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APPRAISAL STAGE**

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I. Country Context

1. **For Tanzania to achieve its Vision 2025 of becoming a middle-income country it will need to develop the right mix of high quality skills to drive further growth.** Tanzania's efforts to upgrade the skills of its workforce are driven by two imperatives: the need to have a skilled labor force which can support the growth of key economic sectors, and the need to accommodate large numbers of young people entering the labor force every year in search of productive jobs. Foreign and domestic investment in export industries; higher productivity in agriculture, electricity, ports and transportation infrastructure; revenues from the oil and gas sector; and urbanization are likely to drive growth in the medium term, resulting in a more diversified economic structure,¹ more productive jobs and varied occupations, including those with greater skills content. At the same time, the approximately 15 million young people who will enter the labor market over the next 15 years as well as those who have recently joined the labor force have high aspirations for moving out of poverty, entering into quality jobs and building a better future for themselves and their families. Strengthening the skills of these youth will put Tanzania on a trajectory for development that combines growth with poverty reduction and shared prosperity.

2. **Tanzania has been making progress towards the goals laid out in its Five Year Development Plan 2016-2021 (FYDP II) focused on industrialization, with the expansion of key industries contributing to GDP growth of almost 7 percent per annum over the past**

¹ Tanzania has been identified as among a cohort of countries primed for increased economic diversification in analysis of export volume and economic diversity done by McKinsey Global Institute (2010 – Lions on the Move).

decade.² This growth has been driven by the diversification and expansion of key economic sectors in industry and construction and in services.

3. **There has been a gradual shift in employment away from agriculture to industry and services over the past decade.** The share of agriculture in total employment has shrunk by 13.5 percent points since 2001 when over 80 percent were employed in agriculture. On the other hand, the shares of industry and services have expanded by 3.6 percentage points and 9.9 percentage points respectively. Employment growth in services has accelerated over the 2006-2014 period compared to the past, with around 10 percent annual growth in services such as wholesale and retail trade, restaurants and hotels, transport, storage, and communication.

4. **Strong economic growth has led to a reduction in poverty, but a large share of Tanzanians are still vulnerable.** Between 2007 and 2012, the basic needs poverty headcount declined from 34.4 percent to 28.2 percent.³ About 43 percent of the population was still living under US\$1.25 a day (PPP) in 2012.⁴ Around 12 million people remain in poverty and even though basic needs poverty has declined, there is still a large share of the population just above the poverty line and thus highly vulnerable to shocks that could send them back into poverty.⁵

5. **In addition to further reducing poverty, much remains to be done to promote shared prosperity.** Inequality, as measured by the Gini index, stands at 0.36 in 2011-12, down from 0.39 in 2007, lower than Uganda (0.45), Kenya (0.48) and Rwanda (0.51), but higher than Ethiopia (0.34). Very few Tanzanians have access to stable wage employment, especially youth. According to Integrated Labor Force Survey (ILFS) 2014, youth aged 15 to 24 years have the highest incidence of unemployment at 9.4 percent, with urban unemployment among this age group being even higher, at 20 percent, compared to 4 percent rural unemployment. However, these figures do not include significant underemployment, which typically is much higher than unemployment in many Sub-saharan African countries (SSA). Across Tanzania, only 11 percent of workers are engaged in the formal sector. The remainder are engaged in low income activities on farms or in self-employment in informal trading and services activities in cities.

6. **Creating jobs for the estimated 15 million youths who will enter the labor market between now and 2030 is an important aspect of promoting shared prosperity.** Over one million young people are expected to leave the education system and potentially enter the labor market annually in the coming years, with varying levels of education and skills. By 2030 this number is projected to reach 1.6 million per annum. This requires a rapid expansion of employment opportunities to keep pace. While the fast expansion of the youth demographic is a challenge, it also represents a unique economic opportunity if efficient workforce development policies are implemented.⁶

7. **The new government emphasis on increasing access to quality secondary education will increase the flow of students from primary and secondary education to vocational and**

² Unless otherwise noted, figures are from the Country Economic Memorandum (CEM), 2014.

³ Tanzania National Bureau of Statistics, 2011/12 Household Budget Survey and revised 2007 Household Budget Survey.

⁴ World Development Indicators Database; CEU (2015).

⁵ World Bank, 2016, Tanzania Systematic Country Diagnostic (SCD) (draft report).

⁶ World Bank, 2016, Tanzania Systematic Country Diagnostic (SCD) (draft report).

technical tracks, but only over the medium to long term. The government has launched the ‘Free Basic Education Policy’ in 2015, which extends free education to the secondary school level, eliminating tuition fees up to Form IV. The Bank is providing technical support to the government in reviewing the fiscal implications of this policy over the next 5-10 years. It is likely that other Development Partners will provide financial support for the implementation of the policy. In the short term, this policy could reduce dropouts and increase the number of students who will choose the general secondary education track. In the long term, it will likely reduce both, the number of students who will enter the vocational training track after the primary cycle and help to strengthen the basic competencies of the secondary graduates who will later take up technical tracks. These outcomes would be consistent with the recommendations arising from global evidence on the need to ensure that core/basic competencies and skills are best acquired through general education prior to students taking up vocational or technical tracks.

