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IDA/R2015-0054/1

March 23, 2015

Closing Date: Thursday, April 9, 2015 at 6 p.m.

FROM: The Corporate Secretary

Uganda - Skills Development Project

Project Appraisal Document

Attached is the Program Appraisal Document regarding a proposed credit to Uganda for a Skills Development Project (IDA/R2015-0054), which is being processed on an absence-of-objection basis.

Distribution:
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
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The World Bank

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Report No: PAD1111

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR71.1 MILLION
(US$ 100 MILLION EQUIVALENT)

TO THE

REPUBLIC OF UGANDA

FOR A

SKILLS DEVELOPMENT PROJECT

MARCH 19, 2015

Education Global Practice
Eastern Africa Region Country Cluster 1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2015)

Currency Unit = Uganda Shillings (UGX)

UGX3000 = US$1
US$1.40739 = SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ARSDP	Albertine Region Sustainable Development Project
BTC	Belgian Technical Cooperation
BTVET	Business, Technical and Vocational Education Training
CEDP	Competitiveness and Enterprise Development Project
CEM	Country Economic Memorandum
COEs	Centers of Excellence
EAC	East African Community
ELA	Empowerment and Livelihood for Adolescents
EMIS	Education Management Information System
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plans
DIT	Directorate of Industrial Training
DPC	Deputy Project Coordinator
DPP	Directorate of Public Prosecutions
GDP	Gross Domestic Product
GoU	Government of Uganda
GPE	Global Partnership for Education
HAPEB	Health and Allied Professions Examination Board
IPF	Investment Project Financing
ICA	Investment Climate Assessment
IDA	International Development Association
IDP	Institutional Development Plan
IG	Inspectorate of Government
IMF	International Monetary Fund
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MIS	Management Information System
MOES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
M&E	Monitoring and Evaluation
NCB	National Competitive Bidding

NDP	National Development Plan
NGO	Non-Governmental Organization
PAD	Project Appraisal Document
PC	Project Coordinator
PCU	Project Coordination Unit
PDO	Project Development Objective
PSFU	Private Sector Foundation of Uganda
PPDA	Procurement and Disposal and Public Assets Authority
RAPS	Resettlement Action Plans
RIS	Return to Industry Scheme
RTF	Reform Task Force
RPF	Resettlement Policy Framework
SACMEQ	Southern and Eastern Africa Consortium for Monitoring Educational Quality
SDA	Skills Development Authority
SDF	Skills Development Fund
SSC	Sector Skills Council
SMC	School Management Committee
TFR	Total Fertility Rate
ToR	Terms of Reference
TVET	Technical and Vocational Educational Training
UGAPRIVI	Uganda Association of Private Vocational Institutes
UBOS	Uganda Bureau of Statistics
UBTEB	Uganda Business and Technical Examinations Board
UNMEB	Uganda Nurses and Midwives Examinations Board
UNPS	Uganda National Panel Survey
UPPET	Uganda Post Primary Education Training Project
USDP	Uganda Skills Development Project
UTC	Uganda Technical College
UTSEP	Uganda Teacher and School Effectiveness Project
UVQF	Uganda Vocational Qualifications Framework
VI	Vocational Institutes

Regional Vice President:	Makhtar Diop
Country Director:	Philippe Dongier
Senior Global Practice Director:	Claudia Maria Costin
Practice Manager:	Sajitha Bashir
Task Team Leader:	Elizabeth Ninan Dulvy

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Skills Development Project (P145309)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009057

Report No.: PAD1111

Basic Information			
Project ID P145309	EA Category B - Partial Assessment	Team Leader(s) Elizabeth Ninan Dulvy	
Lending Instrument Specific Investment Loan	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Apr-2015	Project Implementation End Date 31-Aug-2020		
Expected Effectiveness Date 07-Aug-2015	Expected Closing Date 31-Aug-2020		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Sajitha Bashir	Claudia Maria Costin	Philippe Dongier	Makhtar Diop

Borrower: REPUBLIC OF UGANDA			
Responsible Agency: Ministry of Education and Sports			
Contact:	Rose Nassali Lukwago	Title:	Permanent Secretary
Telephone No.:	256-41-425-7038	Email:	nassalilukwago@education.go.ug/permasec@education.go.ug
Responsible Agency: Ministry for Agriculture, Animal Husbandry and Fisheries			
Contact:	Vincent Rubarema	Title:	Permanent Secretary
Telephone No.:	256414320004	Email:	psmaaif@infocom.co.ug

Project Financing Data(in USD Million)					
[ ]	Loan	[ ]	IDA Grant	[ ]	Guarantee

[X] Credit	[ ] Grant	[ ] Other

Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		

Financing Source	**Amount**
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	100.00
Total	100.00

Expected Disbursements (in USD Million)

Fiscal Year	2016	2017	2018	2019	2020	2021	0000	0000	0000	0000
Annual	15.00	20.00	25.00	25.00	15.00	0.00	0.00	0.00	0.00	0.00
Cumulative	15.00	35.00	60.00	85.00	100.00	100.00	0.00	0.00	0.00	0.00

Institutional Data

Practice Area (Lead)

Education

Contributing Practice Areas

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[X] Jobs

[X] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Vocational training	100		
Total		100		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%

Human development	Education for the knowledge economy	100
Total		100

Proposed Development Objective(s)

The project development objective is to enhance the capacity of institutions to deliver high quality, demand-driven training programs in target sectors.

Components

Component Name	Cost (USD Millions)
Component 1: Institutionalizing systemic reforms in skills development	5.00
Component 2: Improving Quality and Relevance of Skills Development	62.20
Component 3: Employer-led short-term training and recognition of prior learning	18.00
Component 4: Project Management, Monitoring and Evaluation	11.80
Unallocated	3.00

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	
OVERALL	Substantial

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [X]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]

Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No [ ]

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

Legal Covenants

Name	Recurrent	Due Date	Frequency
Schedule 2, Section V. Other Undertaking		06-Nov-2015	

Description of Covenant

The Recipient shall, not later than three (3) months after the Effective Date, adopt regulations for operationalizing the BTVET Strategic Plan.

Conditions

Source Of Fund	Name	Type
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity ("PIE"), in accordance with the provisions of Section I.B of Schedule 2 to this Agreement;

Source Of Fund	Name	Type
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(b) the Recipient, through the PIE, has established and put into operation a functional Project Coordination Unit ("PIE PCU"), in accordance with the provisions of Section I.A of the Schedule to the Project Agreement;

Source Of Fund	Name	Type
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(c) the Recipient, through the Ministry of Education and Sports ("MoES"), has established and put into

operation a functional Project Coordination Unit ("MoES PCU"), in accordance with the provisions of Section I.A.1 (b) of Schedule 2 to this Agreement;

Source Of Fund	**Name**	**Type**
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(d) the Recipient has established and put into operation a functional BTVET Reform Task Force, in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement;

Source Of Fund	**Name**	**Type**
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(e) the Recipient has prepared and adopted the Operations Manual, in accordance with the provisions of Section I.C.1 of Schedule 2 to this Agreement; and

Source Of Fund	**Name**	**Type**
IDA	Article V - Effectiveness, Termination, 5.01	Effectiveness

Description of Condition

(f) the Recipient has prepared and adopted an Annual Work Plan and Budget, in accordance with the provisions of Section I.C.2 of Schedule 2 to this Agreement.

Source Of Fund	**Name**	**Type**
IDA	Schedule 2, Section IV, B. Withdrawal of the Proceeds of Financing	Disbursement

Description of Condition

1 (b) Notwithstanding the provisions of Part A of the Financing Agreement, no withdrawal shall be made under Category (2), until the Recipient has received and submitted, in form and substance satisfactory to the Association, audited financial statements for Fiscal Year 2013/2014 from Uganda Technical Colleges (Lira, Bushenyi, Bukalasa, Elgon.)

Source Of Fund	**Name**	**Type**
IDA	Schedule 2, Section IV, B. Withdrawal of the Proceeds of Financing	Disbursement

Description of Condition

1 (c) Notwithstanding the provisions of Part A of the Financing Agreement, no withdrawal shall be made under Category (4), in respect of a Matching Grant to any Beneficiary in each Fiscal Year, until the Beneficiary has complied with all the relevant criteria set forth in the Matching Grants Manual and concluded a Sub-financing Agreement for the Project period.

Team Composition

Bank Staff

Name	**Role**	**Title**	**Unit**
Elizabeth Ninan Dulvy	Team Leader (ADM Responsible)	Senior Education Specialist	GEDDR
Howard Bariira Centenary	Procurement Specialist	Senior Procurement Specialist	GGODR

Paul Kato Kamuchwezi	Financial Management Specialist	Financial Management Specialist	GGODR
Barbara Kasura Magezi Ndamira	Team Member	Senior Public Sector Specialist	GGODR
Bee P. Pang	Team Member	Senior Program Assistant	GEDDR
Charles John Maguire	Team Member	Consultant	GEDDR
Christiaan Johannes Nieuwoudt	Team Member	Finance Officer	WFALA
Christine Makori	Counsel	Senior Counsel	LEGAM
Constance Nekessa-Ouma	Safeguards Specialist	Social Development Specialist	GSURR
Harriet E. N. Kiwanuka	Team Member	Program Assistant	AFMUG
Herbert Oule	Safeguards Specialist	Environmental Specialist	GENDR
Innocent Mulindwa	Team Member	Senior Education Specialist	GEDDR
Jorgen Billetoft	Team Member	Consultant	GEDDR
Juan Prawda	Team Member	Consultant	GEDDR
Moses K. Kibirige	Team Member	Senior Private Sector Development Specialist	GTCDR
Nalin Jena	Team Member	Senior Education Specialist	GEDDR
Qi Shen Young	Team Member	Consultant	GEDDR
Quentin T. Wodon	Team Member	Lead Economist	GEDDR
Rachel K. Sebudde	Team Member	Senior Economist	GMFDR
Reehana Rifat Raza	Team Member	Senior Economist	GEDDR
Sriram Bhagut Mathe	Team Member	Consultant	GEDDR

Extended Team

Name	**Title**	**Office Phone**	**Location**
Richard Johanson	Technical Expert		

Locations

Country	**First Administrative Division**	**Location**	**Planned**	**Actual**	**Comments**

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required? Consultants will be required

I. STRATEGIC CONTEXT

COUNTRY CONTEXT

1. **Since the early 1990s, Uganda has embarked on a series of structural reform policies and investments designed to free up markets, stimulate private investment, and encourage competition.** The rate of economic expansion, which averaged around 7.6 percent a year between 2006-10 fell to 5.5 percent from 2011-14. This slump in growth and the increased macroeconomic instability which saw inflation average 23.5 percent in 2012 were largely a result of the global economic turbulence, higher food and oil prices, together with slippages in fiscal and monetary policy (World Bank, 2013). Nonetheless, the expectation, in the medium-term scenario, is that the rate of growth will exceed the historical rate of 7 percent driven predominantly by oil production[1], along with productivity gains in agriculture and increased trade with the East African Community (EAC) through greater integration and harmonization (IMF 2013, The World Bank 2013).

2. **There has been some sectoral shift over the past two decades where the service sector dominates in terms of value-addition and where agriculture's contribution has been declining.** According to recently rebased GDP numbers[2], the service sector contributes the most value-addition and where agriculture's contribution has been declining. Between 1990 and 2014, agriculture's contribution to GDP fell from 55 percent to 25 percent. The contribution of services increased from 31 percent to 46 percent, with telecommunication, wholesale and retail trade, contributing the most. The industrial sector has also been growing with a boom in construction, and manufacturing playing a smaller role. Industrial sector growth has been helped with better availability of electricity at lower prices as well as public investment in infrastructure which is expected to continue. A key factor in future industrial sector growth will be the indirect economic expansion that will follow the development of oil reserves in Uganda. Agriculture also remains important, not least because it accounts for almost three-quarters of the labor force, but because of its potential for quick gains through enhancing productivity. The Uganda Bureau of Statistics (UBOS) 2010 Census of Business Establishment reports that agribusiness was the fastest growing business sector in the past decade.

