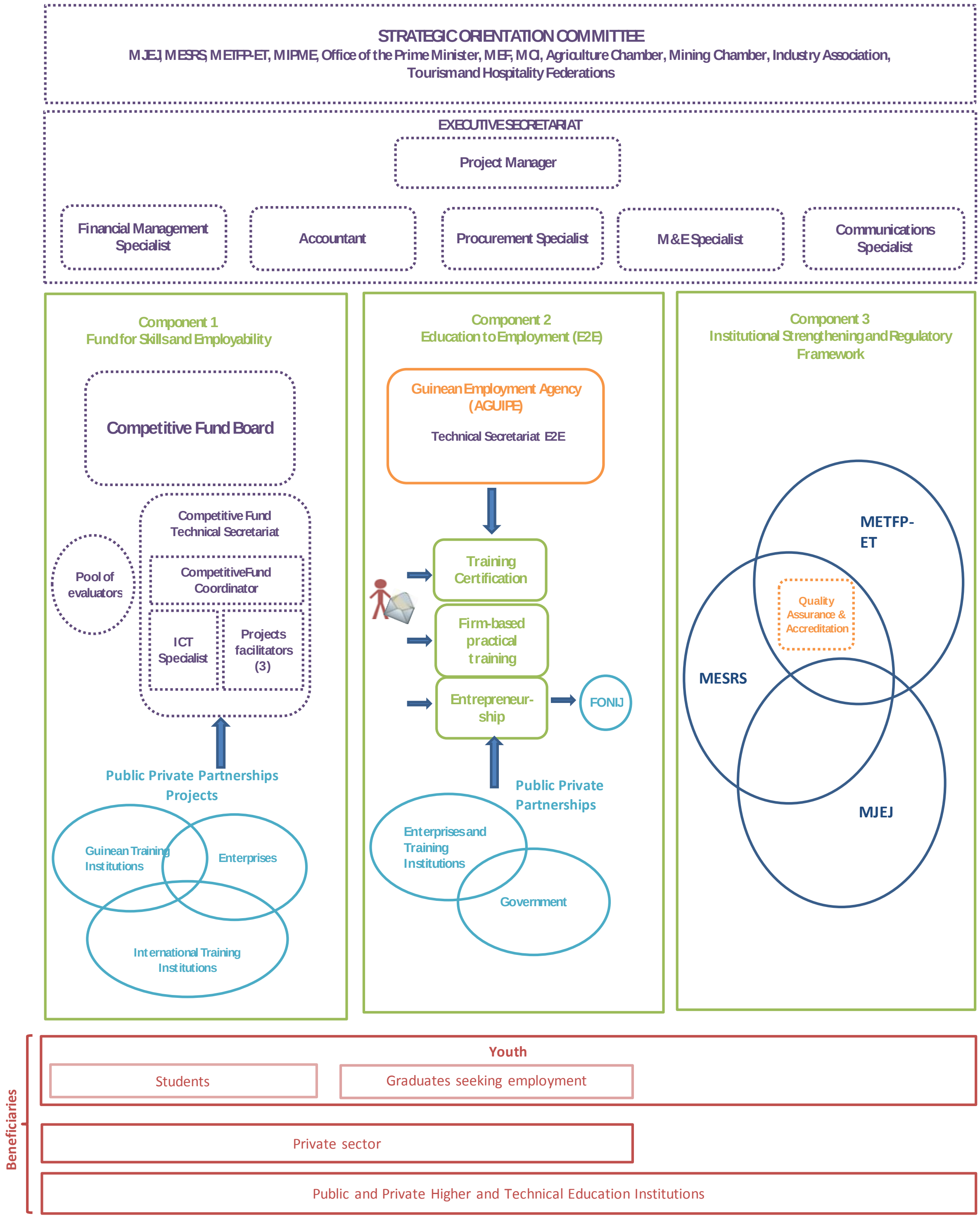
1. **The Project will be implemented over a period of six years**. The Government of Guinea has officially designated the MJEJ as the physical custodian of the Project. A mid-term review will be carried out by the end of the third year of project implementation. Given the multi-institutional nature of the Project, high level support is required to maintain consistency and harmonization of interventions and allow the removal of occasional blockages when necessary. This justifies: (i) setting-up a Strategic Orientation Committee in charge of overseeing project progress and consistency with on-going policy orientation in the sector; and (ii) ensuring there is an autonomous project coordination and monitoring team in place via the establishment of the Executive Secretariat.

2. The below SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis captures the challenges and opportunities the project offers in terms of implementation arrangements:

Table 1: SWOT of the Project

Strengths	**Weaknesses**
• A diverse network of public and private universities and professional training across the country. • On-going reforms such as the autonomy of universities and rationalization of public expenditures. • Stakeholders (MESRS, METFP-ET, MJEJ, universities, chambers of commerce, professional associations) who expressed willingness to collaborate actively.	• Limited institutional capacity in terms of implementation (including project management, financial management, procurement, and monitoring). • Limited communication channels among involved stakeholders. • Current work culture offers little room for a participatory and collaborative approach. • Limited experience and capacity in terms of project design and management of implementation entities.
Risks	**Opportunities**
• Administrative bottlenecks that could slow the implementation process. • Mistrust of the private sector vis-à-vis public institutions. • Weak coordination between the ministries, the private sector and the training institutions. • Limited involvement of professors/trainers in projects without a financial incentive. • Low quality or unsuccessful completion of projects executed by grant beneficiaries. • Low quality of training certifications in terms of expectations and needs expressed by employers, knowing that training centers to be involved in the E2E Program lack accreditation for certified training.	• Economic sectors with potential growth and development in the upcoming years. • Post-secondary education/training valued by students, parents, governmental authorities and employers.

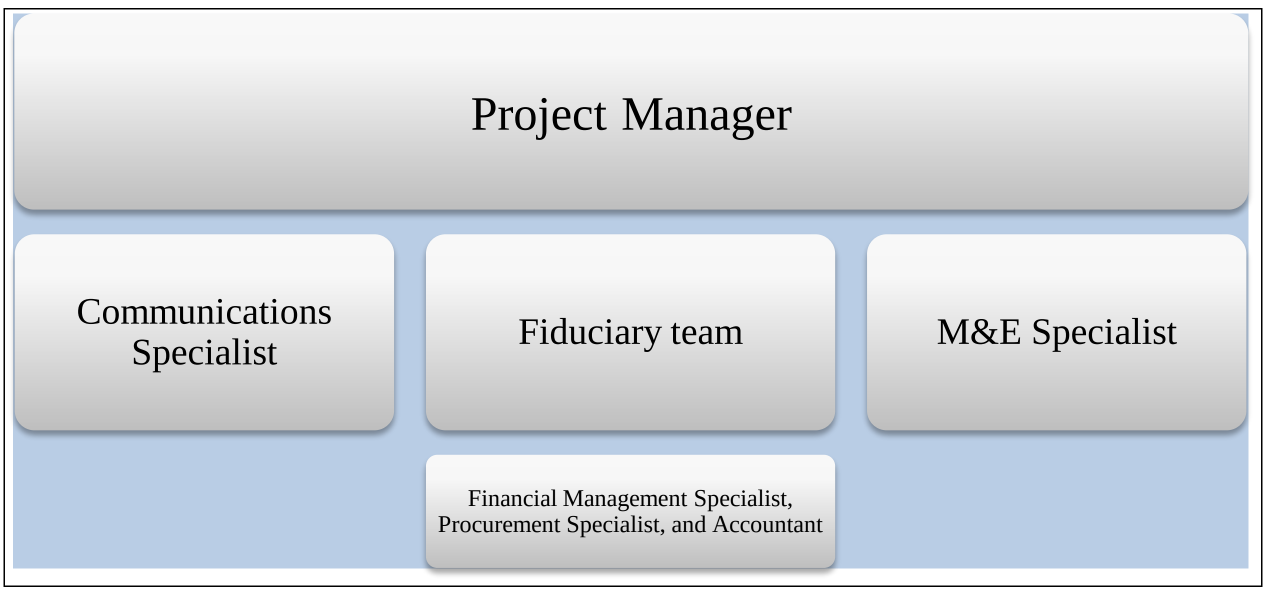
Figure 1: Institutional arrangements



3. **Project overview**: The Project will operate under the guidance of the Strategic Orientation Committee chaired by the Minister of MJEJ and comprising the Ministers of Industry and SME, METFP-ET, MESRS, MEF, International Cooperation, a representative of the Prime Minister's Office, Presidents of Mining Chamber, Agriculture Chamber, Industry Association and Tourism and Hospitality Federations. This Strategic Committee would meet twice a year-or more frequently if needed. The MJEJ will have the convening power to bring together private sector, government, representatives from institutions, civil society, youth associations etc. The Strategic Committee will facilitate project implementation by (i) providing strategic guidance for project implementation; (ii) reviewing and coordinating project's led initiatives and reforms; and (iii) providing adequate solutions that would eliminate blockages that could delay project implementation.

4. **Project management:** An autonomous Executive Secretariat will be established to manage the Project. The Executive Secretariat will report to the Strategic Orientation Committee and the World Bank on the Project implementation. It will also be responsible for all fiduciary aspects of the Project. The Manager within the Executive Secretariat will be responsible for the overall management of the Project. The Manager will oversee a team composed of a fiduciary team (Procurement Specialist, Financial Management Specialist, and an Accountant), an M&E Specialist, and a Communications Specialist who will be recruited according to an open and competitive process.

Figure 2: Executive Secretariat



5. **The Executive Secretariat, headed by a Manager, will be in charge of coordinating the whole Project in accordance with the Project Manual**. Therefore, it will be responsible for the preparation of monitoring reports and other documents required by the World Bank. It will ensure that budgetary, procurement, disbursement, accounting, auditing and reporting arrangements are established following agreed procedures. This arrangement will contribute to reducing fiduciary risks, and consolidate all fiduciary transactions in an efficient manner. The Executive Secretariat will also be in charge of: (i) providing all necessary information on project

performance and monitoring to the Strategic Orientation Committee; and (ii) developing and implementing the Project communication policy.

6. **Component 1** will be coordinated by the Competitive Fund Technical Secretariat composed of a Fund Coordinator, three Project Facilitators, and an IT Communication Specialist. The M&E Specialist within the Executive Secretariat will also support this Technical Secretariat.

7. The Fund will be overseen by a Board that validates the evaluation of sub-projects and monitors their results and impacts. It will be composed of, among others, university and TVET professors, private sector representatives, and a representative from the MEF. The Board will rely on a panel of external evaluators for the evaluation of sub-projects and will also report to the Strategic Orientation Committee. The roles and responsibility of each structure is detailed in the Fund Guide. The Board will also advise the Strategic Orientation Committee of its decisions regarding the selection of sub-projects.

8. **Component 2** will be coordinated by AGUIPE, building on its support of registered jobseekers. The E2E program will target young graduates registered and looking actively for a job opportunity in one of the sectors covered by the project or with an objective of creating an enterprise. With the support AGUIPE, selected job seekers will be able to benefit from short-term training or practical working experience in an enterprise/firm. AGUIPE will be responsible for the E2E implementation. The Executive Secretariat will provide support to AGUIPE in terms of program monitoring, financial management, and procurement.

9. **Component 3** will be coordinated by a taskforce composed of focal points from MJEJ, MESRS and METFP-ET responsible for a satisfactory execution and monitoring of planned activities. This task force will work in close collaboration with concerned directorates in charge of actual implementation. The Executive Secretariat will be responsible for all fiduciary aspects and reporting requirements. To continue to engage in reforms in higher education and TVET, an Interministerial Commission was established in early August 2014.

10. These implementation arrangements have been confirmed based on a similar experience in health in Guinea. The establishment of an autonomous Executive Secretariat had the following positive impact: (i) facilitated collaboration between public institutions and private sector, as well as between ministries; (ii) ensured autonomy of delegated management of various financing sources resulting from fundraising mechanisms; (iii) attracted qualified professionals based on a competitive process; and (iv) managed funds according to the procedures of various technical and financial partners.

Financial Management, Disbursements and Procurement

Financial Management and Disbursement

11. Compared to the Public Expenditure and Financial Accountability Assessment (PEFA) 2008, the PEFA prepared in 2013 noted some progress. However, challenges remain in the area of budget execution, accounting, internal and external audits. The report recommended a multiyear action plan to achieve measurable progress in the area of public financial management

(FM). The MEF is committed to the revision of the Public Financial Management Reform Strategy developed with IMF assistance in 2008. The first draft was prepared in September 2013 with an action plan covering a five-year period of implementation that aimed among others at setting up an effective system of public financial management, efficient, transparent, capable of meeting the priorities of the Poverty Reduction Strategy Paper (PRSP) III, establishing and consolidating core fundamental perspectives in alignment with best international practice. This will build on all reforms induced by the adoption of new texts such as the Organic Law on budget laws (*Loi organique relative aux lois de finances du 06 Août 2012*), the Decree pertaining to the General Regulations Governing Public Accounting the Decree on the governance and transparency of public finances and the Procurement Code, as well as their various implementing regulations.

12. The World Bank supports the ongoing efforts through the implementation of the Economic Governance Technical Assistance and Capacity Building Project which aims at strengthening the capacity of the Government of Guinea to prepare, implement and monitor reform programs in public financial and human resource management.

Table 2: Fiduciary Risks and Mitigation Measures

Risk	Risk Rating	Risk Mitigation Measures/comments	Residual Risk Rating	Remark
Inherent Risks:	**S**		**S**	
Country Poor governance and associated risks from a poorly performing public financial management system; weak procurement practices;	H	The Economic and Governance TA and Capacity Building Project supports the PFM reforms	H	Some improvements have been noted in the PFM following the commitment of the new Government to re-establish basic controls over public finances
Entity Many involved entities might create confusion in the project coordination and oversight	S	A Project Manual (PM) will be elaborated describing roles and responsibilities of the different actors and implementing entities. A Strategic Orientation Committee will oversee the coordination of the Project's activities and help address any related issues.	S	Condition of Effectiveness
Project The innovative approach of the project might not be properly adhered to and add to the complexity of the project	S	The PM will comprise a project implementation handbook, a fund guide, and a voucher guide.	S	Condition of Effectiveness
Control Risks:	**S**		**S**	

Risk	Risk Rating	Risk Mitigation Measures/comments	Residual Risk Rating	Remark
Staffing Inadequate staffing at the Executive Secretariat	S	Recruit competitively an FM specialist and an accountant based on TORs acceptable to IDA. The accountant will be part of the Executive Secretariat.	M	Condition of Effectiveness
Budgeting (i) Variations are not authorized nor monitored and no revisions take place in the budget during the year. (ii) Budget may be based on unrealistic expenditures forecast and costing (iii) Budget consolidation might face challenges	S	The accounting, administrative and financial procedures including the budgeting process from elaboration and adoption to follow up will be described in the FM procedures section of the PM (Project Implementation Handbook)	M	Condition of Effectiveness
Accounting : Delays in book keeping due to lack of adequate experience within the MJEJ and of an appropriate accounting software	S	The accounting procedures will include chart of accounts, accounting routine and administrative activities to facilitate the induction of the FM team to be recruited. An appropriate accounting software will be purchased and used for recording and reporting purposes	S	Within three months after effectiveness
Internal Control Weak internal control environment causing risk on assets and on the project's operations	S	The Project Manual will describe the role and responsibilities of all involved stakeholders An internal auditor will be recruited to conduct ex-post review of the Project transactions	S	Condition of Effectiveness Within three months after effectiveness
Funds Flow Funds might be diverted, used for non-project eligible purposes	S	Open a Designated Account (DA) for the Project in a commercial Bank managed by the Executive Secretariat under the signature of the Manager and the FM specialist.	M	This was completed in June when the PPA became effective

Risk	Risk Rating	Risk Mitigation Measures/comments	Residual Risk Rating	Remark
Reporting Delays might occur in submission of IFR due to lack of adequate accounting software	S	The accounting software will be customized and installed at the Executive Secretariat to generate consolidated financial statements	S	Within three months after effectiveness
Auditing Delays on external audit due to a lack of capacity of the Chamber of accounts of the Supreme Court	S	An external auditor with TORs acceptable to the Bank will be recruited	S	Within five months of effectiveness
Overall Risk	**S**		**S**	

Governance and Anti-Corruption measures

13. In the context of Guinea, inefficient service delivery due to poor governance practices and weak PFM environment is an inherent issue. In addition, given the financing mechanism through the set-up of a Competitive Fund under Component 1 and use of vouchers under Component 2, unfair selection of beneficiaries and projects may increase the GAC risk. The following measures are included in the project design to mitigate the related risks.

