

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA19828

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| Project Name | Punjab Skills Development (P130193) |
| Region | SOUTH ASIA |
| Country | Pakistan |
| Sector(s) | Vocational training (80%), Tertiary education (10%), Secondary education (10%) |
| Theme(s) | Education for the knowledge economy (75%), Education for all (25%) |
| Lending Instrument | Investment Project Financing |
| Project ID | P130193 |
| Borrower(s) | Economic Affairs Division |
| Implementing Agency | Industries, Commerce & Investment Dep., Govt. of Punjab |
| Environmental Category | C-Not Required |
| Date PID Prepared/Updated | 28-Jan-2015 |
| Date PID Approved/Disclosed | 28-Jan-2015 |
| Estimated Date of Appraisal Completion | 02-Feb-2015 |
| Estimated Date of Board Approval | 30-Apr-2015 |
| Decision | |

I. Project Context

Country Context

Pakistan is one of most populous lower middle income countries in the world with a Gross Domestic Product (GDP) per capita of US\$1,299 and a population of an estimated 182 million people in 2013. Pakistan's GDP growth rates are half their levels of five years ago (average of 3.8 percent in the last 4 years) and are continuing to decline. The structure of Pakistan's economy has remained fairly constant over the last decade. The services sector (58.1%) has the largest sectoral share in GDP, followed by industry (20.8%), and agriculture (21%). The growth in each sector has recovered after the 2008/2009 global financial crisis and constituted on average 2% in agriculture, 3.5% in industry and 4% in services over 2010-2013 period. Weak growth and the resulting marked slow-down in poverty reduction were due to a confluence of factors, including worsening and more volatile macroeconomic, political and security conditions, combined with recent catastrophic natural shocks.

The Punjab is Pakistan's most economically advanced (52% of Pakistan's GDP) and most populated (56% of Pakistan's population) province. However, the province has experienced a sharp decline in economic growth since 2004-05, remaining under 4% in each of the last four years. The largest sectoral shares in provincial GDP (2011/12) belong to agriculture (23%), community, social

and personal services (18%), wholesale and related trade (17%), and manufacturing (17%). Over the last three years, the highest average growth has taken place in community, social and personal services (7.4%), construction (6.7%), manufacturing (4.4%), and wholesale and related trade (4%) .

Sectoral and institutional Context

Slow progress on improvements in human development indicators undermines Pakistan's competitiveness, economic growth, and efforts to alleviate poverty. Pakistan's net enrollment rates (NERs) remain among the lowest in the region (except Afghanistan) at 68% for primary education, and even lower for girls (64%). Quality of schooling is low overall, especially for the poor. Given Punjab's size in terms of population and income, its education outcomes largely reflect those of the country, albeit with marginal improvements in some indicators.

Low education attainment and poor education quality at the school level pose persistent challenges as these children eventually enter the labor market. The Punjab's youth workforce is characterized by a high growth rate, low average schooling, having received little or no Technical Vocational Education and Training (TVET), and underemployment. The majority of workers in the Punjab are employed in the informal sector and are largely uneducated and poor. This expanding labor force with low education attainment and limited or no skills poses a significant challenge to improving economic growth in the province.

The demand for skilled labor is expected to increase as the Government of Punjab (GoPunjab) embarks on growth-stimulating initiatives under the Punjab Growth Strategy (2015-18). The goal of the Growth Strategy is to target key challenges to growth in the Punjab so that the province can contribute to the national goal of doubling Pakistan's GDP as articulated in Vision 2025. Key challenges identified in the Growth Strategy are under-utilized manufacturing capacity, stagnant exports and productivity deficits. GoPunjab will target what it calls "priority sectors", which are export-oriented, employment-intensive sectors with growth potential. To achieve the province's growth targets, substantial improvements must be made to strengthen the skills development sector in Pakistan, overall, and in Punjab, specifically, to cater to the human capital needs of a growing economy.

The main challenges in the skills development sector of Punjab relate to: (i) a limited supply of skilled workers to cater to a demand for market-relevant, job-specific skills by industry; (ii) a weak institutional framework characterized by fragmentation, lack of coordination, lack of clarity of roles of various stakeholders, and limited effectiveness; (iii) a lack of evidence-based policy making in the sector; (iv) low quality and relevance of training; (v) market failures in industry-provision of training and; (vi) low access to skills training, especially for women and the poor.

