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Report No: PAD1491

PROJECT PAPER
ON A
PROPOSED ADDITIONAL CREDIT
IN THE AMOUNT OF (SDR 71.3) MILLION
(US\$100 MILLION EQUIVALENT)
AND PROJECT RESTRUCTURING
TO THE
PEOPLE'S REPUBLIC OF BANGLADESH
FOR THE
SKILLS AND TRAINING ENHANCEMENT PROJECT
October 7, 2015

Education Global Practice
South Asia

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: August 31, 2015)

Currency Unit = Taka
Taka 77.78 = US\$1
US\$ 1.404 = SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ADP	Annual Development Plan
BBF	Better Business Forum
BEC	Bid Evaluation Committee
BER	Bid Evaluation Report
BMET	Bureau of Manpower, Employment and Training
BOC	Bid Opening Committee
BTEB	Bangladesh Technical Education Board
C&AG	Comptroller and Auditor General
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CGA	Controller General Accounts
CONTASA	Convertible Taka Account
DA	Designated Account
DfID	Department for International Development
DTE	Directorate of Technical Education
EA	Environmental Assessment
EC	European Commission
EFA	Education for All
EIA	Environmental Impact Assessment
EMF	Environmental Management Framework
EMP	Environmental Management Policy
ERD	Economic Relations Division
FM	Financial Management
FMIP	Financial Management Improvement Plan
FMQ	Financial Management Questionnaire
GAAP	Governance and Accountability Action Plan
GAC	Grant Approval Committee
GDP	Gross Domestic Product
GNI	Gross National Income
GOB	Government of Bangladesh
GPPA	Government's Public Procurement Act
HRMIS	Human Resource Management Information System
HSC	Higher Secondary Certificate
HSC (Voc)	Higher Secondary Certificate (Vocational)
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
IDA	International Development Association
IDP	Institutional Development Plan
IFC	International Finance Corporation

IFRs	Interim Financial Reports
ILO	International Labor Organization
IMC	Institute Management Committee
IMED	Implementation Monitoring and Evaluation Division
IPP	Indigenous Peoples Plans
ISC	Industry Skills Councils
KPI	Key Performance Indicators
M & E	Monitoring and Evaluation
MOE	Ministry of Education
MOEWOE	Ministry of Expatriate Welfare and Overseas Employment
MOLE	Ministry of Labour and Employment
NSDC	National Skills Development Corporation
OP	Operational Policy
PAC	Project Audit Committee
PAD	Project Appraisal Document
PD	Project Director
PDO	Project Development Objective
PFM	Public Financial Management
PIC	Project Implementation Committee
PID	Project Information Document
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPA	Public Procurement Act -2006
PPR	Public Procurement Rules
PRMP	Procurement Risk Mitigation Plan
PSC	Project Steering Committee
RADP	Revised Annual Development Program
RFP	Request for Proposal
SMF	Social Management Framework
SOEs	Statement of Expenditures
SPEMP	Strengthening Public Expenditure Management Program
SSC	Secondary School Certificate
SSC(Voc)	Secondary School Certificates in Vocational Education
STEP	Skills and Training Enhancement Project
TOR	Terms of Reference
TSCs	Technical Schools and Colleges
TTCs	Technical Training Centers
TVET	Technical and Vocational Education Training
UNDB	United Nations Development Business

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**BANGLADESH
SKILLS AND TRAINING ENHANCEMENT PROJECT
ADDITIONAL FINANCING**

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ADDITIONAL FINANCING DATA SHEET

Bangladesh

Additional Financing to the Skills and Training Enhancement Project (P155389)

SOUTH ASIA

GEDDR

Basic Information – Parent									
Parent Project ID:	P090807			Original EA Category:	B - Partial Assessment				
Current Closing Date:	30-Jun-2016								
Basic Information – Additional Financing (AF)									
Project ID:	P155389			Additional Financing Type (from AUS):	Scale Up				
Regional Vice President:	Annette Dixon			Proposed EA Category:	B - Partial Assessment				
Country Director:	Johannes C.M. Zutt			Expected Effectiveness Date:	31-Dec-2015				
Senior Global Practice Director:	Claudia Costin			Expected Closing Date:	30-Jun-2019				
Practice Manager/Manager:	Keiko Miwa			Report No:	PAD1491				
Team Leader(s):	Md. Mokhlesur Rahman, Shinsaku Nomura								
Borrower									
Organization Name	Contact	Title	Telephone	Email					
People's Republic of Bangladesh	Md. Nazrul Islam Khan	Secretary	+88029576679	secretary@moedu.gov.bd					
Project Financing Data - Parent (Bangladesh Skills and Training Enhancement Project-P090807) (in USD Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P090807	IDA-47640	Effective	10-Jun-2010	08-Jul-2010	22-Aug-2010	30-Jun-2016	30-Jun-2016		
P090807	TF-15113	Effective	05-Dec-2013	05-Dec-2013	05-Dec-2013	30-Jun-2016	30-Jun-2016		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

P090807	IDA-47640	Effective	USD	79.00	78.98	0.02	60.4	12.6	86
P090807	TF-15113	Effective	USD	14.80	14.80	0.00	6.4	8.4	47
Project Financing Data - Additional Financing to the Skills and Training Enhancement Project (P155389)(in USD Million)									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		120.80		Total Bank Financing:		100.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
BORROWER/RECIPIENT								20.80	
International Development Association (IDA)								100.00	
Total								120.80	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name	Role	Title	Specialization	Unit					
Md. Mokhlesur Rahman	Team Leader (ADM Responsible)	Senior Operations Officer		GEDDR					
Shinsaku Nomura	Team Leader	Economist		GEDDR					
Ishtiak Siddique	Procurement Specialist	Procurement Specialist		GGODR					
Mohammed Atikuzzaman	Financial Management Specialist	Financial Management Specialist		GGODR					
Aftab Uddin Ahmad	Team Member	Consultant		GED06					
Aneeka Rahman	Team Member	Social Protection Economist		GSPDR					
Ferdous Jahan	Team Member	Consultant		GSU06					

Iffath Anwar Sharif	Team Member	Program Leader		SACBA
Irajen Appasamy	Team Member	Senior Operations Officer		GEDDR
Karthika Radhakrishnan	Team Member	Operations Analyst		GEDDR
Manjula M. Luthria	Team Member	Senior Economist		GSPDR
Nadia Sharmin	Safeguards Specialist	Environmental Specialist		GSURR
Nazma Sultana	Team Member	Program Assistant		SACBD
Rex Joseph Quiah	Team Member	Temporary		GED06
Sabah Moyeen	Safeguards Specialist	Senior Social Development Specialist		GSURR
Sandra X. Alborta	Team Member	Program Assistant		GEDDR
Sangeeta Goyal	Team Member	Senior Economist		GEDDR
Shakil Ahmed Ferdausi	Safeguards Specialist	Senior Environmental Specialist		GENDR
Shiro Nakata	Team Member	Consultant		GED06
Siou Chew Kuek	Team Member	Senior ICT Policy Specialist		GTIDR
Syed Rashed Al-Zayed	Team Member	Senior Economist		GEDDR
Tashmina Rahman	Team Member	Consultant		GED06
Yoko Nagashima	Team Member	Senior Education Specialist		GEDDR
Zubair K.M. Sadeque	Team Member	Senior Energy Specialist		GEEDR

Extended Team

Name	Title	Location
Riful Jannat	Senior Development Advisor	Dhaka

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Bangladesh	Dhaka	Dhaka Division	X	X	Selected public and private polytechnics and training institutes from all the divisions.

Institutional Data

Parent (Bangladesh - Skills and Training Enhancement Project - P090807)

Practice Area (Lead)				
Education				
Contributing Practice Areas				
Social Protection & Labor, Trade & Competitiveness, Transport & ICT, Energy & Extractives				
Cross Cutting Topics				
[] Climate Change				
[] Fragile, Conflict & Violence				
[X] Gender				
[X] Jobs				
[X] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Tertiary education	90		
Industry and trade	General industry and trade sector	5		
Public Administration, Law, and Justice	General public administration sector	5		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Human development	Education for the knowledge economy	75		
Trade and integration	Technology diffusion	10		
Trade and integration	Export development and competitiveness	10		
Public sector governance	Decentralization	5		
Total		100		
Additional Financing to the Skills and Training Enhancement Project (P155389)				
Practice Area (Lead)				
Education				
Contributing Practice Areas				

Agriculture, Social Protection and Labor, Trade and Competitiveness, Transport & ICT, Energy & Extractives				
Cross Cutting Topics				
[] Climate Change				
[] Fragile, Conflict & Violence				
[X] Gender				
[X] Jobs				
[X] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Public administration-Education	5		
Education	Vocational training	90		
Industry and trade	General industry and trade sector	5		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Public sector governance	Decentralization	5		
Trade and integration	Export development and competitiveness	10		
Trade and integration	Technology diffusion	10		
Human development	Education for the knowledge economy	75		
Total		100		

I. Introduction

This Project Paper seeks the approval of the Executive Directors for an Additional Credit of SDR 71.3 million (US\$100.0 million equivalent) to the People's Republic of Bangladesh for the Skills and Training Enhancement Project (STEP).

The original Credit of US\$79 million equivalent was approved on June 10, 2010, and became effective on August 20, 2010 (STEP: P090807, IDA-47640). The project also received additional financing from Canada through the Recipient Executed Multi-Donor Trust Fund (MDTF), approved for an amount of US\$16.7 million, which became effective on December 5, 2013. Including the Government of Bangladesh (GoB) contribution of original US\$9 million equivalent and additional US\$20.8 million equivalent during this Additional Financing (AF), the total project cost would be US\$225.5 million equivalent.

The objective of the proposed Additional Financing is to sustain and deepen the impact of successful interventions under the original project primarily through the scaling-up of project activities, and to enhance the ongoing reform agenda at system and service-delivery levels for attaining the next stage of skill development landscape as envisaged by the GoB policies. Based on the lessons learned from the original project and international experiences, this AF entails the following: (i) scale-up of interventions that have successfully contributed to the improvement of service delivery, (ii) minor modifications in project sub-components to improve the efficiency of implementation; and (iii) introduction of additional innovative activities. The details of project design and changes are described in Annex 2.

The original project, together with the Recipient Executed MDTF is also being restructured to extend the closing date by one year to June 30, 2017. This will allow adequate time for the evaluation and institutionalization of successful reforms and innovative interventions under the ongoing project. The supplemental letter on the performance indicators will be amended to include the new Results Framework. The closing date of the AF would be June 30, 2019.

The AF will further contribute to the improvement of the quality and relevance of training at service-delivery level and will continue to support critical system-wide reforms that would enable diversification of skills and transformation of low-skill, low-productivity economy to high-skilled high productivity structure for global competitiveness. To contribute to the sector goals, expected project outcomes are: (i) an increase in the number of graduates and direct project beneficiaries; (ii) greater relevance and quality of TVET programs, with trained faculty and staff, and stronger partnership with industries/employers; and (iii) increased equity in TVET programs through demand-based financing of female and disadvantaged students.

Partnership arrangements: STEP has been co-financed by the Government of Bangladesh, the IDA, and the Government of Canada. This financing arrangement will continue during the AF period, and may be joined by any other interested Development Partners (DPs) during implementation of the AF. There has been discussions among DPs and GOB for establishing Sector Wide Approach (SWAp) for TVET. Enhanced collaborations across different Global Practices (GPs) within the World Bank Group, including Social Protection and Labor GP, Trade and Competitiveness GP, Transport & ICT GP and Energy GP are also pursued.

II. Background and Rationale for Additional Financing

A. Country Context

With a population of 160 million, Bangladesh has made impressive progress in economic growth and poverty reduction over the past few decades. Bangladesh's Gross Domestic Product (GDP) grew at an average rate of 6.1% in the past ten years, resulting in a substantial decline in the incidence of poverty. The economic structure has continued to shift from a largely crop based agrarian economy to services and industry while at the same time transforming agriculture from low value subsistence based to high value commercial farming. Manufacturing growth, driven by exports, was the main driver of recent growth. This was complemented by an annual 14.8 percent growth in remittances (in dollars). Moreover, Bangladesh has graduated from Lower Income Country (LIC) to Lower Middle Income Country (LMIC) status in 2015, based on its US\$1,080 GNI per capita (Atlas Method) in FY2014. It reflects Bangladesh's resilient progress on the economic front despite its vulnerability to global and natural shocks, intermittent political turmoil, weak governance, and rising costs of unplanned urbanization. With improvements in social indicators, Bangladesh has met several Millennium Development Goals, including achievement of gender parity in primary and secondary education.

Notwithstanding the above, Bangladesh has a window of opportunity to experience rapid and higher GNI growth from an on-going demographic dividend, comprising the largest share of working-aged citizens and fewer dependents – a trend which is expected to continue over the next two decades. Job expansion across the fast growing economic sectors, including Ready-Made Garments (RMG), export-oriented manufacturing, light engineering, ship-building, agri-business, ICT and pharmaceuticals, will demand more home-grown and better skilled professionals and technical experts. Each year, 1.3 million youth join the labor force, but skills shortage is a major problem in today's labor market. The majority of the labor force is under-educated – 96 percent of the 57 million workers in the domestic labor market at best have only secondary education. 89 percent of workers are in the informal market. Despite an increase in the number of migrant workers from 104,000 in 1990 to 426,000 in 2014, the majority of them (around 52 percent) are in low-skilled, low-wage structure jobs.

B. Sector Policy and Strategy

Bangladesh has made substantial progress in development of the TVET sector. The National Education Policy (NEP) 2010 of GoB recognizes the current constraints of the TVET system in ensuring relevant skills to meet the demand of the workplace. The policy envisages greater private sector participation in the skills development and training. Furthermore, importance of skills development has been emphasized in the 6th Five Year Plan (FYP) as well as the draft 7th FYP. As emphasized by the GoB policies, NEP envisages to increase the share of students in the TVET system to 20 percent through an expansion of access to quality TVET. It also stresses the need for changes in the governance structures of the sector and management of training institutions (academic, administrative and financial autonomy).

The National Skills Development Council (NSDC) was established as an apex coordination body for the entire skills development sub-sector, and is tasked with leading the government's and development partners' efforts towards the achievement of the National Skills Development Policy (NSDP) 2011. NSDP lays out vision, mission, and direction for skills development to improve the quality and relevance of skills development and establish more flexible and responsive skills training systems that better serve the needs of labor markets and society at large. Reforms envisaged in the NSDP include: (a) shift to a new national skills qualification system, National Technical and Vocational Qualification Framework (NTVQF), and (b) introduction of a series of new modes of skills development, apprenticeship and workplace training, Recognition of Prior Learning (RPL), and enhancing skills development for overseas employment.