14. *Operational review* and *oversight*: a panel of external evaluators will be recruited for the selection of the sub-projects. The Board will validate the evaluation of sub-projects and monitor their results and impacts. AGUIPE will also ensure the proper coordination of the vouchers. *Internal control*: A Fund Guide is being prepared and will be available by effectiveness. Similarly, a Voucher Guide describing the procedures for implementing the vouchers will be prepared with a detailed selection process of beneficiaries. Prior to launching the calls for proposal for the Competitive Fund, beneficiaries' capacity in Project preparation and management will be strengthened through tailored training. As per the anticorruption clause referenced in the Financing Agreement (Schedule 2, section 1B), the Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines ("Guidelines on Preventing and Combating Fraud and Corruption in Projects Finances by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011).

IV. Financial management and Disbursement Arrangements

Staffing and Training

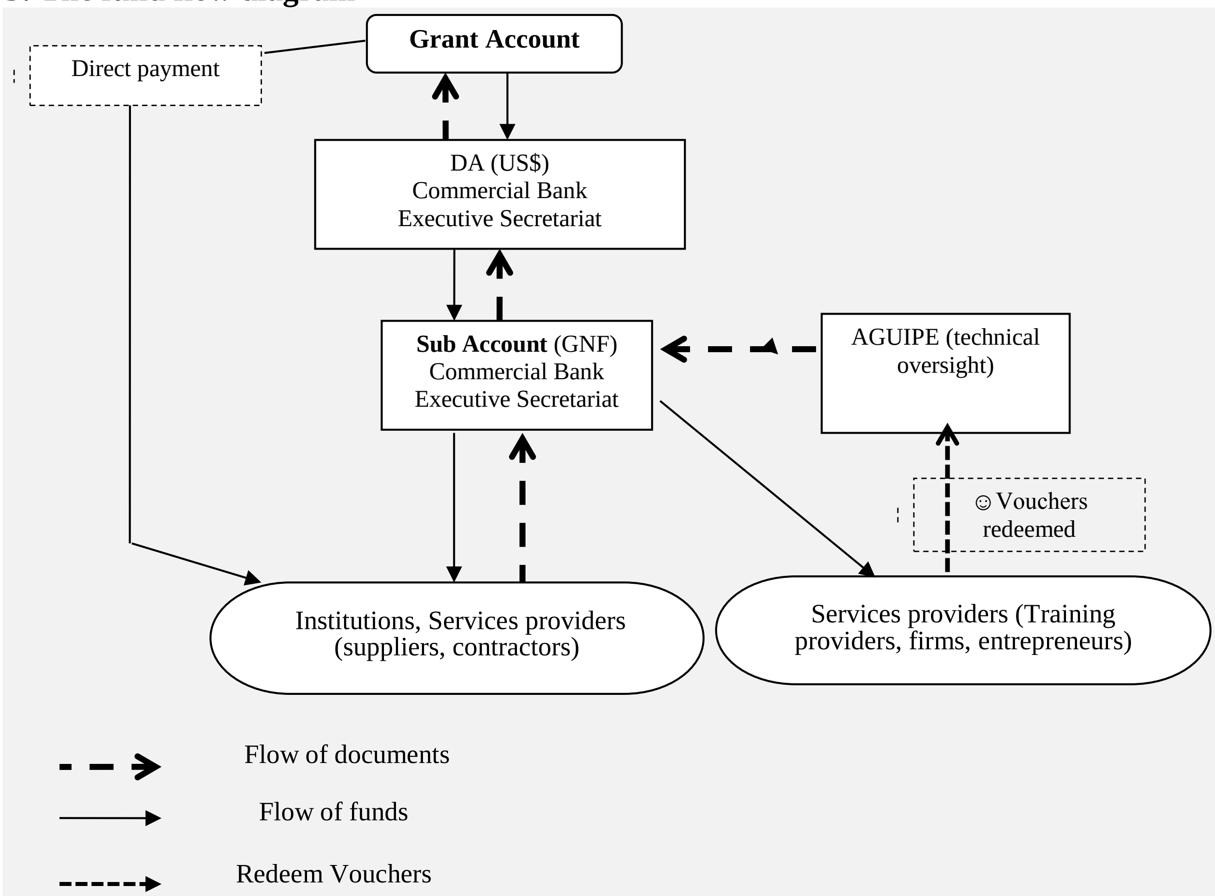
15. The Project FM staff will consist of one FM Specialist and one qualified Accountant who will be competitively recruited and staffed to the Executive Secretariat. They will benefit from training conducted by the Bank FM team during implementation as needed.

Flow of funds and Disbursement arrangements

16. One Designated Account (DA) in US$ will be maintained in a commercial bank and managed by the Executive Secretariat under the joint signature of the Manager and FM specialist. The DA will be managed according to the disbursement procedures described in the project implementation handbook and the Disbursement Letter. Funds will therefore flow from the DA in US$ to a sub-account in GNF and from that sub-account to Suppliers and contractors.

Funds will flow to beneficiaries mainly through vouchers that will be redeemed by service providers (entrepreneurs, training centers, firms) with AGUIPE's clearance, signed off by the Project Manager and repaid through the GNF account.

Figure 3: The fund flow diagram



Disbursement Methods:

17. The disbursement procedures arrangements will be detailed in the Project Implementation Handbook (within the Project Manual) and the disbursement letter including the *Disbursement Guidelines for World Bank Projects*. Upon Project effectiveness, transaction-based disbursements will be used. An initial advance up to the ceiling of the DA (US$850,000) and representing three months forecasted project expenditures will be made into the Designated Account and subsequent disbursements will be made on a monthly basis against submission of SOE or records as specified in the DL. Thereafter, the option to disburse against the submission of quarterly unaudited IFR (also known as Report-based disbursements) could be considered subject to the quality and timeliness of the IFRs submitted to the Bank and the overall assessment of FM arrangements. In addition to the "advance" method, the option of disbursing the funds through direct payments to a third party, for contracts above a pre-determined threshold for eligible expenditures (e.g. 15 percent of the DA ceiling), will also be available. Another acceptable method of withdrawing proceeds from the IDA grant is the special

commitment method whereby IDA may pay amounts to a third party for eligible expenditures to be paid by the Recipient under an irrevocable Letter of Credit (LC).

Table 3: Disbursement table

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, training, operating costs, and consultants' services for the Project	3,450,000	100%
(2) Sub-grants under Part 1(i)	6,850,000	100% of amount disbursed
(3) Performance-based Vouchers under Part 2	2,250,000	100% of amount disbursed
(4) Refund of Preparation Advance	550,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	13,100,000	

Budgeting arrangements

18. The project budgeting process will follow Bank procedures and will be clearly defined in the Budget section of the project implementation handbook (within the project manual). The budget will be adopted before the beginning of the year and monitor through the project accounting software. Annual draft budgets will be submitted to the Bank's non-objection before implementation. The consolidated Annual Work Plan and Budget approved by the Strategic Orientation Committee will be submitted to the Bank no later than November 30 every year.

Accounting policies and procedures

19. Project accounts will be maintained and supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be prepared by the Executive Secretariat by using an appropriate accounting software designed to generate automatically acceptable IFRs and financial statements. The accounting software will be installed and parameterized within the Executive Secretariat. The accounting policies and procedures will be documented in the accounting procedures. The Project through its administrative and financial management units will apply the OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) accounting principles.

Internal controls and internal audit

20. A Project Implementation Handbook (within the Project Manual) including accounting administrative and financial procedures will be completed by project effectiveness. This handbook will ensure that adequate internal controls are in place for the preparation, approval and recording of transactions as well as segregation of duties. The handbook will set forth the role and responsibility of each stakeholder and will be updated as needed.

21. A Fund Guide is being prepared and will outline the rules and guidelines for selection process of sub-projects as well actors (Board, panel of external evaluators), roles and responsibilities in the said process. A voucher guide is also being prepared. The two guides and the handbook encompass the Project Manual.

Reporting and Monitoring

22. The Executive Secretariat will prepare quarterly consolidated Interim Financial Reports (IFR) during project implementation encompassing all components. The Interim unaudited Financial Reporting (IFR) includes the following statements: (i) Statement of Sources of Funds and Project Revenues and Utilization of Funds; (ii) Statement of Expenditures classified by project components/activities (economic classification) showing comparisons with budgets for the reporting period and cumulative for the project life; (iii) Note added to the IFR providing reasons for the variances and any information on the statement of sources of funds and project revenues and utilization of funds.

23. Annual financial statements will be prepared by the Executive Secretariat and will be subject to annual external audits. The Executive Secretariat will also produce the projects Annual Financial Statements and these statements will comply with the Accounting System of OHADA countries and World Bank requirements. They will comprise :

- A Statement of Sources and Uses of Funds which includes all cash receipts, cash payments and cash balances
- A Statement of Commitments
- Accounting Policies Adopted and Explanatory Notes
- A Management Assertion that project funds have been spent for the intended purpose as specified in the relevant financing agreements.

Audit arrangements

24. The Financing Agreement (FA) will require the submission of Audited Financial Statements for the project to IDA within six months after year-end. The auditor will conduct an annual audit of the annual financial statements. A single opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing will be required. The external auditor will prepare a Management Letter giving observations and comments, and providing recommendations for improvements in overall competitive fund management, accounting records, systems, controls and compliance with financial covenants in the FA.

Implementation Support Plan

25. The Executive Secretariat will send quarterly IFRs to the Bank in addition to annual audited financial statements. The auditor will also provide a Management Letter assessing the internal control system. The Project FM residual overall rating is rated **Substantial** and therefore, the Bank FM team will conduct supervision missions on a semester basis. The first FM review will be carried out within six months of project effectiveness. This detailed review will cover all aspects of financial management, internal control systems, and overall fiduciary control environment. Thereafter, the on-site supervision intensity will be based on risk ratings - initially on the PAD risk rating and subsequently based on the updated financial management risk rating during implementation.

26. Based on the outcome of the FM risk assessment, the following implementation support will apply:

Table 4: FM planned activities

FM Activities	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the project	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Bi-annual (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions	When needed.

Financial Covenants

a) A financial management system including records, accounts and preparation of related financial statements shall be maintained in accordance with accounting standards acceptable to the Bank.
b) The Financial Statements will be audited in accordance with international auditing standards. The Audited Financial Statements for each period shall be furnished to the Association not later than six months after the end of the project fiscal year. The Borrower shall therefore recruit an external auditor not later than five months after effectiveness
c) The Borrower shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project, in form and substance satisfactory to the Association.

Conclusion of the assessment

27. The FM residual control risk is rated **Substantial**. The current financial management arrangements for this project will meet the Bank's minimum fiduciary requirements under OP/BP10.00 once the proposed mitigation measures are implemented.

Procurement

28. A Country Procurement Assessment Review, carried out in Guinea in February 2002 flagged the main issues such as the lack of capacity regarding the recipient's staff, the absence of standard bidding documents at the national level, the insufficient capacity of local contractors for contracts subject to International Competitive Bidding (ICB), and corruption. Recommendations were made to address these issues. The Bank, through an Institutional Development Fund

(TF055853) signed in November 2005, provided support on the public procurement reform. The main objectives were to: (i) enhance transparency of the procurement system, (ii) put in place the new institutional framework (public procurement directorate controlling procurement transactions, public procurement regulatory body including an appeal committee for complaints), (iii) update the procurement code, (iv) design standard bidding documents. On March 2009, the legal framework was revisited and the new Procurement Law and the new Procurement Code were adopted and approved respectively on October 11, 2012 and December 3, 2012. The national procurement system is still governed by the Act L/97/016/AN passed on June 3, 1997 and its implementing regulations for six months after the publication of the new texts on the Official News.

29. **Guidelines:** as above mentioned procurement for the proposed project will be carried out in accordance with: (a) the World Bank's "*Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants"* dated January 2011, revised July 2014; and (b) "*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers"* dated January 2011, revised July 2014.

30. **Procurement Documents:** Procurement would be carried out using the Bank's Standard Bidding Documents (SBD) for all ICB for goods and works and for Standard Request for Proposal (RFP) for the selection of consultants through competitive procedures. The Recipient will develop standard documents based on the Bank's SBDs for National Competitive Bidding (NCB) for goods and works and the Bank's RFP for the selection of consultants through methods other than Quality and Cost Based Selection (QCBS), with modifications that will be submitted to IDA for prior approval.

31. The different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame were agreed between the Recipient and the Bank in the Procurement Plan during negotiations. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

32. **Advertising procedures**: General Procurement Notice, Specific Procurement Notices, Requests for Expression of Interest and results of the evaluation and contracts award should be published in accordance with advertising provisions in the following guidelines: "*Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants*" dated January 2011, revised July 2014, and "*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*" dated January 2011, revised July 2014. The Borrower will keep a list of received responses from potential bidders interested in the contracts.

33. For ICB and request for proposals that involve international consultants, the contract awards shall be published in the United Nations Development Business (UNDB) online within two weeks of receiving IDA's "no objection" to the recommendation of contract award. For Goods, the information to publish shall specify: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated prices of each bid that was

evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. For consultants, the following information must be published: (a) names of all consultants who submitted proposals; (b) technical points assigned to each consultant; (c) evaluated prices of each consultant; (d) final point ranking of the consultants; and (e) name of the winning consultant and the price, duration, and summary scope of the contract. The same information will be sent to all consultants who submitted proposals. The other contracts should be published in national gazette periodically (at least, quarterly) and in the format of a summarized table covering the previous period with the following information: (a) name of the consultant to whom the contract was awarded; (b) the price; (c) duration; and (d) scope of the contract.

Procurement methods

34. **Procurement of Works.** The works to be financed by IDA include: rehabilitation and maintenance of classrooms. Contracts of works estimated to cost US$5,000,000 equivalent or more per contract shall be procured through ICB. Contracts estimated to cost less than US$5,000,000 equivalent may be procured through NCB. Contract estimated to cost less than US$100,000 equivalent per contract may be procured through shopping procedures. For shopping, contracts will be awarded following evaluation of bids received in writing on the basis of written solicitation issued to several qualified suppliers (at least three). The award would be made to the supplier with the lowest price, only after comparing a minimum of three quotations open at the same time, provided he has the experience and resources to execute the contract successfully. For shopping, the Project Procurement Specialist will keep a register of suppliers that will be updated at least every six month.

35. **Procurement of Goods.** The goods to be financed by IDA would include: office furniture, equipment (ICT, pedagogic technology platform, laboratory equipment, etc.) supplies, and vehicles etc. Similar goods that could be provided by a same vendor would be grouped in bid packages estimated to cost at least US$500,000 per contract and would be procured through ICB. Contracts estimated to cost less than US$500,000 equivalent may be procured through NCB. Goods estimated to cost less than US$50,000 equivalent per contract may be procured through shopping procedures. For shopping, the condition of contract award shall be the same process as described above for procurement of works.

36. **Procurement of non-consulting services**. Procurement of non-consulting services, such as services for providing logistic support, car rental for field visits, transport services and maintenance of office equipment will follow procurement procedures similar to those stipulated for the procurement of goods depending on their nature.

