

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

Report No.: PIDA90198

Project Name	China: Gansu Technical and Vocational Education and Training Project (P154623)
Region	EAST ASIA AND PACIFIC
Country	China
Lending Instrument	Investment Project Financing
Project ID	P154623
Borrower(s)	People's Republic of China
Implementing Agency	Gansu Provincial Department of Education
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	27-Dec-2016
Date PID Approved/Disclosed	27-Dec-2016
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	03-Jul-2017
Appraisal Review Decision (from Decision Note)	Given that many of project elements are ready for implementation such as safeguards, technical design and implementation arrangements, the chair authorized the team to conduct an appraisal focusing on answering to the points recommended by the meeting, reflect them in the PAD, and prepare for back-to-back negotiations.

I. Project Context

Country Context

1. Over the past three decades, while China has experienced unprecedented economic growth, poverty has remained heavily concentrated in rural areas as well as in the interior and western regions of the country. The average GDP per capita of the least five developed province is less than a third of that among the top five developed provinces. Consequently, the country's growth has been accompanied by increases in inequality. The urban-rural income gap is a significant underlying factor in the country's income inequality, contributing to 51% of the overall inequality in 2011.

2. Urbanization and industrialization have supported China's economic growth and could largely explain the regional variations in growth. To ensure a more equitable growth, the Government's Urbanization Plan (2014-2020) calls for a people-centered development that ensures sustained economic growth and social development. This is to be achieved by shifting growth patterns from low- to higher-value industries, and by bringing labor sources closer to the industries through the urbanization process, and finally, by promoting inclusive growth and environment protection.

3. Located in the ancient Silk Road trade route in Northwest China, Gansu province has rich resources and cultural heritage and is home to 26 million people. Despite a recent economic growth, Gansu is still one of the least developed province in China both in income and human development measures. Gansu's 2015 GDP per capita (USD 4201) is lowest among all provinces in China and is nearly half of the national average GDP per capita (USD 7924). Gansu is also the least urbanized province in China, with nearly 60 percent of its population residing in rural areas. Gansu is among the least developed provinces in the country in terms of its human development index and education index, at 0.630 and 0.631, respectively.

4. With a good industrial foundation, Gansu's economy has traditionally relied on heavy industries. In 2014, Gansu's secondary industry contributes to more than half, 50.7 percent, of its gross regional product (GRP) growth, while the tertiary industry and the primary industry only account for 42 percent and 7 percent of the GRP growth, respectively. With its abundant natural resources, Gansu's existing industries centered on energy, raw materials, and petro-chemical sectors. As a result, these traditional pillar industries accounted for the vast majority, 88 percent, of the province's total industrial outputs.

5. As part of the broader national development strategy, Gansu government prioritized urbanization, industrial transition and a closer integration within the Silk Road Economic Zone in its implementation roadmap for the Thirteenth Five Year Plan (2016 - 2020). Specifically, six pillar strategies have been formulated as Gansu's development priorities in the next five years: (i) create an enabling environment for economic development, including a more equitable society with lower poverty incidence; (ii) increase economic ties with neighboring provinces and with Central Asia; (iii) become a regional hub for logistics and transportation; (iv) foster clean energy industries; (v) promote Gansu's unique cultural heritage and tourism; and finally (vi) foster sustainable development by introducing more environmental protection and efficient energy use measures.

6. The province's new development plan calls for an upgrade and diversification for its economic composition as part of its urbanization process. In recent years, due to a decline in global demand for industrial inputs, Gansu's traditional pillar industries have suffered a dip in profitability and puts further pressure on the government to accelerate province's industrial transformation. The provincial government is seeking to increase the share of the service sector's contribution to overall provincial to more than 50 percent by 2020. Gansu has also identified the following emerging industries as new drivers for the province's economic growth: advanced equipment manufacturing, new materials, new energy, modern agriculture, biotechnology, tourism, etc.

7. Much of the Gansu's industrial transformation has been enabled by its urban initiatives, notably the new district of its capital city Lanzhou. As a traditional industrial base in Northwest China and the province's economic center, Lanzhou has faced constraints in its industrial development due to the city's limited physical space in the Yellow River valley and its growing population density and environmental standards. The Lanzhou New District (LND) currently under development will include designated industrial zones that provide an opportunity for the traditional petro-chemistry industries to relocate and upgrade and for the emerging industries such as the advanced equipment manufacturing and biotechnology to develop.

8. In addition to physical investment, Gansu's industrial transformation requires proper human resources, however, the majority of the province's labor force still concentrates in the lowly productive primary sector and requires a human capital upgrade. At the aggregate level, the majority, 58 percent, Gansu's labor force is employed in the primary industry, despite the sector's small, 7 percent, contribution to the overall economy. On the other hand, 93 percent of the province's economy is driven by less than half of the province's labor force employed in the secondary and tertiary industries. In light of this labor market allocation, Gansu's urbanization process will increase labor mobility and create more opportunities for rural labor force in urban economy. In tandem, a human capital upgrade through vocational schools and on-the-job training would play a key role in facilitating the lowly skilled labor force to transition into the more productive positions.