Total enrollment capacity in the entire TVET system was around 500,000 in 2014, of which 170,000 were in polytechnics, and the remainder in the vocational institutions. At the post-secondary level, there are about 428 polytechnics as of 2015, of which 55 are public and 373 are private institutions. Over 6,000 institutions provide vocational training at various levels, including certificate, Secondary School Certificate (SSC), and Higher Secondary Certificate (HSC) levels.

The challenge is to improve the coordination in the skills development sector, which is highly diverse and fragmented, and includes a persisting reality of: (i) multiple service providers, including public (more than 20 ministries running institutes providing some form of skills training), private, non-governmental organization (NGO) and industry trainers; (ii) a vast coverage, including secondary and post-secondary students, unskilled youth and vulnerable populations, and people with previous work experience as well as currently employed workers; (iii) a large range of modalities of service provision, including long- and short- courses, informal training, and on-the-job training; and (iv) a wide variety of skills levels (a vast array of industry-specific skills, basic numeracy and literacy skills, and behavioral and communication skills).

The low quality and relevance of training is a persistent issue in the TVET sector, which exacerbates the challenges of fostering a highly productive and efficient workforce in Bangladesh. Employers indicate that the quality and relevance of education and training programs are inadequate to meet the skills demand of the labor market according to the World Bank Enterprise Skills Survey, 2012. Some of the main reasons are: (a) teachers' community and institutions are inadequately trained and equipped to operationalize competency-based TVET; (b) government is yet to determine a deadline for transitioning to competency-based TVET; and (c) curricula and teaching-learning materials require to be updated in meeting the labor market demands.

C. Performance of the Original Project

The project is on track to achieve the PDO, which is “to strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds.” The latest Implementation Status and Results Report (ISRR, March 2015) rated the PDO “Satisfactory” and Implementation Progress (IP) “Moderately Satisfactory.” Data on Key Performance Indicators (KPIs) show that: (a) the cumulative number of stipend recipients (KPI 3) as of June 2015 is 116,247 against the end-of-project (EOP) target of 82,000; (b) the employment rate of trainees after six months of completion of training is around 42 percent (KPI 2) against an EOP target of 41 percent; and (c) the pass rate of diploma course students (KPI 1) is 64 percent (2014), against the original target of 58 percent, and the formally revised target of 68 percent. Achievement is satisfactory for 11 out of the 13 intermediate indicators. Some of them have exceeded their targets ahead of time, for example: (i) enrollment against intake capacity is 98 percent (EOP target: 65 percent); (ii) percent of faculty trained is 52 percent (EOP target: 50 percent); and (iii) the share of girls in supported courses is 30 percent (EOP target: 25 percent). All legal covenants under the original project have been fully complied with.

Key achievements: The STEP has supported implementation of the NSDP 2011 by leading the operationalization of the many strategic pillars, and has greatly contributed to renovating the landscape of the skills development sector in Bangladesh. Enhancement of the quality of training, increasing the enrollment, operationalization of a number of training concepts, including apprenticeship, Recognition of Prior Learning (RPL), demand-based training through stronger industry linkages, have been materialized through STEP. Moreover, the skills sector, which was fragmented, is now set for enhanced collaboration across sectors and ministries. Ongoing sector reform has gradually catalyzed the additional resources from the government, DPs, and industry partners for enhancing the skills development. At service

delivery level, introduction of competitively funded Institutional Development Grants (IDGs) and its implementation changed the mindsets of polytechnics regarding the quality standard of training and service delivery. Traditionally, only about 3 percent of budget was available for capital expenditure or quality enhancement activities at polytechnics. The competitively funded IDGs built the capacity of the institutions to study the market demand, make a plan, and implement their quality improvement activities.

Key challenges faced: Due to introduction of several new innovative activities and operational modalities, the project suffered from slow progress at the early stage. Development of polytechnics (sub-component 1.1) and capacity-building of NSDC Secretariat and Industry Skills Council (ISCs) (sub-component 2.1) faced major challenges due to (i) almost a one year delay at project start-up, (ii) continuous volatile political conditions in the country, and (iii) weak planning and implementation capacity of TVET institutions. It has been a major challenge for the government agencies and institutions to collaborate with industries since they had little experience in this area. However, stakeholders have realized that skills development necessitates effective participation of government, private, and non-government actors for maximizing the impact of TVET to labor market outcomes. It was also learned that establishment of NSDC and ISC structure and offices alone does not automatically ensure a well-functioning and coordinated TVET system, but requires continuous support for generating the buy-in from the industry partners and coordinating among stakeholders.

Key lessons learned: During the five years of operation, STEP has generated a number of useful lessons. First, the project recognized the effectiveness of capacity-building at central and institutional levels not only for implementing project activities but also revamping teachers' and administrators' intrinsic motivations for delivering the quality of training. Second, partnership and collaborations with international organizations and industry partners influenced the mindset of institutions and administrators regarding the standards of training and leveraged the institution's quality and lifted the standard to the next level. Third, adoption of a competitive funding process in public and private institutions worked well in Bangladesh and led to greater public-private partnership, resulting in quality TVET service delivery. Fourth, innovative awareness raising campaigns have improved social perception on TVET in Bangladesh, and enhanced project accountability. Evidence suggests that better performing secondary graduates are coming to TVET tracks. Fifth, bottlenecks to the effectiveness of service delivery could be small glitches in the chain of production which can be addressed easily. For example, introducing job placement services at short-term institutions improved employment rate among supported students, showing the lack of proper career guidance was a bottleneck for effective school to work transition.

D. Rationale for Additional Financing

The main rationale for the proposed AF is based on the needs to further strengthen the skills development capacity and service delivery by focusing on the quality and relevance of training to meet the rapidly increasing demand for higher skilled labor as a result of Bangladesh's recent achievement of lower middle income status. Skills development vision has been envisaged by the NSDP and a number of sector reforms have been carried out with the support from STEP. Both the Government's 7th Five Year Plan (2016-2020) and the World Bank's forthcoming Country Partnership Framework (CPF: FY2016-20) recognize the increasing demand for skills development and stress the need to accelerate skills development towards job creation and economic growth.

Entering into the new economic phase as a lower middle-income country, the Bangladesh education system is taking on new sets of skills development challenges. Based on the remarkable achievements in increased educational access, primary and secondary education will further strengthen the foundational skills through the quality education. TVET and higher education will contribute to the diversification of

skills available in the domestic labor market and production of high-end skills for global competitiveness. Expectation to skills development is particularly high because skilling of a huge youth population (annually 1.3 million youth join the labor force) is critical to maintain robust economic growth and transform the low-skill, low-productivity economy to high-skilled high-productivity structure. The sector needs to be developed in several key areas, including the quality and relevance of training through improved service delivery, better recognition of skills by the domestic and international labor market, and improved system responsiveness to the ever-changing labor market demands.

In this context, STEP has contributed to the improvement of the quality and relevance of training at service-delivery level and launched a number of reforms to achieve the systemic improvement. Key reforms initiated by STEP includes: (i) modernizing and improving the quality and relevance the TVET system; (ii) better trained TVET graduates and better student intake; and (iii) strengthening the nexus between public and private actors in TVET service delivery, and increasing linkages with industry. All these have created a momentum which provides for a rapid expansion of TVET to cater to labor market needs and employment. In addition, given its capacity to leverage knowledge on TVET internationally, the World Bank has been able to contribute to successful implementation of TVET sub-sector reforms in Bangladesh and generate new knowledge. The AF would ensure continuity in supporting the GoB to accelerate needed TVET reforms through deepening sub-sector knowledge. Moreover, the AF would contribute to the twin goals of reducing poverty and increasing shared prosperity by addressing the challenge of market-relevant skills shortages and mismatches in Bangladesh.

III. Proposed Changes

Summary of Proposed Changes

The Project Development Objective (PDO) of the proposed AF will remain unchanged. Design of components, project cost, implementation schedule, and result indicators will be changed (details are given in Annex 1 for the result framework, Annex 2 for detailed project description, Annex 3 for project costs, and Annex 4 for implementation arrangement).

The main changes in the components reflect the scale-up of project activities, introduction of new interventions, and fine-tuning of existing activities.

The result framework is updated. One PDO Indicator will be disaggregated for females and disadvantaged groups. The Intermediate Results Indicators will be updated to: (a) reflect the newly introduced and scaled-up activities; and (b) set new targets for the AF period. Some of the intermediate indicators will be refined/dropped.

Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]					
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Reallocation between Disbursement Categories	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]					
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]					
Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Change in Procurement	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]					
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]					
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]					
Development Objective/Results						
Project's Development Objectives						
Original PDO						
The project development objective is to strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds.						
Change in Results Framework						
Explanation:						
The Results Framework will be adjusted to reflect the changes to components and enable more detailed results monitoring: (a) under PDO Indicators, the indicator for pass rates of polytechnic students will be disaggregated to monitor performance for females and disadvantaged groups separately; (b) under Intermediate Results Indicators: (i) three new indicators will be added to track progress on the new and expanded activities; (ii) three indicators will be modified for fine-tuning; (iii) one indicator will be dropped as the monitored activity is completed; (iv) seven indicators will have adjusted baselines for 2015 by incorporating newly included institutions; and (v) remaining indicators will be revised to reflect new targets. Details are in Annex 1.						
Compliance						
Covenants - Additional Financing (Additional Financing Skills and Training Enhancement Project - P155389). The covenants shall remain the same as the Original Credit.						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		

Risk					
Risk Category				Rating (H, S, M, L)	
1. Political and Governance				High	
2. Macroeconomic				Moderate	
3. Sector Strategies and Policies				Moderate	
4. Technical Design of Project or Program				Moderate	
5. Institutional Capacity for Implementation and Sustainability				Substantial	
6. Fiduciary				Substantial	
7. Environment and Social				Moderate	
8. Stakeholders				Moderate	
9. Other					
OVERALL				Substantial	
Finance					
Loan Closing Date - Additional Financing (Additional Financing Skills and Training Enhancement Project - P155389)					
Source of Funds			Proposed Additional Financing Loan Closing Date		
International Development Association (IDA)			30-Jun-2019		
Loan Closing Date(s) - Parent (Bangladesh - Skills and Training Enhancement Project - P090807)					
Explanation:					
The original project closing date will need to be extended by one year to allow for completion and evaluation of activities, particularly under Component 1. The sub-projects under Component 1 experienced initial delays in the selection procedure. The subsequent delays in implementation of sub-projects was a result of political instability and election disruptions.					
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-47640	Effective	30-Jun-2016	30-Jun-2016	30-Jun-2017	30-Jun-2016
TF-15113	Effective	30-Jun-2016	30-Jun-2016	30-Jun-2017	30-Jun-2016
Change in Disbursement Estimates (including all sources of Financing)					
Explanation:					
The financial management arrangements under the proposed AF will continue to follow the arrangements in the original Credit. The funds from the Grant will flow mainly through a Designated Account (DA), Convertible Taka Account (CONTASA) with a commercial bank as is the practice in the current project. Disbursements will be made on the basis of Interim Un-audited Financial Reports (IUFRs). All fund transfer including stipend (except petty cash) will be routed only through banking channel, this will also be applicable for the Original Credit and MDTF Grant.					

Expected Disbursements (in USD Million)(including all Sources of Financing)						
Fiscal Year	Source	2016	2017	2018	2019	Total
Annual	AF	20.00	30.00	35.00	15.00	100.00
	Original	7.00	2.20	-	-	77.42
	MDTF	5.00	2.81	-	-	15.80
	GOB	7.00	6.00	5.40	5.40	29.80
Cumulative		121.21	162.22	202.62	223.02	223.02
Allocations - Additional Financing (Additional Financing Skills and Training Enhancement Project - P155389)						
Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)		
			Proposed	Proposed		
IDA	SDR	(1) Grants and Stipends	SDR 58,300,000	100% of amounts disbursed as per the Performance Contract for grants to public institutions; 90% for amounts disbursed as per the Performance Contracts for grants to private institutions; 100% for stipends		
		(2) Goods, works, non-consulting services; consultants' services, Training, and Operating Costs under Parts B, C and D of the Project	SDR 13,000,000	100%		
		Total:	SDR 71,300,000			
Components						
Change to Components and Cost						
Explanation:						
The main changes in the components reflect the scale-up of project activities, introduction of new interventions, and fine-tuning of existing activities as follows.						
Component 1 – Improve the Quality and Relevance of Training: (i) increasing the number of beneficiaries of institutional grant, stipend, and short-term training programs; and (ii) strengthening support to existing institutions and improving operation design with focus on private sector partnership and responsiveness to market demand.						
Component 2 – Pilots in TVET: (i) focusing on specific ISCs; (ii) increasing the number of target schools in Secondary School Certificate (Vocational) pilots; and (iii) rolling out Recognition of Prior Learning						

(RPL) program.

Component 3 – Institutional Capacity Development: introducing new interventions for capacity development of key agencies in the TVET sub-sector through (i) improving the efficiency of existing systems; (ii) improving the administrative and management capacity; and (iii) improving the accountability and governance.

Component 4 – Project Management, Communications and Monitoring and Evaluation: (i) enhancing Project Implementation Unit (PIU) implementation capacity; (ii) expanding communications activities; and (iii) conducting additional analytical and evaluation studies, including an impact evaluation of the RPL program (for the details, see Annex 2 – Project Description).

The costs will be revised to reflect the changes to the components under Additional Financing (see Annex 3 – Project Costs). The contribution of GOB (US\$20.8 million) will cover salaries for contract teachers (component 3) and public officials assigned to the PIU (component 4) for the period of the proposed AF. Sitting allowances, if any, will be borne by the GoB contribution, and the definitions of incremental operating cost and training cost have been updated accordingly in the legal agreements for Original Credit, MDTF Grant and the AF.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Improve the Quality and Relevance of Training	Improve the Quality and Relevance of Training	86.50	162.20	Revised
Pilots in TVET	Pilots in TVET	3.50	7.80	Revised
Institutional Capacity Development	Institutional Capacity Development	8.40	40.80	Revised
Project Management, Communications, and Monitoring and Evaluation	Project Management, Communications, and Monitoring and Evaluation	6.30	14.70	Revised
	Total:	104.70	225.50	

Other Change(s)

Change in Procurement

Explanation:

The AF would introduce e-GP to improve the transparency and accountability of the fiduciary system. The system would be piloted in the PIU and in several selected polytechnics which have already demonstrated satisfactory performance in procurement activities under sub-component 1.1. Based on positive results, e-GP implementation will be scaled up. Framework agreements will be used massively to procure the commonly required goods under the project. Framework Agreements will be signed by DTE or PIU, and any institute under DTE may take advantage of the FA by issuing call-offs.