37. **Selection of Consultants.** The Project will finance Consultant Services for activities such as: technical assistance, institutional strengthening and capacity building to training institutions, private sector and SMEs, training and workshops, technical and financial audits. Consultant firms will be selected through the following methods: (a) Quality-and Cost-Based Selection (QCBS) will be used for contracts estimated to cost US$200,000 equivalent and above per contract; (b) selection based on the Consultant’s Qualification (CQS) for contracts which amounts are less than US$200,000 and are relative to exceptional studies and researches which

require a rare and strong expertise; (c) Least Cost Selection (LCS) for standard tasks such as insurances and, financial and technical audits costing less than US$200,000; (d) Single Source Selection, with prior agreement of IDA, for services in accordance with the paragraphs 3.10 to 3.12 of Consultant Guidelines. Individual Consultant (IC) will be hired in accordance with paragraph 5.1 to 5.4 of Bank Guidelines; Sole source may be used only with prior approval of the Bank.

38. Short lists of consultants (firms) for services estimated to cost less than US$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, if a sufficient number of qualified firms are available. However, if foreign firms express interest, they would not be excluded from consideration.

39. **Training and Workshops.** Training (including training material and support) and workshops, will be carried out based on a Capacity building and Training Plan (CBTP) to be approved along the Project's Annual Work Plan and Budget (AWPB). Detailed TORs will be prepared for each line of activity in the project, providing information on the nature of activity (training, workshop, study tour, field missions etc.), the number of trainees/participants, duration, staff months, timing and estimated cost, and will be submitted to IDA for review and approval prior to initiating the process.

40. **Operational Costs**. Operating costs financed by the Project are incremental expenses incurred for implementing project activities. They include facility services (electricity, internet, tap water, etc.), vehicles operation and maintenance, maintenance of equipment, communication costs, and supervision costs (i.e., transportation, accommodation and per diem). They will be procured using the procurement procedures specified in the Project Manual.

Assessment of the capacity of the agencies to implement procurement

41. An autonomous Executive Secretary will be responsible for the overall management of the project. It will report to the Strategic Committee and the World Bank on the Project and its components. The Executive Secretary will carry out or support all procurement activities under the three components of the Project.

42. The Bank conducted an assessment of the procurement capacity of the three Ministries (MJEJ, METFP-ET, MESRS) during the Project preparation in February 2014 in accordance with Bank's procurement Risk Assessment and Management System. The assessment reviewed the organizational structure for implementing the Project taking into account a number of actors and stakeholders.

43. The potential risks identified are: (i) the large number of actors; (ii) the insufficient skills and experience on Bank's procurement procedures of the Ministries' staff; (iii) the lack of the existing Agency to implement the project; and, (iv) the lack of a procurement manual. Based on the assessment of the system in place, the overall project risk for procurement is rated **High**. It may be lowered to Substantial once the mitigations measures are implemented.

Mitigation measures

44. In order for these bodies to implement Bank funded activities in accordance with the Bank guidelines on procurement, the assessment mission recommended the following: (i) the recruitment of a procurement specialist prior to effectiveness; this procurement specialist will carry out all procurement activities envisaged and strengthen each of the structures, (ii) the preparation of a Project Manual which comply with Bank requirements on procurement by project effectiveness and (iii) put in place a good filing system.

Frequency of procurement reviews and supervision

45. Bank's prior and post reviews will be carried out on the basis of thresholds indicated in the following table. The IDA will conduct six-monthly supervision missions and annual Post Procurement Reviews (PPR); with the ratio of post review for at least one to five contracts. The IDA may also conduct an Independent Procurement Review at any time until two years after the closing date of the project.

Country Overall Procurement Risk Assessment:

High	**X**
Average	
Low	

Table 5: Recommended Action and Due Date

Appoint one Procurement Specialist based on Terms of Reference acceptable to IDA (for the Executive Secretariat).	Condition of Effectiveness
Prepare a Project Implementation Handbook (to be part of Project Manual)	Condition of Effectiveness

Table 6: Procurement and Selection Review Thresholds

Expenditure Category	Contract Value (Threshold)	Procurement Method	Contract Subject to Prior Review
	US$		
1. Works	≥5,000,000	ICB	All
	<5,000,000	NCB	First contract
	<100,000	Shopping	First contract
	No threshold	Direct contracting	All
2. Goods	≥500,000	ICB, ICBLIB	All
	<500,000	NCB,	First contract
	<50,000	Shopping	First contract
	No threshold	Direct contracting	All
3. Consultants Firms	≥200,000	QCBS; QBS; LCS; FBS	All contracts
	<200,000	QCBS; QBS; LCS; FBS, CQ	First contract
Individuals	≥100,000	EOI	All contracts
	<100,000	comparison of 3 CVs	First contract
(Selection Firms & Individuals	No threshold	Single Source	All
All Terms of reference regardless of the value of the contract are subject to prior review			

46. All trainings, terms of reference of contracts, and all amendments of contracts raising the initial contract value by more than 15 percent of the original amount or above the prior review thresholds will be subject to IDA prior review. All contracts not submitted for prior review, will be submitted to IDA post review in accordance with the provisions of paragraph 5 of Annex 1 of the Bank's Consultant Selection Guidelines and Bank's Procurement Guidelines.

47. For each contract, the procurement plan will define the appropriate procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, the prior review requirements, and the time frame. The procurement plan was reviewed during Project appraisal and was formally confirmed during negotiations. The procurement plan will be updated at least annually, or as required, to reflect the actual Project implementation needs and capacity improvements. All procurement activities will be carried out in accordance with approved original or updated procurement plans. All procurement plans should be published on Bank website according to the Guidelines.

Environmental and Social (including safeguards)

48. The safeguards instrument prepared to govern the project, the ESMF, includes institutional arrangements, outlining the roles and responsibilities for the various stakeholder groups involved, for screening, reviewing, as well as implementation and monitoring of mitigation

measures. As soon as the implementation sites are identified, each Project activity will systematically be processed through the environmental and social screening procedures detailed in the ESMF. The screening will be conducted by the Executive Secretariat according to World Bank safeguards policies and national regulations.

49. The environmental and social mitigation measures summarized in the ESMF, will be executed, monitored and reported in the overall project periodic reports. The responsibility of the follow up is with the Executive Secretariat. The indicators below will be monitored, as part of the Project's global monitoring system:

- Number of eligible project activities processed through the screening procedure;
- Number of specific ESMPs recommended;
- Percentage of approved specific ESMPs recommendations and measures implemented timely and appropriately;
- Number/Frequency of safeguard supervision and annual project reviews undertaken;
- Completion of the section on the safeguards implementation in the project periodic reports.

50. The Executive Secretariat will work upstream with the institutions benefiting from financing under the Competitive Fund (Component 1), to ensure the inclusion of social and environmental safeguards clauses in bidding documents and annual work plans, and downstream with the facilitators and institutions on field supervisions to ensure proper compliance of environmental and social safeguards by contractors and beneficiaries.

Table 7: Summary of critical safeguard measures

Actions	Timeline	Responsible
Dissemination of approved safeguard documentation (ESMF)	May 2014 (completed)	National Coordination Unit/MEPU-EC/WB
Implementation, follow up and reporting on the specific ESMPs		
Capacity building of relevant stakeholders as approved in the safeguard documentation and budget		
Mid-term and final audits of the implementation of environment and social safeguards recommendations and measures		

ANNEX 4: OPERATIONAL RISK ASSESSMENT FRAMEWORK (ORAF)

Guinea: Stepping Up Skills Project (P146474)

<table>
<tr><th colspan="7">Project Stakeholder Risks</th></tr>
<tr><td>Stakeholder Risk</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="7">Risk Description:

a. Training Institutions: lack of modern facilities and equipment for hands-on training and apprenticeship; limited past engagement with private sector may make it difficult to attract practitioners/professionals as instructors/trainers.

b. Private and public sector actors engaged in development of occupational standards: limited past public-private partnership and dialogue, so may be hesitant or have difficulty coming to agreement and translating occupational standards into corresponding training programs; it may also be tempting to transplant international occupational standards without fully adapting to Guinean context, realities, and priorities.

c. Students: absence of alumni tracking may make it challenging to disseminate information about new programs and attract the most appropriate candidates;</td><td colspan="6">Risk Management:
• There was great enthusiasm of the Government to prepare a skills project with World Bank support, as it has been identified as a priority in the new strategy.
• Explore the possibility of using private sector partners' facilities, or modernize/rehabilitate/build one facility to be shared by a group of training institutions.
• Create incentives to attract practitioners/professionals, either financial or career-related if employed by private sector partner.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☐</td><td>30-Dec-2014</td><td></td></tr>
<tr><td colspan="6">Risk Management:
• Bring in experts from diverse sectors and the sub-region to judge and provide feedback on proposals to be financed by the Competitive Fund.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>Yearly</td></tr>
<tr><td colspan="6">Risk Management:
• Calculate internship/apprenticeship stipends to be at par or slightly above the minimum</td></tr>
</table>

<table>
<tr><td rowspan="9">other obligations or opportunities to earn more than they receive in program stipend may deter students from participating.

d. Enterprises: lack of confidence in Guinean education system makes enterprises reticent to hire young graduates, even as interns; may be reticent also to accept occupational standards and give priority to certified graduates.

e. Microfinance institutions: likely to be reticent to fund entrepreneurship program graduates’ businesses without significant guarantee or risk-sharing mechanism from project fund given probability of startups failing.</td><td colspan="6">wage trainees could potentially earn if not participating in the program.
• Conduct extensive screening of candidates to gauge ability and willingness to commit to intensive training and balance other responsibilities.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>Not Yet Due</td><td>Implementation</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
• Prepare detailed contracts between the enterprises, graduates and AGUIPE spelling out clearly the rules and specificities of each player.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
• Consider developing risk-sharing mechanism with another institutional partner or providing grants combined with facilitation of roundtables with potential investors.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="7">Implementing Agency (IA) Risks (including Fiduciary Risks)</td></tr>
<tr><td>Capacity</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td>Risk Description:
a. Weak Procurement and Financial Management capacity at the implementing agencies (MJEJ, METFP-ET, MESRS). The implementing agencies lack the capacity to address fiduciary risks.

b. Weak capacity at the Ministry level to manage partners</td><td colspan="6">Risk Management:
•The Project will recruit additional staff to populate the Executive Secretariat in charge of managing the Project. Under each component, additional technical support will be provided to AGUIPE (Component 2), training institutions and enterprises to prepare joint proposals for financing, a Technical Secretariat to coordinate the Competitive Fund (Component 1), and specific institutional support for each of the three concerned ministries (Component 3).</td></tr>
</table>

<table>
<tr><td rowspan="2">in implementation. The weak institutional capacity and interaction between the implementing agencies could affect the pace and quality of project implementation.</td><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td>Governance</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="3">Risk Description:

a. The overall governance environment is fragile and may impact project implementation and achievement of the PDO.

b. Implementation of planned/ongoing reforms is essential to the success of the Project, and the political will to accomplish these reforms is very encouraging.</td><td colspan="6">Risk Management:

• The Bank is supporting Government’s ongoing effort to improve the governance through the implementation of an Economic Governance Technical Assistance and Capacity Building Project aimed at strengthening the capacity of the Government to prepare, implement and monitor reform programs in public financial and human resource management.
• The Project will provide substantial TA under Component 3. Moreover, the setting up of an autonomous Executive Secretariat to manage the Project (including fiduciary responsibility) significantly reduces the governance risk. All the positions will be filled on an open and competitive basis.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="7">Project Risks</td></tr>
<tr><td>Design</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="4">Risk Description:

a. The multisectoral nature of Project’s innovative components requires a relatively complex institutional structure that may prove challenging to coordinate: three ministries, Guinean training institutions, private sector firms, and investor partners.

Competitive Fund</td><td colspan="6">Risk Management:

• Clearly define roles and boundaries of each of the ministries involved
• Establish a Strategic Orientation Committee with adequate stakeholder representation
• Establish the governance structures of the fund within the Fund guide
• Spell out clearly principles of the E to E and performance-based voucher system</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Both</td><td>In Progress</td><td>Both</td><td>☐</td><td>30-Dec-2014</td><td></td></tr>
<tr><td colspan="6">Risk Management:</td></tr>
</table>

<table>
<tr><td rowspan="14">b. Leveraging significant, sustainable additional financing for the fund.

c. Given the significant disconnect between education and employment, even the strongest institutions may struggle to develop relevant and viable program proposals and the accompanying implementation plans.

d. Balancing need- and merit-based criteria eligibility and selection.

E2E Program

e. Engaging private sector partners sufficiently to ensure that beyond offering strong programs, E2E takes the additional step of creating direct pathways to employment.

f. The limited size and scope of the private sector results in employers who are reticent to hire Guinean students, even as interns. It may be difficult to secure internships and apprenticeships for students.

g. Attracting a sufficient number of professionals and practitioners to training institutions to staff these programs may be challenging because grantees of the competitive fund will not be able to match, let alone beat, the salary, benefits, and working conditions offered by enterprises.

h. Ensuring acceptance of and adherence to the standards by all industry actors may be difficult in the context of limited public-private partnership and dialogue.</td><td colspan="6">• Setting up a legal structure of the Fund early on, and get buy-in from key players.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Both</td><td>In Progress</td><td>Both</td><td>☐</td><td>30-Dec-2014</td><td></td></tr>
<tr><td colspan="6">Risk Management:
• Focus on strongest institutions in initial competitive rounds to establish success stories and best practices for subsequent rounds open to all institutions.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>Not Yet Due</td><td>Both</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
• Offer bridge or refresher courses in core skills to prepare graduates who are committed to breaking into a new sector, for the E2E trainings and internships.</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Implementation</td><td>☑</td><td></td><td>CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
• Design detailed questionnaires, assessments, and interview process by 2 staff members; schedule follow-up session early on in program to monitor progress and make adjustments if needed</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
<tr><td>Client</td><td>In Progress</td><td>Implementation</td><td>☐</td><td>30-Dec-2014</td><td></td></tr>
<tr><td colspan="6">Risk Management:
• Incorporate a specific measure to target women in the communication strategy
• Provide booster courses to maximize chances of successful completion</td></tr>
<tr><td>Resp:</td><td>Status:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td></tr>
</table>

i. Developing and managing a strong and efficient labor market information system allowing for a database connecting employers adhering to the defined occupational standards and certified graduates; ensuring accessibility to end users.

j. Balancing need- and merit-based criteria in eligibility and selection.

k. Youth may not have regular access to the one-stop platform for employment services and thus not benefit fully from the E2E offerings.

l. Because AGUIPE has not offered concrete job search support services to youth until now, youth may be disillusioned with the agency and have low confidence in its ability to deliver programs and services addressing their needs.

m. Reconverting graduates from non-technical backgrounds into sectors with employment opportunities may be difficult because of lack of core skills that would need to be developed throughout schooling.

n. Ensuring effective screening and appropriate placement in E2E tracks; rerouting trainees when necessary with minimal losses

o. Attracting and retaining a sufficient proportion of female participants.

p. Providing tailored counseling/advising to E2E

Client	In Progress	Both	✓		CONTINUOUS
Risk Management: • Offer a standardized top-up/refresher training program to all AGUIPE counselors/advisors. • Place AGUIPE counselors/advisors on different tracks and provide specialized training.					
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Client	Not Yet Due	Implementation	✓		CONTINUOUS
Risk Management: • Sign agreements detailing minimum proportion of program graduates who will receive employment upon successful completion of training. • Screen candidates carefully to ensure proper track placement.					
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Client	Not Yet Due	Implementation	✓		CONTINUOUS
Risk Management: • Design voucher tool to eliminate cost to firms and thereby enable them to participate at no risk • Place strongest/most promising candidates in initial rounds to increase firm confidence in program					
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Client	In Progress	Implementation	✓		CONTINUOUS
Risk Management: • If financial incentives are not possible, firms can offer career-oriented incentives to					

participants – currently all AGUIPE counselors serve all clients, regardless of sector or academic profile.

their employees to participate in the program as trainers.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	Not Yet Due	Implementation	☑		CONTINUOUS

Risk Management:

• Bring in experts with experience adapting international occupational standards to sub-regional context.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	Not Yet Due	Both	☐	30-Dec-2014	

Risk Management:

• Facilitate training for advisors, trainers, and candidates to learn to use the platform.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	Not Yet Due	Implementation	☑		CONTINUOUS

Risk Management:

• Include both criteria; assign weight to each in the selection process.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	In Progress	Implementation	☐	30-Dec-2014	

Risk Management:

• Make applications available on any regular phone for enrollment to AGUIPE.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	Not Yet Due	Implementation	☑		

Risk Management:

• Develop a targeted communications strategy and offer services promptly after

<table>
<tr><td rowspan="2"></td><td colspan="6">disseminating information to avoid lag time between when they hear about and actually receive the available service.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☐</td><td>Due Date:
30-Dec-2014</td><td>Frequency:</td></tr>
<tr><td>Social and Environmental</td><td>Rating</td><td colspan="5">Low</td></tr>
<tr><td rowspan="2">Risk Description:
The project triggers OP 4.01 Environmental Assessment due to potential negative environmental and social impact for the minor rehabilitation under components 1 and 2.</td><td colspan="6">Risk Management:
• ESMF prepared and disclosed prior to appraisal.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
Completed</td><td>Stage:
Preparation</td><td>Recurrent:
☐</td><td>Due Date:
19-May-2014</td><td>Frequency:</td></tr>
<tr><td>Program and Donor</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="4">Risk Description:

a. Weak capacity may result in ineffective use of funds.
b. The Bank is the only donor involved in skills development and youth employability issues focusing on educated population. Limits risk of coordination issues.</td><td colspan="6">Risk Management:
• Recruit qualified staff according to WB procedures.
• Robust fiduciary processes built into the project design.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☐</td><td>Due Date:
30-Dec-2014</td><td>Frequency:</td></tr>
<tr><td colspan="6">Risk Management:
• Strong coordination with other partners since inception stage.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUO
US</td></tr>
<tr><td>Delivery Monitoring and Sustainability</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td>Risk Description:

a. The MJEJ, METFP-ET, MESRS have some strong staff</td><td colspan="6">Risk Management:
• Robust project supervision with at least 4 per annum implementation support missions.
• A competitively recruited Executive Secretariat will be set up using the PPA and will</td></tr>
</table>

<table>
<tr><td rowspan="4">members who are very committed to implementing the Project.
b. Some interventions may not continue beyond the Project. For the Competitive Fund to be sustainable, the government committed funding to the Fund in year 2 and will continue to build up its contribution from the private sector. The politicization of institutions may lead to varying levels of commitment to the program.</td><td colspan="6">be in place by effectiveness.
• The Impact Evaluation under the E2E will facilitate monitoring of results.
• Particular attention will be paid to build capacity of the Fund Board, Fund Technical Secretariat and Executive Secretariat to perform good quality management of project implementation and on reporting mechanisms.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
• Project designed to generate knowledge that can be shown to other donors for scale of successful interventions.
• Competitive Fund to demonstrate pilots that can be replicated or expanded to other institutions.</td></tr>
<tr><td>Resp:
Client</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td>Other (Ebola outbreak)</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="2">Risk Description:
Guinea has been facing a deadly Ebola virus disease outbreak since mid-February with serious implications in the country and at the Sub-regional level. Economic impacts already registered may affect negatively affect the private sector, which has a key role to play in the Project.</td><td colspan="6">Risk Management:
• The Bank is currently preparing an Ebola Emergency Response Project for Guinea, Sierra Leone, and Liberia.
• The Health Project as scheduled in the CPS has been fast forwarded to be delivered in FY15.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Implementation</td><td>Recurrent:
☐</td><td>Due Date:
26-Jun-2015</td><td>Frequency:</td></tr>
<tr><td>Other (Optional)</td><td>Rating</td><td colspan="5"></td></tr>
<tr><td>Risk Description:</td><td colspan="6">Risk Management:</td></tr>
</table>

	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
				☐		
Overall Risk						
Overall Implementation Risk:	**Rating**	**Substantial**				
Risk Description:						
The risk for implementation is substantial due to a mix of critical sector, country, and stakeholder risks, including issues with implementing a progressive project in a difficult context.						

Annex 5: Implementation Support Plan

GUINEA: STEPPING UP SKILLS PROJECT

Strategy and Approach for Implementation Support

1. The supervision strategy is based on providing systematic and substantial support to the Government to ensure effective and efficient implementation of the proposed Stepping Up Skills Project. This strategy will also include the usual functions of due diligence in fiduciary and safeguard oversight over procedures, transactions and activities for some of the activities. The planned supervision activities would revolve around an open and continuous dialogue with the Government and its implementing agencies to flag issues and/or difficulties as they arise, and avoid delays in implementation that could threaten progress towards achievement of results.

2. The implementation support mechanisms that are expected to enhance monitoring include: (a) regular review missions; (b) regular technical meetings and field visits by the Bank between formal review missions; (c) comprehensive reporting based on the Executive Secretariat's internal monitoring and the Strategic Orientation Committee's review meetings; (d) independent TPV in the case of Component 2; and (e) internal audit and FM reporting.

3. ***Review Missions.*** The Bank, together with the MJEJ, MESRS, METFP-ET will formally review Project progress semi-annually, with more frequent missions expected at least during the first year or two of the Project. These review missions will be complemented by: (i) visits from Bank Country Office staff and technical consultants; and (ii) continuous communication and follow-up between missions through videoconferencing and audio meetings.

4. The scope of supervision will also include monitoring compliance with stipulated FM, procurement, and environmental and social safeguards guidelines. One month before the review mission, the Executive secretariat will share a comprehensive progress report on project activities and an annual plan and budget, based on the agreed implementation plan. The template for this report will be outlined in the project implementation manual.

5. In addition to the review missions, other technical support missions will be carried out, especially during the first two years, to help accelerate implementation. During those missions, field visits will assess outcomes and take corrective actions for national and institutional improvements. The Bank team will also participate in various consultations with project stakeholders. To ensure a high quality of supervision, the Bank team will comprise Education, PPP, FPD, M&E, FM, procurement, and safeguards specialists. Specific team composition for each mission will be determined based on supervision requirements identified by the Bank and Government at that time.

6. ***Procurement.*** Support for procurement management will focus on effective implementation in line with the Bank's procurement guidelines. The following activities

will be carried out by procurement staff in the Bank Country Office: (a) training as needed on Bank Procurement Guidelines; (b) review of procurement documents prepared by MJEJ, MESRS, and METFP-ET; and (c) monitoring progress against the Procurement Plan.

7. ***Financial management.*** Comprehensive review missions will be conducted at least twice a year. Supervision will review the Project's FM system, starting with accounting, reporting, and internal controls. Supervision will also cover a random sample of subprojects financed under the competitive fund and the firms/institutions benefiting from voucher system. The Bank team will also work with the Executive Secretariat on FM and reporting.

8. ***Environmental and Social Safeguards.*** Safeguards specialists will conduct annual reviews of rehabilitation foreseen under the projects that benefit from financing under the competitive fund and provide technical assistance to environmental and social teams working with government to monitor safeguards.

Implementation Support Plan

9. Some of the Bank team members will be based in the Guinea Country Office to ensure timely, efficient, and effective support to the client. Formal supervision and field visits will be carried out semi-annually, with more frequent technical support missions during the first year of implementation. Detailed inputs from the Bank team would comprise:

10. ***Technical inputs***. Technical inputs are required to supervise the fund and voucher system and roll out competition rounds. The Task team will conduct semi-annual site visits throughout the Project life. A consultant to conduct independent verification through spot checks will be recruited during the project implementation.

11. ***Fiduciary requirements and inputs***. In addition to training in FM and procurement, a Project Implementation Handbook (Component 3) will be prepared prior to effectiveness. These trainings will be led by Guinea Country Office staff with support from Headquarters as needed. The team will also help the MJEJ, MESRS, METFP-ET, and training institutions to identify capacity-building needs in FM and procurement management. Implementation support missions, including procurement and FM reviews, will be semi-annual.

12. ***Safeguards***. Technical support on the preparation of framework instruments as well as safeguards monitoring and evaluation will be required throughout the life of the project, but with intensive support during the first year of project implementation. Safeguards compliance will be closely monitored by both government and Bank during implementation support missions.

13. ***Operations***. An Operations Officer and ETC, based in the Country Office, will provide day-to -day supervision of all operational aspects. The TTL based in HQ will

coordinate with the client and team members from HQ via videoconferencing beyond the planned mission periods.

14. ***Implementation*** support is summarized in the table below:

Time	Focus	Resource Estimate		Partner Role
First 12 months	Technical support	Sr. Education Economist , TTL PPP expert Research analyst FPD specialist	8 SWs 4 SWs 8 SWs 2SW	NA
	FM and Procurement training and supervision	FM specialist Procurement Specialist	4 SWs 4SWs	
	Project supervision coordination	Operations Officer	24 SWs	
12-48 months	Technical support Operational support	Sr. Education Economist M&E Specialist Research analyst Other technical specialist(s)	8 SWs 8 SWs 8 SWs 16 SWs	
	Financial management disbursement and reporting	FM	4 SWs	
	Procurement management	Procurement Management	2 SW	
	Environmental safeguards reporting	Environmental Specialist	4 SW	
	Sr. Education Economist	TTL	12 SWs	

Skills Needed	Number of Staff Weeks (SWs)	Number of Trips	Comments
Sr. Education Economist	24 SWs first year, then 12 SWs annually in the following years	Four (annually)	HQ based
Operations Officer	24 SWs annually	Fields trips as required.	Country office based
M&E specialist	4 SW annually	Fields trips as required.	HQ based
Procurement specialist	4 SWs annually	Fields trips as required.	Country office based
Environmental Specialist	4 SWs annually	Fields trips as required.	Country office based
FM specialist	8 SWs annually	Fields trips as required.	Country office based
Research analyst	16 SWs annually	Field trips as required	Country office based
PPP expert	4 SWs	Two (annually)	HQ based
Operations specialist	4 SWs	Two (annually)	HQ based
FPD specialist	4 SWs	Two (annually)	HQ based
ETC	4 SWs	Two (annually)	Country office based
STC (spot checks, independent verification)	4 SWs	Two (annually)	Country office based

ANNEX 6: ECONOMIC AND FINANCIAL ANALYSIS

GUINEA: STEPPING UP SKILLS PROJECT

1. This section provides the economic rationale for investment in skills and the cost effectiveness of the Project by focusing on the following three pillars: external efficiency education, cost-benefit analysis, and fiscal impact. (i) External efficiency education: we investigate whether there is a positive signal in Guinea's labor market by estimating the rates of return to education. In particular, we analyze the linkages between socio-economic status and educational outcomes and establish a relationship between different levels of education, poverty and other labor market outcomes. This section also demonstrates the rationale for investing in education in terms of access, equity and private benefits of education. (ii) Cost-benefit analysis (CBA): in this section we estimate the returns to investment in skills and the expected labor market returns for the Project beneficiaries. Finally, we explore the (iii) fiscal impact of the proposed Project and potential risks through sensitivity and suitability analysis.

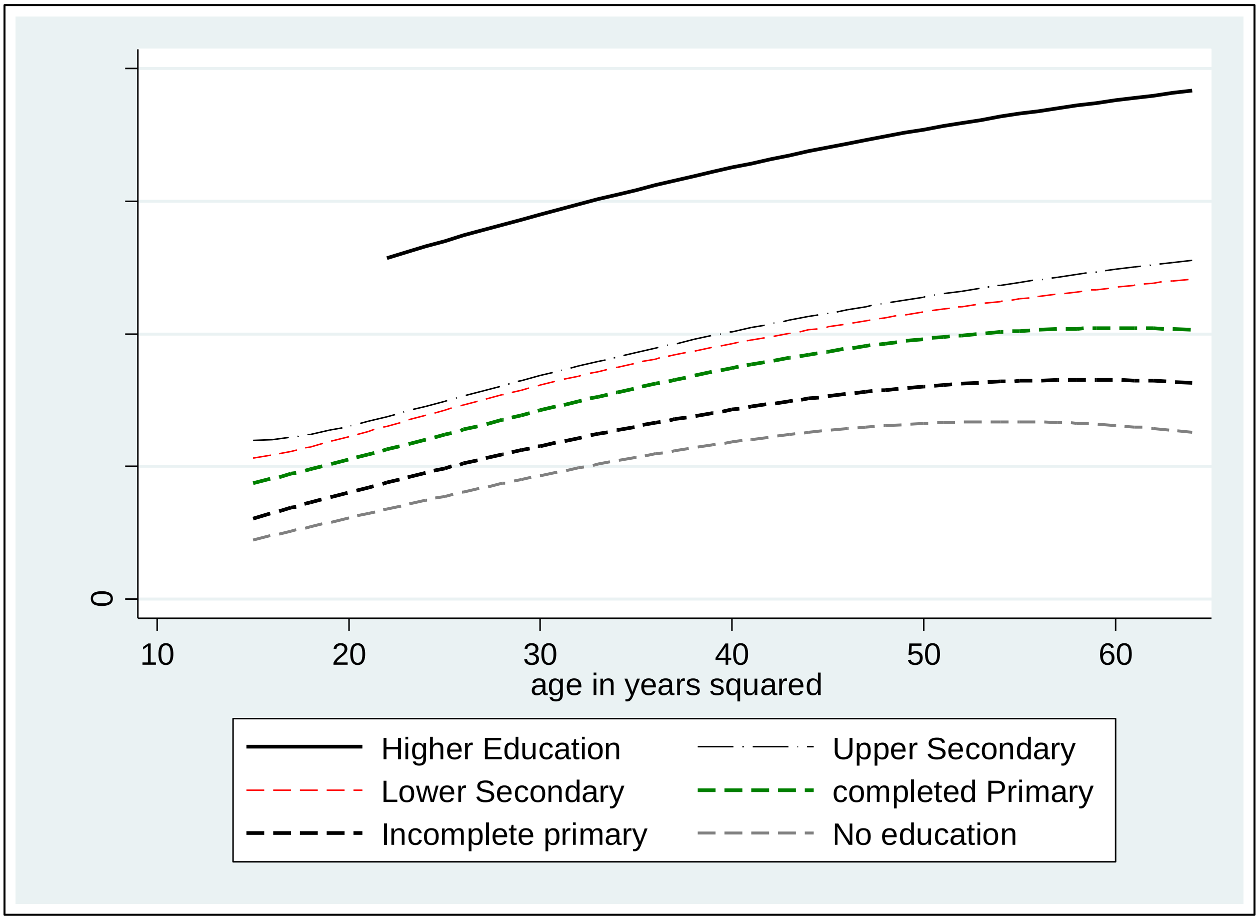
External Efficiency

2. In human capital theory, many studies argue that participation in education is an investment made with the expectation of returns later in life. More education tends to be associated with improved productivity and income, as well as a healthier and better-nourished population. Economic development, in turn, implies a better quality of life. Moreover, the education of women is important for a wide range of reasons including demographic behavior, as it affects fertility, mortality, and migration. Many studies using cross-national datasets, both from developed and developing economics, confirmed the significant contribution of education to economic growth.[11] Current education spending determines the future education profiles of the working age population and enhances labor market outcomes including poverty reduction, higher earnings and employment opportunities.

3. Estimates from ELEP 2012 show that Guinea's labor market clearly signals for investment in education. Figure 1 shows an average simulated annual income by level of education and age. A higher level of education rewards a higher lifetime earning horizon.

[11] Becker, 1964; Smits and Hoşgör, 2006, Jejeebhoy, 1995; Martin and Juarez, 1995; Lutz and Goujon, 2001; Basu, 2002; Goujon and Lutz, 2004; Joshi and David, 2006; Samir, Barakat, Goujom, Skirbekk, Sanderson, and Lutz, 2010, Harbison and Myers,1964, Denison 1962, and Benavot 1989.

