



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 03-Apr-2022 | Report No: PIDC33088



BASIC INFORMATION

A. Basic Project Data

Country Ethiopia	Project ID P177881	Parent Project ID (if any)	Project Name Ethiopia Education and Skill for Employability Project (P177881)
Region Eastern and Southern Africa	Estimated Appraisal Date Nov 14, 2022	Estimated Board Date Aug 30, 2022	Practice Area (Lead) Education
Financing Instrument Investment Project Financing	Borrower(s) Federal Democratic Republic of Ethiopia	Implementing Agency Ministry of Labor and Skills	

Proposed Development Objective(s)

The Project Development Objective is to support Ethiopian youth to attain relevant skills for employability.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental and Social Risk Classification
Moderate

Concept Review Decision
Track II-The review did authorize the preparation to continue



B. Introduction and Context

Country Context

- Ethiopia's economy is going through a transformation from a largely agrarian low-income country to an industrialized lower-middle-income country.** With an average Gross Domestic Product (GDP) annual growth rate of approximately 10 percent between 2007 and 2019, the country has been one of the world's fastest-growing economies over the past 10 years. Growth has slowed down recently but still remains the highest in the region at 6.1 percent (2020). The industrial sector has grown exponentially, increasing its contribution to GDP from 11 percent in 2003/04 to 28 percent in 2019. The services sector has also continued to grow and is currently the largest contributor to GDP (40 percent).
- Ethiopia's growth has contributed to important strides in poverty reduction and improving human development outcomes.** With about 115 million people, 44 percent under the age of 15, Ethiopia is well placed to reap a high demographic dividend. Poverty rates have been declining with the share of population living in extreme poverty decreasing from 37 percent in 2005 to 23.5 percent in 2016.¹ While most of the poor live in rural areas, poverty reduction is increasingly driven by urban areas, in particular through increased returns to and engagement in self-employment.² At the same time, human development outcomes have improved significantly in the past decade. Between 2011 and 2019, the gross primary school enrollment rate increased from 94 percent to 119 percent, under-five mortality decreased from 88 per 1,000 live births to 59, and average life expectancy has increased by about one year annually since 2000 and is now higher than the averages for both Sub-Saharan Africa (SSA) and low-income countries worldwide.³
- Despite these recent developments, Ethiopia remains among the world's poorest countries.** Annual per capita income was US\$890 in 2020, and human development, as reflected in a score of 0.38 on the World Bank's Human Capital Index (HCI), places Ethiopia in the bottom 21 of the 174 countries included in the HCI (2020) globally. The COVID-19 crisis has exacerbated existing socioeconomic challenges facing Ethiopia, highlighting the precariousness of many in the labor market and threatening Ethiopia's pre-pandemic gains in growth and poverty reduction. Phone survey data suggests that both firm revenue and household income were significantly depressed. These effects were mediated by the labor market, through job loss, labor income loss and job quality reduction (i.e., people moving into more vulnerable jobs). At the household level, nearly a quarter of surveyed households reported their income either declined or had completely disappeared.⁴ These effects are closely linked to the low skill profile of the Ethiopian labor force and to the structure of its economy and labor markets. The pandemic disproportionately affected the lowest productivity sectors, had a particularly pernicious effect on self-employed and low-skilled workers, and has negatively affected the sectoral reallocation of labor during the recovery phase.
- Weak capacity to adapt to frequent climate shocks is contributing to increased vulnerability to income losses, unemployment, and food insecurity.** Ethiopia has been experiencing major drought events including the current severe drought which has affected an estimated 5.7 million people in need of food assistance.⁵ Climate change can potentially exacerbate the already existing inequalities in the country. Evidence shows that food insecurity increases by 5-20 percentage points in Ethiopia, Malawi, Mali, Nigeria, and Tanzania in the event of a flood or a drought. There is a need to build resilience of Ethiopia's population to frequent climate shocks through diversifying job sources and skills for adaptation and climate change mitigation.

¹ Ethiopia Household Consumption Expenditure Survey (HCES). This is the most recent survey on household living standards.

² World Bank (2020). Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction.

³ Unesco Institute of Statistics; Ethiopia Demographic and Health Surveys, 2011, 2016, 2019; Welfare Monitoring Survey, 2011;2016.

⁴ Phone Survey Data: Monitoring COVID-19 Impact on Firms and Households in Ethiopia. World Bank, 2020.

⁵ World Food Programme



5. **Conflict in parts of the country is raising vulnerability of the population and economy.** The Tigray region conflict broke out in November 2020 between Tigray Regional Forces and Ethiopian National Defense Forces. In July 2021, the conflict expanded into the neighboring Amhara and Afar regions. As a result of the conflict, more than 2 million Ethiopians are estimated to be internally displaced.⁶ These large numbers of Internally Displaced Persons (IDPs) will need to be incorporated into the labor market to reduce their vulnerability. The ongoing conflict in parts of the country has also acted as an exogenous shock on the country's economy, disrupting the overall economic activity ranging from agriculture to industry and manufacturing.