Change in Implementation Schedule

Explanation:

The proposed AF will be implemented through June 30, 2019. The closing date of the original Credit and the Recipient Executed MDTF will be deferred to June 30, 2017.

Appraisal Summary

Economic and Financial Analysis

Explanation:

The updated economic analysis for the AF suggests that the project remains economically justified and financially viable. There is a significant demand for skilled labor force in the current Bangladeshi economy and strong linkage between the skills and poverty reduction. The upcoming period of demographic dividend also requires timely expansion of skills development opportunities for successful economic development of the country. The original Project has contributed to (i) increased quality of training which result in increased number of certified graduates and reduced inefficiencies, and (ii) increased employment opportunities and increased labor productivity as measured by wages. These demonstrated results from the original Project will be further scaled up by the AF as it aims to expand the coverage of institutions and beneficiaries. An economic rate of return (EIRR) analysis, built on the demonstrated benefit of the results, shows the economic benefit of AF in the base scenario is 12% or net present value (NPV) of US\$268 million.

Technical Analysis

Explanation:

The original credit has been proven to be a robust design for achieving the objectives and addressing the sector issues. The AF will build on the original project. Based on the lessons learned, technical designs have been improved. The AF will use a strategic combined approach of (i) scaling-up successful activities and fine-tuning challenging initiatives, (ii) initiating innovative activities to test the potential training schemes for the future, and (iii) developing the institutional capacity of the relevant institutions. Moreover, an impact evaluation and a number of technical studies will be conducted as part of Monitoring and Evaluation to establish solid evidence on the project outcomes. The approaches and strategic focus are consistent with the overall National Skills Development Policy of the government, and are well-coordinated with the Development Partners to create synergies of knowledge and operations. Implementation arrangements are designed to strengthen the planning, management, and fiduciary capacities of the government implementing agencies and technical institutions, which will be critical for the sustainability of the sector-wide reforms and new initiatives.

Social Analysis

Explanation:

Safeguard policies under the AF project will remain the same since there will be no new safeguards issues raised. Since the project operates on a nationwide scale, OP 4.10 Indigenous Peoples is triggered, as was the case in the original project. A Social Management Framework (SMF) was prepared and updated during the preparation of the AF through the MDTF, and it has been updated during the preparation of IDA AF to include gender mainstreaming aspects in the SMF which was re-disclosed on August 25, 2015. OP 4.12 will not be triggered as was the case for the original project since there will be no land acquisition under this project.

Environmental Analysis

Explanation:

The current project's ENV category of "B" will continue to apply under the proposed AF, and the environmental safeguard activities under the original project remain unchanged. OP 4.01 Environment

Assessment is triggered, as was the case in the original project. An Environment Management Framework (EMF) was prepared and updated during the preparation of the Additional Financing through the MDTF in 2013, and it has been further updated during the preparation of this AF which was re-disclosed on August 25, 2015.

Risk

Explanation:

The overall risk of the Project is substantial, according to the Systematic Operations Risk-rating Tool (SORT) and is strongly derived from the lessons learned under the original project. Political and Governance risks are high due to potential risk from frequent political disturbances in the country. As evidenced under the original project, these disturbances usually have greater impact in the functioning of polytechnics and hence could lead to delay in the implementation of IDPs. Governance risk is observed mostly at the institution level due to potentially weak capacity and compliance during the implementation of grants and stipend. These will be mitigated through capacity development of the institutions and close monitoring and beneficiary engagement. Substantial risk remains with respect to institutional capacity for implementation among partner agencies such as NSDC Secretariat and ISCs. This challenge can be addressed through the support from the project. Fiduciary risks stem from inadequate capacity and lack of experience at the institutional level. These risks will continue to be mitigated by providing: (i) training on the fiduciary aspects; and (ii) additional support to the PIU to overcome capacity constraints.

Risk mitigation for procurement and financial management are proposed in Annex 4 and the GAAP provides an overview of the proposed governance related risk mitigation measures in Annex 5.

Gender. In 2014, Bangladesh received an overall ranking of 68 out of 142 countries in the World Economic Forum's (WEF) Gender Gap Index.¹ Girls' access to education and completion of primary and secondary schools has greatly improved during the last two decades. The household survey of 2010 shows 81 percent of women in age 15-19 have completed primary education, which is higher than the age group of 41-50 (27 percent) and higher than male 15-19 cohort (72 percent). However, despite a drastic catch up of female primary and junior secondary completion, their completion of secondary and post-secondary level is lower than male. In TVET sector, enrollment of female student is particularly low. Only 5 percent of enrollment was girls in 2008 before the project started. Labor force participation among women has greatly picked up during the last decade but remains still low. While 91 percent of men in age 25 and above join the labor market, only 36 percent of women in the same age group is in the labor market. Occupational and sector segregation also exist by gender. In the formal industries, whereas 36 percent of men engage in professional or managerial level occupations, only 15 percent of women work as manager or professionals.

A study on the female participation in skills development has been conducted, and it diagnosed the main causes of low female participation to TVET as: (i) supply constraints – lack of institutions nearby, non-conducive facility and faculty environment, and non-availability of female friendly courses, (ii) reputational issue as TVET sector is associated with the image of male-domination and low-performers, (iii) weak demand for training among potential female trainees due to lack of knowledge, and (iv) household financial constraints. The original project has supported an increase of female TVET students, by (i) providing stipends to all female students to alleviate financial constraints, (ii) removing the supply-

¹ World Economic Forum. 2014. Gender Gap Report. <http://www.weforum.org/reports/global-gender-gap-report-2014>

side constraint by improving the institutional environment, and (iii) increasing awareness raising. As a result, the enrollment share has increased from 5 percent in 2008 to 30 percent in 2014 in the project supported institutions. Training institutions are offering more female-favored training courses, including garments, computer, civil-engineering, and electronics. Success stories of female TVET graduates in opening self-employment businesses or working in industries have been widely disseminated among potential training aspirants for encouraging their participation in skills training. The tracer study of short course revealed that a growing number of homemaking women are now attracted to short-courses in pursuit for skills development and potential work opportunities. The AF will continue to support participation of women in skills training through direct stipend support at polytechnics and short-courses, and policy level support for making training environment and more options attractive to women.

Beneficiary feedback mechanisms. The Project would include mechanisms to incorporate beneficiary feedback through satisfaction surveys (students, faculty and employers') for Institutional Development Grant recipient institutions. This would be reflected in the Results Framework.

Governance and Accountability Action Plan (GAAP): Lessons learned over the past five years under the original project have been incorporated in the design, implementation arrangements and monitoring procedures of the AF. Proxy-Means Testing (PMT) variable will be used for selection of disadvantaged candidates for stipends and a third-party will carry out 100 percent household verification of preliminary selected students. In addition, communication activities will be strengthened to generate more awareness among students. To ensure transparency under IDGs, selection and eligibility criteria will be clearly set in the operations manual (acceptable to the Bank) and all stages of the awarding process will be widely communicated through STEP website and other public platforms. GAAP (Annex 5) has been streamlined to include mitigation measures for any additional risks associated with the AF and to include mechanisms for citizen engagement and Right to Information. In addition, a project-level Grievance Redress Mechanism will be set-up, local communities will be consulted and focal points in PIU and institutions will be selected and necessary training will be provided.

V. World Bank Grievance Redress

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

ANNEX 1: RESULT FRAMEWORK

Project Name:	Additional Financing Skills and Training Enhancement Project (P155389)			Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Md. Mokhlesur Rahman	Requesting Unit:	SACBD	Created by:	Karthika Radhakrishnan on 20-May-2015		
Product Line:	IBRD/IDA	Responsible Unit:	GED06	Modified by:	Shinsaku Nomura on 19-Aug-2015		
Country:	Bangladesh	Approval FY:	2016				
Region:	SOUTH ASIA	Lending Instrument:	Investment Project Financing				
Parent Project ID:	P090807	Parent Project Name:	Bangladesh - Skills and Training Enhancement Project (P090807)				

Project Development Objectives

Original Project Development Objective - Parent:

The project development objective is to strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds.

Proposed Project Development Objective - Additional Financing (AF):

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Pass rates of students from supported Diploma programs	<input type="checkbox"/>	Percentage	Value	50.00	60.00	65.00
				Date	25-Jan-2010	19-Aug-2015	31-Dec-2018

				Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
New	Female	<input type="checkbox"/>	Percentage	Value	66.00	66.00	68.00
			Sub Type	Date	31-Dec-2014	19-Aug-2015	31-Dec-2018
			Breakdown	Comment			
New	Disadvantaged students	<input type="checkbox"/>	Percentage	Value	55.00	55.00	60.00
			Sub Type	Date	31-Dec-2014		31-Dec-2018
			Breakdown	Comment			
Revised	Employment rates for trainees of short-term courses within 6 months of course completion (%)	<input type="checkbox"/>	Percentage	Value	30.00	40.00	46.00
				Date	25-Jan-2010	19-Aug-2015	31-Dec-2018
				Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
Revised	Number of disadvantaged students supported through stipends selected based on household information based selection criteria	<input type="checkbox"/>	Number	Value	0.00	116247.00	175000.00
				Date	25-Jan-2010	19-Aug-2015	31-Dec-2018
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
New	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	240000.00	420000.00

				Date	25-Jan-2010	19-Aug-2015	31-Dec-2018
				Comment			
New	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	14.00	17.00
New	% of utilization of Institutional Development Grants under AF	<input type="checkbox"/>	Text	Value	0	0	95
				Date	30-Jun-2015	19-Aug-2015	31-Dec-2018
				Comment			
Revised	Component 1.1: Enrollment as a proportion of sanctioned intake capacity in supported courses	<input type="checkbox"/>	Percentage	Value	55.00	80.00	95.00
				Date	25-Jan-2010	19-Aug-2015	31-Dec-2018
				Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
Revised	Component 1.1: Share of vacancies in sanctioned faculty posts in supported courses	<input type="checkbox"/>	Percentage	Value	25.00	10.00	5.00
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2018
				Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
Revised	Component 1.1: Transition rates of students from second to	<input type="checkbox"/>	Percentage	Value	80.00	88.00	95.00
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2018

	third semester in supported courses			Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
New	Number of faculty in supported courses trained	<input type="checkbox"/>	Number	Value	1500.00	1500.00	6000.00
				Date	15-Apr-2015	19-Aug-2015	31-Dec-2018
				Comment			
Marked for Deletion	% of faculty in supported courses trained	<input type="checkbox"/>	Percentage	Value	0.00	52.00	50.00
				Date	25-Mar-2010	15-Feb-2015	30-Dec-2015
				Comment			
Revised	Component 1.2: completion rates for trainees in supported short-term training courses	<input type="checkbox"/>	Percentage	Value	50.00	80.00	95.00
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2018
				Comment		Baselines value for 2015 is calculated by including originally-supported and new institutions.	
Revised	Share of girl trainees in supported short-term training courses	<input type="checkbox"/>	Percentage	Value	5.00	20.00	30.00
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2018
				Comment		Baselines value for 2015 is calculated by including originally-supported and	

						new institutions.	
Marked for Deletion	Component 3: Staff trained in core expertise areas in DTE, BTEB and BMET	<input type="checkbox"/>	Number	Value	0.00	22.00	50.00
				Date	25-Mar-2010	15-Feb-2015	30-Dec-2015
				Comment			
Marked for Deletion	Establishment of Central Job and Information Portal in DTE	<input type="checkbox"/>	Text	Value	-None-	Proposal Received	Completed
				Date	25-Mar-2010	15-Feb-2015	31-Dec-2015
				Comment			
Revised	Component 2.1 Number of Industry Skills Councils functioning supported by the project	<input type="checkbox"/>	Number	Value	0.00	5.00	7.00
				Date	25-Mar-2010	19-Aug-2015	30-Jun-2018
				Comment			
Revised	Component 2.2: Evaluation of SSC (Voc)	<input type="checkbox"/>	Text	Value	0	Operational Pilot initiated.	Evaluation completed
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2017
				Comment			
Marked for Deletion	Achievements in vocational competencies assessed on a sample basis	<input type="checkbox"/>	Text	Value		Eight rounds completed	2nd round of testing
				Date		15-Feb-2015	30-Dec-2015
				Comment			
New	Number of individuals assessed for RPL in supported centers	<input type="checkbox"/>	Number	Value	1900.00	4292.00	30000.00
				Date	15-Apr-2015	19-Aug-2015	31-Dec-2018
				Comment			
New	Number of staff trained in Leadership and Management areas.	<input type="checkbox"/>	Number	Value	22.00	22.00	150.00
				Date	15-Apr-2015	19-Aug-2015	31-Dec-2018
				Comment			

Revised	Component 4.1: Awareness raising campaigns	<input type="checkbox"/>	Number	Value	0.00	10.00	30.00
				Date	25-Mar-2010	19-Aug-2015	31-Dec-2018
				Comment			
New	Satisfaction Survey (Student, Faculty, and Employers') for IDG recipient institutions	<input type="checkbox"/>	Text	Value	-		Survey completed
				Date	15-Apr-2015		31-Dec-2017
				Comment			
Revised	Component 4.2: Assessment Studies	<input type="checkbox"/>	Text	Value		1st Tracer study on short course completed	2nd Tracer study on polytechnic completed; RPL IE completed
				Date		19-Aug-2015	31-Dec-2018
				Comment			

APPENDIX TO ANNEX 1: RESULT FRAMEWORK BY TARGET YEAR

	Project Key Performance Indicators	Core	Original Baseline in 2009	Achievement as of 2015 in the original project	Baseline for AF as of 2015	Target Values (in Academic Years)			Data Collection and Reporting		
						2016	2017	2018	Frequency and Data Collection	Responsibility	Note
1	Pass rates of students from supported Diploma programs (%) ^{(*)1}		50%	64%	Overall: 60% Females: 66% Disadvantaged: 55%	Overall: 62% Females: 66% Disadvantaged: 57%	Overall: 64% Females: 67% Disadvantaged: 59%	Overall: 65% Females: 68% Disadvantaged: 60%	Bi-annual Progress report	STEP PIU	*2 Baseline for 2015 is calculated using the average pass rate (55%) of non-IDG stipend polytechnics in 2014.
2	Employment rates for trainees of short-term courses within 6 months of course completion		30%	42	40%	42%	44%	46%	Bi-annual Progress report	STEP PIU	*2 Baseline as of 2015 is calculated assuming employment rate of 34% (achievement of 2014) for 26 newly added providers.
3	Number of disadvantaged students supported through stipends selected based on household information based selection criteria		-	116,247	116,247	135,000	155,000	175,000	Bi-annual Stipend progress report	STEP PIU	According to the stipend expansion estimate.