3. **Uganda is faced with significant challenges to sustain fast growth such as infrastructure, mainly electricity and transport, low productivity of its labor force, access to finance, high tax rates and corruption.** According to the Investment Climate Assessment (ICA) report 2008, Ugandan firms compared poorly with firms in other developing countries with respect to unit labor costs, due to low productivity, making it difficult for firms to compete on international markets. The focus should be on increasing productivity to make unit labor costs more competitive without having to reduce wages. Improving labor productivity encompasses a multitude of factors including improving worker education and skills, advances in technology, as well as access to capital and physical infrastructure.

4. **With the possibility of enhanced oil production in the country, economic diversification is a priority for the country.** Uganda's economic base remains narrow with export-focused industries in primary, agriculture goods that are vulnerable to price shocks. The composition of

[1] Uganda's has proven oil reserves of 800 million barrels and estimates are that daily oil production could reach 150,000-200,000 barrels per day over a 25 year period with a potential to double the Government's revenue within ten years.
[2] Uganda changed the basis for calculating its GDP by changing the GDP base period from 2002 to FY 2009/10 and adjusting the structure of GDP to reflect new activities that in the past have not been fully captured.

Uganda's exports has not changed significantly in the last 40 years with coffee and manufactured tea remaining as the main exports. Uganda's exports are also lacking in sophistication. Textiles and metal products constitute the other two main secondary export sectors, and correspond to the early stages of industrial development in Uganda. By improving on technology and labor skills, there is significant potential to broaden the country's economic base to include agro-processing activities and construction materials clusters[3].

5. **Uganda's labor force consists of 15 million individuals with agriculture accounting for 73 percent of the labor force employed in 2010.** About 95 percent of the 11 million people working in agriculture are informal workers. Within the services sector, 80 percent of the jobs were in the non-wage/informal sector jobs, mainly in low-productivity retail trade. Other sectors that employ relatively large numbers include the manufacturing sector (500,000 people) with about 60 percent of these in non-wage manufacturing. Construction accounts for 1.6 percent of the workforce (about 250,000 people); however, over 90 percent of workers are in wage employment sector. The challenge facing Uganda is to increase the number of jobs in the more productive sectors, shifting people out of agriculture into services and industry, while at the same time putting in place interventions which will enhance productivity in agriculture.

6. **The overwhelming majority of Ugandans - about 84 percent - in the labor force in 2009/10 were either working in family farms or informal enterprises[4], or what may be collectively described as the informal sector.** Between 1992/93 and 2009/10, more than 1.5 million net non-wage jobs were created in the non-agricultural sector, while over the same period 1.2 million net non-agricultural wage jobs were created (World Bank, 2012). The growth of these small, informal enterprises played a critical role in the transformation of employment towards more non-agriculture jobs, in addition to the creation of private non-farm wage and salary jobs. Wholesale and retail is the predominant activity among informal enterprises, followed by manufacturing. A large number of Ugandans employed in these enterprises work as metal welders, crafts makers, brick makers, tailoring, fish mongers, butchers, food and beverage vendors, street vendors, boda (motorcycle taxi) riders and carpenters. The majority of those in manufacturing non-farm informal enterprises were women (53 percent) reflecting the high number of women involved in the production of food and beverages. Even in the non-agriculture wage sector, there has been a rapid expansion in the number of jobs in small firms and by 2010/11, 60 percent of formal jobs in Uganda were in micro enterprises (firms employing less than 5 workers), 18 percent in small firms (employing between 5 and 20 workers) and on 12 percent in large firms.

7. **Uganda has one of the youngest and most rapidly growing populations in the world and preparing them for productive jobs is a social and political priority.** About half (53 percent) of Uganda's population is younger than 15, well above Sub-Saharan Africa's average of 43.2 percent and a world average of 26.8 percent. With an estimated 4 percent workforce growth rate per annum, 500,000 people are expected to enter the labor market annually. The total fertility rate (TFR) is estimated at 6.1 children per woman according to 2014 Census, and hence the youth cohorts entering the labor force will continue to grow over the next few decades.

[3] Country Economic Memorandum, World Bank, forthcoming
[4] Informal enterprises refer to very small enterprises, most of which are solely operated by their owner.

8. **Uganda's challenge is to design and implement strategies that can provide cost-effective and market-relevant training to a large number of new entrants to the labor force, with varied educational and non-cognitive skills, as well as the existing labor force working in informal and formal sectors.** Over 50 percent of Ugandans of working age have either no education or have not completed primary education in 2010. Despite increases in enrolment in primary and lower secondary education, a large number of individuals leave school too early and enter the labor market without foundational skills of basic literacy and numeracy and generic skills essential for life and work. Furthermore, there are concerns on the quality of foundational skills gained in Uganda, with the country performing poorly and worse than neighboring Tanzania and Kenya on regional assessments such as the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ). Aside from foundational skills, the labor-force requires other productivity-enhancing skills such as higher order cognitive skills (such as problem solving and critical analysis); behavioral and socio-emotional skills or soft skills (social skills, self-regulation, and self-confidence); technical or vocational skills (specific to each occupation) and business skills (entrepreneurship, managerial skills and financial literacy)[5].

9. **Given these enormous challenges and the weakness of the Business, Technical and Vocational Educational Training (BTVET) system, a sector-specific approach to developing skills across a continuum from the informal sector to medium and large formal sector enterprises and targeting both new entrants to the labor force and existing employees, is appropriate.** Such an approach will allow the government to test out strategies and interventions to reform the public institutions and courses targeting particular sectors, involve the private sector in training and delivery and set up the system level mechanisms for responding to labor market needs and ensuring quality. The approach, if successful, could be scaled up in the future to meet the demands of the growing economy through the provision of an adequately skilled and adaptable workforce.

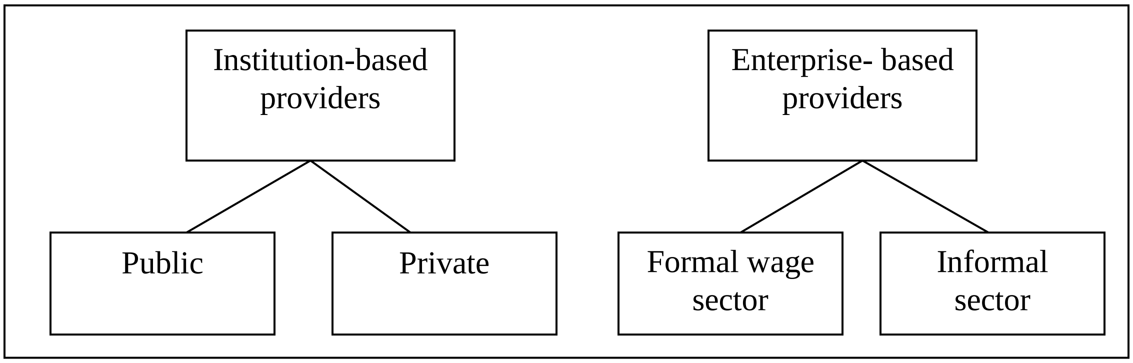
10. **The Government of Uganda has identified significant opportunities for growth in certain sectors of the economy (oil and gas, construction, hotels/tourism, manufacturing, and agro-processing), which will help the country to achieve middle income status by 2020.** During discussions with the Government of Uganda for this project, the target sectors were determined by the following criteria: (i) sectors that employ large numbers of the population; (ii) sectors with potential for value addition and improved productivity; (iii) sectors where foreign direct investment is increasing and/or where significant public finances have been directed. These sectors were determined to be agriculture with a focus on agro-processing, manufacturing and construction. Sectors such as oil and gas are dealt with in another IDA-financed operation (Albertine Region Sustainable Development Project) and under services, the big driver for employment is retail trade. Tourism also employs a relatively large number of the workforce but this sector is being addressed under the IDA-financed Competitiveness & Enterprise Development Project (CEDP II).

[5] World Bank, Youth Employment in Sub-Saharan Africa, 2014.

B. SECTORAL AND INSTITUTIONAL CONTEXT

11. **Training provision can be broadly grouped into two categories: (i) institution based training provision; and (ii) enterprise-based training provision** (see Figure 1).

Figure 1: Training provision by location and ownership



Source: Johansson and Van Adams, 2004

12. **Institution-based training in Uganda is within the Business, Technical, and Vocational Education Training (BTVET) subsector with about 131 public training providers and about 670 registered private training providers.** Public training providers play an important role to responding to the demand of more costly skills, particularly at the college level (targeted towards technician level skills), though it falls short on the quality of training and a lack of connection with market needs. Public BTVET currently caters to only a small proportion of labor market entrants and there are concerns with gender and socio-economic equity in access. Compared to approximately 500,000 new labor market entrants per year, public BTVET institutions enrolled only 34,000 students in 2009.

13. **Although small in size, public BTVET is fragmented across several ministries.** There is significant under-investment in the sub-sector; public expenditure per student in BTVET is lowest among all education sub-sectors, and continues to fall despite being a technically oriented sector that is more expensive than general education in most countries. Management and regulation in BTVET is highly fragmented, involving too many regulatory bodies with partly overlapping responsibilities. There is no overall coordination mechanism to ensure that all players are working towards the same set of goals and priorities. Furthermore, employers and business sector representatives who know best what skills the market requires are neither appropriately involved in planning, implementing, and monitoring BTVET development, nor made part of decision-making structures at national and institutional levels.

14. **Private provision of technical and vocational skills in Uganda is increasing and there is movement towards more public-private partnerships in the provision of skills.** Private providers include nongovernmental organizations (NGOs), faith-based providers and for-profit providers and there is large variance in the type and quality of training offered. Most private training providers in Uganda focus on a narrow range of skills that are relatively inexpensive to develop. Only a fraction of private training providers are actually registered with the

MoES/BTVET department. Registration is centralized in Kampala and is a costly exercise. Registration requirements in Uganda are modelled after general education institutions and do not reflect a modern competency-based training culture. It emphasizes input factors such as land, facilities and academic qualifications of instruction personnel, which can be challenging for smaller providers.

15. **Across public and private institutions there are concerns with access, equity, quality and relevance of programs.** Most institutions face key issues that need to be urgently addressed including: : (i) outdated curricula organized by semesters or quarters (not by modules of different time duration), lack of attention to soft skills like Occupational Health & Safety and more emphasis on theory than on practice; (ii) inefficient utilization of capacity; (iii) untrained teachers without industry-based in-service training using chalk and talk as a preferred method of instruction in the absence of well-equipped workshops and modern training methods; (iv) no effective student tracking system from graduation to placement and thereafter; (v) weak or non-existing linkages with the employment sector; (vi) poor infrastructure and ill-equipped workshops with obsolete and non-functioning equipment as well as inadequate training materials; and (vii) inadequate and inconsistent funding which is subject to erratic release.

16. **Enterprise-based training is an important component in the supply of skills**. In the formal wage sector, many firms in Uganda provide training for its workers including: (i) initial training; and (ii) upgrading training. Most medium and large size companies (above 20 employees) interviewed during preparation of this project, provide artisan and craftsmen level workers through initial training with the duration, rigor and formality dependent largely on the nature of the task to be learned and the size of the enterprise. Several companies also invest in continuous training of experienced employees to maintain and improve skills or to impart new skills. Formal apprenticeship training is not prevalent in Uganda. Within small and micro enterprises in the formal sector, there appears to be general resistance to training by employers due to the cost and mobility of trained workers.