Sectoral and Institutional Context

6. **Ethiopia's labor market remains dominated by agriculture and non-wage work, reflecting limited structural transformation of the wider economy.** Although overall employment has expanded at a higher rate than the working-age population, it is mainly concentrated in the agricultural sector.⁷ The share of agriculture has been decreasing over time, however, more than 74 percent of the labor force still remains engaged in agriculture. Wage employment accounts for around 10 percent of all employment and is concentrated in urban areas. Besides continuing to support increased agricultural productivity in rural areas, it will be crucial to support workers transition from low-productivity to high-productivity sectors, both in the manufacturing sector, as well as in high-end services sectors (such as information technology and finance) that will become increasingly important to support broader economic transformation.⁸

7. **Women's participation in the labor market lags that of men as does their productivity.**⁹ Gender differences in jobs outcomes remain large, including disparities in labor market participation, resilient patterns of occupational and sectoral segregation, and unequal pay. They reflect similarly large and persistent gender gaps in terms of access to education, inputs and assets, as well as traditional gender norms that place the burden of care and domestic work on women, and exclude women from decision-making processes both in the community and at home. They are more likely to be unemployed or employed in temporary, informal, unpaid, or low-paying jobs. Female-headed households have lower employment rates than male-headed households.¹⁰ With COVID-19, job losses were higher for women (13 percent) than for men (7 percent). One of the factors that hinder women in the education and labor market is gender-based violence (GBV). According to the 2016 Ethiopia Demographic Health Survey (EDHS), nearly one-quarter of women, aged 15 to 49, have experienced physical violence and 10 percent have experienced sexual violence.¹¹

8. **In 2020, the Government of Ethiopia (GoE) set forth a comprehensive Homegrown Economic Reform Agenda with the goal to safeguard macro-financial stability and rebalance and sustain economic growth.** The reform agenda builds on the achievements of the past decade in infrastructure and human capital developments and aims to stimulate private investment for growth and creation of decent jobs. This agenda complements some of the structural reforms initiated in 2018, with measures aimed at tackling macroeconomic imbalances and a set of sectoral reforms that promote investment in sectors such as agriculture and manufacturing, and new growth potential in sectors such as tourism, Information and Communication Technology (ICT), mining, and the creative industries. Meeting skills requirements of these catalytic sectors is crucial for economic transformation which in turn can ignite the forces of agglomeration critical for productivity growth and trigger a multiplier effect whereby higher-paying jobs in leading sectors can boost

⁶ www.internal-displacement.org

⁷ World Bank. 2021. Employment in Urban and Rural Ethiopia.

⁸ World Bank, 2021. At Your Service? The Promise of Services-Led Development.

⁹ Ethiopia Gender Diagnostic Report : Priorities for Promoting Equity. World Bank. 2019.

¹⁰ Sanchez Martin, Miguel; Mulugeta, Samuel; Getachew, Zerihun; Wieser, Christina. 2021. Ethiopia Economic Update, No. 8 : Ensuring Resilient Recovery from COVID-19. World Bank.

¹¹ Marisa Cordon, Fatu Drame, Erica Schmidt, & Haley Stepp, (in partnership with social impact.INC.) Systematic Literature Review Gender-Based Violence in Ethiopia. 2018.



employment and income levels in other sectors linked through value chains or pure consumption spillovers.¹² The global trends in technology and trade also create opportunities for higher productivity, including in agriculture, nonfarm self-employment, and household enterprises. Solid foundational and technical skills are needed for individuals to engage in self-employment or wage jobs in dynamic economic sectors that can absorb rural labor and catalyze productive transformations.

9. **Moreover, with its strong focus on job creation, the GoE has developed a National Plan of Action for Job Creation (NPAJC), 2020 – 2025 to achieve the goal of creating about 14 million jobs by 2025**. NPAJC focuses on realizing the job-creation potential of high-yield sectors including: (1) the agriculture sector by improving necessary inputs and services including small-to-medium-scale irrigation and building linkages between industry (such as agro-processing) and urban markets. (2) The industry sector by building a more demand-driven labor force. The Ethiopian Ministry of Industry projects the need for about 400,000 skilled workers for textile, leather and garments and agro-processing. (3) The ICT sector as an enabler of the services sector with a large pool of job opportunities across the value chain. Nearly 290,000 direct and indirect jobs are expected in the ICT sector by 2025. (4) The tourism sector in which nearly 300,000 jobs are projected in the NPAJC, though this may be impacted by COVID-19.

10. **Ethiopia’s population does not have the skills required to meet the new labor demands and support the growth and transformation of the economy.** In 2019, 78 percent of the labor force had not completed primary education, and only seven percent had completed secondary education or more.¹³ Based on estimates by the International Labor Organization (ILO), 74 percent of the labor force in Ethiopia has an educational attainment that is below the requirement of their job which compares poorly with its peer countries, including Kenya (62 percent), Bangladesh (58 percent) and Vietnam (28 percent). To achieve a successful structural transformation, a well-functioning labor force with technical and soft skills to enhance productivity and competitiveness of the services and manufacturing sectors is necessary.