	Intermediate Indicators	Core	Original Baseline	Achievement as of 2015 in the original project	Baseline for AF as of YR4 (2015)	Target Values (in Academic Years)			Data Collection and Reporting		
						2016	2017	2018	Frequency and Reports	Responsibility	Comments
1.	Total project beneficiaries students (and % of which are female)	X		240,000 (14%)	240,000 (14%)	300,000 (15%)	360,000 (16%)	420,000 (17%)	Bi-annual Progress report	STEP PIU	Including beneficiary students and trainees in polytechnics, short-term trainings, SSC (voc), and RPL.
2	Sub-Component 1.1 % of utilization of Institutional Development Grants under the Additional Financing		-	-	0	30	60	95	Bi-annual Progress report	STEP PIU	
3.	Enrollment as a proportion of sanctioned intake capacity in supported courses (%)		55%	98%	80%	85%	90%	95%	Bi-annual Progress report	STEP PIU	*2 Recalculated assuming 55% for the newly included 25 polytechnics.
4	Share of vacancies in sanctioned faculty posts in supported polytechnics (regular and contractual)		-	2%	10%	8%	5%	5%	Bi-annual Progress report	STEP PIU	*2 Recalculated assuming vacancy rate of 20% for new polys.
5	Transition rates of students from second to third semester in supported courses		80%	98%	88%	90%	92%	95%	Bi-annual Progress report	STEP PIU	*2 Recalculated assuming transition rate of 80% for new polys.
6.	Number of faculty in supported courses trained		-	1,500	1,500	3,000	4,500	6,000	Bi-annual Progress report	STEP PIU	Polytechnic and short-course teachers to be trained in pedagogical and subject-based teacher training courses

	Intermediate Indicators	Core	Original Baseline	Achievement as of 2015 in the original project	Baseline for AF as of YR4 (2015)	Target Values (in Academic Years)			Data Collection and Reporting		
						2016	2017	2018)	Frequency and Reports	Responsibility	Comments
7	Sub-Component 1.2 Completion rates for trainees in supported short-term training courses		50%	98%	80%	85%	90%	95%	Bi-annual Progress report	STEP PIU	*2 Recalculated assuming 50% completion rate for 26 newly added short-course providers
8	Share of girl trainees in supported courses %		5%	30%	20%	23%	26%	30%	Bi-annual Progress report	STEP PIU	*2 Baseline in 2015 recalculated assuming 5% female rate for 26 newly added short-course providers
9	Sub-Component 2.1 Number of Industry Skills Councils functioning supported by the project		-	5	5	6	7	7	Bi-annual Progress report	STEP PIU	Original project supported 5 ISCs. AF will focus on additional 2.
10	Sub-Component 2.2 Evaluation of the SSC (Voc) Pilot		-	Operational pilot initiated	Operational pilot initiated	Pilot scaled-up	Evaluation completed	-	Bi-annual Progress report	STEP PIU	
11	Number of individuals assessed for RPL in supported centers.		-	4,292	4,292	8,000	20,000	30,000	Bi-annual Progress report	STEP PIU	
	Component 3										

	Intermediate Indicators	Core	Original Baseline	Achievement as of 2015 in the original project	Baseline for AF as of YR4 (2015)	Target Values (in Academic Years)			Data Collection and Reporting		
						2016	2017	2018)	Frequency and Reports	Responsibility	Comments
12	Number of staff trained in Leadership and Management areas.			22	22	60	100	150	Bi-annual Progress report	STEP PIU	Staff and managers trained in overseas training programs
13	Sub-Component 4.1. Number of awareness raising campaigns			10	10	18	24	30	Bi-annual Progress report	STEP PIU	
14	Satisfaction Survey (Student, Faculty, and Employers') for IDG recipient institutions		-	-	-	Survey initiated	Survey completed		Project life Satisfaction surveys	STEP PIU	
15	Component 4 Assessment studies in TVET		-	1 st Tracer study on short-course completed	1 st Tracer study on short-course completed	1 st Tracer study on polytechnic completed;	2 nd Tracer study on short-course completed	2 nd Tracer study on polytechnic completed RPL Impact evaluation completed	Project Life Studies	STEP PIU	

*1: Disadvantaged students refer to stipend beneficiary students at polytechnics.

*2: Baselines values for 2015 are calculated by including originally-supported institutions and the average of institutions that could be potentially supported. Institutions will be selection upon competitive selection and be monitored during the AF period.

Summary of Changes to the Result Framework

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD)</i>	<i>Proposed</i>	
To strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds.	No change	-
PDO indicators		
<i>Current (PAD)</i>	<i>Proposed change</i>	
Pass rates of students from supported Diploma programs (%)	Sub-indicators introduced	Sub-indicators for disaggregated groups, by gender and disadvantaged groups. Adjusted target to reflect the additional financing period and newly included institutions
Employment rates for trainees of short-term courses within 6 months of course completion	Continued	Adjusted target to reflect the additional financing period and newly included institutions
Number of disadvantaged students supported through stipends selected based on household information based selection criteria	Continued	Increased target to reflect the additional financing period and expanded scope of coverage
Intermediate Results indicators		
<i>Current (PAD)</i>	<i>Proposed change</i>	
Total project beneficiaries students (and % of which are female)	New	Newly added as per core indicator requirement
% of utilization of institutional development grants under the AF	New	Newly added to keep track of utilization of newly disbursed institutional development grants
Satisfaction Survey	New	Newly included for citizen engagement
Number of faculty in supported courses trained	Modified	Modified for more accurate monitoring. Modified from the original indicator of “% of faculty in supported courses trained”
Number of individuals assessed for RPL	Modified	Modified to monitor the roll-out of the PRL program. Modified from the original indicator of “Achievements in vocational competencies assessed on a sample basis”
Number of staff trained in Leadership and management areas	Modified	Modified to reflect the new training plan under the international partnership. Modified from the original indicator of “Number of staff trained in core expertise areas in DTE, BTEB and BMET”.
Establishment of Central Job and Information Portal in DTE	Deleted	Dropped as the monitored activity, development of portal in DTE, has been successfully completed.

Revisions to the Results Framework		Comments/ Rationale for Change
All active indicators	Revised	Targets are revised/added to reflect the changes under the AF

ANNEX 2: PROJECT DESCRIPTION

1. The Project Development Objective for the Additional Financing (AF) is the same as the original project: *to strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds*. The proposed AF will continue to support the institutional-level improvements and system-level development that would facilitate holistic enhancement of service delivery at institutions. The four project components will be modified by reflecting the lessons from the first five years of implementation to support the following:
 - (a) **Scaling-up successful interventions:** (i) institutional development grants to new public and private polytechnics; (ii) expansion of short-term skills training opportunities and (iii) roll-out of Recognition of Prior Learning (RPL) program;
 - (b) **Fine-tuning existing scheme and mechanisms:** (i) refinement of stipend program for better targeting of the poor; (ii) provision of greater flexibility in technology/trade support in polytechnics and short-courses; (iii) introduction of e-government procurement (e-GP) in central TVET institutions and selected polytechnics; and (iv) enhancement of communication and mobilization activities; and
 - (c) **Introducing further innovations:** (i) digitizing teaching and learning contents; (ii) improving in-service pedagogical and subject training in Technical Teacher's Training College (TTTC), Technical Teacher's Training Institute (TTTI) and Vocational Teacher's Training Institute (VTTI); and (iii) impact evaluation for RPL activities.
2. **Project components:** The proposed AF will comprise the following components: (a) improve the quality and relevance of training, (b) Pilots in TVET, (c) institutional capacity development, and (d) project management, communications, monitoring and evaluation.

Component 1 - Improve the Quality and Relevance of Training (Original Project²: US\$ 86.5 million; AF Project³: IDA: US\$ 75.7 million, GoB: 0)

3. **Sub-component 1.1: Window I: Support to Public and Private Institutions Offering Diploma Programs.** Under the original credit and MDTF, 33 polytechnics have been supported by the institutional grants (25 public and 8 private) for improving the quality of training. As recognized by the NSDP, polytechnics are the key to producing engineers and professional workers that are scarce in current Bangladesh labor market and to strengthening productivity and national competitiveness. Despite initial slow progress due to weak capacity of institutions and their unfamiliarity to the new competitive funding mechanism, the institutions have made substantial achievement in upgrading equipment and facilities and conducting quality enhancement activities, such as overseas teacher training, invitation of industry lecturers, and organizing industry visits. In 33 institutions, 74 percent of the funds are used for modernization of the equipment and facilities and infrastructure, 18 percent is spent on capacity development and administration, and 6 percent was for student training services, such as sending more than 25,000 students to industry study visits. Consequently, the two areas of noteworthy outcomes have been reported, which are (i) improved management and planning capacity (ii) improved labor market outcomes as a result of enhanced industry partnership and the relevance of training (see the Box 1).

² This original project cost includes: original Credit, GoB, and MDTF.

³ This AF project cost includes: Credit and GoB.

Box 1: Highlighting Stories of Institutional Development Grants to Polytechnics

Improved planning and management capacity: Introduction of IDGs have improved the planning and management capacities of polytechnic institutions through (a) the planning and implementation processes and (b) the outputs of the activities. Newly introduced competitive grants necessitated decentralized management at the institution level, which have resulted in improved planning, financial management, and procurement capacities. Institutions conducted needs assessments and made own development plans for the first time. The Institution Management Committees (IMCs) that are represented by industry partners and local communities improved the process of labor market needs assessment. These processes contributed to the capacity building of the institutions. In addition, many institutions used the fund to enhance the administrative and management systems. Some institutions introduced automated attendance monitoring system for teachers and students using finger print recognition systems, which resulted in increased student attendance and reduced teacher absenteeism.

Improved relevance of training and labor market outcomes: Improved labor market outcomes is identified as one of the achievements of IDGs for many polytechnics. Employment outcomes have been improved by: (a) increased relevance of training as a result of industry partnership and modernized equipment, and (b) introduction and effective use of job placement cells. Most of the institutions have reported that they have invited industry partners as guest lecturers, master trainers, and/or career counselors. Many have made internship arrangements with industry partners. Some polytechnics sends students to 6 month internship at industries, after which many of them were hired by the industries for the relevant professional or technical-level occupations. Establishment of job placement cells, which was recommended by the project, also positively affected the labor market outcomes. The job placement cell organized job fairs and interviews with prospective employers, and shared job opportunity information with students. Human resource officers from industries were invited by the placement cell to observe classes and conduct interviews.

4. The proposed AF will: (i) expand support to an additional 24 (12 public and 12 private) institutions according to the agreed eligibility and selection criteria, (ii) support polytechnics to introduce additional market demand-driven technologies; and (iii) scale up support to the existing polytechnics. Eligibility and selection criteria for selecting additional polytechnics will remain the same as the original project with minor refinement and will be described in the Project Implementation Manual (PIM). The eligibility criteria include indicators related to institutional capacity, linkage to industry, female enrollment, and availability of counterpart funding for private institutions. Based on the lessons learned, the application format will be revised to require stronger background assessments and justification for their proposed activities, including the current capacity assessment of the institution, local labor market assessment, and expected outcomes of the activities. New institutions are expected to have relatively weaker capacity, so the increased coverage of competitive funding aims to bottom up the overall quality standard of polytechnic in Bangladesh. Additional support to existing institutions aim to accelerate the quality improvement by generating synergy with what they have achieved – including modernization of equipment and overseas training. In collaboration with polytechnics overseas, teachers have been exposed to and trained for new teaching methods and technologies and this fund aims to build the environment for delivering the high-quality training to students. The grant amount will vary according to assessment of Institutional Development Plans (IDP). The ceiling for new institutions will be US\$400,000, and for the existing ones, US\$250,000. Accordingly, the PIM will be updated.
5. *Stipends:* The original project and MDTF have supported about 250,000 student years by targeting disadvantaged students identified by Proxy-Means Testing (PMT). The AF will support about 43,000 student years to fill the funding gap under the original project and about 230,000 student years for the AF period. Currently, stipends have been provided to 93 eligible polytechnics (43 public, 50 private), supporting disadvantaged male students and all female students. Reflecting the reduced poverty rate, the PMT cut-off threshold will be adjusted for the better targeting of disadvantaged students. The AF will expand stipend

coverage to a larger number of eligible institutions based on the increased enrollment of well performing students to polytechnics and the rapid increase of female intake. Communication activities will be enhanced to promote awareness among prospective students especially in rural areas. The AF will also pilot electronic attendance monitoring mechanism in 5 public institutions for better accountability and conduct compliance monitoring through unannounced visits to institutions. Male students will continue to be selected through PMT, and all female students will receive stipends based on their application. Third-party verification surveys on eligibility of selected male students will continue. The DTE will assess the effectiveness of PMT stipends and traditional merit-based scholarship during the AF period to establish a sustainable and cost effective stipend program for achieving 50 percent enrollment increase as envisaged by the NSDP. Data management capacity of the DTE for stipend operation will be strengthened. Accordingly, the Project Implementation Manual (PIM) will be updated.