17. **Within the informal sector, few operators see the need for, or value of, skills development for themselves or their workers.** A 2009 study of informal sector workers in Uganda found that the main challenges faced by operators are related to inadequate capital and lack of a proper worksite (lack of suitable workplace, storage, and challenges with electricity and transport). However if the informal sector is to continue to absorb more people and supply a reasonable return on labor, it is crucial to increase the skills of its workers. Traditional apprenticeship training is the most important source of technical and business skills for workers in the informal sector. Training primarily consists of observing and imitating a master craftsmen and instead of competency-based, it is product specific. While the model is cost-effective, it perpetuates traditional technologies and lacks standards and quality assurance. Support for training of master craftsmen and apprentices can improve standards and raise awareness of new technologies.

Government's strategy

18. **The Skilling Uganda strategy aims to transform the BTVET system from an educational sub-sector into a comprehensive system of skills development for employment, enhanced productivity and growth.** It emphasizes on a paradigm shift for skills development, which essentially aims at realigning the policy and institutional framework as well as investment in skills development to transform the current supply-driven system to a robust, sustainable and

dynamic skills development system that would respond to the skills needs of the growing Ugandan economy. The strategy has five specific objectives: (i) improving the relevance of skills provision to improve productivity and enhance growth; (ii) improving the quality of skills imparted; (iii) increasing access to and equity within the BTVET sector; (iv) improving organizational and management effectiveness; and (v) improving financing and internal efficiency. The MoES has the main responsibility for implementing and monitoring of the strategy but other ministries and private sector stakeholders are also involved and assume responsibilities.

19. **Implementation of the strategy requires some critical reforms as well as a major investment program.** These reforms include ensuring that the BTVET system is oriented towards labor market needs in order to increase productivity and economic growth; giving BTVET institutions greater autonomy to take actions on their own, reinforced with greater accountability from the institutions; and pulling together different management and regulation functions for skills development into an integrated organization, the Skills Development Authority (SDA). The main reason to establish an independent training authority is to involve stakeholders, especially employers, in directing and evaluating the training system. This cannot be done easily while TVET is the sole responsibility of government. A single training authority can consolidate fragmented units and achieve economies of scale in performing the various functions. It can combine relevant government agencies into one body at the central level for more coherent policymaking and allocation of public funds. In addition, it could better address cross-sectoral issues and requirements. Another reason for a consolidated training agency would be to broaden the scope of attention to all forms of skills development and all types of providers, i.e. not just pre-employment training in public institutions, but enterprise-based training in the formal wage sector and in the informal sector.

20. **The strategy also calls for the creation of a National Training Fund (the Skills Development Fund-SDF) to be administered by the SDA.** Such a fund would: (a) pool various sources of funding for training, (b) augment the volume of funding for training, and (c) allocate the funds in accordance with priorities. The need for the introduction of the SDF has been included in the BTVET Act of 2008.

21. **A Reform Task Force (RTF), with over half of the members represented by the private sector, was established as an interim management unit for four years**. The RTF will coordinate the implementation of the plan until a permanent body, the SDA, and its governing structure is established. The RTF will report to the Office of the Prime Minister with technical guidance from the MoES. Other reforms within the Skilling Uganda strategy have by and large been stalled due to a lack of funding.

22. **While the Skilling Uganda strategy is designed to address the challenges facing the BTVET sector, there is no national workforce strategy or plan that forecasts the requirements and needs for the future workforce or proposes measures or actions to address the skills gaps.** Turning Uganda's demographic challenge into an opportunity by equipping the large workforce with relevant skills not only to access jobs, but enter gainful self-employment, has to be the focus of operationalizing the Government's sector strategy on skills development. Through the Project and other initiatives financed by the Government, private sector and development partners, there will be significant learning regarding the types of interventions that yield the greatest impact, the

costs associated with such interventions, and most importantly, how these interventions can be scaled up to effectively to meet the needs of the economy through the provision of an adequately skilled and adaptable workforce. In addition, there will be several sector skills needs assessments conducted under the aegis of the respective Sector Skills Councils (SSCs) under the Reform Task Force that will quantify and qualify the gaps in skills over the next ten years in priority sectors. This information will inform the development of a National Workforce Development Strategy and Plan, to be led by the National Planning Authority, to scale up implementation of skills development programs nationally following the project.

C. HIGHER LEVEL OBJECTIVES TO WHICH THE PROJECT CONTRIBUTES

23. **The Project intends to support the implementation of the Skilling Uganda strategy.** The scope of the proposed reforms within Skilling Uganda strategy is wide with an approximate price tag of US$870 million over 10 years. Given the resource as well as capacity constraints in carrying out a comprehensive reform and investment program, this Project will focus on supporting the design of an initial set of reforms that will set the foundation for transforming skills development in the country, and targeting the investment program on meeting the skills needs of a few priority sectors.

24. **The purpose of this project is three-fold.** First, it will support systemic reforms targeted at making the skills development system in the country more efficient and effective. The project's focus is on improving quality and relevance of skills training in specific training institutions, but it will also lay the foundations for scaling up interventions across the spectrum of institutions that provide training for the target sectors. Second, the project will create a scalable model for high quality and market - relevant vocational and technical training which can be replicated across different sectors. The model comprises of establishing Centers of Excellence (CoE) with a network of vocational institutions (with well-prepared students; well-trained faculty; high quality, relevant curricula; adequate facilities and equipment; teaching resources and assessment systems), an institutional framework that encompasses sectoral skills councils that assess needs and develop occupational standards with employer representation at every level (national, sectoral and institutional), reliable information systems and a re-branding of the image of BTVET vis a vis students and employers. Third, the project will support the delivery of short-term training for workers in the formal and informal sectors to address acute skills shortages that will strengthen the competitiveness of the private sector, and which can also be scaled up.

25. **The project is also in line with Uganda's Vision 2040, and, more specifically, with the forthcoming Second National Development Plan (NDP II) 2015/16- 2019/2.** The theme of the NDP II is "Strengthening Uganda's Competitiveness for Sustainable Wealth Creation, Employment and Inclusive Growth". The Plan prioritizes growth opportunities through value chain analyses in agriculture, tourism and minerals, oil and gas and the strengthening of fundamentals in infrastructure and human capital development. The main goal of NDP II is to increase Uganda's competitiveness for sustainable wealth creation, employment, and inclusive growth, which will enable the country to achieve middle income status by 2020. The Project will address the twin goals of the World Bank of reducing extreme poverty and promoting shared prosperity. Firstly, through the short-term training courses offered by the Colleges and Vocational Training Institutes, the project targets young Ugandans who have dropped out of the school system, including those with no formal educational qualifications. Most of these will tend to be from poor households.

Secondly, there will be specific focus on upgrading the skills of the people within the informal sector, presumably most of whom are from the lower economic strata. The project also contributes to shared prosperity by improving the competitiveness of Ugandan small and medium enterprises in the target sectors and enabling access to better quality jobs for young people who can complete higher level technical training.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

26. **The project development objective is to enhance the capacity of institutions to deliver high quality, demand-driven training programs in target sectors.**

Project Beneficiaries

27. **The beneficiaries of Project will be both new entrants into the labor market and those who are already employed/self-employed.** Training will be focused at the artisan, craftsmen and technician levels and will be delivered through competency-based training programs with recognition of prior learning. The beneficiaries will be those who are working or will work in the target sectors, which are expected to be construction, manufacturing and agriculture.

28. **The colleges selected to become Centers of Excellence (CoEs) have been chosen to ensure that each geographic region (North, South-West, Central and East) has a CoE that is economically relevant to the country.** Even though there is a CoE in each region, students are recruited from across the country for the CoEs. Each CoE will be informally connected to a number of vocational training institutions, both public and private, that are dispersed so that externalities from the CoE are felt across the country. For the vocational training institutes, it is expected that most of the trainees will be selected from the surrounding area.

29. **Individual beneficiaries will equal approximately 45,000 trainees across the targeted institutions during the life of the project who will gain from a more market relevant menu of programs.** This includes approximately 20,000 students at the CoEs and vocational institutions and 25,000 within enterprises. CoEs will have their capacity enhanced through a new and revised curriculum that matches priority occupations in key sectors, informed by the new Skills Development Authority (SDA) and sector skills councils (SSCs), upgraded and new laboratories and workshops, and better trained faculty linked to relevant industries and with industry level experience.

30. **In the short and medium-term, the project will benefit employers and employees of target sectors who will gain additional skills that improve competitiveness of respective firms**. In the medium to long-term, it will benefit a larger pool of entrants to the labor market with demand-driven, competency based training programs. The Government of Uganda will benefit from a more efficient and streamlined system to manage skills development in the country.

PDO Level Results Indicators

31. **The key performance indicators related to this Project development objective are**: (i) the development of National Occupational Standards for relevant trades/occupations in the target

sectors; (ii) increase in the number of new intakes in the targeted training programs; (iii) proportion of female intakes in targeted programs; (iv) increase in proportion of student cohort that completes target training courses (short courses, certificate, diploma); (v) improved participation of employers in skills training programs; and (vi) satisfaction with skills by trainees in supported firms disaggregated by economic sectors and size.

III. PROJECT DESCRIPTION

32. **This project is designed to support key reforms of the Skilling Uganda strategy with the aim to lay the foundations for scaling up for greater reach and impact.** First, it will seek to strengthen the overall system of skills by streamlining and aligning functions of various players in the sector to ensure more efficient and effective use of resources. Second, the project will lay the foundations for imparting demand-responsive skills to primarily new entrants to the labor market by developing high quality Centers of Excellence (CoE) in priority sectors. Since it will take a few years for this component to deliver results in terms of quality and relevant skills training in formal BTVET institutions, the third component will support the delivery of relevant skills through enterprise based training in the short-term with the ultimate goal of improving productivity and competitiveness in the formal and informal sectors. The target sectors for the project are expected to be construction, manufacturing and agriculture.

A. PROJECT COMPONENTS

Component 1: Institutionalizing systemic reforms in skills development [Total IDA: US$5 million]

33. As the Strategic Plan rightly points out systemic reform in the sector is critical to realigning the delivery system without which investment in strengthening training institutions will eventually result in further reinforcing the existing supply driven system. While the establishment of the Skills Development Authority (SDA) and Skills Development Fund (SDF) were approved by the GoU's Cabinet in 2012 under the Skilling Uganda Strategy, this is a longer term process that the RTF is mandated to complete. However, the need for skilled and certified Ugandans is immediate with the ongoing developments in the country. This component seeks to support the RTF to oversee the implementation of critical reforms necessary for the effective functioning of the skills development system as well as supporting the establishment of the SDA in the medium term. Component 3 supports the piloting of a Skills Development Matching Grant that could potentially inform the eventual establishment of the SDF.

34. ***Sub-Component 1.1: Establishing Sector Skills Councils (SSCs) and developing the foundations of a Skills Development Authority (SDA):*** The project would support the establishment and initial operation of three sector skills councils in priority sectors, i.e. Agriculture, Construction and Manufacturing. The SSCs would operate formally under the aegis of the Skills Development Authority when established and prior to that, under the RTF. The SSCs are a vehicle for the government to develop high quality skills standards with employers to improve worker productivity and enhance competitiveness of industry in Uganda and in the region. The Council determines skills needs and skills standards for its respective sectors. SSCs would be comprised of a strong employer majority along with representatives of workers and government ministries. Membership is limited from between 7-15 members on each Council.