8. **If Tanzania continues on a dynamic growth path, the bulk of employment opportunities will be in the private sector, with increasing numbers employed in non-agricultural sectors and in higher skilled occupations.**⁷ Estimates indicate that the total number of jobs will increase by 15 million by 2030, of which less than a quarter million will be in the public sector.⁸ Projections of employment by industry and occupation using an inter-industry macroeconomic model show that although a significant proportion of the labor force will continue to be employed in agriculture, the growth and diversification is likely to lead to a larger shift of the labor force into services (trade, hotels, transport, construction, and financial services) and smaller shifts into manufacturing and mining.⁹ Further, the change in the sectoral composition of employment will also affect the occupation and skills mix. There is likely to be a significant reduction in the share of agricultural and other low-skilled occupations (even though their absolute numbers will continue to rise) while there will be a significant increase in the share and absolute numbers of high skilled occupations, including professionals, technicians and managers. Employees with technical and scientific skills would play a critical role in adopting, adapting and diffusing new inputs and products, production processes, and organizational changes.

9. **There is evidence that private sector firms face a shortage of trained low, medium and high-skilled workers needed to grow and create jobs, among other critical constraints in the business environment.**¹⁰ The overall business climate is affected by factors such as access to finance and electricity, tax rates and administration, competition with informal firms, transport, regulation, and education and training, among others. Of these, worker education was rated as the seventh largest constraint by firms in Tanzania. Results from the survey underline the importance of addressing factors inhibiting the business environment in a comprehensive way, that is, as part of a package in which skills development is one important element.

10. **The percentage of Tanzanian firms identifying skills as constraint compared to the Sub-Saharan African and worldwide average is very high:** About 40 percent of firms covered by the Tanzania Enterprise Survey 2013 identified an inadequately educated workforce as a

⁸ Meade (2015), Visualizing Tanzania’s Human Capital Needs (draft report).

⁹ Meade (2015), Visualizing Tanzania’s Human Capital Needs (draft report).

¹⁰ Tanzania is ranked 131 out of 189 countries in the 2014 Doing Business Indicators.

major constraint, well ahead of the Sub-Saharan Africa (SSA) and world averages of 23 and 24 percent, respectively.¹¹ An even higher number of failed firms, 63 percent, reported that the shortage of workers with the right skills profile was a contributing factor to failure of above average importance.¹² This makes improving the quality, quantity and relevance of skills imperative for continued growth and job creation. Deficiencies in workforce skills continues to be a major policy issue, as identified by the most recent Tanzanian Enterprise Skills Survey 2015. The survey concludes that inadequacies in the education and training systems compromise the workforce skills in all firms, with deficiencies in workplace skills rooted in the supply of workers.¹³

11. Focusing on the skills needs of the formal sector alone will not be sufficient to achieve Tanzania’s development goals and provide pathways to sustainable livelihoods for youth. Behind relative growth in industrial and service employment is the expansion of informal employment in these sectors. Between 2006 and 2014, 2.7 million of the 3.4 million jobs created were in the informal sector. The majority of non-farm enterprises operate in the informal sector, and many will continue to do so.¹⁴ The informal sector consists of two types of enterprises: own-account enterprises and enterprises of informal employers. Roughly 90 percent of both primary and secondary jobs in the informal sector are in the self-employed category, with the vast majority not employing paid workers. Informal non-farm employment, often in urban areas, offers a better standard of living than subsistence agriculture.¹⁵ There is a high concentration of informal operators in agri-business, transport, construction, food vending and catering sectors. The informal sector is estimated to absorb almost half of the non-agricultural workforce, largely self-employed. The informal sector also absorbs a higher proportion of young people than the formal sector.

II. Sectoral (or multi-sectoral) and Institutional Context

12. Several critical challenges need to be addressed to ensure that the skills development system can deliver the skills needed by employers to grow and diversify and by Tanzanians to secure (self-) employment. These challenges exist at the overall system level and the training service provider level. The major *system level challenges* are: (i) lack of coordination of skills policies and initiatives at national and sector levels; (ii) weak capacity for quality assurance; (iii) low public-private sector cooperation in the governance and delivery of training programs; (iv) lack of an information system on skills supply and demand to inform policy planning and training provision; and (v) effectiveness and efficiency of skills development funding. At the *service provider level*, key challenges are: (i) low skill development opportunities with limited

¹¹ Enterprise Survey for Tanzania, 2013.