6. *Sub-component 1.2: Window II: Support to Public and Private Institutions Offering Short-Term Programs.* Under the original project and MDTF, the beneficiary targets for short-courses are 70,500 trainees in a total of 64 short-course institutions (47 public and 17 private). The first round of tracer study revealed that the quality enhancement activities including improved job-placement support have contributed to higher employment rate among supported students, and the stipend supports are rightly benefiting the disadvantaged students (World Bank 2015). Under the proposed AF, this activity will be expanded to 150,000 trainees in 90 institutions (26 additional public and/or private institutions). It will scale up the scope of support by: (i) supporting new market-oriented short-course programs through partnerships with key private sector institutions in the TVET sector such as Underprivileged Children's Educational Program (UCEP), Palli Karma-Shahayak Foundation (PKSF), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and Bangladesh Association of International Recruiting Agencies (BAIRA), and (ii) supporting BMET to introduce a new training program for prospective migrant workers on a pilot basis. To respond to large aspirations of short-course trained graduates to work abroad, the pilot aims to coordinate a foreign country to match up the skills standards, enabling smooth recognition of skills acquired by Bangladeshi workers. The existing short-course institutions will continue to receive grants under the AF for extending support to market-relevant trades that were not covered under the original grant. Based on a recent economic data, the implementation grant will be raised from US\$250 to US\$275 per student enrolled in a course. To achieve the government objective of competency-based training, the AF will support the transition from National Skills Standard (NSS)-based training to NTVQF-based training programs in phases. NSDC Secretariat will support of review the NTVQF for better implantation.

Component 2 - Pilots in TVET (Original Project: US\$ 3.5 million; AF Project: IDA: US\$ 4.3 million, GoB: 0)

7. A sub-component 2.3, Recognition of Prior Learning (RPL), will be shifted to this component from the component 3. Programs under this component – NSDC/ISCs, SSC (voc) Apprenticeship, and RPL program – are recognized by the National Skills Development Policy (NSDP) as priority reforms towards greater relevance of training and employability of workers. STEP support for these programs will help them accumulate implementation experience and become operational.
8. *Sub-component 2.1: National Skills Development Council (NSDC) Secretariat and Industry Skills Council (ISC).* This sub-component will continue to support both NSDC Secretariat and ISCs, and will continue to be financed by the original IDA Credit and MDTF. This sub-component has so far made a steady but slow progress. Weak coordination capacity of the NSDC Secretariat, insufficient implementation capacity of the

ISCs, and inadequate buy-in from industries have been the main roadblocks. To overcome the roadblocks, the project will focus on a few thrust sectors among the existing 12 ISCs⁴ in coordination with NSDC Secretariat and development partners. STEP will establish a working model for ISCs by strengthening the coordination between industry partners and STEP-supported training institutions to improve the quality and relevance of training.

9. *Sub-component 2.2: Apprenticeship program in Secondary School Certificate - SSC (vocational).* Based on the SSC (voc) sub-sector diagnosis study, apprenticeship was selected under the original project as a pilot intervention for SSC (voc) schools to improve the relevance of skills training at the secondary level. The SSC (voc) apprenticeship pilot started in 2014, targeting 7 public SSC (voc) schools. The goal of the pilot is to experiment a new model for giving SSC (voc) students opportunities to gain knowledge and practical skills through NTVQF-based workplace training in local industries. The apprenticeship program will be expanded under the AF to additional 3 public and 10 private schools in order to gain more operational knowledge from different contexts including types of schools and localities. STEP will carry out a review of the program to evaluate its effectiveness and operational options for applying the apprenticeship model to secondary level vocational training in the country.
10. *Sub-component 2.3: Recognition of Prior Learning (RPL).* The RPL program was a new initiative in Bangladesh which offers NTVQF certifications to workers for skills gained through informal on-the-job training and work experiences. RPL plays an important role in improving skills-level of existing labor force as 89 percent of the labor force are in the informal sector gaining skills through informal means. Certifying their skills provide them with better opportunities for career development and upgrading skills level. Thirty-three RPL assessment centers have been established and accredited by the BTEB under the original project. As of July 2015, about 4,200 workers have been assessed through RPL. A total of about 30,000 assesseees will receive RPL assessment for different occupations under the AF. This sub-component will also support the upgrading of assessment level from the current Pre-Vocational II to higher levels, including training sufficient number of assessors. The details of RPL implementation will be included in the PIM. A rigorous impact evaluation will be conducted to evaluate the impact of RPL.

Component 3 - Institutional Capacity Development (Original Project: US\$ 8.4 million; AF Project: IDA: US\$ 12.73 million, GoB: US\$19.6 million)

11. This component will continue to focus on strengthening the institutional capacity of the key government stakeholders of skills to enhance efficiency and effectiveness of skills sector management and operation and to ensure sustainability of reforms introduced. It will mainly support: the Directorate of Technical Education (DTE), the Bangladesh Technical Education Board (BTEB) under the Ministry of Education (MOE), and the Bureau of Manpower Employment and Training (BMET) under the Ministry of Expatriates' Welfare and Overseas Employment (MOEWOE) and the Ministry of Public Administration (MOPA). The following initiatives will also be supported under the proposed AF to achieve improvement in three areas: (a) efficiency of existing systems, (b) management and administrative capacity, and (c) governance and accountability.

Improving the efficiency of existing systems

12. *Specialized teacher training at Technical Teacher Training College (TTTC) and VTTI.* A lack of training opportunities for teachers in the TVET sector has been recognized as one of the main constraints that affect

⁴ Existing ISCs include: leather, transport equipment, agro-food, IT, light engineering, construction, ready-made garments, informal, pharmaceuticals, ceramics, furniture, and tourism & hospitality.

the quality of TVET. DTE has under its jurisdiction TTTC (for diploma) and VTTI (for SSC (voc) and HSC (voc)) which are responsible for providing in-service teacher training. Despite available physical facilities, effective in-service training has not taken place due to absence of qualified trainers for pedagogical and subject-wise training. The AF will strengthen provision of in-service training at TTTC and VTTI through capacity building of institutions and placement of qualified trainers.

13. *Improvement of teaching and learning resource management at BTEB*: The BTEB curriculum is being converted to competency-based materials. To cope with the increasing volume of material requirement, the activity will support: (i) strengthening of printing capacities to overcome the current constraints, and (ii) invest in the future mode of TVET teaching and learning materials by piloting digitization and virtualization of contents.

Improving the administrative and management capacity

14. *Professional Development of public officials in areas of governance and management for skills development*: Currently 22 ministries are engaged with skills development activities. The AF will support leadership and management training of public officials in TVET sectors in MOPA and TVET-relevant agencies for efficient management of development projects.
15. *Expansion of Administrative Capacity of DTE*: Physical space has been a major capacity constraint for effective administration of the skills sector. To provide adequate physical facilities, and to enhance coordination and administrative capacity, the AF will support vertical expansion of three floors of the DTE building in order to provide office space to relevant agencies in the skills development sector.

Improving the accountability and governance

16. *Supporting introduction of e-Government Procurement in central TVET agencies and selected polytechnics*. The Government has a plan to move to e-government procurement to promote efficiency, transparency and accountability in public financing. The proposed AF will support the introduction of e-Government Procurement in the central TVET agencies as well as in selected public polytechnics. Based on positive results, e-government procurement will be rolled out in all the project supported institutions in phases.

Component 4 - Project Management, Communications, Monitoring and Evaluation (Original Project: US\$ 6.3 million; AF Project: IDA: US\$ 7.4 million; GoB: US\$1.2 million)

17. *Sub-component 4.1: Project Management and Communications*. This sub-component will continue to support project management and implementation, and the improvement of system management and implementation of reforms through training of policy makers and administrators. The AF will support the enhancement of communication and mobilization activities to inform beneficiaries and the public about the project activities and receive feedbacks from the project stakeholders. The AF will also support implementation of GAAP activities such as training regarding grievance mechanism, citizen engagement, and right to information will also be provided to members of the PIU and relevant institutions. A revised staffing plan is attached in Annex 7.
18. *Sub-component 4.2: Project Monitoring and Evaluation (M&E)*. This sub-component will scale-up M&E activities and provide technical assistance and training for the project M&E and capacity development for both TVET and national institutions/agencies. These activities will include but not limited to: (a) a short-course graduates tracer study; (b) a diploma graduates course tracer study; (c) a stipend effectiveness study;

(d) a study on DTE scholarship program; (e) TVET sectoral analysis study; and (f) an impact evaluation of RPL. Monitoring of institutional development grants will be strengthened to keep track of upgraded institutional capacities and to draw effective lessons learned from operational experiences. GAAP activities will be monitored by this sub-component.

19. *Impact evaluation of RPL:* The RPL aims to provide official recognition and certification of skills gained by workers in Bangladesh from prior experience in non-formal and informal sector. This form of certification allows workers to signal their intention to gain entry in the formal sector, earn higher wages, or attend a higher-level skills training programs. Eighty-nine percent of Bangladeshi labor are found in informal sector where skills are not officially recognized or certified. There are almost no impact of evaluations that assess the impact of skills certification in anywhere in the world. This IE will provide evidences to the policy and decision makers to take informed decision for taking forward the RPL program in future.

ANNEX 3: REVISED ESTIMATE OF PROJECT COST

	Original Project (USD million)		MDTF (USD million)	Additional Financing (USD million)	
	Original IDA Credit	GOB		AF IDA Credit	GOB
Component 1: Improve the Quality and Relevance of Training	68.4	7.5	10.6	75.7	0.0
Component 2: Pilots in TVET	2.3	0.2	1.0	4.3	0.0
Component 3: Institutional Capacity Development	4.4	0.3	3.7	12.8	19.6
Component 4: Project Management, Communications, and Monitoring and Evaluation	3.9	1.0	1.4	7.2	1.2
Total:	79.0	9.0	16.7	100.0	20.8
Total Original Project	88.0				
Total Project Cost at MDTF	104.7				
Total Project Cost AF				120.8	
Total Project Cost: Original + MDTF + AF	225.5				

ANNEX 4: REVISED IMPLEMENTATION ARRANGEMENTS AND SUPPORT

Implementation Arrangements

1. The implementation arrangements would largely remain the same. The overall responsibility for project implementation continues to lie mainly with the Directorate of Technical Education (DTE) under the overall oversight of the Ministry of Education, and the PIU under the DTE will continue to work closely with NSDCS, BMET, and BTEB. Financial Management (FM) arrangements would largely remain the same. Procurement will follow the hybrid model of implementation as earlier, i.e., procure commonly required items at the central (PIU) level and polytechnic specific items at the decentralized level. In addition, the AF would introduce electronic Government Procurement (e-GP) to improve the transparency and accountability of the fiduciary system. The system would be piloted in the PIU and among several selected polytechnics which have already demonstrated satisfactory performance in procurement activities under sub-component 1.1. Based on positive results, e-GP implementation will be scaled up.

Financial Management

2. *FM assessment.* The FM assessment carried out for STEP AF indicates “substantial” risk in FM. The main drivers to the risks are associated to the acute capacity constraint of the polytechnic institutes to be selected under the AF, highly de-centralized nature of procurement activities, involvement of multiple accounting centers especially the newly planned polytechnic institutes, timeliness of procurement activities and financial report consolidation. While several risk-mitigating measures have been incorporated into the design of the procurement and FM arrangements of original credit, a number of additional measures will also be undertaken to improve overall fiduciary capacity.
3. *IUFR based disbursement.* There will be a separate Designated Account (DA) for IDA in the form of a Convertible Taka Special Account (CONTASA) in a commercial bank acceptable to the Association. DAs must be opened and maintained in a financial institution acceptable to the Bank on terms and conditions acceptable to the Bank. The DAs would be used by STEP AF solely for the purpose of financing all components of the project. The original credit adopted the Interim-Unaudited Financial Report (IUFR) based disbursement since June 2014, and the AF disbursement will also be based IUFRs including a six-monthly forecast of fund requirements. All technical institutions shall maintain a designated operating account to receive fund from PIU. DA ceiling should be determined considering the slack time in getting utilization updates for Implementation Grants.
4. *Accounting and financial reporting.* All project related transactions would be accounted for identifiably in the PIU following double-entry book keeping principles and on a cash basis. The key project accounting functions for which PIU would be responsible are as follows: (i) budget preparation and monitoring; (ii) payments for eligible project expenditure to third parties; (iii) disbursement of project funds to various agencies, as per approved work plan; (iv) maintenance of books and bank accounts; (v) cash flow management; (vi) financial reporting to GOB, the World Bank, and other stakeholders; (vi) preparation of withdrawal application to claim funds from the World Bank and (vii) assistance to external auditor and ensuring appropriate follow up of audit. As in STEP original credit, the PIU shall submit IUFRs to IDA on quarterly basis. A single set of financial reports shall be generated by the proposed web based integrated accounting system. The FM team will be responsible for consolidating financial information from all accounting centers, preparing variance analysis for actual expenditure against budget, making forecast of quarterly estimated expenditure and reconciling accounting information. Updated formats for quarterly IUFRs would be used for the AF. The contribution of GOB (US\$20.8 million) will be channeled through a separate

account and the expenditure financed by GOB fund will be reported separately in the IUFRs. There will be separate set of accounts for each source of financing with identifiable recording code for source wise category of expenditure in all accounting centers including institutions. All fund transfer including stipend will be routed only through banking channel and all implementation grants will be reimbursable only upon utilization of advances. Sitting allowances, if any, will be borne by the GoB contribution. Therefore, the definition of Operating Costs and Training will be updated for Original Credit and the MDTF Grant. As of September 2, 2015, all the audit obligations have been complied with.

5. *Web-based FM program.* The Project team of STEP is yet to have an integrated financial management system as a single financial database of all financial activities of PIU and other accounting centers. The present accounting system seems inadequate or underutilized to capture and store all FM information. The current system of accounting will be enhanced during AF implementation by a web-based integrated financial management information system within two quarters of effectiveness with adequate e-audit trail to facilitate easy and timely access to financial information and its consolidation for all accounting centers on real time basis.
6. *Staffing and FM capacity.* PIU will appoint an experienced mid-level consultant with qualifications acceptable to the Bank, to coordinate the FM activities under the project. The consultant will support the FM specialist in strengthening budgeting practices, internal controls, fund reconciliations, and other relevant financial functions including coordination with the FM staff at accounting centers. The project will also appoint five junior financial consultant /accounts for supporting the technical institution and internal financial review.
7. *Governance and Oversight Arrangements.* Annual external audits of all project components would be conducted by the Foreign Aided Project Audit Directorate (FAPAD) and would be supplemented by additional internal audits by an independent audit firm performed over the project term on yearly basis. The terms of reference for the internal audits would be prepared by the FM Specialist and must be submitted to the Bank for concurrence.