35. SSCs would carry out the following functions: (i) identifying and analyzing of skill requirements in the economic sector; (ii) development of industry skills strategies and training plans to achieve priority goals; (iii) establishing occupational and competency standards and qualifications as part of the Uganda Vocational Qualifications Framework (UVQF); (iv) evaluating performance in skills development; (v) putting in place regulation of public and private sector training providers; and (vi) promoting enterprise based training in the sector. The SSCs may also play a role in raising and guiding the allocation funds for skills development in its sector under the aegis of the SDA. The project would finance training of the SSC members, studies on training needs for the sectors, fora for exchange of experience and sharing of best practices and development of standards.

36. The RTF, and subsequently the SDA, are platforms created for effective collaboration between the public and private sectors on skills development. The project would support the development of the organizational plans, systems and operational procedures for the eventual establishment of the SDA. This would include technical assistance to develop, test and implement a management system, monitoring and evaluation system and financial management system for the SDA.

37. ***Sub-component 1.2: Alignment and strengthening of the assessment system:*** Standard-setting and assessment/certification is done by multiple institutions including the Directorate of Industrial Training (DIT), and more recently by the Uganda Business and Technical Examinations Board (UBTEB). Examination and certification functions for specialized training are conducted by special examination boards, such as Uganda Nurses and Midwives Examination Board (UNMEB) and the Health and Allied Professions Examination Board (HAPEB). At tertiary (diploma) level, selected universities such as the Makerere University and Kyambogo University function as certifying bodies for selected programs.

38. Across all these assessment systems there is insufficient participation of employers in defining the standards for assessment. Without an agreed set of standards with the industry, there is no formal or affordable mechanism to assess and certify people who are already in the labor market pool and may already have the competencies required by employers. Although the Directorate of Industrial Training (DIT) in the MoES has been tasked to develop a qualifications and assessment system, the Directorate is under-financed and has not been able to work effectively with employers across sectors to determine appropriate standards. Many private sector firms use their own assessment and certification processes, sometimes bringing in international certification agencies. A harmonized qualification and certification system would allow for recognition of prior learning and horizontal and vertical mobility of workers.

39. The project will finance technical assistance and operating costs to support the SSCs to determine the appropriate mechanism/institution(s) to support the implementation of competency-based assessment in line with occupational standards determined by the SSCs. It will also support existing institutions such as the DIT and UBTEB to coordinate with the private sector in order to align the standards for assessment and certification with the needs of the industry.

40. ***Sub-component 1.3: Establishing a Management Information System (MIS) for BTVET:*** Data for BTVET institutions are collected by multiple sources and are often neither complete nor accurate. Data are not regularly organized and computerized and therefore not incorporated into planning processes. Both the Education Management Information System (EMIS) unit under the Planning Department of the MoES and the BTVET unit under the MoES collect information and collate data on the BTVET sector though neither system provides comprehensive data on programs, completion, instructors, etc. Better and timely information is essential to implementation of the suggested reforms. Accountability requires good information on results (e.g. examination performance), normative financing (per student financing) requires valid information on trainees enrolled, and sub-sector planning and monitoring require reliable and timely data on the performance and capacities of training institutions. The project will finance technical assistance to support the RTF to develop an MIS for the BTVET sector with data from at least all public institutions compiled by the end of the project. While the system will be developed and housed at the RTF and transitioned to the SDA when operational. It will feed into the EMIS and BTVET units, BTVET institutions and the public at large.

41. ***Sub-component 1.4: Communication and marketing for the BTVET sub-sector:*** Vocational and technical training is not perceived as attractive in Uganda and is often considered as a last resort training option. Changing the image of the BTVET sub-sector will be no easy feat given the perpetual underfinancing of the sub-sector and the ingrained prejudice against vocational and technical training in country. This issue is not unique to Uganda and several countries have invested in marketing and rebranding the image of its TVET sub-sectors including Singapore and Malaysia.

42. The project will provide support to hire a consultancy firm with relevant experience to provide technical assistance to actively rebrand the sub-sector through enhanced media communication and direct engagement with key stakeholders. It will seek to: (i) raise awareness of skills training programs in target sectors, including the availability of the Skills Development Matching Grant facility described under component 3; (ii) generate awareness in the communities and in primary/secondary schools for enhancing enrollment by women in CoEs and network institutions; (iii) mobilize training institutions and other service providers for participating in the project activities; and (iv) disseminate information on the strategy, results and lesson learned.

43. Several types of communication materials and guidelines will be developed by the consultancy firm including brochures, posters, leaflets, radio and television spots, interactive website and other necessary dissemination materials. These materials will be further refined and updated during the implementation of the project based on the lessons learned.

44. The consultancy firm would support communication around improving the image of the BTVET sub-sector. It will also support dissemination workshops/seminars at regional and national level involving key stakeholders. These workshops/seminars will elaborately share the project objectives, target groups, institution selection criteria, student admission criteria, details related to the Skills Development Matching Grant, and procedures and opportunities and anticipated outcomes of the project. During the communication campaign, comments and suggestions from the stakeholders will be reviewed for further refining the materials. In addition, program dissemination and mobilization will be carried out through all available media, including print, broadcast, and

electronic media. The mobilization activities will be carried out by the target institutions, which would include student counseling for admission, institutional level potential parents/students seminars for selection of trade by the students, job placement, etc.

Component 2: Improving quality and relevance of skills development [Total IDA: US$62.2 million]

45. This component seeks to develop 4 colleges to eventually become Centers of Excellence (CoE) offering high quality competency-based training for artisans (low-level), craftsmen (medium-level) and technicians (higher-level) to equip them with skills demanded by selected trades/occupations in the manufacturing, construction, and agriculture sectors of the Ugandan economy. By the end of the project, it is expected that two colleges would have two cohorts of graduate students under the new curriculum, while two other colleges would start taking in students under an updated, demand-driven curriculum. In addition, at least 12 public vocational training institutes will be targeted to provide relevant and high quality training for artisans, and craftspersons in order to increase access to training by the general public.

46. The CoEs under the Uganda Skills Development Project (USDP) will finance chosen trades and develop competency-based training courses, perhaps no more than five per CoE, during the life of this project. These courses would be validated by the employers of the relevant sectors through the auspices of the corresponding Sector Skill Council (SSC). As mentioned in Component 1, the SSCs in the sectors to be addressed by component 2 are being established by the Reform Task Force and will be formally included as part of the Skills Development Authority (likely during the second semester of 2016).

47. ***Sub-component 2.1: Establishment of Centers of Excellence (CoEs) [Total IDA: US$42.1 million]:*** Under this sub-component, three Uganda Technical Colleges (UTC)- Lira UTC, Elgon UTC, Bushenyi UTC and the Bukalasa Agricultural College will be targeted to eventually become Centers of Excellence (COE) with the characteristics and functions illustrated in Annex 3. By the end of the project, it is expected that the foundations for becoming a CoE have been established though it will take several more years for the Colleges to actually function like a CoE. The targets set for the CoEs during the life of the project will be achieved through forging a partnership with an international recognized twinning partner institute to support the implementation of the following key activities: (i) Improve institutional governance; (ii) enhanced equity; (iii) Design and adaptation of demand driven competency-based curriculum and assessment system to international standards; (iv) Training for faculty and staff, and development of training and learning materials; (v) Establish and upgrade physical infrastructure, including civil works and establishment of modern workshops and classrooms with latest equipment and machinery and multi-media facilities; and (vi) Support to improve management and monitoring mechanisms within the CoEs. The functions of the twinning partner are detailed in Sub-component 2.3.

48. *Reforming institutional governance.* The CoEs cannot become effective and deliver the expected results unless they are sufficiently empowered and enabled. In order to empower the CoEs, it is important to devolve sufficient power and functions with a strong accountability mechanism. As per the Skilling Uganda strategy, representation of employers in the Governing

Council needs to be increased to 50 percent of the total members in the target institutions, which is a critical step towards making the system demand-driven. The project will support critical reforms in the system to ensure significant delegation of academic, managerial, administrative and financial autonomies to the Governing Councils of the institutions.

49. *Enhance gender equity*. Current enrollment of girls in Lira, Elgon and Bushenyi UTCs is as low as 10 percent and in Bukalasa Agricultural College it is about 20 percent. It is extremely important to increase girls' enrollment in accordance with the national mandate (of at least 30 percent) under the project. In order to improve girls' enrollment, several innovative steps such as: mobilization of parents and potential candidates to enter the target programs; making the institution gender friendly with access to clean water and gender sensitive sanitation; security and dormitory facilities for women; life skills education; and special counseling and placement support. There is evidence from Uganda to show that mentoring support to females engaged in non-traditional trades help them stay in the institution, complete the course and transit to work. Each CoE with the support from partner institutions will prepare a project-funded gender action plan alongside its Institutional Development Plan (IDP). The MoES will extend its existing financing schemes such as the student loan scheme to women to enable them to attend the target institutions.

50. *Design and adaptation of curriculum and assessment system to international standards*. The SDP under this sub-component will finance: (i) twinning arrangements between qualified internationally recognized training institutions and the target colleges, through which competency-based curriculum for craftsman, artisan and technician courses in construction, manufacturing and agriculture will be developed in consultation with industries in Uganda and in accordance with international curricula standards; (ii) development of related occupational health and safety and environment management curricula; (iii) adaptation of competency-based curriculum packages in specific trades/occupations to the requirements of the country as defined by the Sector Skills Councils of the Reform Task Force/Skills Development Authority; and (iv) the development of appropriate assessment systems which are administered by a third qualifying party and not the CoE itself.

51. *Training for faculty and staff, and development of training and learning materials*. The project will finance: (i) training of faculty and staff of the CoEs and Vocational Institutes (VIs) in industries and institutions both within the country and outside; and (ii) provision of technical assistance for the development and validation of teachers reference materials, and refresher training material to train teachers in the network of a given CoE. The project will also finance advancement of faculty qualifications to achieve higher degrees on a case by case basis to be determined by the Governing Councils. However, the focus will be on instructors gaining practical skills, hands-on experience through a Return to Industry Scheme (RIS), so as to update themselves on new technology and innovation in their respective field.

52. *Establish and upgrade physical infrastructure*. The project will finance necessary civil works - renovations and refurbishment of existing infrastructure and build new infrastructure, as necessary, for workshops, classrooms, libraries, administrative blocks, common facilities for students, faculty and staff; provision of water and sanitation in the institutions, augmented provision of electricity supply with power back-up system, as necessary; improvement of campus environment, sports facilities and low cost boundary walls. All civil works will be disabled-

friendly, earthquake resistant and complying with national and international standards. The project will also finance procurement of equipment and machinery in line with new/revised curricula for diploma, craftsman and artisan training programs and their maintenance, and tools, and training materials for students.

53. *Improving management and monitoring mechanisms within the CoEs*. The project will finance the improvement of the CoEs' monitoring systems in order to effectively track trainees once they have completed training. Tracking students after they have graduated is a crucial way to measure success of the Colleges' programs and signal to the market that the training provided is in fact, relevant and of good quality. This sub-component will also finance the continued professional development of the management and staff of the CoEs and network institutes. Each CoE will strengthen its fiduciary capacity to assist the Governing Council and the Principal in smooth implementation, monitoring and reporting of the project.

54. ***Sub-component 2.2: Support to public vocational training institutes [Total IDA: US$12.1 million]:*** This sub-component will support selected public vocational institutes (VIs) to strengthen their capacity to respond to the needs and opportunities of the labor market, including delivery of short-term training courses, and improve the quality of the training being offered. The training will primarily be in artisan and craftsman trades that are lower down the value chain whereas component 2.1 focuses on training for craftsman trades and technicians.

55. Up to 12 VIs will be selected in a competitive manner to benefit from the support. The selection will be done according to a set of eligibility and selection criteria. The selected VIs will be assisted to introduce new short and long competency based courses within one sector (occupational area), e.g. construction, manufacturing or agri-business. The support will include adaptation of curricula, training of trainers and assessors, basic civil works, selected trade- relevant equipment, machinery and tools, and training-learning resources both for students and instructors, and training consumables, development of students counselling, placement and tracing routines. The average budget for support to each VI is US$830,000.