11. **Harnessing the potential of Ethiopia’s young population, especially women, will be critical for the country to achieve its growth and transformation aspirations.** The labor market in Ethiopia is experiencing strong demographic pressure with more than 2 million youth entering the labor market every year. However, compared to other age cohorts, youth (aged 15-24) are more likely to not be in employment.¹⁴ As seen in Figure 1 below, fifteen percent of youth are not in employment, education, or training (NEET), with the highest rates in urban areas (23.3 percent), amongst those that completed secondary education (28.9 percent) and post-secondary education (41.7 percent), and amongst young women (21.2 vs. 8.1 percent for men). Moreover, there are large regional disparities, with the emerging states of Afar, Somali, Benishangul-Gumuz and Gambella (which make up 37 percent of population) performing worse. This is a serious concern given that youth run the risk of continuous labor and social exclusion if they are not able to improve their employability by acquiring skills and work experience at a crucial time when they should be accumulated.

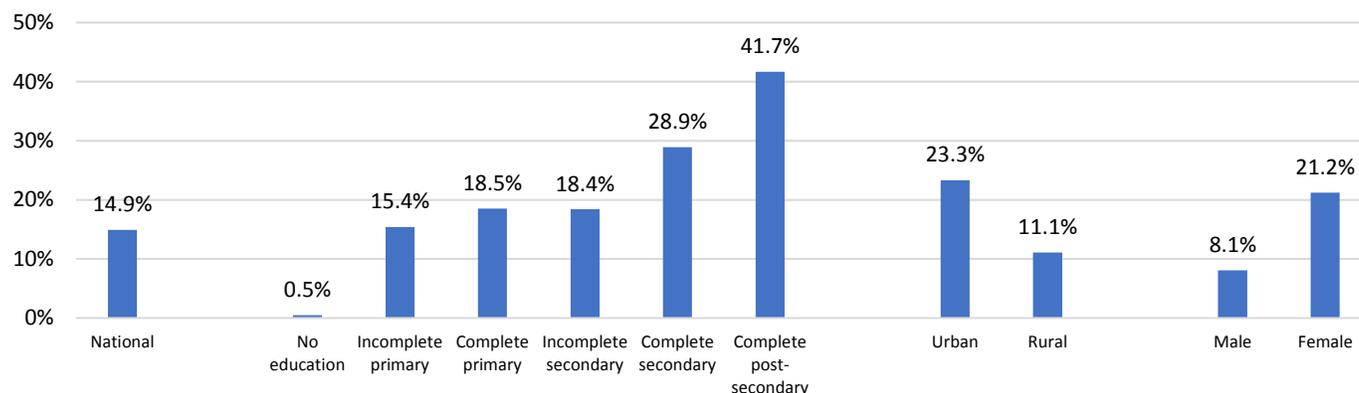
¹² Arias, Omar, David K. Evans, and Indhira Santos. 2019. The Skills Balancing Act in Sub-Saharan Africa: Investing in Skills for Productivity, Inclusivity, and Adaptability. World Bank

¹³ Ethiopia Socioeconomic Survey 2019.

¹⁴ The unemployment rates of youth have been consistently higher than those of other age cohorts by at least 1 percentage point over the last two decades.



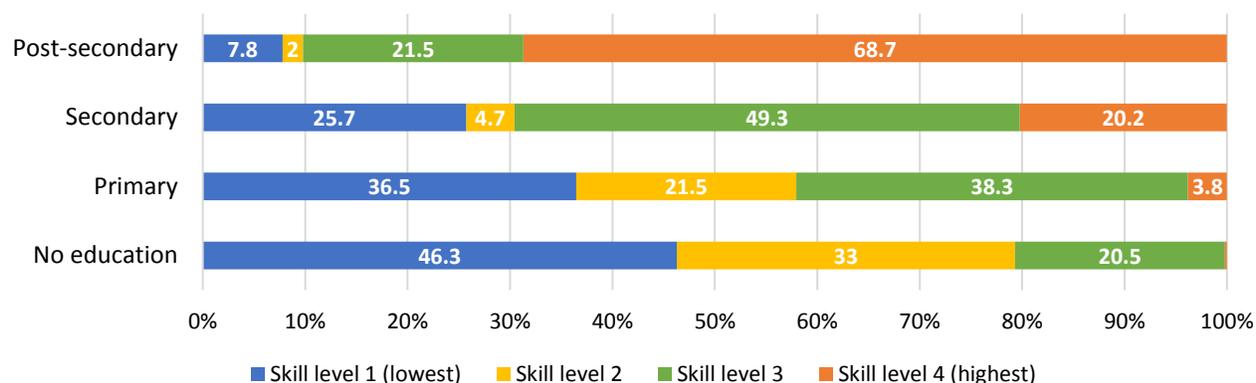
Figure 1: Youth in NEET, aged 18-24, by education, location, and gender



Source: Ethiopia Socioeconomic Survey, 2019, based on analysis by Wieser and Mesfin (2021)

12. **Providing market-relevant skills to the large cohort of Ethiopian youth will be essential to achieve the economic vision of the government.** In 2019, 29 percent of the youth, compared to 27 percent of all wage workers, were employed in jobs belonging to the lowest skills category (skill level 1) typically requiring the performance of simple and routine physical or manual tasks. More than a quarter of secondary school graduates are employed at skill level 1 (see figure 2). With some training, they could be better equipped to contribute more productively to the economy. At the same time, over 40 percent of primary graduates are performing jobs at higher skill levels for which they need training to become productive, highlighting the large skills deficit in the labor market. Furthermore, since the largest share of unemployed youth are those who have not finalized their secondary education, investments are needed in making non-formal and short-term Technical and Vocational Education and Training (TVET) courses more available and accessible.