¹² Sabarwal, 2013. Skills for Competitiveness in the Small and Medium Enterprise Sector.

¹³ The World Bank, 2016, Skill use, deficits and firm performance in formal sector enterprise, TESS, and Policy; World Bank, 2015, Are inadequate workforce skills undermining Tanzanian firms? Policy Brief - Results from TESS.

¹⁴ Of the small, non-farm firms that account for nearly 90 percent of total firms, approximately 80 percent have no relationship with administration, and only 1.5 percent are formally registered. (CEM, 2014).

¹⁵ Van Adams, A., Johansson de Silva, S., and Razmara, S. (2012). Improving Skills Development in the Informal Sector: Strategies for Sub-Saharan Africa.

equity;¹⁶ and (ii) low quality and relevance of skills development programs. These challenges result in inefficiencies, training that does not match market needs, insufficiently skilled graduates, and poor labor market outcomes.

A. Key Challenges at the System Level

Lack of Coordination of Skills Development Policies and Initiatives at National and Sector Level

13. **The fragmented skills development system includes many different formal and non-formal public and private providers, and entities responsible for their oversight.** It consists of a large number of formal and alternative training¹⁷ providers both public and private, and at different educational levels. The formal education and training system includes 880 public and private vocational education and training centers, 567 public and private technical colleges, and 52 public and private higher education institutions. It enrolls 141,700 vocational, 82,238 technical, and 166,000 higher education students per year. This means the total capacity of the current vocational, technical and university system together is about 400,000 trainees.

14. **In addition to the formal education and training system, a wide range of alternative forms of training exist for pre-employment and on the job training for different skill levels.** These can be short term training programs, apprenticeships or internship schemes, and entrepreneurship programs. Examples of such providers are the 54 Folk Development Colleges which provide community-based vocational, foundational and livelihoods training; the network of Livestock Training Institutes (LITAs); and the Ministry of Agriculture Training Institutes (MATIs).

15. **On-the job training provided by firms is an important alternative source of training.** The proportion of firms providing such training to employees is low. The 2013 Tanzania Enterprise Survey showed that only about 30 percent of firms provided training to some of their employees, and this rate had not significantly changed in 2015.¹⁸ Most training by firms is provided in-house, with limited use of external providers. Employee training is supposed to be funded by the Skills Development Levy (SDL) on employers, but the SDL is not used for its intended purposes.¹⁹

16. **Oversight for skills development is largely the responsibility of the Ministry of Education, Science, Technology and Vocational Training (MoESTVT).** However a considerable number of other entities are also involved in supervising and managing training

¹⁶ It has been estimated that the technical and vocational education and training system (TVET) in Tanzania supplies only about 12 percent of actual national needs. (Source: College of Institutes, Canada, 2014)

¹⁷ Alternative Training comprises of apprenticeship, short-term training programs, internships, entrepreneurship training, etc.

¹⁸ Tanzania Enterprise Survey 2013. Investment Climate Assessment, 2009. Note: This is on par or slightly higher than neighbors Kenya, Uganda, Rwanda and Burundi, but compares unfavorably with more productive, export-oriented economies such as Thailand, China, South Africa and Mauritius, where at least 70 percent of firms surveyed provide training. The prevalence of training was slightly higher in manufacturing than in services, and large and medium-sized firms were more likely to train than small firms with fewer than 20 employees.

¹⁹ WB TESS Survey 2015 and Policy Note (2016).

programs at the different levels. A significant number of public colleges are run by different line ministries and agencies other than MoESTVT. For example, the Tanzania Ports Authority oversees Bandari College, and the Ministry of Natural Resources and Tourism supervises the National College of Tourism. Registration of public and private training providers, individual training program accreditation, monitoring, and quality assurance are delegated to the following quality assurance (regulatory) bodies reporting to MoESTVT: the Vocational Educational and Training Authority (VETA) for vocational training centers; the National Council for Technical Education (NACTE) for technical colleges; and the Tanzania Commission for Universities (TCU) for universities.

17. **The lack of an overarching coordination mechanism for skills development results in fragmentation and duplication of efforts, considerable inefficiencies, and high transaction costs for training providers, quality assurance agencies and employers alike.** Structures for national and sectoral coordination are a key feature of more advanced, well performing skills development systems in countries like Rwanda, India, Brazil, South Africa, Ireland, and Australia.²⁰

Weak Capacity for Quality Assurance

18. **Strengthening the ability of the regulatory bodies VETA, NACTE and TCU is crucial to improving the quality and relevance of training delivered by providers under these agencies.** At the regulatory level, there is limited capacity for ensuring minimum quality standards and engaging the private sector more effectively. These agencies have constraints in their capacity and technical expertise in registering, ensuring quality, standardizing curricula and programs for training providers in various sectors. Capacity building challenges include improving the market-responsiveness of programs, coordination for harmonizing and expanding competency standards, certification and qualification regimes, quality assurance mechanisms such as benchmarking with regional and international standards, and building capacity to productively seek input from employers.