56. Each VI supported under the project will function according to an agreed annual tailored-made, time-bound action plan and schedule setting the operational rules and financial and implementation arrangement for services to be provided. The VIs will need to be open to monitoring and evaluation and reporting requirements of the project as described in the Operations Manual. The selected VIs will be partnered with one of the CoEs supported under sub-component 2.1, according to the trade of specialization. The partner CoE, through its respective twinning partner, will assist with adaptation of curricula, training of trainers/instructors and assessors as well as guide on the equipment to be purchased.

57. Due to the synergy between sub-components 2.1 and 2.2, the activities of sub-component 2.2 will be sequenced to reflect the progress of the support to CoE. As a result, the first year of the implementation will focus on selection of the first batch (6-8) of VIs to be supported, identification of trade areas to be developed, strengthening the capacity of the management of the VIs, and contracting of the engineering consultant. Full-scale implementation will only start during the second year. This includes adaptation of curricula and learning material, training of trainers, civil works, purchase and installation of equipment. It is expected that the first batch of VIs will be able

offer the new, competency-based courses during the year 3 of the project. The second batch (4-6) of VIs will be selected during the second half of year 2 of the project.

58. The participating VIs will be selected by a committee to be set up by the Department of Planning, MoES. It is expected that the committee will have adequate private sector representation. Eligibility criteria for support will include: (i) the VI has been in existence for at least 3 years; (ii) the VI provides training in the target sectors; (iii) a sufficient number of teaching staff is available or will be made available; (iv) the VI is willing to establish links with the private sector within the trade to be developed; and (v) the gender balance of the new courses to be developed. The VIs will respond to calls for proposals to be issued by the MoES. Details on the selection and implementation of this component will be detailed in the Project Operations Manual.

59. The supported VIs will facilitate information-sharing and coordination of implementation in order to optimize the efficiency of the support. The MoES Project Coordination Unit (PCU) will facilitate creation of networks and the functioning of these. MoES is the executing agency for the sub-component.

60. ***Sub-component 2.3: Twinning Arrangement for establishment of centers of excellence and vocational training institutes [Total IDA: US$8 million]:*** Establishment and operationalization of CoEs with the characteristics and functions described in sub-component 2.1 and network arrangements will require intensive technical assistance both from within the country and outside. Technically qualified institutions will be selected through an international competitive process to act as twinning partners responsible for providing all necessary support to help selected Colleges grow into "Centers of Excellence". The partner institutions will also be responsible for providing support to the network institutions in order to improve quality of training. The partner institutions will prepare a time-bound detailed plan of action with clear deliverables. Once approved by the MoES and the IDA, the MoES will ensure that the partners do not face procedural bottlenecks in implementing the approved work plan.

61. Broadly, the partner institutions will be responsible for, but not limited to: (i) training and support for management reform; (ii) designing, with industry inputs, competency-based training curricula for craftsman , artisan and technician courses in the selected sectors; (iii) supporting the CoEs and network VIs adopting the new curricula; (iv) training the faculty and staff of the CoEs and network institutes on the new curricula; (v) helping the CoEs and network VIs design training workshops with equipment, machinery and tools with appropriate specifications in accordance with the curricula and the norms of national and international accreditation; (vi) advising the CoEs and VIs on training-learning materials for students and teachers; and (vii) assisting CoEs with employer engagement, student counseling, placement and tracing, student internship with industries. The partnership is expected to last for about 4 years for each CoE and twinning institution.

Component 3: Employer-led short-term training and recognition of prior learning [Total: IDA: US$18 million]

62. Enterprise-based training is an important component in the supply of skills. It is largely self-financing, self-regulating and cost-effective. The economic benefits of this type of training have proved to be substantial in terms of wage growth and value added per worker.

63. This component will be implemented through a Grant Facility mechanism that will be co-financed by the private sector through a matching grant contribution, and support training activities that lead to improved productivity and competitiveness in the formal and informal sectors. This will require strategic partnerships between firms, service providers and industry associations. The Skills Development Matching Grant will primarily finance, on a cost-sharing basis, the improvement of the quality and relevance of existing skills systems and, if relevant, the expansion of these. In addition, the Fund will give priority to innovative new approaches to skills development and employment creation, especially in micro and small enterprises. Piloting of private sector led mechanisms for recognition of prior learning will be supported under the Fund. Skills training initiatives to be supported will be selected through a competitive process based on the merit and labor market relevance of the initiative. The applicant will need to demonstrate relevance by conducting an estimate of the demand for training and the expected impact.

64. The Grant Facility as an instrument allows flexible and opportunistic targeting of high-impact areas, so as to optimize limited resources, get measurable results, and create a potential spill-over effect on other economic sectors. The focus will be on short-term, practical and technical training of employees (including business skills for the informal sector) ranging from a week to not more than six months. The Grant Facility will mainly finance costs associated with development and delivery of the supported training activities. Acquisition of equipment will only be financed in rare cases where this is vital for the implementation of the approved activities under windows 2 and 3. The Grant Facility reduces the risk of channeling funds into ideas that have low demand. Ideas are generated by beneficiaries, and funded on the basis of quality. A transparent review and allocation mechanism builds accountability in the use of funds.

65. The Grant Facility will have four 'windows': Window 1 will be addressing skills shortages in the formal sector. Funding will be provided to co-operation activities between, on the one side, medium and large enterprises from the formal sector and, on the other training providers. The enterprise is expected to be in the lead position to define the content and duration of the training. The trainees will be employees of the enterprise or, in rare cases, a group of sub-contractors supplying goods or services to the company/companies. For industries such as construction, where the mobility of workers is very high due to the extensive use of casual workers, the Grant Facility will consider funding a system based on vouchers. The vouchers will be issued to workers selected by an Association/cluster organization for purchase of short-term skill upgrading. Window 1 will also provide subsidies to private companies to increase the numbers of interns it takes on as well as apprenticeship training. For applicants proposing increases in interns/apprentices, preference will be given to applicants proposing to take on graduates from Component 2. Applications will have a ceiling of US$250,000 with a maximum grant element of 80 percent through the Fund. For larger companies, the grant element would be 50 percent.

66. Window 2 will assist self-employed and workers in the informal (jua khali) sector, micro and small enterprises, master crafts-people and members of cooperatives to improve their practical, technical, business and foundational skills in order to enhance their competitiveness. Due to the fragmented nature of these activities, it is expected that intermediary institutions such as trade associations of informal sector enterprises, cluster associations, registered co-operatives and NGOs will be in the lead position to define the content and duration of the training on behalf of the member. The Grant Facility will be able to finance equipment where it is vitally important for training purposes, directed towards public training providers. The Grant Facility will not provide funding for business development assistance to beneficiaries of Window 2, but it would seek collaboration with projects offering such services. Applications will have a ceiling of US$50,000 with a maximum grant element of 90 percent which in this case, can be made in-kind.

67. Window 3 deals with innovative skills training. Private training institutions interested in developing new innovative models for delivery of training, new training concepts and new training programs responding to an identified need will be eligible for support under the window. Partnerships between training providers and private companies will be encouraged. There are several ways in which training programs or training concepts can be innovative. They may either cater for groups that have not been catered for before, the mode of training may be new in a Ugandan context, it may be based on new models in financing, e.g. through income-generation or partnerships between the training provider and a company, or the actual content of the training may be novel and be aligned to technological advancement of a product. Applicants will have to provide proof on the expected demand in the form of a demand assessment. All development costs are eligible for funding except for major infrastructural facilities. Applications will have a ceiling of US$350,000 with a maximum grant element of 75 percent.

68. Finally, Window 4 will fund initiatives by private sector/industry organizations interested in participating in the development of a system for certification of skills and competencies acquired through informal and non-formal means. It is expected that the system will be developed in collaboration with DIT and other bodies that have the expertise and facilities required for testing the theoretical and practical knowledge and skills of the worker, i.e. Recognition of prior learning. This will give workers portable certificates that signal their market values both in Uganda and abroad. At the same time, the certification will also make it easier for workers to have career pathways and give them access to the formal higher level skills training programs. Applications will have a ceiling of US$300,000 with a maximum grant element of 90 percent.

Component 4: Project management, monitoring and evaluation [Total IDA: US$11.8 million]

69. This component would finance: (i) management of the project including establishment of a Project Coordination Unit within the MoES to manage the project, as well as implementation units within the respective CoEs, and strengthen the existing PCU under the PSFU; (ii) monitoring and evaluation under the project including baseline studies, mid and end-term tracer studies, employer satisfaction surveys, mid-term management review, and annual performance audits, and (iii) Capacity building for implementing units

70. Efficient and effective project management is critical to smooth and speedy implementation of the project leading to achievement of key indicators. The project will be implemented by two

agencies - the MoES through the IDA Project Coordination Unit and the MoFPED through the PSFU PCU under the oversight of the Multi-sectoral Steering Committee. The IDA PCU is currently under establishment, supporting all education projects financed/administered through IDA, including the Albertine Region Sustainable Development Project (ARSDP) and the GPE-financed Teacher and School Effectiveness Project. Staff will be mapped to core projects that would be their primary responsibility, but will work across the portfolio as required. The MoES and PSFU coordination units will be responsible and accountable for the day to day project management and implementation under the direct oversight of the respective Ministries. MoES PCU will coordinate and compile the inputs from PSFU and MoES for reporting to the Project Steering Committee and the World Bank as required.

71. Institutionalization of systemic reforms in the skills development sector will be implemented, in the interim, by the RTF in collaboration with Sector Skills Councils for agriculture, manufacturing and construction until the formal establishment of the SDA at which time implementation responsibilities will be transferred to this body. Fiduciary support for this component will be through the MoES PCU. Component 2 related to establishing four CoEs will be implemented directly by the target institutions again with fiduciary and implementation support from the PCU. The PCU based within the MoES will also provide fiduciary and implementation support to Bukalasa College to be more cost-efficient though the College remains under the ambit of MAAIF.

72. This project will support the monitoring and evaluation (M&E) of project progress and outcomes by enhancing the capacities for M&E both at the level of the institution where training is being imparted, MoES PCU, RTF/SDA, and PSFU PCU. The MoES PCU will ensure that the capacity for M&E is built into the institutions which implement the project and the PSFU PCU supports capacity of successful entities to monitor and evaluate activities under the Fund.

73. The project will require timely, complete, and reliable information to assess whether SDP is improving quality of training in the supported institutions and enterprises. The sub-component also seeks to build the capacity of training institutions, enterprises, the MoES PCU and the PSFU PCU to do better results-based monitoring and evaluation. The primary responsibility for monitoring and evaluation of the project will be with the M&E units of the MoES PCU and PSFU PCU. The M&E arrangements implemented under the project will monitor and evaluate progress in project specific results. This will be achieved through the following activities:

(i) Collection of Base-line and End-term Data;
(ii) Project Supervision Mechanism on a six monthly basis by the GoU and the World Bank;
(iii) For component 1&2, there would be annual Institutional Performance Audits, based on the College Institutional Development Plans and the operational plan of the RTF/SDA;
(iv) Evaluations including, but not limited to, third party tracer studies, employer satisfaction surveys;
(v) For component 3, there would be independent technical reviews/evaluations of proposals received for funding, which includes due diligence of the applicants; and
(vi) Physical monitoring (verification) and financial control (auditing) of grants during the course of implementation and an evaluation of the impact of the grants.

74. There will be US$3 million for price contingencies and well performing project activities, and/or unforeseen activities with a high impact on the Project Development Objective. Allocations would be made subject to detailed budget, work-plans and clear cost justification during the mid-term review.