Sectoral and institutional Context

9. China's rapid growth in the past 30 years was contributed by substantial physical capital investments and a large supply of medium- and high-skill labor produced by the country's education system. Among the provinces, growth patterns and productivity differences are largely attributed to different human capital levels. By 2030, China's economic growth is expected to decline to around 5 percent. Besides a slower pace, China's economy is also going through a major structural change. As old drivers of growth are being replaced by new ones China will increase its reliance on human resources and human capital.

10. China has made remarkable progress in education in terms of expansion in enrollments, including TVET sector. The average years of education among China's labor force has reached 10 years in 2015, thanks to large increase in education enrollment at all levels. To date, China has universalized basic education with near 100 percent enrollment rates. GERs for upper secondary education (87.2 percent) and tertiary education (40 percent). To meet the demand of the industry, China has recently redoubled its focus on expanding Skills Development or Technical and Vocational Education and Training (TVET): the Modern Vocational Education Strategy (2014-2020) seeks to increase the number of students in vocational education institutions from the present figure of 29.3 million to 38.3 million by 2020. The higher enrollment is supported by a growing investment in education, which is economically justified by the high returns to education in China, at 10.25 percent.

11. High quality skills development programs have an important role to play particularly in China. As the country's economy strives to transition from production to innovation, its labor force will need to acquire the right balance between general skills, occupation-specific skills and learning on the job. This is particularly important as the current skills mix in China does not compare favorably with that of industrialized countries. While there is growing demand for qualified technicians and skilled workers, only half of China's 140 million employees in urban enterprises can be classified as skilled (Ministry of Human Resources and Social Security 2008).

12. Gansu's skills development has expanded in the past decade due to a growing pool of student supply and increased government investment in the TVET sector. Due to the virtual universalization of basic education, the number of TVET applicants have surged. The enrollment of secondary TVET schools in Gansu has increased from 175,000 students in 2004 to 315,000 in 2015.

Gansu's tertiary TVET education started in 1999 and by 2014 the enrollment reached 160,000. By 2020, the number of tertiary TVET students will account for half of all students in school at the tertiary level. The expansion in Gansu's TVET education was also enabled by the government's increased spending in the TVET sector. Tuition and school fees have been waived at the secondary TVET level and students from low-income households receive additional financial support. By 2017, per student spending at tertiary TVET level will reach RMB 12,000. Considering many of Gansu's TVET students are from low income households, the increased government spending would substantially decrease students' financial burden.

13. Despite its growing importance, Gansu's vocational education has not reached its full potential. This was evidenced in the 2016 Annual Report on Gansu's Tertiary TVET System produced by Gansu Department of Education (GDoE), which revealed that in the past decade despite a growing demand from both the employers and job seekers in Gansu: (i) the skills mismatch remains a challenge and is contributed by weak linkage between school and industry, outdated curriculum, and inefficient management; (ii) as some of the secondary schools upgrade to tertiary level, the quality of the teachers lag behind; and (iii) finance has been limited for infrastructure and educational reforms. As educational enrollment continues to improve across all levels, these issues have been exacerbated.

14. A newly established TVET Park located within the Lanzhou New District will take a leading role in Gansu's skills development reform. Under the government's plan, the TVET Park will serve as a major source of labor supply for the industrial zones in the LND and the rest of the province. Much of the TVET Park's advantage will come from its close proximity with the industries in LND and its roles as a platform for a consolidation of TVET resources in Gansu. In total, the TVET Park will host 31 vocational schools – some of which have been merged from smaller schools scattered in the province – and a total of 150,000 students, accounting for nearly 60 percent of the all TVET students in the entire province.

II. Proposed Development Objectives

The project development objective is to improve the quality and relevance of Project schools in Gansu and strengthen the school and industry linkage.

III. Project Description

Component Name

Component 1: Strengthen the Demand-driven TVET System

Comments (optional)

It will have 3 sub-components including: (i) Promote TVET coordination and management; (ii) Promote provincial policy development; and (iii) Strengthen school and industry linkage.

Component Name

Component 2: Strengthen TVET Delivery through Comprehensive School Reforms

Comments (optional)

It will have 4 sub-components including: (i) Improve instructor quality; (ii) Promote modular and CBT curriculum, pedagogy and assessment reforms; (iii) Improve school management; (iv) Upgrade facilities and equipment.

Component Name

Component 3: Project Management and Monitoring and Evaluation

Comments (optional)

It will have 2 sub-components including: (i) Project management; (ii) Monitoring and Evaluation.