Figure 1: Average Annual Simulated Earning by Education Levels



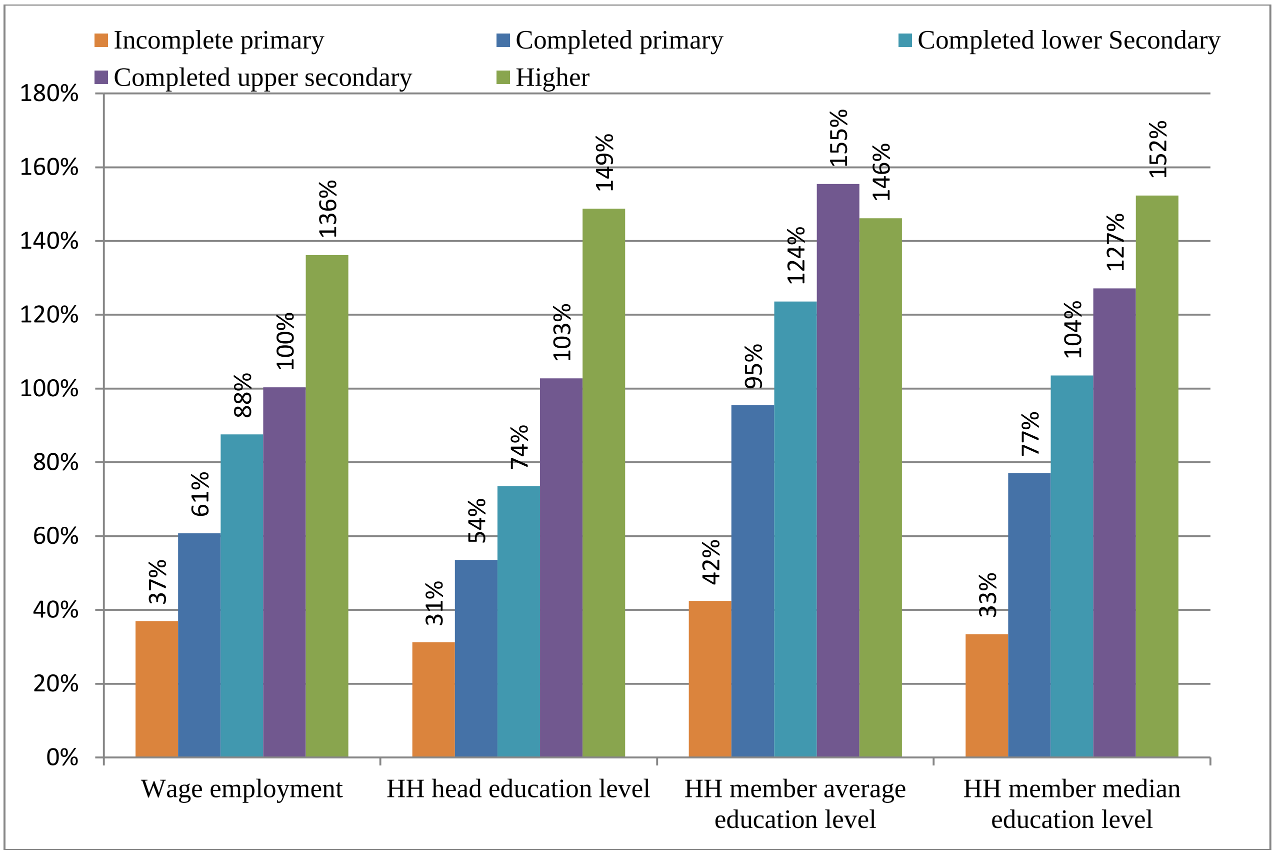
Source: Estimates based on ELEP 2012

4. The Mincerian regression coefficient reveals that the Guinea's labor market has a strong signal for education in wage employment as well as in household income. We first limit our sample to salaried workers' earnings and then extended the estimates using household consumption. When estimating the returns based on household consumption, the education level of the household head, or that of median or mean working adults in the household, are used. In addition, we separately estimate using both measures of education -- years of education (not shown on graph) and categorical dummies of education level (shown in Figure 2). The results show that, among salaried workers, one additional year of education is associated with an average increase of 9 percent of monthly earnings while income based estimates hover around an 11 percent increase in household income for each additional year of education of the head of household or working household members' mean and median years of schooling.

5. Estimates by level of education reveal that a higher level of education is associated with better earnings at all levels of education, both for wage employment and household income (Figure 2). The other notable aspect regarding education's significant role in poverty reduction is the direct linear relationship between education and earnings. As educational achievement increases, the likelihood that a person will be poor declines.

For example, in wage employment compared to no education category, on average, attainment of some primary education increases monthly earnings by 37 percent and the corresponding figures for completed primary, completed lower secondary, completed upper secondary, and post-secondary education are 61 percent, 88 percent, 100 percent and 136 percent, respectively. The patterns based on household income for the other three classifications closely follow the same pattern. Overall, for wage and household head's education, a higher level of education seems to reward the highest incremental yields. For mean and median years of household member's education, primary completion yields high returns. Therefore, education appears to be one of the most important factors for poverty reduction.

Figure 2: Earning incremental by level of education compared to no education category for the employed working age population



Source: Estimates based on ELEP 2012

6. For CBA proxy, we estimate incremental private and social rates of return in the conventional manner and compare benefits (net of costs and subjected to various corrections) of a given educational qualification with those of a lower one. On the basis of the simulated incomes above, the rate of return of the higher level relative to the lower level is estimated by dividing the difference in wages between the two by the additional cost supported when pursuing schooling at the higher level. Costs include direct training as well as foregone earnings (or opportunity cost) which is the income one would forego while pursuing further education. The foregone earnings for the higher level are

estimated by using the expected income at the lower level. More precisely, the formula below is used to estimate the rates of return of higher levels of education level relative to lower levels of education:

$$R_{k/k\text{-}1} = \frac{\pi_k \overline{Y_k} - \pi_{k-1}\overline{Y_{k-1}}}{N_{k\text{-}1/k}\pi_{k-1}\overline{Y_{k-1}} + N_k C_k} \quad \text{---} \quad (2)$$

Where π_k is the employment rate (therefore 1-π_k is the unemployment rate) of individuals with education level k; $\overline{Y_k}$ is the simulated income of level k, N_k is the average duration of schooling (years) within level k, $N_{k\text{-}1/k}$ is the difference between levels k and k-1 (years of schooling attended) and C_k is the direct training cost.

7. Since private and social rates of return involve a markedly different conception of the benefits and costs, the corrections to be made to the benefits and the estimates of costs are different in each case. Social rates of return involve a systematic comparison of the resource costs to the community of educational provision with the resulting increase in national production as reflected in the pre-tax earnings differentials of those receiving this extra education. The values of all parameters shown in the above equation are presented in Table 1 along with the calculated social and private rates of return.

8. The analysis shows that primary education has the highest private and social rates of return. This is in line with other findings in developing countries.[12] After primary education, the private rates of return for post-secondary education are the most favorable at 8.9 percent compared to 7.5 percent of social rates of return.

Table 1: Social and private rates of return to schooling

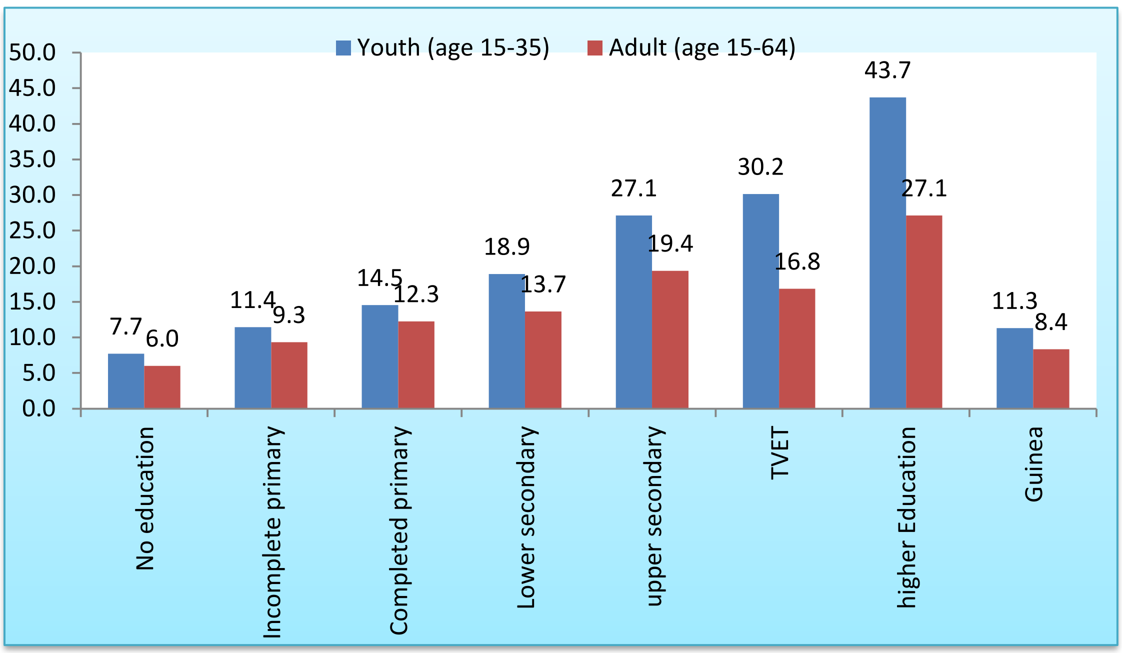
Level of education	Expected life-time earning	Average years of schooling	Difference in average number of years of schooling	Average years of schooling within the school level	Private per student payment	Public per student Payment	Private rates of return	Social rates of return
Primary	11.7	2.8	2.8	2.8	605,866	351,222	10.3%	10.0%
Lower Secondary	14.6	8.5	5.7	2.5	932,615	399,367	4.2%	4.1%
Upper Secondary	15.9	11.3	2.8	2.3	1,046,179	429,007	3.2%	3.1%
Post-Secondary	21.3	14.7	3.3	2.7	2,759,649	4,229,922	8.9%	7.5%

Source: Estimate based on ELEP 2012 and Guinea Public Expenditure Review of the Education Sector (2014)

12 Lee and Psacharopoulos (1979), Baumol, Blackmann, and Wolff (1989)

9. Aside from the private and social benefits of investing in education, Guinea's overall unfavorable human development indicators present another reason for investment in education and skills. In 2012, about 22 percent of youth (ages 15 to 24) were either economically inactive or unemployed with the highest unemployment rates amongst the educated population. Similarly, the unemployment rate for the broader youth age group (ages 15 to 35) is higher than that of the general adult working age population. The unemployment rate for youth with TVET was 30.2 percent compared to 16.8 percent for the adult working age population (Figure 3). The corresponding figures for higher education achievement are 43.7 and 17.1 percent, respectively. Thus, this Project will provide youth with skills that are closely tied to economic growth sector needs to compete in the labor market. As Guinea embarks on a path of accelerated development, its ability to meet the demands of a diversified economy will be determined, in part, by the quantity and quality of its workforce.

Figure 3: Unemployment rate for youth and adults, 2012



Source: ELEP, 2012

Cost-Benefit Analysis and sustainability

10. The benefits of the Project are both quantifiable and non-quantifiable. The quantifiable portion accounts for 85 percent of the total project costs. In particular, Component 1 (Skills and Employability), and Component 2 (Education-to-Employment (E2E Program)) are quantifiable benefits and Component 3 (Institutional Support and Regulatory Framework) is non-quantifiable. The main objective of the non-quantifiable portion is to facilitate the effectiveness of the quantifiable portions and, hence, the benefits of the non-quantifiable portion are embodied in the benefits of the quantifiable portions. However, to provide the economic rationale for each Component, the CBA is computed separately excluding Component 3. We combine the cost-benefit estimation of

both quantifiable components including the costs of the non-quantifiable portion. In order to conduct the CBA, the model makes several assumptions about the Project and the associated costs and benefits. The following presents the model assumptions, net present values (NPV) and internal rate of return (IRR) for the Project.

11. Since the analysis takes into account only TVET and higher education enrollees and graduates, the assumptions relevant for both Components 1 and 2 are similar and heavily depend on the probability of achieving employability. In addition, although the future is uncertain, the current labor market outcomes also play a crucial role in terms of expected earnings and chances of employment for different education attainment levels. In addition, as demonstrated by the rates of return to education previously mentioned, the labor market has a very strong signal for formal education, which may influence the expected returns in the long run. We consider several different assumptions including Project targets of success in the sensitivity analysis. Below is the summary of specific assumptions adopted for the base scenario.

a. Unemployment rate (chance of employment): As shown in figure 1 above, youth unemployment is very high and also higher than the adult population, but we assumed the national working age population unemployment rate. This is because the lifetime earnings are assumed based on the labor force population of working age (ages 15 to 64).
b. Discount rate: assumed discount rate of 15 percent based on recent lending rate.
c. Inflation adjustment: 5 percent inflation adjustment per year given the currency used (US$ for all).
d. Earnings: earnings by level of education estimated using ELEP 2012 for upper secondary, TVET and higher education attainment.
e. Incremental benefits: incremental benefits estimated by taking the difference in earnings between upper secondary, and TVET and higher education as well as expected return per additional year of education.
f. Average age of TVET and higher education graduates. Average year for program participants for TVET is 23 years and for higher education 25 years based on the 2012 ELEP.
g. Years in the labor market: assuming the retirement age of 60, participants of the Project will remain in the labor market for 35 years following the training.
h. Opportunity cost: forgone opportunity costs of program participated was esteemed using upper secondary average earning by earnings for relevant age group.
i. Exchange rate: average annual exchange rate of 7,030GNF per US$ used for local currency conversion to USD.

12. Table 2 presents the CBA for the base scenario. Both IRRs and NPVs of costs and benefits for both quantifiable components and combined estimates for the Project show that the Project is economically viable. The lower bound of present discounted value of benefits for the overall Project is estimated to be US$91.2 million while the present

discounted value of costs is estimated to be US$77.6 (US$9.3 project cost and US$68.3 opportunity costs) including other unquantifiable portions. The corresponding NPV of program benefits is US$13.07 million. The IRR associated with this NPV is 23.8 percent. Overall, for every US$1 invested the return is US$1.17. Therefore, although data to measure all likelihood benefits are not available and given the high opportunity costs for Project participants, the NPV from the quantifiable benefits are more than the NPV of costs, and under both components, the results support investment in the Project.

Table 2: Net Present Value (NPV) and Internal Rate of Return (IRR) in base scenario

	Component 1(Skills and employability)	**Component 2 (education to employment**	**Total project**
IRR	24.7%	21.0%	23.8%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
O/w project cost	*$7.11*	*$2.16*	*$9.27*
Forgone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$104.25*	*$22.87*	*$88.44*
NPV	$10.99	$2.08	$13.07
Benefit/cost ratio	1.81	1.28	1.17

Source: WB staff estimates based on ELEP 2012 and project costs

13. For the non-tangible benefits of the investment portion, in addition to the usual difficulties of capturing benefits of education due to associated externalities, Component 3 targets capacity building, which makes it unquantifiable for standard cost-benefit analysis (including calculation of a NPV and IRR). In particular, as described in the main section of the PAD, the Component aims to strengthen institutional capacity to support current reforms and assist in project implementation. Therefore, although the benefit of the Component is not quantifiable in monetary terms it is expected to have tangible value-added for the sustainability of the Project as well as benefits for similar interventions.

Sensitivity Analysis

14. The Project's success fully depends on the ability to prepare unemployed youth and increase their chances of employability. The sensitivity analysis focuses on employability rather than on interest rate and inflation. It considers the five following scenarios:

15. **Scenario one**: Table 3 shows projected outcomes if the Project targets are fully achieved. The returns to the project are slightly higher than the base scenario mainly due to a slight improvement in returns to component 1. Relative to the base scenario, if the Project achieves at least the targeted employment rate, the Project will be associated with higher returns (Table 3).