Given the complex and multiple challenges faced by the sector, as a first generation skills development project, the Punjab Skills Development Project aims to support GoPunjab in several selected areas to address both short-term skills needs and medium- to long-term system needs. These areas include: (i) increasing the number of skilled workers in priority sectors; (ii) quality improvements in priority sectors; (iii) improving certification and testing mechanisms to pave the way for far-reaching institutional reforms in the skills development sector; and (iv) improving the efficiency and effectiveness of public sector skills training provision.

II. Proposed Development Objectives

The Project Development Objective (PDO) is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in the Punjab.

III. Project Description

Component Name

Component One: Improving and Expanding Market-Relevant Skills Training

Comments (optional)

This component uses results-based financing to support the achievement of GoPunjab's Growth Strategy objectives through five sub-components in three strategic areas: (a) strengthening the skills training system; (b) improving the quality and relevance of skills training; and (c) increasing access to market-relevant trades. For each sub-component, a disbursement-linked indicator (DLI) has been identified with time-bound targets. Targets have been selected as key links in a results chain that incrementally contribute to the achievement of the Project Development Objective. Funds would be disbursed upon the achievement of targets.

Component Name

Component Two: Project Management, M&E, and Technical Assistance

Comments (optional)

The objective of this component is to support Project management, monitoring and evaluation, and technical assistance to enable the achievement of the DLIs and ensure efficient and effective management of the Project. M&E strengthening of the skills development system is embedded within Project design and financing for M&E activities would come out of this component. In addition, this component would finance advisory, technical, monitoring and capacity building support to achieve DLIs 1-5. It would also finance Project operating costs, hiring technical assistance for the Project Implementation Unit (PIU), equipment, supervision costs, and communications activities to engage and inform stakeholders about Project activities and the sectoral reforms it supports.

IV. Financing (*in USD Million*)

| | | | |
|---|-------|-----------------------|---------------|
| Total Project Cost: | 60.00 | Total Bank Financing: | 50.00 |
| Financing Gap: | 0.00 | | |
| For Loans/Credits/Others | | | Amount |
| BORROWER/RECIPIENT | | | 10.00 |
| International Development Association (IDA) | | | 50.00 |
| Total | | | 60.00 |

V. Implementation

The Project's implementation arrangements have been designed to account for the complex and fragmented institutional nature of the sector and its capacity challenges. Implementation arrangements for the Punjab Skills Development Project rely on several key agencies.

Sector Coordination and Strategic Leadership. Strategic leadership and guidance for the skills sector, in general, and for the Project, specifically, will also lie with the Planning and Development Board (P&D), which is the lead GoPunjab department for the implementation of the Punjab Growth Strategy. A Punjab Skills Steering Committee (PSSC), chaired by the Chairperson P&D, would provide oversight, policy advice and overall strategic direction to the Project and its stakeholders.

The Committee will include participation of the Secretaries of Industries, Finance, and representation from the management of implementing agencies. It will serve as a forum for high-level decision making and enabling support to activities under the Project, particularly those related to institutional reform.

Project Implementation. The Department of Industry Commerce and Investment (DoICI) will serve as the overarching implementing agency and counterpart for the Project. Other implementing agencies include P-TEVTA (Punjab Technical Education and Vocational Training Authority), the Punjab Skills Development Fund (PSDF), Punjab Board of Technical Education (PBTE), and Trade Testing Board (TTB), which will each be responsible for DLIs assigned to them. The Secretary, DoICI, has overall oversight responsibility for implementation and monitoring of the Project. A Project Implementation Unit (PIU), reporting directly to the Secretary, DoICI has been created to augment capacity at the DoICI to undertake additional tasks associated with the implementation and coordination of the Project, especially given the fact that DLIs will be implemented by several agencies.

The scope of services of the Project Implementation Unit (PIU) includes: (i) coordination with multiple implementing agencies, i.e. P-TEVTA, PSDF, PBTE, and TTB; (ii) the monitoring of activities under each DLI and reporting to the Bank using agreed formats; (iii) the provision of technical expertise and support to focal persons in implementing agencies; and (iv) the management and execution of Component 2.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

VII. Contact point

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