Figure 2: Skill levels by educational attainment of youth



Source: Ethiopia Socioeconomic Survey, 2019, based on analysis by Wieser and Mesfin (2021)

13. **Ethiopia is at a critical stage of its ambitious 10-year Perspective Development Plan (2021-2030) that requires a robust skills development system.** The Ministry of Labor and Skills (MoLS) has conducted a rapid skills assessment exercise aimed at providing insights about current capacity and future trends in skills demands, supply and gaps for eleven sectors prioritized in the 10-year Perspective Development Plan 2021 – 2030: manufacturing, energy, agriculture, innovation and technology, mining and petroleum, human capital development, urban development, tourism, sustainable finance, irrigation, and transportation. The assessment findings validated the urgency of addressing current skill needs, forecasting future skill needs, and developing a national skills development policy. The assessment identified the sector-specific and



cross-cutting skill types, competency levels, and qualifications required to develop a sizeable workforce equipped with critical foundational, technical, technological, socio-emotional and entrepreneurial skills that respond to current and future needs of the economy and the labor market.

14. **Technical and vocational education and training (TVET) is a key pillar of the Government's efforts to create a competent and self-reliant labor force.** The TVET system consists of a two-pronged approach offering formal and non-formal technical and vocational training programs. The formal TVET system caters to students who complete at least grade 10 of their education and proceed to attend one to five years of TVET training courses (corresponding to Levels I-V). Depending on their completed levels in TVET colleges, students then obtain a certificate, diploma, or advanced diploma. The non-formal TVET system provides short-term technical and vocational training to a wide range of groups including, school leavers, drop-outs, people without formal education, entrepreneurs and employees, farmers and their families, people from marginalized ethnic groups and other disadvantaged groups.

15. **Recent expansion in TVET provision has improved access to formal training programs.** The number of public TVET institutions has increased from 16 to 334 and enrolment from about 3,400 to an estimated 350,000 in twenty years from 2000 to 2020.¹⁵ There has been an equal expansion in private TVET provision which is estimated to account for 51 percent of all TVET institutions in the country. In all the regional states and city administrations, there are TVET institutions that offer training at all Levels, Level I to Level V. However, this remains insufficient to meet Ethiopia's growing needs and there are large variations in participation between the regions. In addition, there is evidence of a mismatch between the skills demanded by employers and those provided by the TVET system. A survey of 100 private manufacturing and service firms conducted by the Ethiopia Chamber of Commerce showed that graduates of the TVET system did not have the soft skills or the technical skills needed to be successful in their jobs. This was attributed mainly to weak linkages between employers and training providers. The majority of firms surveyed indicated that they had not engaged with training providers on any critical functions such as curriculum development, cooperative training or assessment and certification.¹⁶

16. **Integration of employers in decision-making in public TVET institutions coupled with autonomy and clear accountability for results, can promote enhanced employment outcomes of the skills development system.** International experience shows that greater autonomy in tertiary education is critical for achieving outcomes in the sector. Providing adequate resources to TVET institutions with accountability for desired outcomes such as increased enrolment and employment rates would enable the skills development system to produce results much faster. At the same time, ensuring engagement of employers in the governance structures of training institutions will be important for this approach to work. A clear role for employers in the decision-making of TVET institutions around program selection, development of curricula, definition of occupational standards, practical training of instructors, provision of cooperative training models,¹⁷ and industry-led certification of skills, will be critical for increasing the relevance of skills development in the country and improving employability of its graduates.

17. **Partnering with the large number of private TVET institutions has the potential for rapidly expanding access to training opportunities linked to jobs.** Private TVET institutions are typically governed by private sector investors or by Non-Governmental Organizations (NGOs) and are required to be certified by the government. NGO-run TVET institutions generally have the reputation for higher quality education.¹⁸ A number of private training providers use innovative approaches in their programs, including advanced job seeker profiling and comprehensive skills assessments. In addition,

¹⁵ Ethiopia TVET Strategy

¹⁶ Assessment of Ethiopian TVET System: A Perspective of the Private Sector, Ethiopia Chamber of Commerce and Sectoral Associations. 2020

¹⁷ Cooperative training model refers to learning taking place in an integrated manner at two locations: in an enterprise (practical training on the job) and in a technical training institution (basic and theory training). Also called dual training model.

¹⁸ Krishnan and Shoarshadze, *Nexus skills-jobs assessment Ethiopia*, 2013.



some of the providers are not-for-profit and focus on different disadvantaged groups, with approaches tailored to the specific needs of these groups. While private provision of training programs is growing, it has limited coverage in terms of trades and occupations as well as in the provision of short-term training. Leveraging the potential of private TVET institutions to expand the scope and relevance of training is recognized as an important strategy for Ethiopia to expand the TVET system in a cost-efficient manner. It also provides an opportunity to incentivize private training providers to offer training in areas that are government priorities.