Table 3: Net Present Value (NPV) and Internal Rate of Return (IRR) in project target scenario

	Component 1(Skills and employability)	**Component 2 (education to employment)**	**Total project**
IRR	26.6%	20.9%	25.2%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
Project cost	*$7.11*	*$2.16*	*$9.27*
Foregone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$105.62*	*$22.78*	*$89.25*
NPV	$47.94	$4.94	$13.74
Benefit/cost ratio	1.83	1.28	1.18

Source: WB staff based on ELEP 2012 and project costs

16. **Scenario 2:** The scenario presented in Table 4 is based on the pessimistic expectation that the Project fails to achieve the target. The project's IRR is breaking even at about 70 percent of chance of employment (i.e. IRR is equal to discount rate) and anything less than that will lead to an IRR below the discount rate. For example, Table 4 presents the scenario that the project fails to achieve the target by 5 percent (chance of employment of 70 percent). This scenario leads to a negative NPV for the Project, overall. This implies that there is a high risk of failure if the Project is unable to achieve its target within 5 percent of margin from the target (Table 4).

Table 4: Net Present Value (NPV) and Internal Rate of Return (IRR) in the worst scenario

	Component 1 (Skills and employability)	**Component 2 (education to employment)**	**Total project**
IRR	14.9%	14.7%	14.8%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
Project cost	*$7.11*	*$2.16*	*$9.27*
Foregone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$87.40*	*$20.38*	*$75.19*
NPV	-$.20	-$.12	-$.33
Benefit/cost ratio	1.52	1.14	1.00

Source: WB staff estimates based on ELEP 2012 and project costs

17. **Scenario 3:** This scenario is based on the optimistic view of the rate of employment assuming the Project will bridge the skills gap (skills mismatch) between employers and job seekers and increases the change of employment of TVET and higher education graduates. In particular, the current high unemployment rate for TVET and higher education graduates will drop close to the national average of unemployment rate which was 8.4 percent in 2012 (the assumed unemployment rate is 10 percent for both).

This scenario yields the best IRR and NPV for the Project (Table 5). For example, for every US$1.0 invested, the profit is US$1.29.

Table 5: Net Present Value (NPV) and Internal Rate of Return (IRR) in the optimistic scenario

	Component 1 (Skills and employability)	**Component 2 (education to employment**	**Total project**
IRR	31.4%	24.5%	29.5%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
Project cost	*$7.11*	*$2.16*	*$9.27*
Foregone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$115.39*	*$28.45*	*$97.38*
NPV	$57.71	$10.61	$21.87
Benefit/cost ratio	2.00	1.59	1.29

Source: WB staff estimates based on ELEP 2012 and project costs

18. **Scenario 4:** This is based on the expected impact of the Project assuming the Project will meet its targets. Based on 2012 ELEP, there were 52,116 TVET and higher education graduates unemployed with a unemployment rate of 16.8 percent and 27.1 percent of the working age population ages 15 to 64. The Project targets to benefit 21,178 individuals under the two components. This means that if the project reaches its target of 75 percent employment, about 15,883 youth will be employed. Assuming TVET and higher education graduates are the same in number, the unemployment rate drops to 7 percent and 22 percent for TVET and higher education graduates respectively (Table 6). Thus, if the Project achieves its goals, the expected impact on the labor market outcomes will be significant with an IRR of 24.4 percent (table 6).

Table 6: Net Present Value (NPV) and Internal Rate of Return (IRR) in expected impact scenario

	Component 1 (Skills and employability)	**Component 2 (education to employment**	**Total project**
IRR	20.9%	38.0%	24.4%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
Project cost	*$7.11*	*$2.16*	*$9.27*
Foregone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$82.66*	*$25.50*	*$84.67*
NPV	$24.98	$7.66	$9.16
Benefit/cost ratio	1.43	1.43	1.12

Source: WB staff estimates based on ELEP 2012 and project costs

19. **Scenario 5:** Finally, this scenario is based on the assumption that quality of training improves the skills of the individuals leading to better productivity, the Project

participants will earn better than non-participants with the same educational attainment. The estimate of earnings is based on the assumption that program participant's earnings concentrate at the second quintile of the earnings' distributions. For example, for every US$100 earning of higher education attainment, the program participant earns US$120. This leads to an IRR of 17 percent, which is higher than the discount rate (Table 7).

Table 7: Net Present Value (NPV) and Internal Rate of Return (IRR) in quality improvement scenario

	Component 1 (Skills and employability)	**Component 2 (education to employment)**	**Total project**
IRR	17.2%	16.5%	17.0%
Discounted cost (present value of costs)	$57.67	$17.84	$75.52
Project cost	*$7.11*	*$2.16*	*$9.27*
Foregone earning	*$50.56*	*$15.69*	*$66.24*
Present value of incremental benefits	*$105.80*	*$24.17*	*$78.77*
NPV	$48.13	$6.33	$3.26
Benefit/cost ratio	1.83	1.35	1.04

Source: WB staff estimates based on ELEP 2012

Fiscal Sustainability Analysis

20. The Government has a strong interest in human development and given the country's natural resources, if carefully managed, the sustainability risk of the existing Project is low. Public funds spent on education accounted for 2.6 percent of Guinea's GDP in 2012, down from 4.4 percent in 2010 from 3.1 percent in 2011. It is worth highlighting that 2009 and 2010 were exceptions to the norm: the Government's transition was characterized by excessive spending across the sectors, so it is not indicative of a sudden surge in interest in investing in the education sector. The share of education in all public expenditures in 2012 was 13.3 percent, again representing a decline from previous years. Capital expenditures experienced a surge in 2010 and declined in 2012, amounting to only 1.9 percent of all public capital expenditures. Although the current trend in education spending does not favor education as shown in Table 8, this Project is not expected to add additional costs to the public budget. Moreover, the Government is committed to increasing its financing to the sector, which reduces the sustainability risk.

Table 8: Various education expenditure indicators, 2008 through 2012

	2008	**2009**	**2010**	**2011**	**2012**
Public expenditure on education as a percentage of GDP	2.7%	3.3%	4.4%	3.1%	2.6%
Public expenditure on education as a percentage of government expenditure *	22.1%	17.4%	16.7%	17.5%	13.3%
Current expenditures on education as a percentage of current government	24.8%	23.4%	20.0%	21.1%	19.0%

expenditures*					
Capital expenditures on education as a percentage of total public capital expenditure	5.6%	3.7%	9.3%	3.7%	1.9%

Source: MEF * Excludes debt service

ANNEX 7: INSTITUTIONAL REFORMS

GUINEA: STEPPING UP SKILLS PROJECT

Issue	Opportunities	Weaknesses	Actions required
Dominance of personnel and student financial aid/scholarship costs: Contract personnel and student financial aid monopolize institutional budgets. For instance, personnel and student financial aid use 83% and 68%, respectively, of the budget of Université de Conakry and Sonfonia with the majority going to financial aid (Conakry 45% and Sonfonia 48%) despite low unit costs (GNF95 000, 100 000 or 105 000 per student).			**Define a new financing formula for the allocation of merit-based scholarships.**
Preparation of the draft budget: The draft budget is prepared by the institutions and submitted to the supervising Division of Administrative and Financial Offices (DAF) for transmission to the Ministry of Budget. The institutions' budget in the finance law, is made	**Public administrative body status: these types of bodies are provided financial autonomy in the management of funding allocated to them**. A willingness to apply budget decentralization in higher education institutions.	The governance boards are not in place and the budget is not being approved by the rector. The preparation process is centralized in the DAF of higher education institutions and the debates around arbitration do not take department objectives	**Establish governance boards (according to the prerogatives of orders 62 and 63) and allocate the necessary resources for its functioning** **Institutionalize the transmission of Finance guidelines and the launch of**

available by the supervising agency by joint ministerial decision (MESRS, MDB) and quarterly engagement of the DAF.		into consideration.	**the budget preparation process in higher education institutions. Draft a budget policy letter to frame the budget preparation by the faculties in accordance with the institutions' objectives.** **Institute at every level (department, faculty, rectorate) through a bottom-up budgetary process and arbitration.**
Budgetary arbitration: The decentralization of the budget is effective in the Finance law. All public higher education institutions appear explicitly in the Finance law.		Other than the DAFs, no representative of higher education institutions was present. This institutional representation deficit is also apparent in the budget conferences with the National Budget Directorate.	Invite the institutional heads to the internal arbitration session and to the budget conference with the Ministry of Budget.
Budget availability: Institutions' budgets are made available by the MESRS DAFs following the preparation of an inter-ministerial order for the funding transfer		Delay in funding availability	**Improve monitoring of transfers to higher education institutions**
Institutions are financed based on the number of students and does not take into consideration the program and level of study	Willingness to improve efficiency and effectiveness of budget management	Institutions' recurrent budget is mainly composed on scholarship funds.	**Develop a new financing formula for institutional budget**
Institutions lack texts		There is a regulatory vacuum	**Classify the allocation requests**

justifying budget allocation, leading to rejections in the budgetary conference		allowing for drafting of unilateral texts by higher education institutions, rather than joint orders with the Ministry of Finance for all measures with financial implications as required by the legal and regulatory framework.	**for which there are no, or inadequate, regulatory texts and start discussing the issue within an Interministerial Commission (and prepare or revise the necessary texts.**
Managing personnel payroll. Management of teaching personnel remains a major obstacle for fully fledged autonomy of higher education institutions. Management of staff payroll, is an issue for improving the conditions in higher education institutions.		Staff is managed by the Ministry of Civil Service and Ministry of Finance. Institutional heads cannot directly sanction teaching staff because they do not manage their salaries. This situation presents an obstacle to the autonomy of universities making sanctions impossible or cumbersome. The consequence is a weakening of the head's authority of its personnel who can attend to other occupations. This inadequacy prevents the university from accessing real opportunities for win-win partnerships with the private sector. Furthermore, recruitment is the responsibility of the civil service, which does not allow institutions to directly select the	**Establish an Interministerial Commission bringing together all the actors involved (higher education institutions, MESRS, MDB, MEF, METFP-ET, teacher unions) to initiate reflection and remove bottlenecks for payroll management in higher education institutions.**

		personnel of their choice.	
Budget execution: the head is the authorizing officer for each expenditure and each faculty dean administers operating funds			
Each institution has a financial pool composed of a DAF, a financial controller, and an accountant, all falling under the supervision of the Ministry of Finance. The DAF has a deputy to assist the faculty dean in exercising its role as fund administrator.	Besides financial aid which remains constrained, budgetary reallocations are made by simple memos from the rector or Director General responsible for administering the institution's funds. This indicates a great deal of freedom for managers to achieve their objectives.	**The departments of higher education institutions have no financial department, and therefore no competencies in procurement or project management.** The absence of competent personnel impedes good evaluation and implementation of programs and projects in the departments.	**Define the profiles and recruit financial officers internally to assist department heads in financial management**
	Faculty deans are funding administrators and funding is allocated in the form of imprest accounts, allowing for greater flexibility in their use.	The latest FM procedures manual was published in 2001 and does not address the responsibilities of the structures introduced through the reforms.	**Update the financial management procedures manual for higher education institutions in accordance with the budgetary reforms underway, namely with results-based management (including monitoring tools and reporting) Train higher education institution actors to use the new institutional fiduciary guide.**
	Existence of a treasury steering committee	The procurement commission is ad hoc and is not officially in place through a legal text	**Formalize the procurement commission and the reception commission by a regulatory act**
		The commission is not	**Build the capacity of higher**

		established	**education institutions in procurement and project management**
There is no formal accountability system at every strata of responsibility of institutions in accordance with autonomy and accountability.		Lack of a clear monitoring and evaluation framework makes it challenging to identify the factors affecting performance of institutions and address them. In this context, the reports concerning the use of resources are completely disconnected from the objectives of institutions. In addition to the inadequacies in information systems, there is a lack of management software that hinders information collection.	**Develop a monitoring and evaluation framework, tools, and reporting.**
Ministry of Technical and Vocational Training (METFP-ET)			
Technical education and vocational training institutions are not autonomous public agencies and therefore do not have financial autonomy	The Minister is the administrator of funds for the department and can direct allocations towards priority sectors	The decentralized structures of institutions are not included in the finance law	**Continue budget decentralization by explicitly stating in the finance law the funding allocated to decentralized structures and large technical education and vocational training structures**
	Existence of a Medium Term Expenditure Framework (MTEF): political will to modify the allocation criteria through MTEF	Monitoring framework described in the MTEF is not applied and planning and monitoring tools are not fully utilized	**Implement the MTEF monitoring and evaluation framework described in the new financial management guide.** **Reinvigorate management**

			bodies of institutions Develop quality monitoring and evaluation tools
	Existence of a public finance procedures guide in line with ongoing budget reforms.		

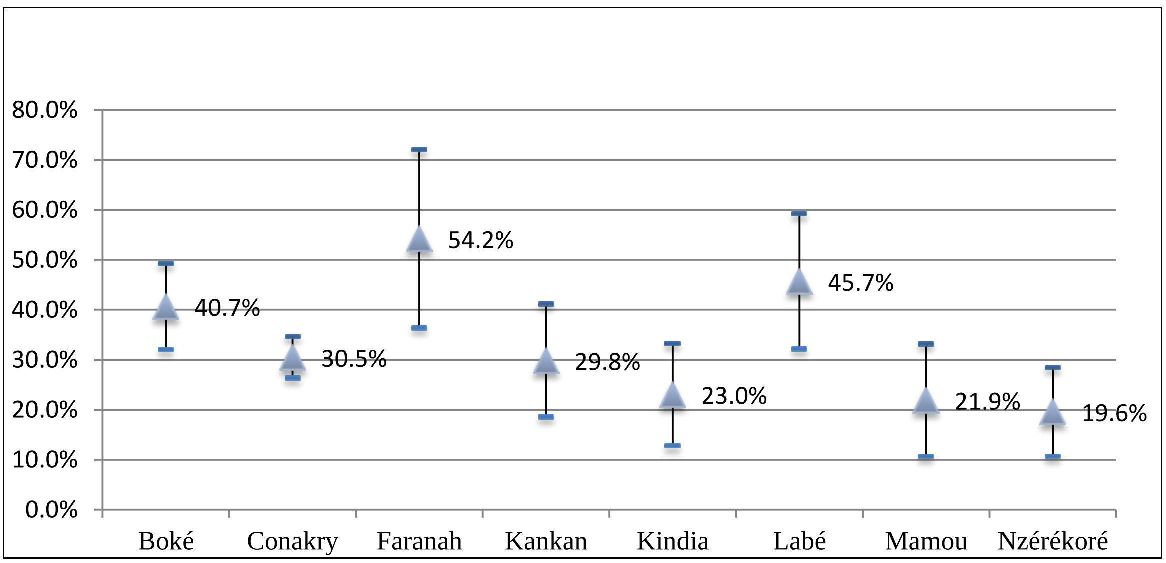
Annex 8: Detailed Sectoral Context

GUINEA: STEPPING UP SKILLS PROJECT

Sectoral Context

1. **Unemployment is highest among Technical and Vocational Education and Training (TVET) and Higher Education graduates**. A high proportion of youth neither work nor study. Unemployment varies greatly by location: 30 percent in Conakry, about 20 percent in Nzérékoré, and close to 55 percent in Faranah. Only the most fortunate find work only after a lengthy job search. Indeed, only one-third of the most educated Guinean youth find jobs within several months of graduation; more than 40 percent of TVET and higher education graduates search for employment over a year. More than 93 percent of the target group lives in urban areas and close to 70 percent of these in Conakry.