B. PROJECT FINANCING

75. The proposed project is a US$100 million equivalent Investment Project Financing (IPF) to support skills development in Uganda. Total project financing requirements from IDA are estimated at US$100 million equivalent.

Project Components	**Project cost**	**IBRD or IDA Financing**	**% Financing**
1. Institutionalizing systemic reforms for skills development	$5.0 m	$5.0 m	100%
2. Improving quality and relevance of skills development	$62.2 m	$62.2 m	100%
3. Employer-led short term training and recognition of prior learning	$18.0 m	$18.0 m	100%
4. Project management, monitoring and evaluation	$11.8 m	$11.8 m	100%
5. Unallocated	$3.0 m	$3.0 m	100%
Total Project Costs	$100.0 m	$100.0 m	100%
Front-End Fees			
Total Financing Required			

C. LESSONS LEARNED AND REFLECTED IN THE PROJECT DESIGN

76. The capacity of the MoES to oversee large scale projects without additional full-time staff is limited based on lessons learned from the recently closed IDA-financed Uganda Post-Primary Education and Training Project (UPPET), which was initially mainstreamed into the MoES. With high vacancy rates within the MoES itself (estimated around 40 percent), the available technical staff are overstretched and could not take on the additional work demanded by UPPET. This was manifest in delays around procurement and financial management processes and ultimately overall implementation progress. The speed of implementation significantly improved with the hiring of a full time deputy coordinator and requisite technical consultants financed under UPPET to complement the public officials. For effective implementation of the USDP, the project coordinator will be supported by a full-time Deputy Coordinator financed by the Project. Dialogue with the MoES management generated agreement to institute an IDA Project Coordination Unit (PCU) that will take charge of fiduciary, monitoring and evaluation, safeguards and other technical functions of the project in liaison with the relevant MoES departments. This will enable expeditious processing of procurement, payments processing and updated data on project indicators for timely and results-focused implementation.

77. Total reliance on the Education Management Information System (EMIS) for project results monitoring could compromise effective tracking of project results. Notwithstanding the need for systems strengthening, experience from the UPPET indicates a need to design project specific

monitoring tools and systems in light of the data validity challenges still faced by the EMIS. In addition, data for the BTVET sub-sector through the EMIS is still very nascent. Learning from the above, a baseline survey for the project has thus been undertaken drawing from a sample of BTVET institutions, while project monitoring systems will also be developed at the respective CoEs. This will enable accurate monitoring of project results and at the same time develop capacity and systems for the CoEs for effective service delivery.

78. Development of component specific annual work plans and budgets should be undertaken as an integral part of project design. Experience from the UPPET indicates that half of the initial three years of the project was spent on preparatory activities to support effective implementation of the project activities including training materials development, procurement processing and agreeing the phased approach to implementation of the major component for the project. With respect to this project, agreed costed work plans will be completed and detailed within the Project Operations Manual by Project effectiveness, while significant preparatory work for major procurement will also be in place by project effectiveness to avoid project implementation delays.

79. Considerable evidence exists world-wide about the effectiveness of skills funds as an instrument to raise the relevance, equity, quality and efficiency of TVET. Evidence shows that skills funds – in the form of challenge, innovation or equity funds - can be efficient and transparent instruments. They allow targeting of the support and setting of clear performance criteria. Furthermore, funds enable private sector involvement in decision-making though participation in the governance/management of the fund. A World Bank operational review of TVET projects found that virtually all the ten training funds it financed in Sub-Saharan Africa were successful[6]. The project draws on the lessons learned through these funds particularly from the example of the Ghana SDF.

IV. IMPLEMENTATION

A. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

80. Oversight and advisory support will be the responsibility of a multi-sectoral Steering Committee (SC) comprising of members of relevant government Ministries and representatives from the workers associations and employers within the target sectors. The Permanent Secretary/Secretary to Treasury of the Ministry of Finance, Planning and Economic Development will Chair the SC, while the Project Coordinator for the SDP PCU, MoES will act as the Secretariat of the SC. The SC will be established no later than three months after the Project is effective.

81. There are two implementing agencies within the GoU, the MoES and the MoFPED.

a. The MoES will be responsible for the implementation of Components 1, 2 and 4 through a Project Coordination Unit (PCU1) accountable to the MoES, whose organization, staffing, attributions and responsibilities are fully described further down; and

[6] Johanson, Richard. 2001. “Sub-Saharan Africa Regional Response to Bank TVET Policy in the 1990s” World Bank

b. The MoFPED will be responsible for the implementation of Components 3 and 4 through the Private Sector Foundation Uganda (PSFU) and supported by a Project Coordination Unit (PCU2) whose organization, staffing, attributions and responsibilities are fully described further down.

82. A Project Coordination Unit (PCU1) will be established under the MoES to support implementation of all education projects supported through IDA in collaboration with various technical units (Procurement Disposal Unit, Construction Management Unit, BTVET, Internal Audit, Financial Management Unit and others as relevant). The PCU is accountable to the Permanent Secretary of the MoES or his/her designee. The PCU1, will be headed by the Commissioner of Planning at the MoES and will be responsible and accountable for day-to-day project management and implementation of the IDA portfolio (including the Albertine Region Sustainable Development Project, the GPE-financed Teacher and School Effectiveness Project (UTSEP), the USDP and any other forthcoming IDA project).

83. The PCU1 will include: (i) One Project Coordinator (PC), a senior officer seconded from the MoES under terms of reference satisfactory to IDA and one Deputy Project Coordinator (DPC) financed jointly by the ARSDP and SDP; and (ii) supported by a financial management specialist, procurement specialist, safeguards specialist, civil works specialist; communications specialist, a TVET expert and a monitoring and evaluation specialist. Each of these specialists will be financed by the Project according to ToRs satisfactory to IDA following the selection procedures set for in the SDP financial agreement. The MoES will hire all the above mentioned core staff and have a fully operational PCU prior to effectiveness of the credit.

84. Component 1 will be implemented by the RTF and subsequently by the SDA when it becomes operational. The fiduciary and safeguards support of Component 1 will be provided by the PCU1.

85. The MoES will implement Component 2, including its three sub-components, through the PCU1 according to the following implementation arrangements. Sub-component 2.1 will be implemented by the four selected public training colleges to be transformed into centers of excellence - Elgon, Lira, Bushenyi and Bukalasa – under the close coordination and monitoring of the PCU1 and with the intensive technical support of qualified international competitive-based training providers selected and retained under a twinning partnership arrangement attuned to terms of reference satisfactory to IDA. Sub-component 2.2 will be coordinated and supported by the PCU1, and implemented by 12 vocational institutes to be selected in a competitive fashion following selection criteria and procedures set for in the USDP Operational Manual. Completion of an Operational Manual that is satisfactory to the IDA will be a condition of effectiveness of the credit. In addition, the MoES will be expected to produce annual workplans and budgets for the Project by July 31 of each year and the first workplan/budget will be a condition of effectiveness.

86. Sub-component 2.3 will be coordinated and supported by the PCU1 and implemented by reputable technically qualified institutions to be selected through international competitive process following the procedures set for in USDP Financial Agreement and the USDP Operational Manual. These institutions will act as Twinning partners responsible for providing all necessary support to help: (i) the training colleges under sub-component 2.1 to grow into “center of excellence (COE)” with the operational characteristics listed in annex 3 of the PAD and enable each COE perform its

critical functions; and (ii) the 12 VIs under sub-component 2.2 to appropriately and timely respond to the needs and opportunities of the labor market, including delivery of short-term training courses, and improve the quality of the training being offered.

87. Under Component 3, a private sector dominated Grant Committee, to be appointed by the Permanent Secretary/ Secretary to Treasury of the MoFPED, will be the oversight body of the Fund. The MoFPED will approve the operational details of the Fund, including eligibility criteria, and oversee the progress of the Fund's operations. The MoFPED has delegated the PSFU to be the executing agency for the component through an existing PCU2, which was established in early 2015 under the IDA-financed CEDP II project. The PSFU will provide technical and fiduciary oversight of PCU2 and report to the Grant Committee as well as the MoFPED. PSFU will be expected to produce annual workplans and budgets for the Project by July 31 of each year and the first workplan/budget will be a condition of effectiveness.

88. The PCU2 will be comprised of a Project Manager seconded by the PSFU, and the following technical consultants to be hired through Project Funds: Grant Specialists (3), and project accountant. Hiring of these core staff will be a condition of effectiveness. The PSFU is accountable to the MoFPED through the Grant Committee. The PSFU will enter framework contracts with selected eligible consultancy companies or organizations to be identified through public tendering to assist with (i) services related to technical reviews/evaluations of proposals received for funding; (ii) verification of activities, financial control (auditing) and results monitoring of grants during the course of implementation.

89. The PSFU through PCU2 will be also responsible for managing part of Component 4 as applicable to activities under component 3 in a shared coordinated and management arrangement with the PCU1. MoES PCU1 will coordinate and compile the M&E submissions from PSFU and MoES for submission to the Project Steering Committee and the World Bank as required.

B. RESULTS MONITORING AND EVALUATION

90. Data regarding the BTVET sub-sector is extremely scant and found within different units in the MoES (BTVET, EMIS, DIT) and often, this data is not consistent. For private training institutes, the Uganda Association of Private Vocational Institutes (UGAPRIVI) has some basic information. While the project will endeavor to establish a Management Information System for the sub-sector, the project will also create its own data collection and analysis system while the MIS is being developed.

91. All participating colleges and VIs will provide data on key indicators and intermediate indicators in their proposals at the start of the project (base-line) and continue to report progress every six month before the joint supervision mission. They will also provide institution level details such as enrollment, pass-rates and employment rates and salaries of trainees, profile of training courses offered, and instructors' number, their qualifications and in-service training.

92. The following studies will be undertaken to evaluate key project activities: (i) third party tracer studies will be conducted right at the beginning for baseline, at mid-term and at end-term; (ii) employer satisfaction surveys; and (iii) other evaluation, studies, and analytical documentation as and when felt necessary.

93. The PSFU will establish a monitoring system to collect regular data from grantees. In addition, there would be annual evaluations by an independent firm on the impact of the grants.

94. The project will be regularly monitored through a series of rigorous bi-annual supervision missions conducted jointly by the GoU and the World Bank.

C. SUSTAINABILITY

95. Given the fragmented BTVET sub-sector, suboptimal enrolment levels, structural underinvestment, limited quality of education institutional management, it is difficult to estimate the optimal unit cost for the BTVET-subsector in Uganda. For one TVET institute which is considered to be a CoE in Uganda, the unit cost of training per year was $900 per student in 2012, according to a study undertaken by the Belgian Technical Cooperation (BTC). This is significantly lower than the unit cost for BTVET in the region with the cost per year in Rwanda estimated at $3000 in 2012.

96. In order to implement the reforms of the Skilling Uganda strategy through this project, and to be able to deliver good quality and relevant training, the unit cost of training in BTVET will significantly increase. In order for the public sector to continue to play a significant role in these institutes, the budget allocated towards the BTVET sub-sector will also need to increase at a commensurate rate. The budget will need to account for an increase in unit cost per trainee, including the increased cost of maintenance and operations of infrastructure/equipment. The MoES will also need to allocate development financing every ten years to upgrade infrastructure/equipment in line with the needs of the economy.

97. This increase in unit cost could affect the sustainability of the project. There are two angles to pursue in ensuring the development objectives are sustainable past the life of the project. One is to ensure that system inefficiencies are appropriately dealt with in the sub-sector. Higher enrollment will be necessary for more economies of scale and minimum enrollment levels at institution and program levels as a requirement of public financing should be pursued. Second, the project will finance a unit cost analysis for each of the CoEs and network institutes in order to better plan resource allocations. Technical assistance will be provided to the Colleges to work out a financing formula (with elaborated and structured parameters for financing known and understood by everyone) to be designed and implemented.