18. **Several system level issues would need to be addressed to enable transformation of the skills development system in Ethiopia.** First, lack of information on the demand and supply of skills constrains effective decision-making in the sector. Without this information, training providers are unable to make effective decisions about training programs to offer. Second, data on employment outcomes of training providers is not available in Ethiopia. This information will be critical for the government to hold training providers accountable for results as well as help youth make effective decisions about which training programs to pursue. Third, coordination mechanisms to connect employers, the public sector and training providers are needed to ensure a dynamic skills development system that adjusts quickly to supply skills demanded by employers. Lastly, a strong policy and legal framework for formally engaging with employers would create the enabling environment for more active participation of employers in the skills development system.

19. **The latest Technical and Vocational Education and Training Policy and Strategy (November 2020) aims to increase equitable access and improve quality and relevance of TVET programs.** It plans to do this through: (a) strengthening outcome-based training through the creation of an integrated yet decentralized and results oriented system that responds to the dynamics of skills demand; (b) intensifying the engagement of employers in key functions such as occupation standard development, cooperative training and industry attachments for faculty; (c) recognizing and facilitating private training providers to expand training opportunities in the country; (d) integrating entrepreneurship training in formal education and training programs to promote self-employment of graduates; (e) increasing emphasis on green skills to support a climate resilient and efficient economy; and (f) improving equity in the system through gender conscious skills provision and a focus on vulnerable and marginalized communities.

20. **Since October 2021, following an institutional reorganization, the skilling system has fallen under the responsibility of the Ministry of Labor and Skills (MoLS).** The new MoLS's mandate includes (a) overseeing labor and related issues; (b) addressing the jobs creation agenda; and (c) supervising the skilling system. The former Jobs Creation Commission, Federal Urban Job Creation and Food Security Agency and the Ministry of Labor and Social Affairs that had overlapping mandates related to labor, and employment issues have been consolidated under MoLS. In addition, the new Ministry also brought the TVET sector, which is the driving force behind skills development, under its fold. MoLS has also been given a key role in the provision of entrepreneurial training through making the Entrepreneurial Development Institute (EDI), which is a new institution created by the merger of the former Entrepreneurship Development Centre (EDC) and the Project Coordination Office of the Women Entrepreneurship Development Project (WEDP), directly accountable to MoLS. The structure of MoLS with a comprehensive mandate of the jobs agenda provides an important opportunity for creating stronger linkages between the labor market's demand and supply of skills.

21. **The World Bank has been supporting skills development in Ethiopia through the East Africa Skills for Transformation and Regional Integration Project (EASTRIP; P163399).** This regional project aims to increase access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes across the East Africa region (including Ethiopia, Kenya and Tanzania). Seven TVET institutions in Ethiopia were selected competitively, in the agro-processing, transport, energy and textile sectors as regional flagship training institutions. Though the project is limited in scope to only seven TVET institutions across Ethiopia, it is providing important lessons for reforming the TVET sector in the country. Implementation experience of the project has shown that incentives for collaborating with industry are essential and can



work. Under EASTRIP, all seven centers have an industry advisory board with 50 percent private sector representation. Centers have signed 82 Memoranda of Understanding (MoUs) with industry and 56 staff of the colleges have attended industrial attachments. Further, with close collaboration with the industries, 81 nationally accredited TVET programs were developed or revised by the colleges.

Relationship to CPF

22. **The proposed Project is fully aligned with the Country Partnership Framework (CPF) FY2018-2022 for Ethiopia (Report No. 115135-ET).** The CPF recognizes that low skills levels of workers pose limits on job growth in Ethiopia. It also acknowledges labor market frictions in the intermediation between supply and demand for jobs. The Project supports two focus areas of the CPF: (1) promoting structural and economic transformation through increased productivity; and (2) increasing social inclusion (including gender equality) and resilience. Specifically, within these focus areas it directly contributes to the CPF's Strategic Objective 2: Increased Competitiveness & Productivity and Strategic Objective 5: Improved Delivery of Social Services. It will contribute to IDA's efforts to achieve these objectives by strengthening vocational and technical education and training to meet critical skills gaps to improve productivity and in the process improve employment and income generation prospects of youth, especially women. It is also aligned with the Gender and Jobs corporate priority areas as it aims to increase women's skills and access to jobs. The Project incorporates lessons from the literature on women's economic empowerment, which recognizes that building skills, addressing early marriage, and incorporating knowledge on rights promotes women's economic empowerment.

23. **The proposed Project also complements the government priorities in the skills development sector.** The proposed Project would aim to support MoLS's TVET strategic shift and the NPAJC's skills development strategies to integrate technology, enhance gender-sensitive training provision, promote green programs, and ensure more competent, demand-driven skills training programs. The proposed Project also aims to support the government's strategy of providing labor market responsive short-term training to produce a competent workforce. It is fully aligned with the Government's approach of strengthening linkages with employers to reduce skills mismatch and ensure proficiency in soft, technical and ICT-based skill sets. The proposed Project also complements the government's initiative to promote increased female participation in a broad range of training opportunities to enable more young women to gain decent jobs.

C. Proposed Development Objective(s)

The Project Development Objective is to support Ethiopian youth to attain relevant skills for employability.

Key Results (From PCN)

The PDO will be measured by the following indicators:

- Employment rates of graduates of project-supported training programs (% employed/self-employed within 6-12 months of completion of training), disaggregated by gender
- Number of students who complete project-supported training programs with industry certification, disaggregated by male, female, rural, persons with disability, IDPs and green skills
- Employers' satisfaction level with the skills of graduates from project-supported training programs.