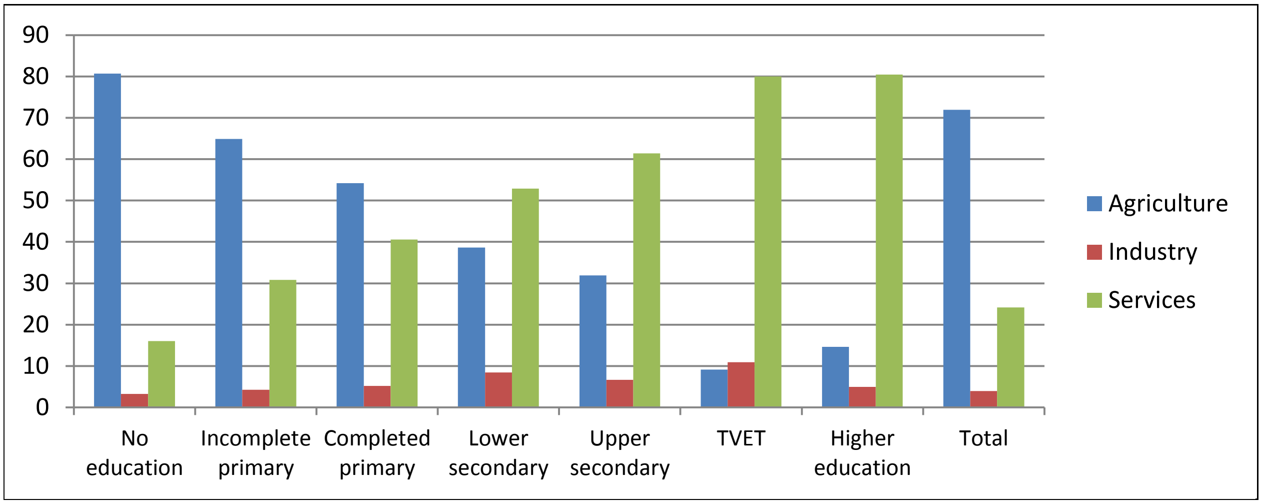
Figure 1: Proportion of tertiary /TVET educated neither working nor studying (Age 20-35, with 95% confidence interval)



Source: ELEP, 2012

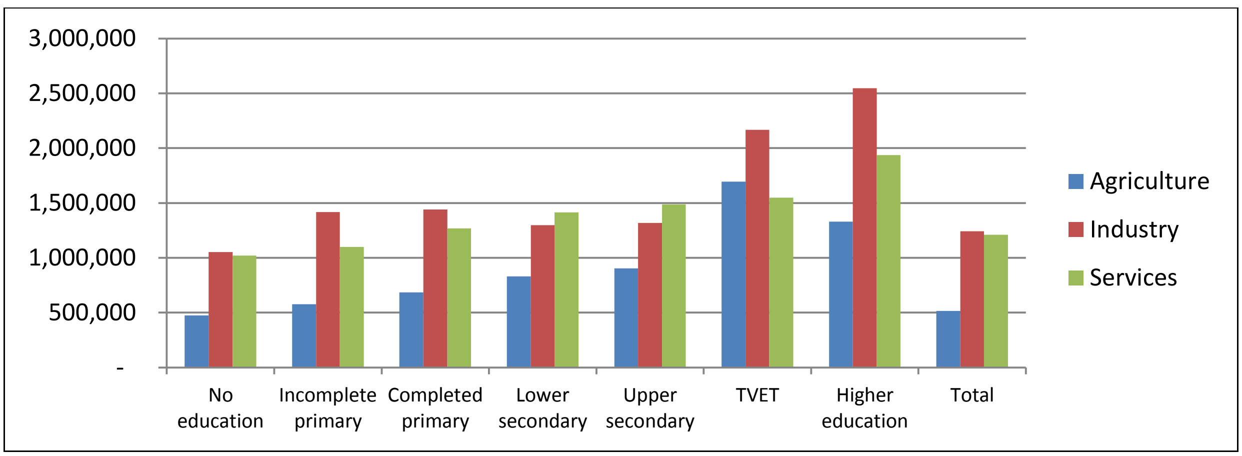
2. According to the recent household survey (ELEP, 2012), the highest proportion of non-educated youth work in the agriculture sector, whilst those with secondary and higher levels of education work predominantly in the services sector. Figure 3 suggests that higher education levels do translate into a higher income increases especially in the industrial sector.

Figure 2: Youth educational attainment by sector of employment



Source: ELEP, 2012

Figure 3: Average monthly household income of youth by education level and sector of employment, in GNF



Source: ELEP, 2012

3. **High unemployment suggests an imperfect supply-demand relationship in the labor market and market failures at several levels.** There is a skills mismatch due to an oversupply of youth pursuing programs in the humanities and a lack of practical training opportunities generally. Information asymmetry poses additional challenges: training institutions and employers have little interaction, and youth are not aware of job openings unless they have informal connections. It is possible to review strengths/constraints in each of the labor market's key building blocks, namely: (i) Demand Side: demand for products and services, employers (private and public sector), jobs, and in-house and on the job training; (ii) Supply Side: population, education, and training system, (iii) Intermediaries, including career services and electronic channels, and (iv) Job market, where candidates look for jobs, and become employed, or are unemployed or inactive.

Demand Side

4. **With the exception of large-scale mining companies, the economy is dominated by informal enterprises and low productivity jobs**. The formal private sector is embryonic but growing fast in certain key sectors which have the potential to create jobs because they are labor-intensive. Government's recent reforms in macroeconomic management and FDI regulations have spurred growth and attracted FDI. Both the informal and formal sectors have vast potential to improve their productivity through a more skilled labor force. Some of the key sectors with economic potential are profiled below.

a. Telecommunication and Information and Communication Technologies (ICTs): mobile telephone access rose from 2 percent in 2005 to over 40 percent in 2010, a 38 percentage point increase in 5 years. In 2010 the Ministry of Posts, Telecommunications, and New Information Technologies 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 Sector 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 sustainable growth in the 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), and employment opportunities are growing. As per AFD's estimates (2012), mining sector needs 52,000 skilled workers in the next 6 years; Mining has attracted prominent FDI projects, namely the Simandou Iron Ore project with investment from Rio Tinto and IFC.

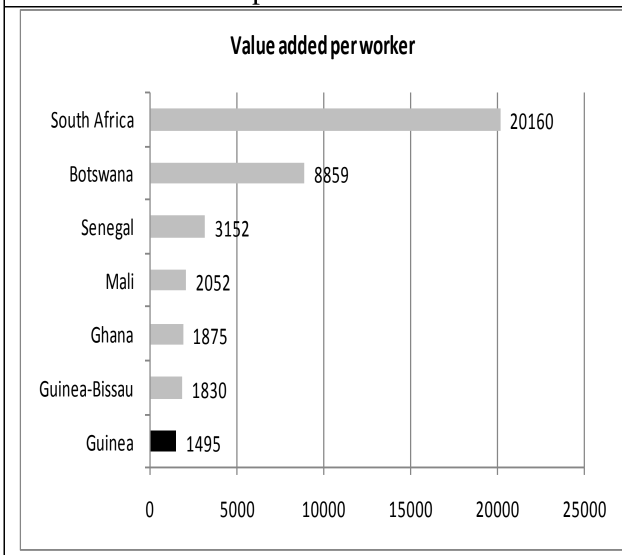
c. Construction industry is growing quickly, cutting across hotels, mining, and infrastructure (ports, rail, and roads). The improved macro and political environment for foreign investors has greatly boosted the pipeline for luxurious hotel construction, backed by foreign private equity investment groups. However, a large percentage of construction workers are imported from abroad (Togo, Senegal, and Mali).

5. **The productive sector remains informal largely due to a harsh business climate. Guinea was ranked 175 of 185 countries in the Doing Business ranking (2014), a four-rank improvement since 2013.** This places Guinea below the SSA average of 142. Guinea's business climate ranks lower than its neighbors, Sierra Leone (142), The Gambia (150), Burkina Faso (154), and Mali (155), but higher than Senegal (178) and Guinea Bissau (100). The business environment is steadily improving with Government reforms. Specifically due to reforms in private sector, the business climate is improving, and 9 out of 11 *Doing Business* indicators have improved since 2005. The economy's informality has also increased 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).

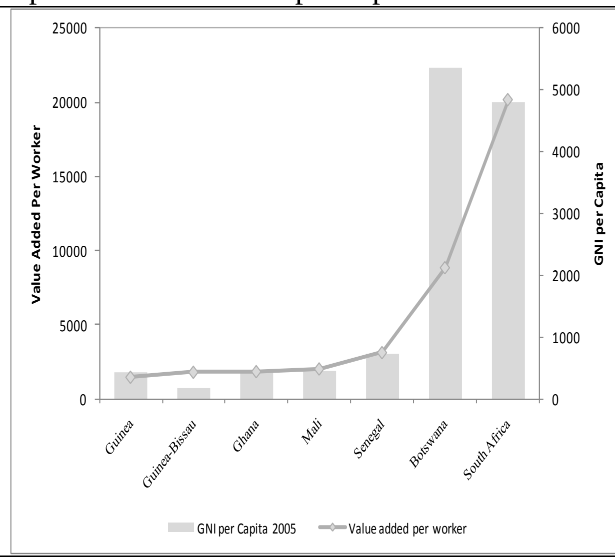
6. **At the macro level, the exact size of private sector—in terms of total number of firms—is not known**. By estimates, there could more than 12,000 firms in the formal and informal sectors. SMEs are estimated to be a large source of employment creation. It is possible to draw a profile of private sector based on level of sophistication. Data shows that technology uptake and capital utilization, which keeps firm-level productivity (measured by value added per worker) very low. With a median value-added per worker of US$1,495, Guinea's productivity is on par with that of Guinea Bissau, Ghana and Mali. However, labor productivity in Guinea is about half that of Senegal, 20 percent of Botswana's and less than 10 percent of South Africa's productivity. While these comparisons do not account for differences in firm composition across sectors, they are indicative of a considerable productivity gap.

Figure 4: Valued added per worker for the median manufacturing firm in 2005 USD -

International Comparison and median value added per worker and GNI per capita[13]



Source: Enterprise Surveys and World Development Indicators. Note: Comparisons for value added only include manufacturing enterprises. [14]



Source: World Bank Enterprise Survey Guinea 2006; Note: Comparisons only include manufacturing enterprises.

Source: Investment Climate Survey, World Bank (2011)

7. **A recent employer survey (ES)[15] (2012) on skills demand and competencies found that firms place a great deal of importance on experience and practical knowledge, as well as non-cognitive or personal skills** (see Figure 5).[16] Non-cognitive skills include the ability to work in a team or autonomously, problem solving, communication and organizational skills, and conflict resolution among others. The range of skills analyzed goes beyond the scope of the

---

[13] In Guinea and Botswana surveys were conducted in 2006, in Senegal, Mali, Nigeria, Ghana, and South Africa

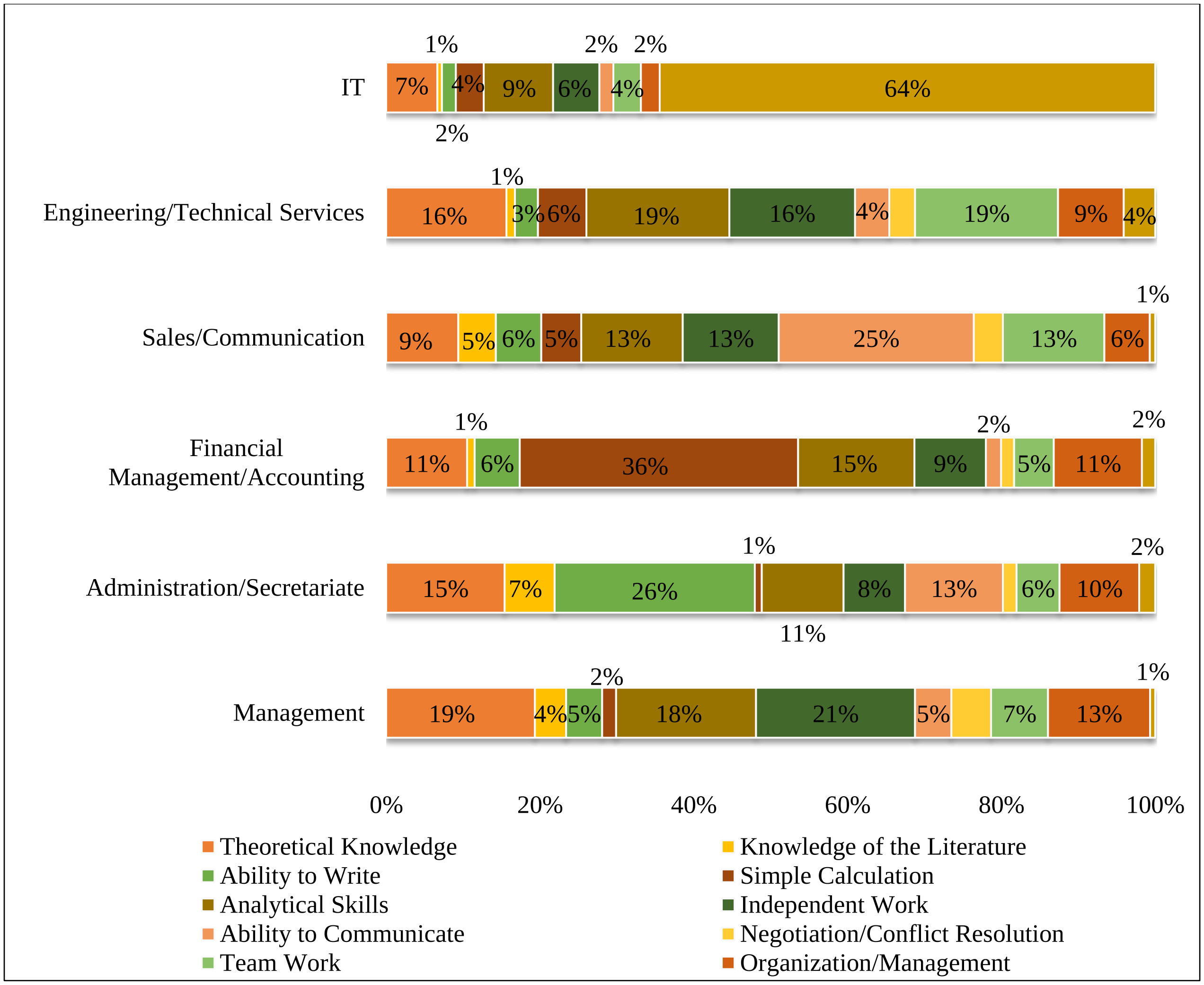
[14] Local currency values were converted to USD using the average exchange rate for the year 2005 from World Development Indicators

[15] Employer survey with a sample of 533 formal and informal firms conducted in 2012 as part of World Bank TA in higher education.

[16] In order to obtain information regarding the needs and expectations of employers in terms of employee characteristics and skills, the survey asked employers to indicate the degree of importance they attach to different skills: basic, specific and personal or also called non-cognitive.

knowledge acquired during schooling.[17] Further, non-cognitive skills are needed more in certain occupations than in others. For example, theoretical knowledge and analytical ability are important across the board, but especially in management and engineering.