98. Towards the end of the Project, the MoES will consider the introduction of performance mechanisms linked to financing. However, performance-based financing (i.e. linking financing of a program based on performance of graduates in graduating from assessments and employment six months after training) can only realistically be instituted once there is better governance and management at the institutional level and a functional MIS system at the MoES.

99. The project will be relying on full-time consultants under the Project Coordination Units to implement activities. However, in both the MoES and PSFU, the project coordinators remain Ministry/PSFU staff as is the Head of Projects under the MoES. Significant capacity will be built at the Project Coordinator level and all technical staff hired under the project, will work closely with the respective units, though reporting will be directly to the Project Coordinator. In addition, the

MoES PCU will built capacity of the target CoEs on fiduciary management, monitoring and evaluation and safeguards. This capacity will remain in the College past the project lifecycle.

100. By its very nature, the Competitive Fund will be supported over a limited time period. The purpose is to develop skills in the short term to address market inefficiencies in training. However, the Skilling Uganda strategy opens the door for introduction of a training levy. Other countries on the continent have demonstrated that a training levy can be an efficient instrument to meet the costs of delivering quality TVET. The levy already exists in some sectors such as insurance and has recently been endorsed by the Construction association. The revenue collected through the levy can be channeled directly into training for the relevant sectors.

101. The sustainability of this project lies in the growth and productivity externalities of a well-trained labor force. The benefits of education, training, and skills not only accrue to individuals in terms of better labor market outcomes; they also benefit society as a whole. A skilled labor force contributes to improved growth and competitiveness for a country. Investing in the productivity and skills of people raises the incomes of economically vulnerable groups, thereby reducing poverty.

V. KEY RISKS AND MITIGATION MEASURES

RISK RATINGS SUMMARY TABLE

1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
OVERALL	Substantial

OVERALL RISK RATING EXPLANATION

102. Governance challenges are substantial with the MoES experiencing a selection of governance issues to date, particularly surrounding construction and relevant for Sub-components 2.1 and 2.2 of the USDP. The Ministry has however, developed a working relationship with anti-corruption agencies (specifically the Inspectorate of Government) to address these challenges which have yielded some success within the recently closed IDA-financed UPPET project. This relationship will be continued during implementation of USDP alongside financial and procurement mitigation activities which are detailed above. These include, hiring additional fiduciary staff into the PCU and regular internal audits and procurement audits. For the USDP, one area of concern could stem

from internal governance weaknesses within the selected Colleges. While autonomy is important for the Colleges to more effectively respond to the demands of the economy, this must be accompanied by enhance transparency in the disbursement of funds, capacity building and stronger accountability measures and encouraging participation at all levels. These will be reviewed within the annual institutional performance audits.

103. The PSFU, which is the main implementing agency for Component 3, has in the recent past also experienced governance challenges. Investigation by the World Bank's Integrity Unit (INT) in 2012-2013 found evidence of fraudulent practices during procurement processes under IDA-financed Private Sector Competitiveness Project (PSCP) II project. However these have been dealt with through sanctioning of responsible project staff and streamlining of accountability procedures in the organization. The PSFU Board now has stronger oversight over project activities and this will continue during implementation of USDP. In addition, the project will provide for enhanced fiduciary capacity under the existing PCU2 and transparency with regards to selection criteria and grant beneficiaries.

104. The risks related to the technical design of the project are substantial given the multi-sectoral nature of the project and the multiple entities involved in implementation. Further, the design includes institutional reforms that can potentially be risky if there is resistance to change. These risks are to be mitigated through a combination of clearly defined activities with roles and responsibilities of stakeholders elaborated within the Operations Manual of the Project (to be completed by Project effectiveness), as well as providing additional human resource support to the respective implementing entities to facilitate effective coordination, collaboration and timely execution of activities. The Reform Task Force, which is mandated to implement institutional reforms contained in the Skilling Uganda strategy, will now report through the Minister of Education to the Office of the Prime Minister, to support the implementation of cross-sectoral reforms.

105. Stakeholder risks are currently rated as substantial given the slow pace at which the Skilling Uganda reforms related to the establishment of the SDA are moving forward. While the RTF is constituted of several private and public sector members, it is currently situated within the MoES (under the BTVET unit), which is a risk in terms of the multisectoral nature of skills development and some potential conflict of interest. The project has partially mitigated this risk by establishing a multi-sectoral steering committee which provides oversight for the project. Similarly, the project preparation team from the GoU involved representatives from various relevant Ministries and the private sector.

106. Capacity to implement the project is a substantial risk given the low staffing levels within the MoES and given the project is implementing technical activities within the sub-sector which the Ministry currently does not existing capacity in. Project implementation will be through a hybrid model where the project coordinator is mainstreamed within the MoES and supported by a new Project Coordination Unit for IDA-financed projects (details in annex 4).

107. The risks related to delivery monitoring and sustainability are substantial because of the existing challenge of poor quality monitoring of the BTVET sub-sector and because of the risk to sustainability from recent fiscal constraints resulting in a decline in the budget share going to

education in Uganda and a very small share of this going to the BTVET sub-sector. The project will lower the risk of monitoring by strengthening the government's management information system for BTVET and instituting strong monitoring and evaluation systems within the targeted institutions. The sustainability risk has been partially mitigated by the GoU's commitment in early 2014 to the Global Partnership for Education Secretariat to maintain and later, increasing, education's share of the budget (and as a percentage of GDP). The risks will further be mitigated through a combination of: (i) increasing efficiency within the sub-sector; (ii) adequate planning and revenue generation by the target institutions; and (iii) potential increased public financing through the institution of a training levy scheme.

108. Under the Skills Development Matching Grant, there is a risk of insufficient demand by private sector enterprises to access funds in collaboration with training institutions and there is a risk that many proposals have a high cost of skills training that may limit fiscal sustainability. Significant resources have been allocated to the PSFU to promote the Skills Development Matching Grant, work through industry associations and conduct outreach to targeted private sector to generate demand and support the application process. Cost sharing mechanisms are built into the design of the component and larger companies with presumably more complex and expensive training programs will need to put in significantly more financing in order to access the training.

VI. APPRAISAL SUMMARY

A. ECONOMIC AND FINANCIAL (IF APPLICABLE) ANALYSIS

109. Investment in technical and vocational skills at the post-secondary level clearly pays off in terms of future income streams in Uganda. The rates of return analysis also support the fact that acquiring TVET qualifications leads to improved future streams of income. Using a Mincerian regression based on the Uganda National Panel Survey (UNPS) for 2005 and 2010 for year and level of schooling, it is estimated that each additional year of schooling results in a return of 12.2 percent in 2010 compared to 11.2 percent in 2005. In terms of levels of education, returns for TVET are high with the rate of return for a TVET qualification being 20.3 percent higher than for upper secondary, 32.8 percent higher than lower secondary and 69.6 percent higher than primary in 2010.

110. The cost-benefit analysis (CBA) assesses the cost and benefits of the investment undertaken in the CoEs and supporting public vocational training institutes (VI) in Component 2; supporting employer-led short term technical and practical training under Component 3; and investment in institutional reforms undertaken under Component 1.

111. The approach for CBA estimates the gains for students from undertaking BTVET education and compares those gains with the cost of providing the students with the opportunity to enroll in BTVET. Three steps are therefore needed in the analysis. First, it is necessary to project the number of additional students that will enroll in BTVET courses thanks to the investment as well as the number of those who will graduate. Second, the benefits for the students who graduate of the TVET education must be estimated. Third, these benefits must be compared to the cost of the investment so that internal rates of return can be estimated. Cost-benefit analysis is undertaken for three different scenarios. The Base Scenario assumes that all components are implemented in a timely manner. Scenario 1 is a variation which assumes that Component 1- institutionalizing

systematic reform - does not take place. The last Scenario - Scenario 2 - assumes that due to procurement delays the project is delayed for two years and assesses the impact of few graduates completing under the project.

112. The CBA indicates that the project has a high IRR of above 14 percent (see Annex 6 for additional details). Investment costs, recurrent costs, and benefits are provided for the period 2015-2055 as well as the net benefits. The estimated internal rates of return take into account the time at which various costs are incurred and benefits are reaped. The rate of return for investments in the CoEs is estimated at 7.5 percent, while the rate for investments in VIs is significantly higher, at 41.5 percent, essentially because of the much larger number of graduates that more than compensates for the lower gains per graduate in terms of future earnings and the much lower investment in VIs. Employer led short courses have a rate of return of 32.6 percent, lower than the returns to the VI component, because the lack of certainty that the employer led fund will be sustained after the project ends. When investments in the three types of institutions are considered jointly, the internal rate of return is 14.5 percent.

113. Under Scenario 1 without the investment in reforms, there is a direct quality effect which results in a drop in monthly wage gain. It is assumed that the wage gains per month falls by 15 percent for all types of qualification in CoEs, VIs, and employer led programs as qualifications are less well aligned to labor market needs and the wage premium is lower. With the drop in monthly wage gain, the rate of return for investments in the CoEs is estimated at 4.8 percent, while the rate for investments in VIs is 32.4 percent and for employer led short courses it is 14.5 percent. Combined the IRR is 12.2 percent.

114. Scenario 2 reflects the possibility that they may be delays in project implementation which will subsequently delay when graduates will complete and shorten the number of years they work. This will affect the costs, benefits and IRRs. As graduates end up working fewer years, the IRRs falls (although marginally). The rate of return for investments in the COEs under this scenario is estimated at 7.1 percent, while the rate for investments in VIs is 32.1.9 percent and for employer led short courses it is 25.4 percent. Combined the IRR is calculated to be 12.9 percent.

115. The analysis suggests that due to the premium enjoyed by BTVET graduates on the labor market, investments in BTVET are likely to have high internal rates of return. As is often the case with cost-benefit analysis, changes in assumptions could lead to higher or lower expected internal rates of return. Overall though, the simple analysis provided confirms the potential value of investing in BTVET to contribute to Uganda's recently adopted skilling strategy.

B. TECHNICAL

116. The project's technical design was mainly informed by the Government's reform priorities within the Skilling Uganda Strategy, Uganda's Vision 2040, and the National Development Plan. This was supplemented by multiple data sources (several joint economic updates by the GoU and the WB, EMIS, Uganda National Household Panel survey, survey assessment of the target colleges); a considerable body of Uganda-specific research and analyses on BTVET; and international evidence.

117. In addition, consultations have taken place with several policy planners in multiple Ministries; with institutional heads, faculty and students; and with employers and industry associations. The Bank has taken an active role in these consultations and the following issues were given special attention within the design of the project:

(i) *Systemic reforms*: A key element of the project is to ensure it sets the foundation for broad-based and long-term reforms in skills development. This includes the establishment of the SDA to ensure that skills development is truly relevant and of quality in order to improve productivity and enhance growth.

(ii) *Involvement of employers*: Employers were engaged in extensive consultations during preparation and will continue to play a significant role within the SSCs and on the governing councils of the targeted Colleges (with 50 percent representation on each)

(iii) *Focus on key sectors*: The sectors of focus were chosen for the following reasons: (a) they employ large numbers of the population; (b) the is big potential for value addition and improved productivity in each of these sectors; and (c) these are sectors where there is foreign direct investment and where significant public finances have been directed.

(iv) *Building the capacity of institutions*: The Colleges will partner with internationally recognized institutions to provide support and training on several aspects of becoming a CoE. In addition, the project will finance significant technical assistance towards the establishment and functioning of the SDA and SSCs.