Procurement

8. *Procurement Arrangement and Guidelines.* Procurement under this project will largely involve goods, and a few works, consultancy services and non-consulting services packages. Procurement financed under the AF 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 and Grants by World Bank Borrowers" published in January 2011 (revised July 2014), in the case of goods, works, and non-consulting services; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published in January 2011 (revised July 2014) in the case of consultants' services, and the provisions stipulated in the Legal Agreement. Procurement will follow the hybrid model of implementation as earlier, i.e., procure commonly required items at the central level (PMU) and polytechnic specific items at the decentralized level.
9. *Procurement Risk Assessment.* The fiduciary assessment carried out for STEP AF indicates "substantial" risk in procurement operations and contract management. The main drivers to the risks are associated to the acute capacity constraint of the new polytechnic institutes, highly de-centralized nature of procurement activities, delay in processing procurement activities, and allegations of fraud and corruption. In FY 2014, three contracts under the main project were declared "mis-procurement" on the ground of apparent Fraud and Corruption issues. While several risk-mitigating measures have been incorporated into the design of the

procurement arrangement of original credit, a number of additional measures will also be undertaken to improve overall procurement and capacity.

10. *Managing Procurement Risks.* In order to minimize the procurement associated risks, the following measures have been agreed upon with the concerned agencies. Parts of these measures are already in place, while the remaining will be implemented during implementation of the Project.

- (i) *Project Procurement Strategy:* a procurement strategy will be developed by the PIU, in agreement with the Bank, taking into account the volume of items to be procured, prevailing market conditions, activity level risks etc. Emphasis will be given to aggregate demands at the central level to pursue economies of scale and reduce procurement processes;
- (ii) *Electronic Government Procurement (e-GP):* the AF would introduce e-GP to improve the transparency and accountability of the fiduciary system. The system would be piloted in the PIU and in several selected polytechnics which have already demonstrated satisfactory performance in procurement activities under sub-component 1.1. Based on positive results, e-GP implementation will be scaled up;
- (iii) *Framework Agreement (FA):* Framework agreements will be used massively to procure the commonly required goods under the project. For example, stationaries, computer & accessories, furniture, laboratory equipment etc. Framework Agreements will be signed by DTE or PIU, and any institute under DTE may take advantage of the FA by issuing call-offs;
- (iv) *Procurement Training:* the AF would undertake a comprehensive procurement training program for the new polytechnic institutes and refreshment training for the existing agencies. e-GP trainings would be arranged for all implementing agencies;
- (v) *Bid/Proposal Evaluation Committee:* all implementing agencies shall ensure that the bid/proposal evaluation committees are formed in a manner acceptable to the Bank, and Bank's no objection shall be required on the formation of the bid/proposal evaluation committees. Procurement consultant of the project will be a mandatory member of the evaluation committee for PIU;
- (vi) *Introducing STEP system:* Systematic Tracking of Procurement Exchanges system (STEP) will be introduced to prepare and manage procurement plan and procurement transactions under the AF;
- (vii) *Due-diligence Measures:* the following steps will be followed as part of procurement and implementation arrangements: (a) all bid evaluation reports will include verification of recommended bidders' post-qualification information; (b) make bidders generally aware about fraud and corruption issues; (c) preserve records and all documents regarding procurement (including correspondences with the potential bidders as well as complaints/clarification requests etc.), in accordance with the Bank Guidelines and PPA/PPR, to facilitate smooth procurement audit or post-review; and (e) publish contract award information on CPTU and the respective agencies website within two weeks of contract award (and in UNDB online for ICBs or international consultancies).

11. *Procurement Plan.* For each contract to be financed under the AF, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame would be agreed between the Borrower and the Bank in the Procurement Plan. All expected major procurements will be announced in the General Procurement Notice (GPN), published in the Bank external website and United Nations Development Business (UNDB). The project has shared a 18-month procurement plan with the Bank which was reviewed and cleared. The procurement plan will be updated semi-annually (or as required) using STEP system of the Bank.

12. *Particular Methods of Procurement of Goods, Works and Non-consultancy services.* Except as otherwise agreed in the procurement plan, works and goods may be procured on the basis of International Competitive Bidding. Procurement of goods and works having estimated value less than the ceiling stipulated in the

Procurement Plan may follow National Competitive Bidding (NCB), Framework Agreement, and Shopping (Request for Quotations) methods. Direct Contracting may be allowed under special circumstances with prior approval of the Bank. NCB would be carried out under Bank Procurement Guidelines following procedures for Open Tendering Method (OTM) of the People's Republic of Bangladesh (Public Procurement Act 2006 - PPA, 1st amendment to PPA (2009) and The Public Procurement Rules 2008, as amended in August 2009) using standard/model bidding documents satisfactory to the Bank. Shopping will be carried out based on a model document satisfactory to The Bank. For the purpose of NCB, the following shall apply:

- Post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- Bids should be submitted and opened in public in one location immediately after the deadline for submission;
- Lottery in award of contracts shall not be allowed;
- Bidders' qualification/experience requirement shall be mandatory;
- Bids shall not be invited on the basis of percentage above or below the estimated cost and contract award shall be based on the lowest evaluated bid price of compliant bid from eligible and qualified bidder; and
- Single-stage two-envelope procurement system shall not be allowed.

13. *Methods of Procurement of Consultants' Services.* Selection of Consultants will follow the Bank's Consultant Guidelines and standard documents in all types of selection processes. The following methods will apply for selection of consultants: Quality and Cost based Selection (QCBS), Quality-based selection (QBS), Fixed Budget Selection (FBS), Consultants' Qualification (CQ), Least Cost Selection (LCS), and Single Source Selection (SSS). Single Source Selection may be allowed under special circumstances with prior approval of the Bank. Shortlist of consultants for services estimated to cost less than US\$500,000 equivalent per contract may be composed entirely of national consultants. The Procurement Plan will specify the circumstances and threshold under which specific methods will be applicable, along with the Bank's review and implementation support requirements.
14. *Use of Standard Procurement Documents.* For procurement through International Competitive Bidding and for selection of consultants, the Bank's Standard Bidding Documents (SBDs) and Standard Request for Proposals (SRFPs) will be used, including the form of contract attached with SBDs and SRFPs. For all NCB, Shopping packages, and Framework Agreements, the implementing agencies will use model tender documents (MTD) agreed with the Bank.
15. *Prior review Thresholds.* The Procurement Plan shall set forth those contracts which shall be subject to the Bank's prior review. All other contracts shall be subject to Post Review by the Bank.
16. *Post Review/Integrated Fiduciary Review.* For compliance with the Bank's procurement procedures, the Bank will carry out sample post review of contracts that are below the prior review threshold. Such review (ex-post and procurement audit) of contracts below the threshold will constitute a sample of about 15 percent (fifteen percent) of the post-review contracts in the project. Procurement post-reviews will be done on annual basis depending on the number of post-review contracts.

Monitoring and Evaluation

17. The M&E arrangements for the original project have been functional and are being carried out by the M&E unit of the PIU. The M&E unit will be further strengthened under the proposed AF to cope with the substantial increases in the scope of interventions and the number of project beneficiaries. Key M&E activities include maintaining the M&E MIS, producing project progress reports semi-annually with regular

monitoring on results framework indicators, holding regular Project Steering Committee (PSC) and Project Implementation Committee (PIC) meetings, and gathering quantitative and qualitative information through field visits. Impact assessments and tracer studies are carried out to assess the benefits and challenges of various project interventions.

ANNEX 5: UPDATED GOVERNANCE AND ACCOUNTABILITY ACTION PLAN (GAAP)

Issue	Risk	Mitigating Actions Already Taken or Included	Additional Mitigation Actions Proposed, [Responsible Agency]	Schedule and Milestones of GAAP Actions	Update (as of June, 2015)
Stipend Management					
Selection of new entrant as recipient of stipend	Selection of wrong candidate for granting stipend;	Based on HEIS, 2010 new application format has been developed. Strong communication activities on stipend program prior to application timing to ensure all relevant students are aware of the facility. Third party is carrying out household verification survey on prospective students	Continuous review of the selection process [STEP] Building awareness among the stipend holder in providing correct data [STEP]	Ongoing	<ul style="list-style-type: none"> Section process reviewed. Female candidate selected directly other candidate selected based on PMT variable Technique of verification of new entrant reviewed and updated Web-based on line data process is being developed 100% house hold verification done by the third party of preliminary selected students After verification project excluded ineligible for stipend students and again runs the PMT and finally selected the students Awareness raising via: letter to principals, leaflets and posters for institutions and students, workshops to key administrative officials.
Disbursement of stipend as per agreed schedule	Updated data not reached at project office from institutes on time	Data collection method in place for facilitating the stipend disbursement system	Building awareness and motivation among concerned Institute personnel by arranging periodic workshops [STEP]	Ongoing	<ul style="list-style-type: none"> Periodic workshop arranged with principals & related teachers. Maintain regular communication over phone to ensure data is sent timely Data collection through workshops and visits to institutions. Web-based on line data process is being developed
Access to and maintenance of correct & update record of stipend holder's information	Poor maintenance of record for stipend holder's information	Manual record keeping system in place to maintain stipend holder's information	Use of ICT/Database in record keeping system and introduce easy updating mechanism [STEP]	Process for establishment of a 'Web-based MIS' at DTE is progressing	<ul style="list-style-type: none"> Interactive web based established for Long course and short courses. Data base established and updated by the institutions Interactive web based MIS has been updated as per need Incentive for best performing institutes has been introduced
Stipend compliance	The compliance provisions for stipends recipients may not be maintained.	Unannounced institution visits and review of stipend recipients' records undertaken.	Undertake a stipend compliance study to identify the issues.	On-going	<ul style="list-style-type: none"> Conducted stipend compliance monitoring visits to institutions across all divisions.
Institutional Development Grants (IDG)					
Selection of new institutions under IDG	Non-awarded Institutions may question fairness of	Selection and eligibility criteria will be set in the operations manual (acceptable to the Bank) for	Workshops on IDG application process and selection processes with	-Within 2 months of effectiveness	<ul style="list-style-type: none"> Process for awarding IDG is well established under original financing. 33 eligible polytechnics have received IDG under original financing.

	the selection process	all applicant institutions. All stages of the awarding process will be widely communicated through STEP website and other public platforms.	relevant stakeholders may be held. Online submission of proposals will be encouraged		
Industry Skills Councils (ISCs)					
Fund utilization by ISCs	Some ISCs are yet to be registered as legal entities. Inadequate staffing of FM and procurement staff.	Support will be provided for ISC registration. Funds will be allocated to the ISCs through the NSDC Secretariat. FM and procurement support will be also provided.	Coordination meeting between ISCs, NSDC Secretariat and project will be held regularly for supervision and implementation support.	Ongoing	<ul style="list-style-type: none"> STEP will hire a consultant to supervise the ISC work.
Citizen Engagement					
Voice and Accountability	Inadequate mechanisms for beneficiaries to engage with project	Development of website to ensure constant information flow between the project and beneficiaries. Regular workshops and seminars with beneficiaries to inform on project activities.	Introduction of periodic student, faculty and Employer satisfaction surveys under the project. Strengthen communication and mobilization activities.	Baseline survey to be conducted within six months of effectiveness of AF. On-going	<ul style="list-style-type: none"> STEP website is developed, fully functional and up-to-date. Regional consultations are conducted regularly.
Grievance Mechanism	Proper mechanisms for addressing issues at the beneficiary level may not be in place.	Grievances may be placed forward through direct communication, via phone or email, with the project unit and in the institutions.	Focal Points in STEP and Institutions identified and trained; list established and published on the website. Building awareness through strong communications.	Within 3 months of effectiveness. On-going	<ul style="list-style-type: none"> STEP website is up-to-date with information on activities and their processes. Contact information, including phone and email, available on all printed materials, website and other public documents.
Right to Information					
RTI on project activities	Need to introduce mechanisms for RTI are in place.	Project website will include a section on RTI for citizen information and will serve as the repository for all disclosable information relating to project activities. Project will designate an officer for attending queries on the project under the RTI.	Building awareness among project staff and other stakeholders on RTI Act 2009.	On-going	<ul style="list-style-type: none"> STEP website will be upgraded to include a section on RTI.
Monitoring and Evaluation					

Lack of experience of results oriented M&E	Less experience of result oriented M&E System	M&E capacity is being enhanced to develop data collection and analysis	M&E format has been developed and sent to Institutions. Adequate measures is being taken to training the concerned officials	Several M &E workshops were organized and planned many refresher training.	<ul style="list-style-type: none"> • Workshop cum training on M&E arranged for polytechnic institutes, short-course training providers and branch manager of Agrani Bank (total 250 participants)&E unit always collected the data from the field and compared with the result and prepared and updated result based framework. • Continuous field visit undertook by the project staff, DTE, BTEB, BMET, MoE and DPs. • M&E unit also undertook various study to know the situation of the project activities.
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ANNEX 6: UPDATED ECONOMIC ANALYSIS

1. This annex summarizes the economic and financial analysis of the proposed Additional Financing (AF) of STEP to assess the rationale and cost-effectiveness of the proposed AF and its financial sustainability. The annex is organized as follows: (i) background about labor market and skills development in Bangladesh; (ii) development impact of the project; (iii) value added of the project; and (iv) cost benefit analysis.

A. Background: Labor Market and Skills Development in Bangladesh

Labor Market in Bangladesh

2. Bangladesh's economy grew strongly at an average annual DGP growth rate of 5.8% over the period from 2000 to 2010. Agriculture fell as a share of GDP while industry and the service sector grew, partly as a result of shifting labor force structure from rural agriculture to urban industry and services. During this transition, Bangladesh's labor market, thanks to the favorable economic development, has been enjoying relatively low unemployment, at 4.3% in 2005 and at 4.5% in 2010 (BBS, 2010). Improvement in labor productivity (i.e., outputs per worker) accounts for as much as 71% of the total growth in GDP per-capita between 2000 to 2010⁵, according to The World Bank (2013). Increase in the share of the working age population, or the so-called demographic dividend, was found to account for another 21%, while the contribution of increased employment rate was 8%. Further decomposing the labor productivity improvement, they found that the labor productivity improvement in the industry sector accounts for the largest share (35%) of the total labor productivity improvement, and the inter-sectoral shift of workers explains 24% of the total labor productivity improvement.

3. The economic growth in Bangladesh has been associated with increasing size of the labor force and the shift of employment across different industry sectors. Employment in manufacturing, construction, and finance, business and real estate industries have expanded more rapidly than the overall growth of employed work force, while the employment in agriculture, forestry and fisheries sector have slowly declined (see Table 1). Given their relatively higher labor productivity, promoting employment and skills development in those industries would likely have significant impacts on the economic growth potential of the country.