Low Public-Private Sector Cooperation in the Governance and Delivery of Training Programs

19. **Engaging employers more systematically and proactively in training design and delivery is critical to ensure that providers and quality assurance regulators can play their role in delivering high quality, market relevant skills.** Governance structures at the national, sector and provider levels do not adequately involve employers. At all levels, employer membership in training provider governing boards is either non-existent or very low (typically less than 15 percent of total board members). Substantial involvement of the private sector, in particular sector associations, is vital to ensuring that occupational and training standards, programs and curricula are market responsive, and for supporting instructor training and trainee exposure to the working environment in firms. Public-private partnerships between training providers and employers are often formed on an ad hoc basis and are usually limited to larger, formal firms, which make up a small proportion of total Tanzanian businesses.²¹

²⁰ For example, as demonstrated by results of comparative case-studies of workforce development systems through the WB SABER Report on Workforce Development.

²¹ Mwaduma, SABER-WfD Tanzania Country Report, forthcoming.

Lack of Information System on Skills Supply and Demand to Inform Policies, Planning and Training

20. **The current system capacity for measuring training provider outputs and for forecasting future labor market demand is very low.** The World Bank Systems Approach for Better Education Results (SABER)-Workforce Development Study found that the use of information for monitoring and forecasting of skills supply and demand, which enables systematic identification of skills gaps, are two of the weakest system functions in Tanzania compared to other countries.²² Labor market and provider-level data are collected in Tanzania by the Prime Minister's Office, Labor and Employment (PMO-LE), VETA, NACTE and TCU and providers themselves, among others. The challenge lies in incentivizing more regular, reliable and comprehensive data collection, and establishing an easily accessible and simple to use web-based platform that makes the data readily available for skills demand and supply analysis and planning for government and private sector associations, monitoring of providers, and enabling interested potential trainees to make informed decisions about obtaining education and training.

Low Effectiveness and Efficiency of Skills Development Funding

21. **At present, the majority of funding for training is allocated to university level education, with a considerably lower portion being invested in technical and vocational training.** In 2013-2014 government expenditure on higher education accounted for 23.5 percent of total education expenditure, or 3.45 percent of total government expenditure. Technical training and non-formal education each represented less than 0.6 percent of education expenditure. This imbalance in favor of university education fails to reflect the reality of Tanzania's need for a rapid increase in the number of technically and vocationally trained workers.

22. **Some of the funding for skills development comes from several non-education ministries.** Several non-education ministries operate technical colleges. The combined expenditure of these sector-focused ministries on skills development are approximately one-fifth of total spending by MoESTVT.²³ However, funding from all the above mentioned sources will also need to expand to meet demand and to supply the required numbers of skilled individuals required for sustaining economic growth.

23. **Employers are also an important source of funding for pre-employment training through the Skills Development Levy (SDL) of 5 percent on emoluments.** However, employers do not participate in the decision making about its use, and thus it is not adequately targeted to addressing specific employer skills needs. The SDL is the largest source of funding for vocational training, constituting about 87 percent of the total funding for public vocational

²² Mwaduma (forthcoming), SABER-WfD Country Report for Tanzania. Results reveal that although there are a wide range of assessments of present skills demand, very few have been done on a regular basis or are detailed enough to be useful in the present understanding of future skills demand in the economy. Similarly, with respect to monitoring system performance, the detail and completeness of reporting by providers is at a level where only a cursory system level analysis would be possible.

²³ Financing study, Table 2

training provision through VETA. It is intended to finance the following components: training provision, quality assurance (registration, assessment and certification), development support (capacity building of teacher/instructors, provision of basic teaching equipment). Currently, one-third of the five percent SDL, or about 1.67 percent, goes to VETA training provision, about 2.33 percent goes to funding Higher Education (university and technical level) student loans/grants, which is not its intended use. This weakness on the part of the VET Act for not being able to “ring-fence” the 5 percent collection from employers makes the SDL susceptible to being diverted to uses other than what the levy was originally intended for. The government and employers recently agreed that the remaining one percent would flow back to employer-led training. However, there is currently no competitive and transparent mechanisms for allocating this part of the SDL for employer-led training. The utilization of the SDL is uncoordinated in terms of focus/context. In short, the SDL needs to be used more transparently, effectively and efficiently and it needs to be ensured that employers can participate in determining how it is spent, benefit from it and exercise adequate oversight.

24. **There is a need to design better mechanisms for promoting efficiency and innovation in utilization of skills development funding.** Government allocations for skills development, which are inadequate given training needs of labor market entrants, are based largely on enrollments and budgets from earlier years. No system exists for prioritizing economic sectors, particular skills, or types of training in response to economic trends. Nor is there a focus in the financing system on improving efficiency and effectiveness of training provision through incentives, results-based financing or other accountability measures.