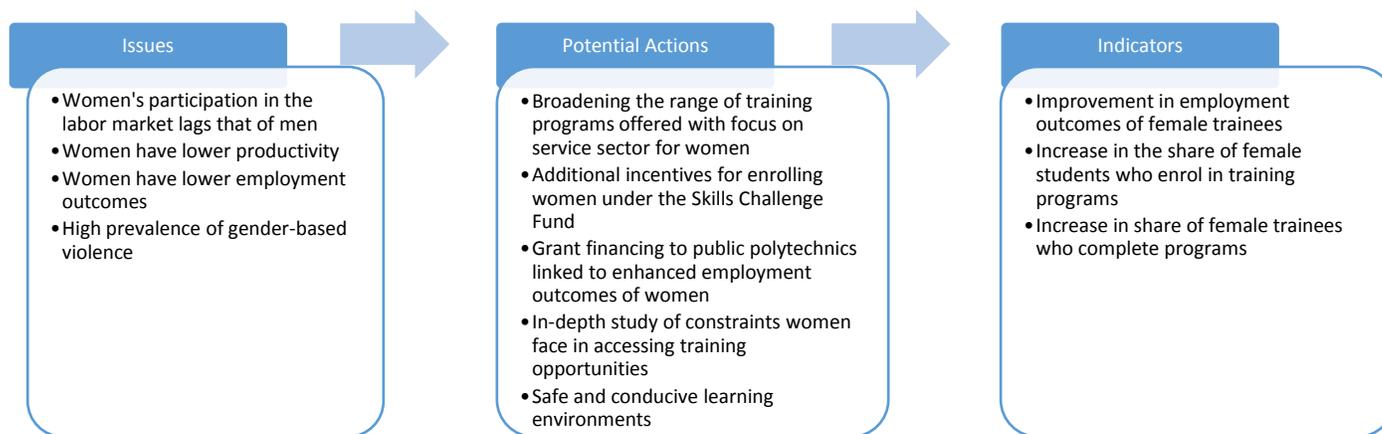


D. Concept Description

24. **The proposed Project will support Ethiopia equip its youth with labor-market demanded skills to improve their employment prospects.** The Project proposes to take a holistic approach to skills development. Many jobs in Ethiopia today, and those in the future, will require a combination of problem-solving, and critical thinking as well as soft skills and basic digital skills.¹⁹ The proposed Project will focus on these core set of skills in addition to technical knowledge in all the training programs it supports. In addition, Ethiopia’s TVET strategy puts emphasis on building entrepreneurship skills as an important avenue to enterprise development and job creation. To support this goal, the Project proposes to support mainstreaming of entrepreneurship training across the skills development ecosystem using existing structures. Lastly, there will be a special focus on *green skills* that could potentially generate climate co-benefits, through training in areas such as renewable energy, eco-tourism, improved energy and water use for agriculture.

25. **The proposed Project will focus on lifting the skills and labor market outcomes for women.** Experience in other countries has shown that female participation in the labor market improves once the range of sectors covered in technical institutions and apprenticeship systems is broadened towards modern occupations, notably service sector professions.²⁰ New occupational specializations emerging in dynamic economic sectors provide attractive job prospects for female youth, such as computer-aided design/manufacturing (CAD/CAM) and other technology-based jobs. In addition, improving the attractiveness of training institutions would matter, including employing more female teachers, enhancing sanitary facilities, introducing women-targeted counselling and employment promotion programs, effectively addressing any potential gender-based violence (GBV) threats and creating a safe campus. The Project will undertake a robust gender analysis to identify constraints to women participating in training programs that leads to jobs. The project proposes to include incentives across the different components to improve participation of women in training programs and focus on their employment outcomes in addition to broadening the range of programs offered and creating safe and conducive learning environments. See figure 3 for the results chain to improve female participation in training.

Figure 3: Results chain for improving female participation in training and employment outcomes



26. **Project design will specifically focus on vulnerable and marginalized groups, including IDPs and those with disabilities to lift their skill sets and employment outcomes.** Special efforts will be made to benefit the large numbers of IDPs who are escaping conflict in the country. Incentives will be provided to training providers to enroll IDPs in training

¹⁹ World Development Report, *The Changing Nature of Work*, World Bank, 2019

²⁰ See also World Bank / International Labour Office, 2013. *Towards a Model Apprenticeship Framework. A Comparative Analysis of National Apprenticeship Systems.*



programs to enable them to attain the skills needed for gainful employment in their new surroundings. Training opportunities will be made available to youth ranging from secondary school dropouts to university graduates who are not currently employed to enable them to attain skills that will lead to jobs.