Table 1: Employment by Major Industry Groups in 2000, 2003, 2006, and 2010 (in millions)

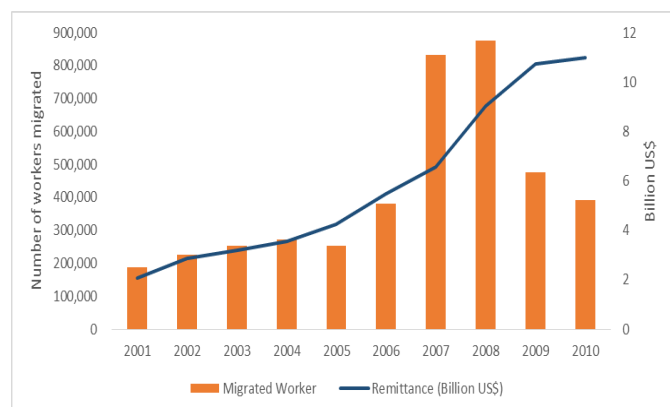
Employment by Major Industry	2000	2003	2006	2010	% change between 2000 and 2010
Total	39.0	44.3	47.4	54.1	38.7
Agriculture, Forestry & Fisheries	19.8 (51%)	22.9 (52%)	22.8 (48%)	25.7 (48%)	29.8
Manufacturing	3.7 (9%)	4.3 (10%)	5.2 (11%)	6.7 (12%)	81.1
Construction	1.1 (3%)	1.5 (3%)	1.5 (3%)	2.6 (5%)	136.4
Trade, Hotel and Restaurant	6.1 (16%)	6.7 (15%)	7.8 (16%)	8.4 (16%)	37.7
Finance, Business Services and Real Estate	0.4 (1%)	0.3 (1%)	0.7 (1%)	0.9 (2%)	125
Health, Education, Public Administration and Defense	-	2.5 (6%)	2.6 (5%)	2.3 (4%)	-8

⁵ GDP per capita can be decomposed into 3 parts: (1) output per worker; (2) employment to working aged population ratio; and (3) working aged population to total population ratio. Formally, it can be written as $Y/N = (Y/E)(E/W)(W/N)$; where Y, N, E, and W represent GDP, total population, employed population, and working aged population, respectively.

Note: percentages in the brackets show ratios against the total employment each year
Source: Labor Force Survey (LSS) 2010, Bangladesh Bureau of Statistics (BBS)

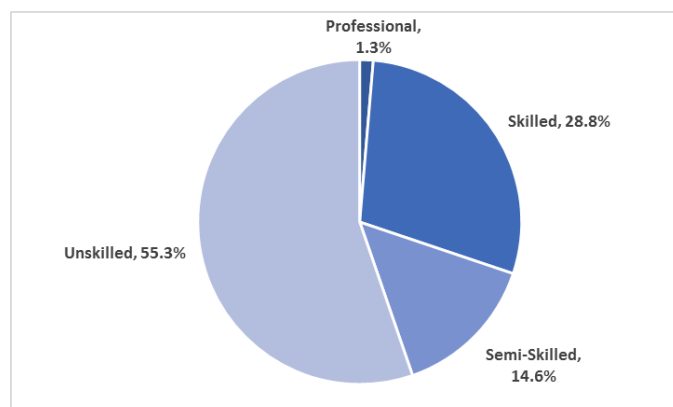
4. In addition to the employment in the domestic labor market within Bangladesh, job opportunities overseas are also important sources of employment and income for many Bangladeshis. It is estimated that over five million Bangladeshis are currently working overseas, sending back home remittances to support their families. About 90% of the migration takes place in the Middle East and Malaysia. The trend in the size of outbound flow of migrant workers and the amount of remittances between 2001 to 2010 shows that remittances reached a record high level of US\$ 11 billion in 2010 (Figure 1) while the number of migrant workers declined to some 400,000 in 2010 from over 800,000 in 2008. On the other hand, Bangladeshi migrant workers are still disproportionately concentrated in low skilled occupations. Over one-half of the migrant workers were absorbed in unskilled occupations overseas, whereas skilled and semi-skilled workers accounted for only about 29% and 15% respectively (see Figure 2).⁶ International studies point out the increasing importance of training migrant workers in such areas as construction, health care, and domestic services to compete in the global market (e.g., The Economist (2013); World Bank (2006)). In Bangladesh, the Bureau of Manpower, Employment and Training (BMET), in collaboration with other agencies, provides skills training to some of the migrant workers prior to their departure.

Figure 1: Number of Migrated Workers and Remittances Sent from 2001 to 2010



Source: Bureau of Manpower, Employment and Training

Figure 2: Migrant Workers from 2001 to 2010 by Category of Employment



Source: Bureau of Manpower, Employment and Training

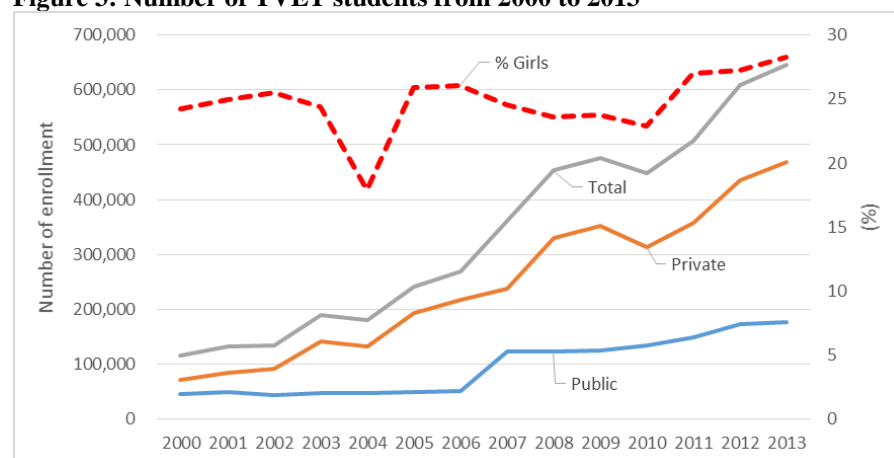
Skills Development in Bangladesh

5. Bangladesh has achieved considerable gains in the provision of primary and secondary education and fulfilled the internationally committed targets for many of the indicators in basic education. With a great number of graduates coming out of the basic education cycle, the government's policy is increasingly focused on skills acquisition of youth as National Education Policy 2010 strongly emphasizes the importance of TVET system in developing competent manpower in diverse sectors to keep up with growing national and international demand for a skilled workforce. The country's TVET is still relatively small and has considerable room for expansion and improvement. It is estimated that only about 0.1% of the current labor force has technical and vocational education qualifications (BBS, 2010). The MOE policy goal, as stipulated in National Skills Development Policy

⁶ Bangladeshi authority classifies migrant workers in four categories: professional, skilled, semi-skilled, and unskilled.

(NSDP) is to channel 20% of secondary students into vocational streams to give them skills to improve employability. The number of students enrolled in the TVET system has been increasingly steadily, and the majority of the increase was a result of the rapid expansion of access to private schools (see Figure 3). The ratio of girls is also gradually increasing in recent years partly owing to the growing popularity of modern courses such as ICT and graphic design and garment related courses. Polytechnics have been playing a significant role in catering to the growing demand for skills training at the diploma level (see Table 2)

Figure 3: Number of TVET students from 2000 to 2013



Note: including all students in secondary and post-secondary level TVET

Source: BANBEIS Annual Statistics 2013

Table 2: Student Enrollment in TVET by Type of Institution

	2009	2010	2011	2012	2013	2014
Polytechnic Institute	76,540	83,940	102,112	136,962	151,333	170,069
Technical School & College	31,635	37,904	38,436	64,236	64,920	64,926
Technical Training Centre	6,986	9,139	9,746	25,960	26,846	28,769
Textile Institute & Vocational	15,340	15,704	15,853	15,519	15,645	15,645
Agriculture Training Institute	20,176	24,221	27,326	28,890	29,493	29,493
SSC (Voc) (independent)	22,368	21,991	22,007	24,426	24,426	24,426
HSC (Voc) (independent)	75,225	75,987	97,729	105,303	105,370	129,309

Source: BANBEIS Annual Statistics, 2009, 2010, 2011, 2012, 2013, and 2014

6. The country's TVET system is complex and highly fragmented, and has only weak coordination among the wide array of stakeholders and institutions. The Directorate of Technical Education (DTE) and the Bangladesh Technical Education Board (BTEB), which are both under the Ministry of Education (MOE), are responsible for the operation and training contents of TVET institutions. Formal vocational education is available to students starting at the secondary education where secondary school certificate (SSC) and higher secondary certificate (HSC) students can choose to enroll in vocational streams (i.e., SSC (Voc) and HSC (Voc)). These vocationalized streams were initially intended for students who would seek employment after graduation. In reality, SSC (Voc) and HSC (Voc) are often seen as educational paths for less academically able students who failed to be accepted in the academic streams. The majority of the vocational secondary students opt for further education and training. At the post-secondary level, there are about 270 polytechnics as of 2013, among which 46 are public and 224 are private institutions, enrolling about 151,000 students (90,000 in public and 61,000 in private institutions) in 2013 (BANBEIS, 2014).

7. The quality and relevance of training continues to be the central concern of the TVET system in Bangladesh. The Enterprise-based Skills Survey revealed that the demand for TVET graduates of diploma level is still small in the formal sector, and that employers would prefer to train workers at their own workplace and costs after recruiting them (World Bank, 2013). This is clear evidence of a general lack of confidence among employers about the relevance and quality of TVET programs and competencies of TVET graduates.

B. Development Impact of the Project

8. The proposed AF will further increase the development impacts of STEP in terms of improving employment outcomes and increasing earnings of TVET graduates. The main direct beneficiaries of STEP continue to be polytechnic students and short-course trainees. Skills development is known to positively affect employment outcomes and earnings of individual workers. International literature about the effects of TVET on economic outcomes of trainees suggest the improved probability of successful job placement among TVET graduates and higher wages for graduates of TVET courses, especially when jobs are available and training is closely linked to employment demand (e.g., Biewen et al. (2006); Chandrasiri (2010); Middleton, Ziderman & Adams (1993)).

9. The impact of TVET on job placement in Bangladesh is evident in the labor force survey (see the Table 3). While SSC and HSC leavers suffer from higher incidences of unemployment, those with TVET qualification have very low levels of unemployment. Though the zero unemployment rates reported in the Labor Force Survey 2010 seem somewhat unrealistic and biased, there seems to be no doubt that having TVET qualifications would significantly reduce the likelihood of being unemployed.

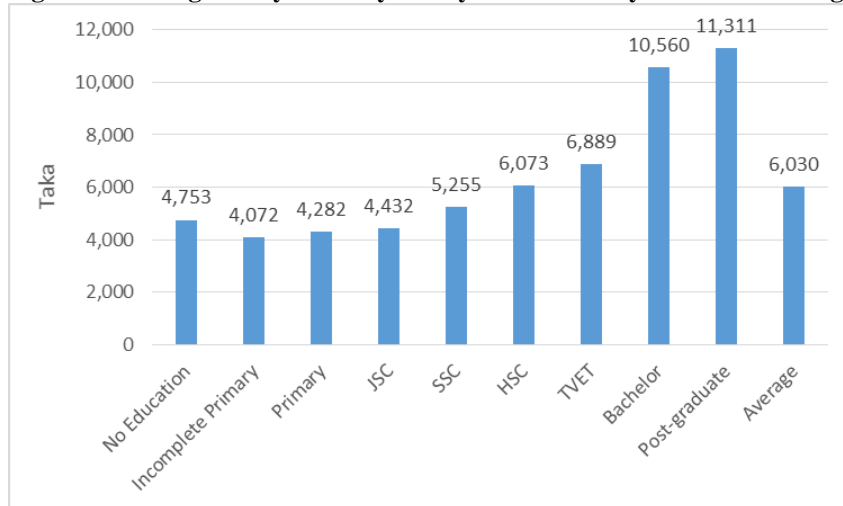
Table 3: Unemployment Rates of Persons Aged 15+ by Level of Education (%)

Education level	Total	Urban	Rural
No Education	2.9	3.8	2.6
Class I-V	3.8	5.1	3.5
Class VI-VIII	5.2	5.6	4.6
Class IX-X	7.2	9.1	6.5
SSC/equivalent	7.3	9.7	6.2
HSC/equivalent	13.7	17.0	11.4
Degree/equivalent	0.5	0.4	0.6
Master's/equivalent	10.3	11.5	8.6
TVET	0.0	0.0	0.0
Average	4.5	6.5	4.0

Source: Labor Force Survey 2010

10. The Enterprise-based Skills Survey (ESS) conducted by the World Bank in 2013 examined the average entry salary of workers in the formal sector, and found that, as shown below, TVET graduates are on average earning higher entry salaries (BDT 6,889) compared to what SSC or HSC graduates earn (BDT 5,255 for SSC and BDT 6,073 for HSC graduates) (see Figure 4). In Bangladesh, students typically join polytechnics after graduating from SSC schools. Thus, roughly speaking, for those students, four years of diploma-level vocational education and training at polytechnics would lead to about a 30% increase in expected monthly wage if they are employed in the formal sector jobs. It is clear that young individuals would earn significant private returns to their investment in TVET participation.

Figure 4: Average Entry Monthly Salary of Workers by Education Background (BDT)



Note: only workers who entered the labor force in the past three years are calculated

Source: Enterprise-based Skills Survey

C. Rationale for Public Investment

11. In Bangladesh's TVET sector, both public and private institutions play important roles as providers of skills development training; however, the public sector's involvement in the sector remains crucial from both a supply and demand side perspective. From the supply side point of view, skills training opportunities will not be adequately supplied at the socially optimal level unless there is public intervention and public provision due to the high cost and risk associated with providing technical training and the existence of positive social and economic externalities of education and training. In particular, investment for quality enhancement, such as acquiring heavy equipment and a sufficient number of tools, can be prohibitively costly for private entities which rely on tuition fees from students. Furthermore, the government's policy to increase the enrollment in the TVET sector cannot be achieved without sufficient public investments in the sector. From the demand side perspective, skills training may well not be affordable for youth from low-income families and rural families without public support due to its high cost and tuition fees. Public TVET institutions in Bangladesh charge only nominal fees to students to ensure equitable access for disadvantaged youth who would need skills training the most.