B. Key Challenges at the Service Delivery Level

Low Skills Development Opportunities with Limited Equity

25. **A substantial expansion in access to training to meet future demand for medium and high skilled workers in key economic sectors will require sustained investments in increasing the enrollment capacity of alternative, vocational, technical and university level programs.** As mentioned above, the current enrolment public and private capacity for vocational, technical and university level combined is approximately 400,000 trainees total. The requisite number of appropriately skilled individuals cannot be provided by the current formal pre-employment education and training system without significant expansion and diversification in line with market demand for skills. For instance, a study on the tourism industry²⁴ finds that approximately 1,500 students graduate from registered education and training providers each year with qualifications in tourism, while the number of jobs in the sector is expected to double from almost 500,000 today to over a million by 2025.

26. **In addition to increasing equitable vocational, technical and university level of education, scaling up quality alternative training programs is also essential.** At all levels, the key challenge for the government is to offer multiple, flexible pathways for building skills for

²⁴ This is one of the core studies commissioned to support preparation of the Implementation Plan for the ESPJ Program. A draft report is available for the tourism sector. Reports for the sectors of agri-business/agro-processing, construction and transport and logistics are underway and results from these studies will be incorporated as they become available.

school graduates as well as for those who fail to complete secondary and primary levels so they can contribute to the growing sectors of the economy. For example, while training by employers is somewhat developed, it is not consistent in quality, and trainees are not able to formally document newly acquired skills. Similarly, informal training such as apprenticeships with master craftsmen, on-the-job training or livelihoods training is commonplace, but no system exists for recognition, upgrading and formalization of such practical learning. A lack of knowledge and skills among informal sector operators and the need for training has been recognized by the Association of Small Informal Businesses; with, e.g. identifying training needs in product quality, packaging, marketing, pricing and book keeping.²⁵ Those in the informal sector require business and entrepreneurial skills in addition to technical and cognitive skills. Training is particularly needed in areas such as simple record keeping, marketing, and product development.

27. **In parallel with expanding training capacity, reducing the cost of training programs for low income trainees is also critical.** The direct costs such as tuition and testing fees and the indirect costs such as transport can be prohibitive for poor youth. The estimated cost of attending a 10 month VETA training, including fees, accommodation, sustenance and books, is around US\$250, more than the household income for about 40 percent of the population. Financial barriers to training are amplified by the lack of dedicated financial support for participants in vocational training programs. For example, students at the university and technical education levels have access to loans and grants through the Higher Education Students Loans Board (HESLB), but no such support exists at the vocational training level. Thus, there is a need to increase access to vocational and alternative forms of training for low income youth through providing financial support to potential trainees.

Low Quality and Relevance of Skills Development Programs

28. **The quality and relevance of existing skills development programs by alternative, vocational, technical and university level providers are relatively low and do not adequately prepare training graduates for jobs in key economic sectors or self-employment.** For example, a 2015 MoESTVT study on skills gaps in the tourism and hospitality industry found that employees often possessed the requisite formal credentials for employment, but lacked the relevant skills to perform their job adequately. Employers are not only seeking technical skills, but also numeracy and behavioral skills, as they rated these as the hardest to find. In the 2015 Tanzania Enterprise Skills Survey 40 percent of employers reported English and information technology as the most needed skills. A much lower percentage of employers, between 5 and 15 percent, cited teamwork/communications, writing, problem solving and critical thinking, work ethic, and technical skills in short supply. A VETA survey of employers who had hired VETA graduates found that 75 percent of employers were not satisfied with graduates' practical skills.²⁶ As the above-mentioned survey results demonstrate, training providers do not provide adequate non-cognitive, other vital skills and practical experience for students. Professional development for training instructors and the ability anticipate and proactively address emerging skills gaps of key economic sectors is also found lacking in the training being provided.

²⁵ Association of Small Informal Businesses (VIBINDO) (2007).

²⁶ VETA (2012. Report on the Labor Market Survey for TVET in Tanzania.

III. Program Scope

29. **The ESPJ PforR is fully aligned to the government's NSDS.** The NSDS proposes a targeted set of interventions at both the system and service delivery levels designed to have transformative impact on the skill supply system for industries with high potential for growth and job creation. In doing so, the ESPJ PforR will expand on the existing structures and create new institutional mechanisms to address the growing requirements of the skill ecosystem. A technical assessment determined that the overall thrust and design of the NSDS is both sound and innovative. The assessment has determined that appropriate actions have been taken to adapt lessons from other World Bank programs to the Tanzanian context. The ESPJ PforR addresses pressing system constraints, increases incentives for performance among public and private service providers, and that the implementation plan reflects careful planning to mitigate implementation risks. The NSDS thus provides a sound program to guide investment of ESPJ funding.