27. **The proposed Project aims to achieve these goals by incorporating lessons from skills development projects in Ethiopia and elsewhere in the world that have demonstrated positive results in makings skills provision both market-driven and inclusive.** Some innovative approaches that will be incorporated include:

- Increasing involvement of employers in critical functions and decision-making of training providers, which has been successful under EASTRIP in Ethiopia, Kenya and Tanzania. Extensive evidence shows that partnerships involving employers in the program design, implementation and evaluation has significant pay-offs in terms of coordination, relevance, and possibly funding.²¹ Exposure to the world of work through internships tied to training can also significantly improve employment outcomes compared to only training.
- Introducing result-based financing to incentivize focus on employment outcomes, especially for vulnerable and marginalized youth. Evidence shows that training programs that provide incentives related to employment outcomes have better employment outcomes – services are more closely related to demand for labor (or product and services, in the case of self-employment), and providers have incentives to offer relevant training as well as provide additional services, e.g. job placement, to increase impact.²² This results based approach has been successful in several countries including Nepal (Employment Fund), Colombia (Jovenes en Accion) and Pakistan (Youth Development program).
- Building on the experience with private trainings providers under the Apprenticeship Program under the UPSNJP, leveraging such providers for expanding provision of skills for employment. There is growing global evidence of cost-effective programs that expand delivery through private providers.
- Using civil society networks and latest evidence for improving labor market outcomes for women.
- Integrating use of technology for meeting emerging skills demands, job matching and to deliver training.
- Balance direct provision of training opportunities with a focus on system strengthening to promote sustainability of outcomes.

Component 1: Strengthening public polytechnics for improved labor market outcomes

28. **This component will aim to transform selected public polytechnics to improve employment outcomes of trainees.** The component will support the transformation of the operating model of polytechnics into public-private partnerships with industry partners assuming a critical role in key aspects of institution functioning including governance, management, program selection, curricula development, creating cooperative training opportunities, faculty exchanges, apprenticeships and competency assessment. Partnership models would be built on successful practices in Nigeria, India and Vietnam with the aim to test and set standards for sustainable and institutionalized public-private partnership. Lessons learned from implementation of EASTRIP, specifically on engaging industry to establish Industry Advisory Boards, will be used to inform the design of this component to ensure its relevance for Ethiopia's context. Figure 4 below highlights examples of the proposed partnerships.

29. **The Project will upgrade selected public polytechnics to serve as sector-specific skills hubs that can stimulate improvements in surrounding TVET institutions.** The polytechnics would be selected following transparent criteria informed by local demand for skills. The Government of Ethiopia is undertaking a zoning exercise to identify economic

²¹ Glick, P., Huang, C. and N. Mejia. The Private Sector and Youth Skills and Employment Programs in Low and Middle-Income Countries. World Bank, 2015.

²² Integrated Youth Employment Programs: A Stocktake of Evidence on what works in Youth Employment programs. Jobs Working Paper Issue No. 24, World Bank, 2018.



corridors across the country. This exercise along with consultations with regional and woreda administrations will be used to identify skills needs of the local economy and select polytechnics that could serve as hubs for meeting the local labor market demand for skills. A key consideration in the selection of the polytechnics will be their proposed plan for engaging with local industry to meet quantified demand for skills. The component would finance upgrading of the selected polytechnics as comprehensive training hubs offering, in conjunction with surrounding industries, formal TVET alongside needs-based short duration reskilling and upskilling training programs.

30. **Grants provided under this component will improve the teaching and learning quality and relevance of the selected polytechnics to strengthen training programs in priority sectors.** The component will finance comprehensive development plans for upgrading the selected polytechnics including: curricula development/revision with industry involvement that includes work readiness foundational (literacy/numeracy), soft, basic digital and entrepreneurship skills. The Entrepreneurship Development Institute (EDI) will play a central role in improving the capacity of the public polytechnics to provide high quality entrepreneurship training to improve prospects for self-employment. Models for dual vocational training²³ will be promoted. The component will also finance teacher training, facilities improvement, equipment and funding for consumables for short and long term training programs.

31. **Modern e-learning technologies will be piloted and the introduction of green skills programs and those catering to women will be incentivized.** To build resilience of the TVET system in the face of disruption due to natural and manmade disasters, polytechnics will be incentivized to devise solutions for continued training provision to minimize disruption including the use of e-learning technologies. Grant funding would also incentivize polytechnics to increase their share of female students and graduates through various interventions included expanding their course selection, facilitation of female graduates, outreach to local secondary schools and developing and implementing plans for addressing gender based violence in polytechnics. Green skills that could potentially generate climate co-benefits, through new/updated training programs in the areas of, for example, renewable energy, eco-tourism, improved energy and water use for agriculture will also be incentivized through the grant program.

32. **This component will also aim to incubate partnerships between international technology companies and Ethiopia's higher education and skills provision systems** to deliver industry certified digital skills programs that provide high quality and job-related specific IT skills to students such as in the areas of Artificial Intelligence, block chain, cloud computing and app development among others.

Figure 4: Examples of Public TVET-Industry partnership

²³ The term “dual training” refers to modern apprenticeship training whereby learning takes place in an integrated manner at two locations: in an enterprise (practical training on the job) and in a technical training institution (basic and theory training).



Support from TVET Institutes



Infrastructure: Institute provides a well-equipped lab/workshop for conducting theory and practical classes



Teaching staff: Institutes provide teachers and other staff to provide instruction and operate labs



Equipment: Institutes provide machinery and tools for training.



Tailored training: Institutes develop and provide specific training needed by industry partner for its existing employees.

Support from industry partners



Industry expert: to help train students so they can acquire relevant and up to date skills.



Attachment facilities: for students to receive hands on training.