D. The World Bank's Value Added

12. The World Bank's value added will continue to be significant under the AF. The Bank has already brought substantial value added by introducing innovative interventions such as institutional development grants, SSC (voc) apprenticeship program and RPL assessment that were new to the TVET sector in the country and through analytical and advisory services, including the first tracer study on TVET graduates. With the support of the Bank, STEP has been successfully providing skills training opportunities to poor students, improving the quality of training, and enhancing the institutional capacity of relevant authorities and training institutions. All the Key Performance Indicators are set to be achieved by the completion of the project, and overall project implementation has been largely satisfactory. Furthermore, the Bank has established itself as a trusted partner of the TVET sector, and has strong leverage for facilitating sector-wide coordination within the sector which may lead to the adoption of the sector wide approach in the future.

E. Cost-Benefit Analysis

The cost-benefit analysis of STEP AF will focus on the largest activity, component 1.1, which includes the

institutional development grant (IDG) and stipend support to polytechnics. This analysis attempts to provide cost-benefit estimates in relation to the benefits of creating a greater number of polytechnics graduates having higher earnings in the labor market as a result of the training in TVET for better quality of human capital. Applying a standard approach to cost-benefit analysis, the Internal Rates of Return (IRR) were estimated.

Cost Streams

13. The costs include the direct costs of training, including the project investment and private costs, which consists of annual fees, interest rates, and out of pocket expense that students pay. The project cost is US\$47 million between 2016 and 2019 for sub-component 1.1, including the cost of grants and stipend. Average annual out-of-pocket expenses per polytechnic student are BDT 9,986 (US\$126) for government institutions and BDT 14,736 (US\$187) for private institutions (average of BDT 13,290 [US\$168]). Furthermore, indirect costs in the form of foregone income constitute a large share of the total cost. Diploma level TVET at polytechnics takes up at least four years of students' otherwise economically productive years – equivalent to four years of income of workers with SSC level qualifications. The table below summarizes the total budgets for the component 1 and component 3 of STEP, including the AF from year 2016 to 2019.

Benefit Streams

14. Two main channels of benefits stream are quantified for this analysis, which are: (i) increased number of polytechnic graduates as a result of increased enrollment and increased pass rates, and (ii) increased wage premiums as a result of better quality of training. Potential benefits generated from greater internal and external efficiency, and reduced cost of training for employers are not quantified for this analysis. The benefits of the investments – such as refurbished classrooms, purchased computers, trained teachers, and repaired equipment – will likely be sustained after the project completion in 2019. In this analysis, it is assumed that those sustained benefits will continue for another 10 years after the completion – until the last cohort enrolled under STEP will graduate. The number of new intake in the polytechnics is assumed to grow by 3% every year. The total cumulative number of beneficiaries of component 1.1 is estimated at about 610,000 as of 2028.

Table 7: Summary of Key Parameters

Description	Values used	Note
Intake ratio with STEP (%)	95	Result indicator
Intake ratio without STEP (%)	70	Result indicator
Pass rate with STEP (%)	65	Result indicator
Pass rate without STEP (%)	55	Result indicator
Wage increase due to quality improvement (%)	5	
Active working years (years)	40	From age 20 to 60
Average start salary of TVET graduates (BDT)	10,077	ESS 2010; adjusted for the inflation from 2010 to 2015
Average start salary of SSC graduates (BDT)	7,687	ESS 2010; adjusted for the inflation from 2010 to 2015
Employment rate for TVET graduates (%)	95	Employment rate of TVET graduate to be 7% lower than that of SSC graduates (LFS 2010)
Employment rate for SSC graduates (%)	88	LFS 2010
Net annual out-of-pocket expense (the average total expense less the amount of stipend) (BDT)	3,690	BDT 13,290 - BDT800*12 months (HIES 2010)
Real interest rate (%)	8.1	The average of the past 20 years from 1994 to 2013 (World development indicators)
Exchange rate (BDT/US\$)	77.95	As of Jan 1, 2015 (Bangladesh Central Bank)

Externalities

15. Though it is not quantified to be included in the benefit stream, further investment in the TVET sector

will likely pay considerable dividends to the society at large beyond the benefits accrued to individual TVET students. Specifically, it is expected that strengthening the TVET sector in Bangladesh will yield the following positive externalities to the economy and society of the country. First, an increased pool of post-secondary educated young workers with internationally competitive skills qualifications will improve the business environment of Bangladesh not only for domestic enterprises but also for foreign investors who would consider upgrading their investment portfolio in Bangladesh from the current mainly low-skilled light manufacturing works to more skill intensive and high value added ones. Availability of more skillful workers would also improve the export competitiveness of the current investments, thus reducing the risk of losing investments to other emerging economies. Secondly, skilling up a larger number of female youths would increase female labor force participation which would boost economic growth of the country by making available the currently untapped human resources. Increased labor force participation of women with skills will also likely enhance the resilience of households against external shocks and contribute to reducing the socio-economic vulnerability of communities. Furthermore, improving the capacity and social status of the TVET sector will open up a new path of educational development for an ever increasing number of secondary graduates by providing them with opportunities for further education and training other than university and college which are also facing supply constraints.

Results of Cost-Benefit Analysis

16. Table 8 below shows the results of the cost-benefit analysis based on the sensitivity analysis using three different scenarios for the rates of graduation (pass rate) and wage premium. These scenarios reflect both the internal and external risks associated with the investment. The internal risks are cases where investments in TVET institutions did not yield as many positive impacts as they were expected to bring about. In such cases, successful graduation of students can be at risk, which leads to lower pass rates among beneficiary students. The external risks involve mostly future changes in the economic environment in the country. Macro-economic volatilities can negatively affect the labor market demand and push down the wage premium for skilled workforce.

17. The base scenario (65% pass rate and 5% wage premium) yields a net present value (NPV) of US\$ 386 million and an internal rate of return (IRR) of 13%. The lowest scenario (60% pass rate and 3% wage premium) still yields a positive NPV of US\$ 137 million with an IRR of 10%, whereas the highest scenario (70% pass rate and 7% wage premium) yields a NPV of US\$ 620 and an IRR of 16%. These results indicate that the investments under STEP with the AF are highly justifiable from the economic perspective.

Table 8: Summary of Results of Cost-Benefit Analysis on Component 1.1 (NPV – US\$ million; IRR - %)

Scenarios		Pass rate of STEP supported polytechnics					
		Low case: 60%		Base case: 65%		High case: 70%	
		IRR	NPV	IRR	NPV	IRR	NPV
Wage premium	Low case: 3%	10%	137	12%	314	14%	491
	Base case: 5%	10%	180	13%	368	15%	556
	High case: 7%	11%	222	13%	421	15%	620

Note: NPV are in million US\$

F. Financial Analysis

Public Financing for TVET Sector

18. In the past 10 years, public expenditure on education as a share in the public expenditure has not increased, and instead has hovered around 13-15%, which is not low compared to the South Asian standard but

falls short of what middle-income countries in South East Asia allocate to education⁷. Public investment in education relative to the country's economic strength is also not up to the mark. Allocation of public expenditure to education as % of GDP in Bangladesh is around 2.2% in 2009, which ranks at the 161st out of 173 countries where the data are available⁸.

19. Technical education receives only a small proportion of the public funds going to the MOE. In the fiscal year 2014-15, only 3.5% of the public expenditure of the MOE was channeled to institutions of technical education, while nearly 70% of the MOE expenditure are absorbed by the secondary education sub-sector. Though still being a small share, the expenditure allocated to technical education has been gradually increasing in the past three years both in terms of the absolute amount and share of allocation. In total, TVET absorbed about BDT 5.5 billion in the 2014-15 budget while the amount was only BDT 3.1 billion in 2012-13 (an increase of about 76% over the two years – substantially more than the 30% budget increase for Secondary Education over the same period). Yet, TVET financing continues to be severely constrained. The enrollment in public and private TVET institutions in 2013 was 645,985. This gives public expenditure per student of about BDT 4,844 (US\$60) – the rate which is about a third of public expenditure per student for tertiary education in the country. Polytechnic institutions are severely underfunded especially for their capital expenditure. Only about 3% of their allocated budget in 2014-15 was left for capital expenditure, while the rest is for revenue expenditure to sustain the daily operation and recurrent expenditure of institutions. With such a low level of resource availability, capital investments for improving the quality of training are virtually impossible for most of the polytechnics, forcing teachers to continue using dilapidated equipment and tools. The institutional development grant of STEP was a long-awaited opportunity to fill this critical financial gap at the polytechnic institutions to enable meaningful investments in equipment and facilities for quality enhancement, and the AF aims to expand the coverage of beneficiary institutions and reward the best performers with additional grants.

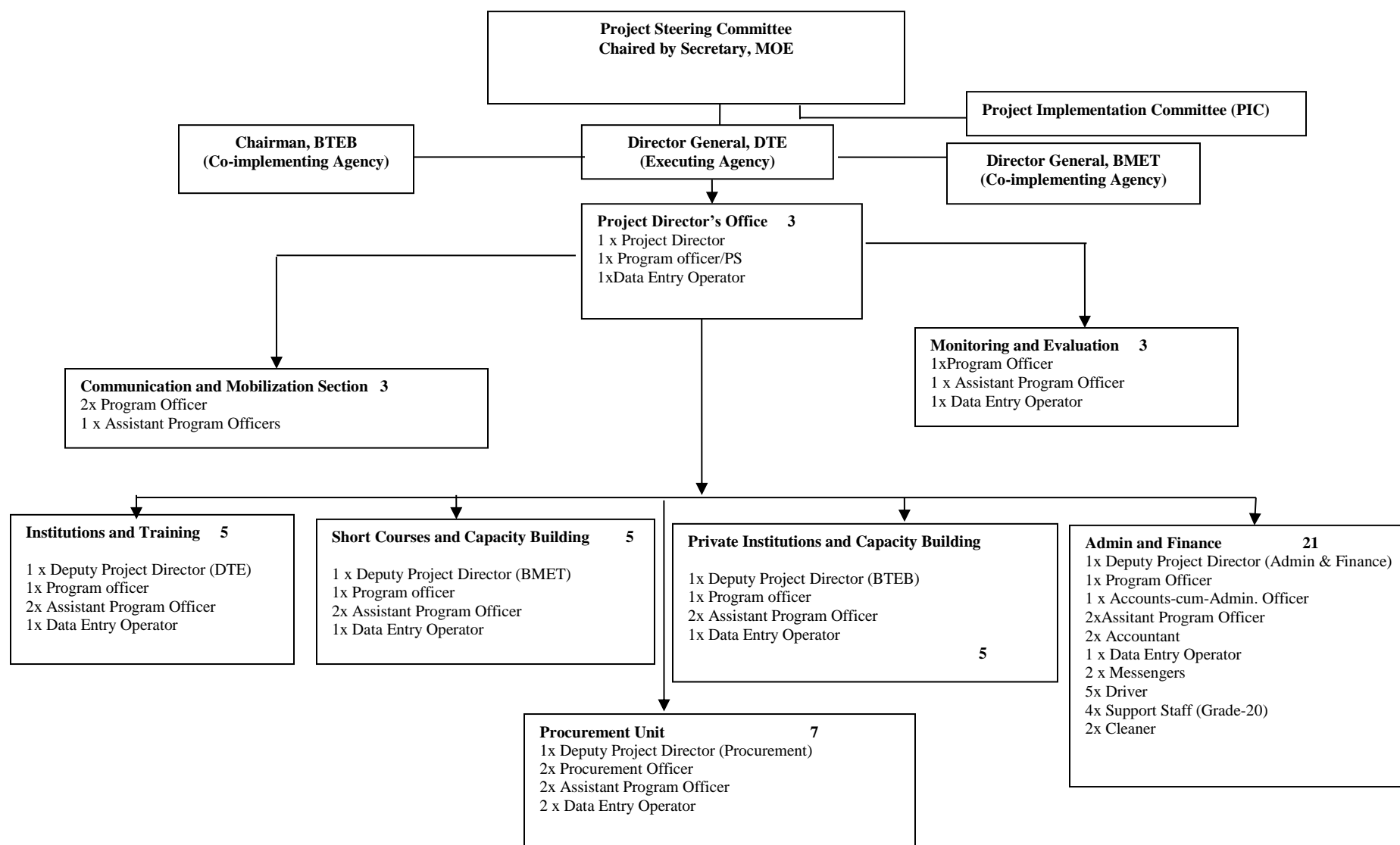
Sustainability

The proposed AF is not expected to have significant immediate impacts on the public financing, except for costs to sustain the stipend provision to students in polytechnics and marginal incremental recurrent expenditure for the maintenance of equipment procured using the institutional development grants. RPL is expected to be sustainable with only marginal operational costs on the government once the system is fully up and running with cost recovery system based on fees paid by RPL assessees and their employers. Incremental recurrent costs will be borne primarily by the Government through allocations in the regular budget to polytechnics. The Government also has introduced a public fund for stipend under direct supervision of the Prime Minister. The fund is providing stipends to disadvantaged students in different education cycles, including polytechnics. It is expected that some of the stipend provision under STEP be sustained with the funding from this fund for stipends.

⁷ Education expenditure as % of public expenditure in 2010: India, 11%; Nepal, 23%; Sri Lanka, 8.6%; Pakistan, 11%; Malaysia, 18%; Indonesia, 17%; and Philippines, 13%.

⁸ See, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2206rank.html>

Annex 7: Revised Staffing for Project Implementation



Summary of Original Manpower	Summary of Proposed Revise Manpower	Additional Manpower
1x Project Director 4xDeputy Project Director 6 x Program Officer 12 x Assistant Program Officer 1 x Accounts-cum-Admin Officer 2 x Accountant 5 x Data Entry Operator 3x Driver 4 x Messenger 38 Total Staff Members	1x Project Director 5x Deputy Project Director 2x Procurement Officer 8x Program Officer 12 x Assistant Program Officer 1 x Accounts-cum-Admin Officer 2 x Accountant 8 x Data Entry Operator 5 x Driver 2 x Messenger 4 x Support Staff 2 x Cleaner 52 Total Staff Members	1x Deputy Project Director 2x Procurement Officer 2xProgram Officer 3 x Data Entry Operator 2 x Driver (-2) x Messenger 4 x Support Staff 2 x Cleaner Total increase -14