30. **The ESPJ PforR focuses on all six key economic sectors and all levels of skills identified in the NSDS.** The selection of the economic sectors and levels of training is aligned with the NSDS and supported by analytical evidence such as the Country Economic Memorandum and a macroeconomic study on human capital development needs. Key rationale for the selection of sectors include (i) sector growth potential (ii) linkage with other sectors of the economy (enabling sectors), (iii) contribution to employment generation (iv) feedback from private sector on skill shortage and potential for enhancing regional and international trade competitiveness; and (v) government priority.²⁷ It may be noted that some of trainings envisaged under the ESPJ PforR, especially at the entry level, will be common across the six key economic sector. Therefore, these 'fungible skills' will allow greater vertical and horizontal career mobility for graduates within and across the key economic sectors under the ESPJ PforR.

31. **The ESPJ PforR supports the NSDS two key results areas:** (i) strengthening the institutional capacity of the skills development system; and (ii) promoting the expansion and quality of labor market driven skills development opportunities in select economic sectors.

Result Area 1: Strengthening the institutional capacity of the skills development system:

32. **Within the first result area, the ESPJ PforR will support all activities with the exception of operationalization of the National Qualification Framework (NQF)²⁸ and a communications and dissemination plan.²⁹** These exclusions are necessitated because these

²⁷ For a more detailed rationale on the selected sectors please see Annex 11.

²⁸ Efforts to put in place an NQF predate the NSDS, and considerable progress has already been made. A draft NQF has been completed and is awaiting formal approval. The resources and activities to operationalize the NQF have already been allocated/ planned for and are included in MoESTVT budget estimates for 2016, and thus do not require support through the ESPJ program. In addition, development of protocols for recognition of prior learning in selected construction sector occupations, one component of NQF operationalization, is already underway through a partnership between VETA and the ILO.

²⁹ The communications and dissemination of the NSDS is already under way as part of the government approval process for such strategies. This includes consultations with stakeholders, publishing information about the NSDS, among other interventions.

interventions are fully handled by existing institutional arrangements, and do not need to be incentivized because they are already at advanced stages, and their implementation is satisfactory and on-track.

33. ***Result Area 2: Promoting the expansion and quality of skills development opportunities in select economic sectors:*** The ESPJ program will promote the expansion and quality of skills development opportunities in select economic sectors through both the Skills Development Fund and the Trainee Voucher Scheme.

34. **The ESPJ PforR will support the setup of these mechanisms.** DLIs are attached to the successful and timely operationalization of both of these mechanisms. Once all criteria for operationalization of these mechanisms have been met (expected in year 1 for the SDF and by year 2 for the TVS), ESPJ funding will be paid into the SDF and TVS. These funds will be used to support training subject to specific criteria agreed between the World Bank and the government and laid out in the respective operations manuals of these two funds. These criteria will be in place to ensure that ESPJ funds support an appropriate balance across levels of training and are used primarily to fund additional student places (as opposed to capital investment or operating costs), and are described in more detail below.

35. **An Operations Manual (OM) for the SDF will set criteria to ensure an appropriate balance across levels of training.** The manual will set a ceiling for the amount of money allocated through the window focused on higher education, TVET and alternative training windows, with importance placed on lower skill occupations. The amount allocated through the higher education window will not exceed 25 percent of total allocations. The amount allocated through windows focused on VET and alternative training will at minimum receive 15 percent of total allocations each. These requirements are put in place to ensure that the SDF adequately focuses on employment for at risk youth, the majority of whom enroll in short-term or vocational courses. For the same reason, across the SDF as a whole, no more than 25 percent of allocated funds will be allowed to support training for incumbent workers. Similarly, applications devoting more than 25 percent of award money to civil works or more than 15 percent to operating expenses will not be considered in an effort to direct more resources to training delivery and/or the development and revisions of curriculum and programs. A final draft OM with all criteria is under development and will be delivered by June 2016.

36. **The operations manual for the TVS will define eligibility criteria for individuals and programs that are aligned with NSDS priorities.** For individuals, acceptance into the scheme will be contingent on income, and some preference may be given to those from disadvantaged groups, particularly women and girls. Program eligibility criteria will include accreditation, orientation toward a key sector identified in the NSDS, and ineligibility for those receiving the HESLB loans and grants. This final criterion will serve to orient the TVS on short-term, alternative and vocational training, which are not currently funded by the HESLB.

IV. Program Development Objective(s)

37. The Program Development Objective is to strengthen the institutional capacity of the

Recipient's skills development system and to promote the expansion and quality of labor market driven skills development opportunities in select economic sectors.