Industry visits: visits to companies to gain practical know how and industry exposure.



Job opportunities: Industry partners offer jobs to trainees.



Raw material: industry partners provide consumables for training.

Component 2: Skills for Jobs Challenge Fund

33. **Provision of large-scale short-term training will be crucial to provide skills to unemployed youth in the labor market to position them for gainful employment.** The Project will support the MoLS to establish a competitive and performance-based skills development fund that partners with both public and private training providers to offer industry-certified market-demanded short term (up to 12 months) skills programs, relevant for wage employment and self-employment. Public and private polytechnics and higher education (HE) institutions will be able to apply to the Fund. Beneficiaries of the training will be employed and unemployed youth, with priority for women. Specific disadvantaged population groups will also be targeted.

34. **The Fund will focus on skills development for priority sectors that are relatively labor-intensive and have prospects for further expansion, in localities of Ethiopia with latent potential for accelerated jobs structural transformations.** Sectors will be identified based on assessments of current and expected local demand for labor and local market opportunity for business development, considering government sector priority and interrelatedness. Programs to be supported will cater to the needs of the local economies and deliver relevant foundational skills, soft-skills, digital skills and entrepreneurship skills, in addition to sector-specific technical skills certified by industry.

35. **The Fund will offer competitive grants to establish new training programs or expand existing programs that demonstrate potential for high employment outcomes.** Public and private polytechnics and HE institutions will be able to apply to the Fund. The competition will be designed to raise the employment returns of training programs-- their projected impacts on trainee's wage employment and entrepreneurship outcomes, which providers do not normally consider in their investment decisions. To incentivize training providers to ensure a pertinent offer and quality of training and collaborate closely with employers, rewards will be linked to the employment outcomes of their graduates, following a performance-based model. Programs that do not meet minimum employment targets will be dropped. Moreover, to ensure that employment objectives are reached, the Fund will engage the EDI to build the capacity of winning training providers to deliver entrepreneurial skills training, and to supply program graduate a basic package of technical assistance and financing for enterprise development.



Component 3: System strengthening for enhanced employment outcomes

36. **This component will address the information, coordination and capacity deficits in the TVET system that make it less dynamic in responding to the evolving technical skill needs in the economy.** The recent establishment of MoLS, which brings under its umbrella the mandates for Labor, Employment and Skills, provides an opportunity to effectively bring together key players to ensure a cohesive approach to addressing skills for jobs. The main challenge to realizing this promise are lack of information among actors, inadequate mechanisms for coordination, limitation in capacity and weak incentives for engagement. The Project proposes to address these issues through the following subcomponents.

Subcomponent 3.1: Information for decision-making

37. **The subcomponent will support MoLS build capacity and systems for regular skills demand analysis and forecasting in key sectors and overseas job markets and generate information to assess performance of the training system.** Good information is a prerequisite for a strong skills development system for several reasons. First, timely information about employers' skill needs, conditions in the labor market and returns to certain fields of study, allow training providers to make optimal choices on the programs to develop and offer. Second, information on the quality of training and employment success of graduates, allow prospective students to make optimal choices on programs and training provider selection. Third, information on employment outcomes of training providers, allows the Ministry to hold training providers accountable. This subcomponent will support the following:

- *A Skills Management Information System (SMIS) will be supported that provides dynamic information on the supply and demand of skills in the labor market.* Mechanisms for regularly collecting information on the demand for skills and what the TVET system is providing will provide essential information for decision-making on the relevance of training programs and signaling changes needed to better meet the demand of employers. The SMIS will be linked to the Labor Market Information System (LMIS) which is being supported by the UPSNJ project.
- *Tracer studies to improve accountability of training institutions.* The Project will strengthen capacity for regular conduct of tracer studies at the institution level to generate information on employment outcomes of programs and provide an important tool for decision-making in the sector.
- *Capacity building at regional and woreda level,* to generate information on local demand for skills and linkages to training providers to close the gap.

Component 3.2: Strengthened system coordination

38. **This subcomponent will support MoLS in establishing formal coordination mechanisms that bring together employers, the public sector (e.g., Ministry of Education, Ministry of Industry) and training institutions to ensure that skill demand and supply are aligned.** While institutional models and set-ups vary across countries, all successful skills development systems around the world have created such coordination mechanisms. The best suited mechanisms for Ethiopia will be determined during project preparation. There will be an emphasis on ensuring that these mechanisms are set up both at the national and sub-national levels to allow for regular, structured coordination among employers and training providers. An expected output of this coordination will be co-development of new occupational standards for priority sectors in collaboration with employers.

Component 3.3: System capacity for policy making

39. **This component will support MoLS in creating an enabling policy environment for sustained reforms in the skills development sector.** In order to ensure sustained focus of the skills development system in Ethiopia on training for jobs, institutionalization of reforms related to employer engagement and outcome-based accountability of training providers



will be critical. This subcomponent will provide technical assistance support for development of legal and policy frameworks to incentivize and facilitate partnerships with employers for standard setting and cooperative training. In addition, it will support strengthening of the Competency Assessment Centers through greater industry involvement for skills certification. With support from this subcomponent, technical assistance will also be provided to the newly formed MoLS for institution strengthening including on fiduciary management.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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