Figure 5: Key basic skills



Source: Employer Survey, 2012

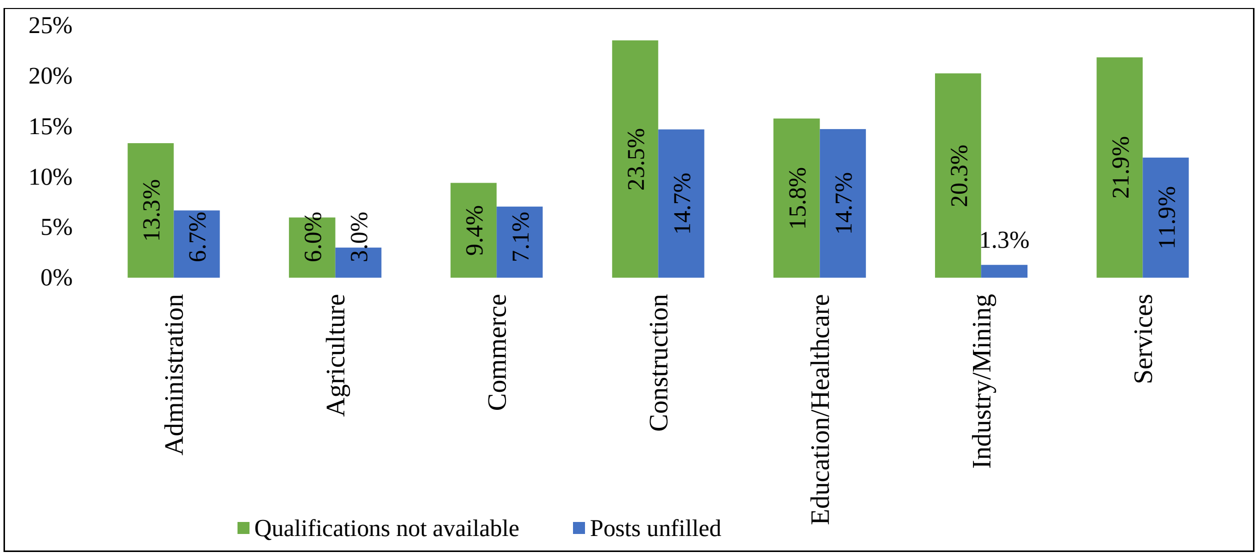
8. **There is evidence of a skills mismatch between those skills employers are looking for in employees and the skills that graduates possess.** The same employer survey suggests that most employees' job roles do not match their skills. For example, half of government employees hold technical and professional degrees more appropriate for sectors such as construction and manufacturing. Similarly, the distribution of tasks within firms is not sensitive to employee credentials, except perhaps for workers with a post-secondary education. More than 90 percent of cooperatives suggested that there should be greater investment at the university level and in-

[17] It is important to note the high rate of non-response, 40 percent on average for all categories and all types of skills. The rate is particularly high for computer skills indicating a lack of knowledge of the labor force by the business owners.

skills training at the higher levels; construction, mining, and agriculture firms recommended a focus on technical training courses (ES, 2012).

9. **The lack of local skills available can be seen in the positions that remain either unfilled or for which skills are not available**. The public sector is virtually exempt from such problems, regardless of the type of work, and has shown its ability to attract skilled labor. For other sectors, agriculture aside, and regardless of the type of employment, recruitment difficulties are observed in filling management and financial management (FM) positions, as well as in activities clearly linked to the heart of each sector's business. Between 20 and 30 percent of companies report having difficulty recruiting directors (or managers) or accountants. In addition, approximately 15 percent of trading companies face recruitment difficulties in sales, and a similar proportion of firms in industry and mining have problems recruiting engineers and skilled labor. Construction, which is expanding rapidly, is experiencing serious difficulties in recruiting. Companies hire mainly through an "old boys' network," with the majority of employees indicating that they got their jobs through acquaintances – a situation that prevails in all sectors except agriculture. Even in sectors in the formal economy, recruitment is done predominantly through informal networks.

Figure 6: Lack of Qualified Employees by Sector



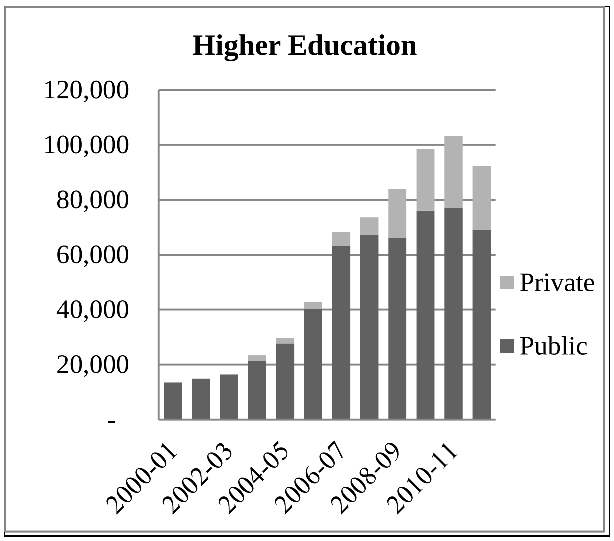
Source: Employer Survey, 2012

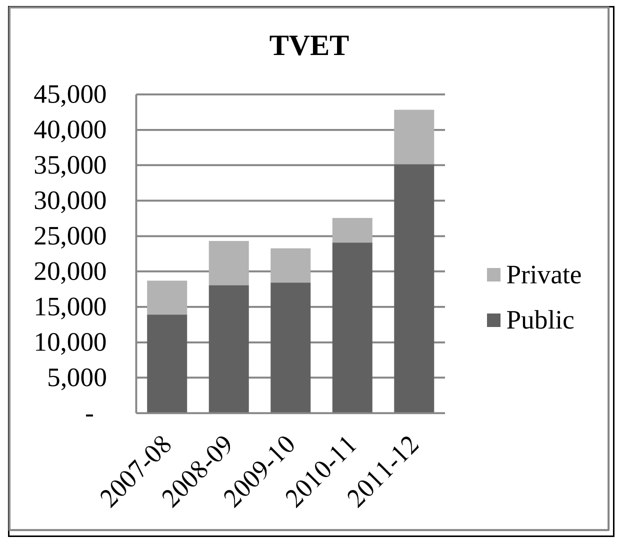
10. **As a further illustration of the skills gap, employers are increasingly offering in-house training to reduce the skills gap**. Though only 14 percent of employers currently provide skills training, 60 percent would like to provide such training. Employees participate in training (70 percent of 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. Costs associated with training can be a deterrent to new hiring, especially because of attrition and poaching.

Supply Side

33. **Total enrollment and output of graduates at the tertiary level is low compared to the regional and global averages**. Enrollment at tertiary levels has increased tenfold in 10 years, but the gross enrollment rate (GER) in tertiary education stands at 8 percent, far below the world average of 25 percent and below the needs of the labor market. The entire TVET student population is composed of 43,000 students, of which about 35,000 are enrolled in public TVET institutions. At the post-secondary level, a student can enroll in a TVET school leading to a BTS (*Brevet technicien supérieur*) or a CAP (*Certificat d'aptitude professionnel*), or in a higher education institution (leading to a Bachelor's or Master's degrees).

Figure 7: Enrollment in higher education and Figure 8: Enrollment in TVET

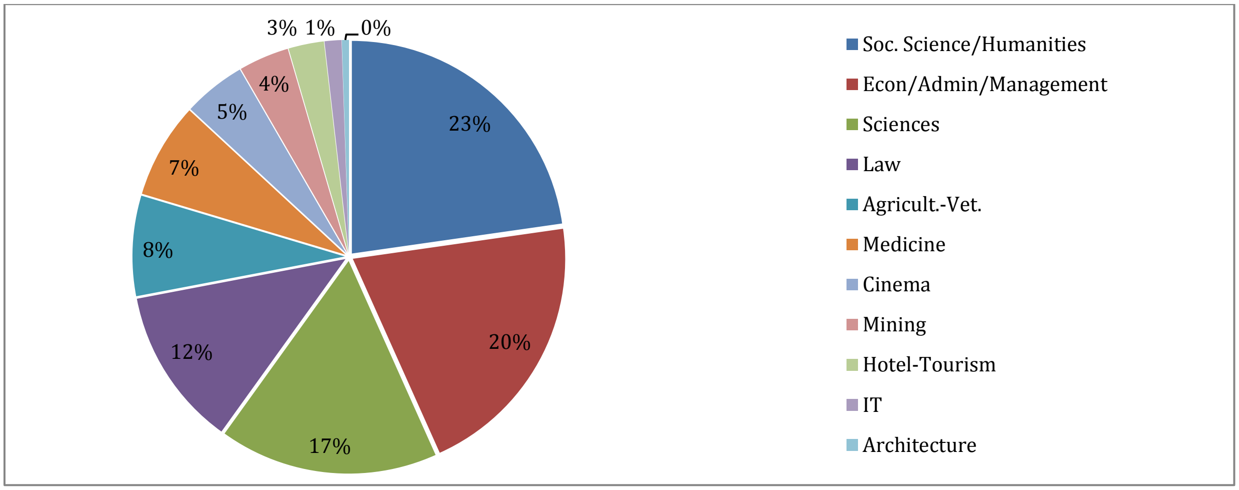




Source: *Annuaire Statistique*, 2012

11. **Quality and relevance are a source of concern for policymakers, because most qualifications are not oriented toward technical trades.** For instance, the proportion of students enrolled in humanities subjects has increased from 15 to 23 percent, whereas students enrolled in science subjects decreased from 31 in 2006 to 13 percent in 2011. Lower levels of education face similar issues. Secondary education is largely geared towards the humanities. Recent end of high school (Bac) results show that of approximately 30,000 high schools graduates, only 3,190 students passed science and 6,146 passed mathematics subjects. TVET is still perceived as a second class option- for the most part intended for early school leavers, although the tides have begun to turn slightly in recent years.

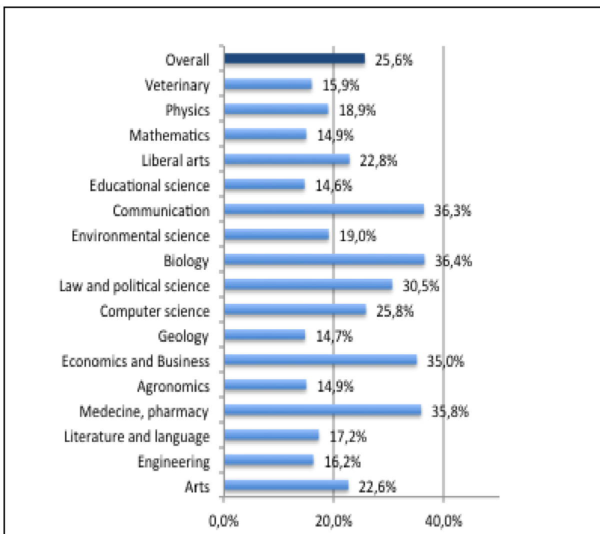
Figure 9: Areas of Study in Tertiary Education, 2010-11 Academic Year



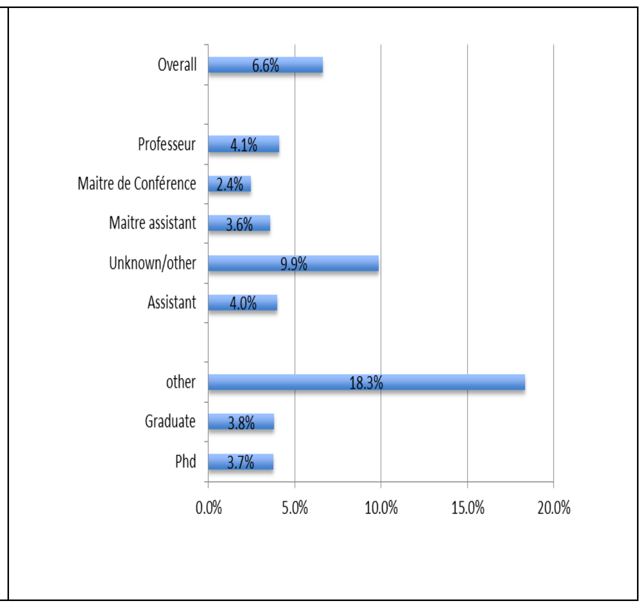
Source: *Annuaire Statistique*, 2011

12. **Moreover, the supply side is characterized by a gender divide.** In 2011-2012, girls made up only one-fourth of students enrolled in higher education. In contrast, about 40 percent of high school students are girls[18]. Girls are more highly represented in private education (35 percent) and more likely to choose fields such as Medicine, Communication, Economics and Business, Law and Politics. Except for Biology, they tend to avoid hard sciences. **The same gender imbalance is replicated in the portion of women teachers.** Only 6.6 percent of all teachers are women, and the proportion is even lower for teachers with higher credentials (3.7 percent for PhDs).

Figure 10: Gender divide in enrollment **Figure 11: Gender divide in teaching faculty**



Source: MESRS, 2012



[18] ELEP 2012

13. **Because the quality of human capital is essential to economic success in Guinea, it is critical to focus on key ingredients:** improve the quality of education and skills, encourage an enabling environment for higher level and more productive jobs, the creation of private enterprises and introduce new technologies to increase labor productivity. The opportunities available to Guinean graduates today in terms of the civil service are insufficient.

Labor Market Intermediaries

14. **Labor market intermediaries are in early stages and need capacity strengthening,** namely (a) AGUIPE, and (b) a labor-market observatory (not yet established). AGUIPE, funded primarily from government budget, is mandated to connect supply and demand. AGUIPE maintains a database of employers and firms, and offers counseling to registered applicants and recommends training options. However, there is no formal labor market 'observatory' in Guinea, leading to a lack of systematic, reliable, and economy-wide labor market data and hindering evidence-based decision making.

Job market situation

15. **The level of education has a very strong impact on both employment and the choice of economic activity, especially for the most educated parts of the population**. Guineans who have never been to school are confined to traditional activities: agriculture in the countryside and commerce in the cities. Over 59 percent of people without an education are farmers, while only 19.4 percent of those who completed high school. For those who have attended primary school, the main option of moving away from the traditional unskilled trades is working in the service sector and in construction for those who have made it to lower secondary. Finally, the sectors of administration, education and health care are accessible only to those who have completed high school with almost 40 percent of those with a tertiary or technical education working in these sectors. The mining and industry sectors are also important employers. The low share of employment opportunities provided by other sectors, including services, shows the lack of dynamism of the country's economy. This weakness is demonstrated by the unemployment rate, which increases with the level of education. The high unemployment rate among university and technical school graduates highlights the inability of the labor market to absorb individuals with these skills either because opportunities do not exist within relevant sectors and/or universities and TVET institutions do not adequately equip students with the necessary skill set to obtain existing jobs.

Table 1: Summary of Labor Market Failures in Guinea

Market Failures	Response
1. Demand side failures 1.1 Economy is predominantly informal. Private sector faces a difficult business climate for growth, which suppresses demand for labor. 1.2 On-the-job training is expensive, and poaching externalities deter firms from investing in skills upgrade of existing workers, or entry-level training of new workers. 1.3 Small- and medium-sized firms lack knowledge on skills	*The Project is addressing labor market failures in all four areas (demand, supply, intermediation, and labor market).*

training options and importance of standards in training (especially global frameworks), and rely on ad-hoc training. 2. **Supply side failures** 2.1 Quality of skills: Lack of job-relevant skills or industry-recognized certifications/credentials among labor market candidates. Furthermore, educated graduates may not possess basic cognitive or non-cognitive skills. 2.2 Size of technical labor pool: Small size of graduate pool for technical trades and science and technology domains limits the number of hirable and trainable youth.	The Project addresses market failures through two interventions. (a) The Competitive Fund will stimulate demand side to create joint proposals with education and training sector; the E2E intervention will also incentivize agreements and public private partnerships (PPPs) between demand and supply side, thus bridging the gap.
3. **Intermediation failures** Very few formal mechanisms exist for private sector and academia/training to come together on a common platform. As an intermediary agency, AGUIPE is relatively new and requires significant capacity development. At policy-making level, information and data collection function is not formalized within any ministry. As a result, coordination weaknesses exist in the following areas: 3.1 Information gap among job-seekers, employers, and training providers. 3.2 Lack of incentives to stimulate supply-demand linkages; incentive mechanisms can be fiscal or non-fiscal.	(b) A one-stop intermediation based intervention ('education-to-employment,' or 'e2e') will connect youth to training, job, and entrepreneurship options using AGUIPE's services; it will also incentivize creation of demand side opportunities through fiscal instruments (i.e. voucher). *The E2E program primarily addresses labor market failure in the area of intermediation.*
4. Job market situation Higher qualifications do not protect this population from joblessness. This highlights the lack of opportunities in the formal high-skilled labor sector. It also reflects how poorly a university education or TVET prepare graduates for existing jobs, either in terms of relevance or quality of training.	(c) *The Project will introduce 2-3 year professional programs adhering to international certification and delivered through a PPP. The joint preparation of programs will ensure a stronger adherence with the labor market needs*.

ANNEX 9: MAP OF GUINEA