V. Environmental and Social Effects

38. **For environmental and social management, the PforR employs a risk management approach in which process requirements are adapted to the Program context.** The Environmental and Social Management System Assessment (ESSA) has been undertaken by the Environmental and Social Specialists of the Bank to ensure consistency with six core principles outlined in the its Operational Policy 9.00 - Program-for-Results Financing.

39. **The ESPJ will finance limited civil works related to upgrading and improving infrastructural conditions of the educational facilities confined to existing premises and within the boundaries of the existing facilities.** The anticipated adverse environmental and social effects are therefore not expected to be very significant or detrimental. The increase in numbers of students that this Program is expected to lead to the development of more facilities (classrooms, student/teacher accommodation etc.) which could result in increased pressure on utilities such as water supply, water abstraction and waste water treatment. While the program activities are not expected to have significant environmental footprint, the Program provides an opportunity to enhance the recognition of environment, health and safety and long-term sustainability aspects in training institutions and programs at the technical, vocational and the university levels. Given that one of the key economic sectors targeted for skills development is the construction sectors, this Program provides an opportunity to improve due diligence measures related to management of construction related issues, good practices for asbestos management, improved waste management, and enhancement of sanitation, specifically provision of safe and sufficient toilets for boys and girls along with adequate and clean water supply systems.

40. **Additionally, its programmatic approach to skills development provides an opportunity to enhance the recognition of environment, health and safety and long-term sustainability aspects in training institutions and programs at the alternative technical, vocational and the university levels.** In this context, the broad environmental goals of the ESSA would be to mainstream environmental and social due diligence and awareness into the programs, through special consideration being given to training proposals eligible under the Skills Development Fund for inclusion of environmental sensitivity and management aspects or content, e.g. in skills development in the construction sector, which is one of the key economic sectors.

41. **The program will also focus on enhancing existing mechanisms for grievance redress and dispute resolution, inclusive and participatory consultations, and feedback for social accountability,** along with increasing awareness on the specific incentives and benefits like Trainee Voucher Scheme to help low income students access the program, and support coordination among various agencies (e.g. MoESTVT, TEA, HESLB, VETA, NACTE, TCU, etc.) on key environmental and social aspects.

42. **Key beneficiaries of the program are low income students in alternative, TVET and university-level training programs in selected economic sectors;**³⁰ key program indicators will be monitored by gender.

43. **The ESSA identifies strengths, gaps and opportunities in Tanzania’s environmental and social management system with respect to addressing the environmental and social risks associated with the program.** The analysis identifies the following main areas for action in order to ensure that the Program interventions are aligned with the core principles of OP/BP 9.00. These include, among others, strengthening of technical guidelines for mainstreaming of environmental and social measures in various programs, improved skills and coordination among multiple agencies, enhancement of the grievance redressal mechanism and social accountability. These could be further defined during implementation, as required. The ESSA process includes extensive stakeholder consultations and disclosure of the ESSA Report following the guidelines of the World Bank’s Access to Information Policy. The ESSA consultation process will be embedded in the program consultation process.

44. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB’s Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the Bank’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of non-compliance with Bank policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank’s attention, and its management has been given an opportunity to respond. For information on how to submit complaints to the 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.

VI. Financing

Program Financing (US\$ Million)

³⁰ This would be defined as additional enrolled students in existing training programs (compared to baseline) and total enrolment in newly established training programs.

Source of Funding	Fiscal Year						% of total Program
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	Total	
Government	6.4	6.4	6.4	6.4	6.4	32.0	12.8%
ESPJ PforR	27.0	23.0	20.0	20.0	30.0	120.0	48.0%
SDL	-	-	13.1	27.3	42.5	82.9	33.2%
GAP	-	-	5.02	5.02	5.02	15.1	6.0%
Total	33.4	29.4	44.6	58.7	83.9	250.0	100%
Share of Total NSDS (%)	13.4	11.8	17.8	23.5	33.6	100.0	

VII. Program Institutional and Implementation Arrangements

45. **Implementation of the ESPJ program will follow the arrangements laid out in the government’s National Skills Development Strategy (NSDS).** MoESTVT will be responsible for the overall oversight of the government’s Implementation Plan for the NSDS and will work in close collaboration with the Prime Minister’s Office, Labor and Employment (PMO-LE). A Program Unit within MoESTVT will be responsible for day-to-day supervision, overall program monitoring and evaluation, and reporting and provide support to program implementing entities as needed.

46. **Implementation will rely on existing institutional structures, monitoring templates and protocols to the extent possible, as well as several new structures being proposed in the NSDS.** These new structures are being established to address the current inherent systemic risks and weaknesses, notably lack of coordination on skills development policies and initiatives. The underlying objective is to expand on the existing institutional structures to address the skill requirements of the market.