IV. Financing (in USD Million)

Total Project Cost:	144.52	Total Bank Financing:	120.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			24.52
International Bank for Reconstruction and Development			120.00
Total			144.52

V. Implementation**A. Institutional and Implementation Arrangements**

1. Gansu will implement the project through the Gansu Department of Education (GDoE) and its provincial project management office (PMO). The GDoE will be responsible for overall coordination and supervision of project implementation. The PMO together with the four project schools will implement the project, manage World Bank loan utilization, and pay back the loan under the guidance of the Gansu Provincial Finance Department (GPFD).

2. Leading Group. The project will establish an inter-bureau Project Leading Group to provide oversight and coordination of key project implementation issues and ensure the availability of counterpart funds and other resources required for project implementation. This group will be led by the GDoE director and will include representatives of Gansu Development and Reform commission (DRC) and GPFD.

3. PMO. The PMO is located at Lanzhou TVET Park Management Office of GDoE. It will have the overall day-to-day responsibility for coordinating project implementation in the four project schools and executing provincial level activities. The PMO is headed by a director and composed of six full-time staff for different aspects of project implementation, including school reform, procurement, financial management, M&E, and social safeguards. The PMO will also establish a Provincial Expert Team (PET) to provide technical guidance to the PMO and schools. Each of the project schools will further establish a Project Implementation Unit (PIU) at the school level. The PIUs will be fully staffed with technical experts and administrators in charge of school reform, procurement, financial management, M&E, and social safeguards.

4. A Project Implementation Plan (PIP) has been prepared and will provide implementation guidelines for all aspects of the Project including general administration, procurement, financial management, safeguards management, and M&E.

B. Results Monitoring and Evaluation

5. The progress and achievement of the PDOs will be monitored and assessed through three types of M&E activities: (i) regular/routine monitoring; (ii) Mid-Term Review (MTR); and (iii) an evaluation of project outcomes at project conclusion. A set of result monitoring indicators has been developed to measure project outputs, intermediate outcomes, and final development outcomes. To the extent possible, the results monitoring and evaluation arrangements for the project will be integrated into the existing data collection and utilization mechanism of schools.

6. Regular/routine monitoring will look at the extent to which the proposed project activities are being implemented as planned and their direct outputs. A MTR will be conducted at the end of the second year or during the third year of project implementation and it will focus on assessing early results/effectiveness of project activities. Most data measuring outputs and intermediate outcomes will be collected through school administrative sources. Individual school data will be aggregated at the project level for analysis at the MTR in order to help the project refine the next stage activities as necessary.

7. An impact evaluation will be conducted to assess the final development impact through third part or independent verifications by conducting surveys of students and enterprises. The evaluation will assess the program's effects and the extent to which its final development objectives have been attained. It will also identify lessons on types and modalities of interventions that work effectively and efficiently in contributing to the project achievement as well as conditions or factors that can enhance or hinder the effectiveness and efficiency of the various intervention strategies at both institutional and policy levels.

8. To strengthen schools' capacity for data collection, documentation and utilization, the World Bank has, through the PMO, provided technical assistance on M&E capacity building for the proposed project staff during the preparation period and will continue to do so during the project implementation as needed to ensure that the monitoring and evaluation function has been established and integrated into the school reform process.

C. Sustainability

9. The proposed project has a strong political support as the supported activities are in close alignment with reform priorities outlined in the central government and Gansu's provincial government's development plans. With high levels of political commitment, the Government of China recognizes the critical importance of skills development to growth and poverty reduction and is fully committed to further investment in this sector. This commitment is reflected in the Government Medium- and Long-Term Education Development Plan Outline (2010 to 2020), and its 13th Five-Year Development Plan, in the Gansu Medium and Long-Term Education Reform and Development Plan (2010-2020); and in the recently released the Joint Decision on Accelerating the Development of a Modern Vocational Education System in Gansu which by MOE and Gansu government. This project will be demonstrative project for the implementation of the new policy.

10. Financial sustainability is expected to be sound. Financial analysis shows that government allocation for TVET has recently increased and will continue to increase in line with the implementation of Gansu development strategies. The incremental costs due to the project will have a limited impact on financial sustainability of project schools. The revenue for each project school will be adequate to provide the required counterpart funds for project implementation. Counterpart fund requirements for the project will not significantly impact the schools' normal operation and budgets of project schools and GDoE. The Gansu authorities have confirmed their willingness to provide adequate counterpart financing to ensure that all activities will be adequately financed.

11. Finally, a key element for achieving project sustainability is stakeholder participation. This project is built on a good understanding and ownership by the government and consultation with

school administrators and instructors. The investment package of reforms will enhance the opportunities for trainees to get better jobs and better manage income risks. In addition, the project will benefit more students and schools beyond the project through workshops and seminars during implementation.

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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