47. **The NSDS includes the establishment of the National Skills Council (NSC) and supporting Secretariat.** Once established, the NSC will assume responsibility for the overall oversight of the National Skills Development Strategy and provide overall policy guidance to government on NSDS. The NSC will thus be the Program Steering Committee for the NSDS.

48. **The NSC will include representatives from employers³¹, government ministries and agencies, training providers, and labor and civil society representatives.** The government is committed to majority private sector representation on and chairing of the NSC. The National Skills Council is expected to report directly to the President’s Office. MoESTVT is responsible for leading the process for Cabinet endorsement to establish the NSC and its secretariat. The process to establish the NSC will be one of the initial deliverables of the PforR. The NSC is expected to be operational by December 2016. This council will be established by Cabinet approval and/or presidential decree.

³¹ Including the sector associations, such as TPSF and other.

49. **The National Skills Council will liaise closely with the Tanzania Private Sector Foundation (TPSF), which provides policy guidance on the overall business climate and is the umbrella association for the private sector.**

50. **Functions of the NSC will include, among others:** (i) monitoring and advising government leaders on NSDS implementation; (ii) providing leadership in cultivating effective working relationships among business, government, training institutions and other stakeholders at the strategy level; (iii) providing guiding principles and priorities for the SDF and Student Voucher Scheme and monitoring their implementation; (iv) issuing skills policy guidance to the MoESTVT and PMO-LE for adoption and implementation; (v) facilitating periodic revisions of frameworks of roles and responsibilities of the sector skills councils' and industry associations' as well as their productive engagement in the national skills system; and (vi) reviewing and updating the NSDS at regular intervals by translating national development plans into skills needs and linking of national plans to sector/sub-sector plans.

51. **The NSC will be supported by a lean but effective secretariat, which will support its operational functions.** The NSC Secretariat's responsibilities will include (i) monitoring of the NSDS implementation; including providing a progress report on NSDS implementation and preparation of an annual report on the state of skills in Tanzania to the president and the public; and (ii) managing the information system on current and projected future skills demand and supply to enable monitoring, forecasting, and informing the work of the NSC, the sector skills councils, MoESTVT, PMO-LE other ministries, regulators, and training providers.

52. **Until the NSC is operational, as an interim measure, its functions will rest with the MoESTVT in close collaboration with the TPSF.** The MoESTVT will carry out this responsibility in close collaboration with the existing agencies such as VETA, TEA, NACTE and employers. After the NSC is operational, the MoESTVT and other stakeholders will only retain their implementation responsibilities. MoESTVT will continue to remain the core implementing agency responsible for the implementation of the NSDS under the guidance of the NSC. The MoESTVT will appoint a high-level team to oversee and drive implementation.

53. **The SDF will be disbursed through the Tanzania Education Authority (TEA) to accredited institutions registered under TCU, NACTE, and VETA.** A small component of the funds will also be allocated to alternative methods of learning/training.³² The SDF will be managed on a performance contract basis by TEA, which has extensive experience and mandate to collect resources from a variety of sources including the private sector, and funds the development and expansion of educational institutions at all levels. The management of the SDF will require a full time team within TEA including a SDF Manager, as well as proposal evaluators, financial management, M&E specialist and other support staff. The TEA board will ensure that the SDF is well implemented and TEA will report at least every six months to the NSC on the SDF implementation progress and results achieved. TEA will ensure that it implements the SDF in alignment with the strategic priorities, funding criteria, and guidelines (which can change periodically) set by the NSC and outlined in the Operational Manual. This operational manual is already under development and a pilot to test the SDF model is planned

³² Refer Annexure 1 for detailed program implementation mechanism.

with PPA resources and lessons learned integrated into the final OM prior to effectiveness. SDF is expected to be operational by end of June 2017.

54. **The MoESTVT will take the lead in designing and helping to establish and operationalize the Trainee Voucher Scheme (TVS) to address the financial constraints faced by eligible low income students enrolling in alternative and vocational training.** It will exclude students who are eligible for higher education loans scheme. At present, the Higher Education Students Loans Board (HESLB) is being considered to be the implementing agency of the TVS. The appointment of the HESLB is subject to the concurrence of the MoESTVT.³³ Thus, tasks necessary to set up the Trainee Voucher Scheme include identifying and appropriate administrative body, setting voucher scheme governance arrangements, agreeing on the funding source and amounts, setting disbursement guidelines (including for targeting priority groups) and hiring necessary staff. An Operational Manual will be prepared in close consultation with the MoESTVT. The TVS which is expected to be operational by December 2017. The implementing agency of the scheme will report periodically to the NSC on implementation and outcomes, once established.

VIII. Contact point

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³³ Hon. Minister, MoESTVT has recently launched an anti-corruption drive of the HESLB, prompting the expulsion of senior officials. The Minister has also directed the Chief Government Internal Auditor to verify all reports and documents of HESLB.

IX. For more information contact:

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