(v) *Provision of short-term training to address the immediate need for skills to support value addition*: The Skills Development Matching Grant offers the opportunity to firms to deliver skills to its employees in order to improve its competitiveness. It also offers the opportunity to recognize prior learning for people already in the labor market who have relevant skills to make them more marketable in industry.

(vi) *Demand-driven, merit-based and transparent allocation of resources:* The Skills Development Matching Grant reduces the risk of channeling funds into training that has low demand. Ideas are generated by beneficiaries, and funded on the basis of quality. A transparent review and allocation mechanism builds accountability in the use of funds.

C. FINANCIAL MANAGEMENT

118. The MoES has a Finance and Administration department headed by an Under Secretary who reports to the Permanent Secretary and who will be responsible for the accounting function of the program. The accounts section is headed by the Assistant Commissioner who is assisted by a Senior Accountant. The MoES PCU will hire a full-time Project Accountant, financed by the project, to prepare the accounts for this project. The key staff members in the MoES accounting division who will be responsible for the accountability of the project's funds are experienced and qualified and have been trained on the more recent World Bank Financial Management and Disbursement procedures to handle World Bank projects. The PSFU already has a PCU managing IDA projects (CEDP and ERT-II) and the Employer led short-term training component will be managed under the same arrangement with the Executive Director as the overall accounting officer. FM systems at PSFU are assessed as adequate though a full-time Project Accountant will be hired to support this PCU.

119. At college level, the key accounting staff is the Accountant/Bursar together with the Accounts Assistant/Cashier and the Principal as the accounting officer. UTC Elgon, Bushenyi and Lira have these positions filled. Bukalasa has no substantive accountant with only an Accounts

Assistant/Cashier in place, though there are plans to hire a fully qualified accountant by June 2015. For timely submission by the colleges of complete and accurate quarterly financial reports to the MoES within 30 days after the quarter, these positions should be filled at all times. A number of financial management risks exist, which are described along with mitigation actions in the detailed FM assessment in Annex 8 and in the risk analysis in Annex 5. All the target colleges will be required to undergo a detailed audit prior the receiving funds under the CoE sub-component of the Project.

120. Disbursements to the MoES and PSFU will be report-based depending on periodic cash flows. A number of actions to strengthen fiduciary systems both at MoES, colleges, and PSFU have been identified and can be referred to in the FM action plan in Annex 8. IDA will monitor these actions with MoES and PSFU during the implementation of the project.

D. PROCUREMENT

121. Procurement shall follow Guidelines: Procurement under IBRD Loans and IDA Credits dated January 2011 (revised July 2014) and Guidelines: Selection and Employment of Consultants by World Bank Borrowers dated January 2011 (revised July 2014) and 'The Guidelines on Preventing and Combatting Fraud and Corruption in Projects financed by IBRD loans and IDA Credits' dated October 15 2006 and as revised. Procurement under components 1, 2 and 4 shall be conducted by the MoES with some participation from the beneficiary institutes. The Procurement Specialist within the PCU shall be responsible for conducting procurement working in collaboration with the PDU.

122. For the project, the hiring of the twinning institutes is on the critical path for project implementation and this procurement shall be closely monitored to ensure successful outcomes on cost time and quality.

123. The key risks to procurement are: (i) major delays in procurement due to lack of adequate staff with appropriate experience in procurement in both the procurement and technical departments; (ii) weak interdepartmental coordination which exacerbates these delays; (iii) weaknesses on contract administration resulting in cost escalations, delayed or incomplete deliveries and substandard deliveries; (iv) high costs as a result of delays in payments to providers; and weak synchronization of different procurement and implementation aspects leading to delayed and substandard implementation. These will be mitigated through: (i) use of the procurement and engineering staff to be hired under the existing IDA financed projects in the Ministry; (ii) close monitoring of the hiring of internationally recognized partner institutes to minimize delays; (iii) training in procurement and contract administration for both the Ministry staff and key institute staff; (iv) establishing a contract management and reporting system in the Ministry; (v) regular Internal Audit of procurement processing and contract administration to assess adherence to agreed business standard and timely remedial action; (vi) establishment of a Donor Projects Contracts Committee to adjudicate procurement decisions on IDA financed projects; and (vii) hiring of technical staff under the project to augment ministry capacity.

124. Procurement under component 3 and 4 shall be conducted by the Private Sector Foundation of Uganda (PSFU) and the Grantees. Grantees procurement shall be restricted to the procurement of training providers under the grant. This shall generally follow commercial procedures designed to

ensure that the cost is reasonable and that the training providers are qualified to perform the training. This shall be subject to verification by PSFU in the grant selection prior to grant approval. PSFU shall conduct procurement under component 4 mainly for technical assistance to support implementation and procurement shall follow the institutional arrangements under the IDA financed CEDP project.

E. Social (including Safeguards)

125. The project will trigger Operational Policy (OP) 4.12 - on Involuntary Resettlement which may require acquisition of land for the establishment and expansion of the required buildings for the targeted institutions. Land acquisition will be limited to site-specific civil works for rehabilitation or construction in the selected institutions. While most of the government institutions have substantial areas of land allocated to them, there have been some experiences of land grabbing or/and community takeover for individual use. Therefore, planned measures to manage land use are required.

126. A Resettlement Policy Framework (RPF) has been prepared through a broad stakeholder consultative process with relevant GoU ministries, institutions including the catchment areas of the colleges to be upgraded to CoEs. The RPF specifies the processes for preparing, reviewing, approving and implementing subsequent site specific Resettlement Action Plans (RAPs) for the respective colleges before the relevant civil works are initiated. The cleared RPF was disclosed by the Government of Uganda and subsequently disclosed by the World Bank at InfoShop on February 4, 2015.

127. The MoES undertook a social analysis of the BTVET sub-sector in 2011 (Technical Paper 6) as a background paper for the Skilling Uganda strategy. The study established the following: (i) a general lack of reliable and consistent gender disaggregated data; (ii) low female enrolment in different institutions and at different levels; and (iii) varying but also low access and enrolment of both male and females from very vulnerable groups and regions owing to resources and social circumstances including cultural value for education and underdeveloped basic education services. The study also indicated inadequate information and access to information about BTVET as well as high required levels of education that edge out women and create a situation where most trainers in UTCs are men; high fees create an access problem, and in poor rural and conflict affected areas which are hard to reach and are left out in accessing skills development opportunities.

128. The project has tried to respond to these challenges by identifying an institute in each of the country's regions and the targeted institute will be developing gender action plans as part of its Institutional Development Plan to improve representation by women.

F. Environment (including Safeguards)

129. The project triggers the following Environmental Safeguards Policies: Environmental Assessment OP/BP 4.01 - because the program will support investments with potential negative environmental impacts, associated with Component 2, specifically involving civil works for establishment and upgrade of physical infrastructure (renovation & refurbishment of existing infrastructure, build new infrastructure – workshops, classrooms, libraries, administrative blocks), provision of water and sanitation facilities, augmenting provision of electricity and

improvement of campus environment and low cost boundary walls. Also, relating to safeguards are basic civil works in Public Vocational/Network Institutions. The likely environmental impacts shall be largely encountered during construction of civil structures and very minimal during the operational phase. The impacts that may be generated will be site specific and readily mitigated. The impacts will typically include occupational, health and safety issues. Because of the likely low environmental impacts, the USDP is assigned Environmental Assessment Category B. In addition, Physical Cultural Resources OP/BP 4.11 is triggered because project investments will involve civil works and may potentially affect known and unknown physical cultural resources in the area. Institutional safeguards capacity of the implementing institutions will need to be strengthened especially in light of the fact that Component 2 will also involve design and adaptation of curriculum and assessment system to international standards which will include among others development of related occupational health, safety and environmental management curricula.

130. Since at this stage and by appraisal only the target CoEs are known whereas the approximately 12 network institutes specific locations are not known, an Environmental and Social Management Framework (ESMF) was prepared to guide the subsequent development of site specific Environmental and Social Impact assessment (ESIA) and Environmental and Social Management Plans (ESMPs) during implementation. The ESMF has been prepared through a consultative process with all stakeholders, implementing agencies, key government Institutions, and respective sector players such as key manufacturing, agricultural and construction companies, and communities in the neighborhood of the respective institutions/CoEs. The safeguards instruments were cleared and disclosed in-country and at InfoShop as per the requirements of the World Bank safeguard policy – OP/BP 4.01 – Environmental Assessment.

131. The cleared ESMF was disclosed by the Government of Uganda and subsequently by the Bank at InfoShop on February 4, 2015.

G. OTHER SAFEGUARDS POLICIES TRIGGERED (IF REQUIRED)

132. Not applicable

H. WORLD BANK GRIEVANCE REDRESS

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

134. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

UGANDA: Skills Development Project (P145309)

Project Development Objectives

PDO Statement: The project development objective is to enhance the capacity of institutions to deliver high quality, demand-driven training programs in target sectors.

	Project Development Objective Indicators												
	Indicator Name	**Core**	**Unit of Measure**	**Baseline**	**Cumulative Target Values**					Frequency	**Data Source/ Methodology**	**Resp. for Data Collection**	**Descriptions (Indicator definition)**
					2016	2017	2018	2019	2020				
1	Development of National Occupational Standards for relevant trades/occupations in target sectors		Number								RTF/SDA	MoES	Number of trades/occupations with National Occupational Standards in target sectors increases.
2	Increased number of new intakes in the targeted training programs		Number	Bushenyi=52 Lira= 37 Elgon= 200 Bukalasa=146[7]						Annual	Target Institutions/ MIS	MoES	Increased enrolment in targeted training programs.
	Proportion of female intakes in the targeted training programs	x	%	15					25				The numerator will be number of female enrolled, the denominator will be total number of enrolment
3	Number of entrants who completed targeted short courses		%	0						Annual	Target	MoES	The denominator will be the

[7] This is the average number of new intakes across programs offered in the colleges. The numbers will need to be updated with new intakes for targeted programs within each College during the first 10 months of the Project. The targeted programs will be decided in collaboration with the twinning institutions.

	Number of entrants who completed targeted certificate courses			0							Institutions/ MIS		enrolment of targeted program, and numerator will be the number of entrants who completed the targeted training program from the same cohort
	Number of entrants who completed targeted diploma courses			0									
4	Improved participation of employers in skills training programs		%							Mid-term and end-term	Surveys	PSFU	Increase in participation for skills training evidenced by enterprise survey
5	Satisfaction with skills by trainees in supported firm disaggregated by economic sectors and size		%							Mid-term and end-term	Target Institutions/ MIS	PSFU	Data collected in connection with the application for Matching Grant support. Ex-post data from beneficiary assessment to be collected by external M&E

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Intermediate Results Indicators													
	Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Resp. for Data Collection	Description (Indicator definition etc.)
					2016	2017	2018	2019	2020				
Component 1: Institutionalizing systemic reforms in skills development													
1	Management Information System for BTVET sector established and functional		Number					X	X	Annual	RTF	MoES	System established, functional, and linked with PCU systems

2	Number of occupational and competency standards and qualifications developed and endorsed by the RTF		Number							Annual	RTF/DIT	MoES	As defined in the Uganda Vocational Qualifications Framework (UVQF)
Component 2: Improving Quality and Relevance of Skills Development													
3	Number of competency based training courses developed and validated.		Number							Annual	Target Institutions/ MIS	MoES	Number of competency based training courses endorsed by the SSC
4	Number of targeted CoEs with over 50 % representation on governing council by employers		Number	0					4	Annual	CoE	MoES	Number of CoEs with over 50% employer representation on governing council
5	Number of academic staff trained in the new CBT curriculum		Number	x						Annual	CoE/VI	MoES	Increase in the number of academic staff trained by twinning institute
Component 3: Employer-led short-term training and recognition of prior learning													
6	No. of collaboration agreements between enterprises and training providers		Number							Annual	Target Institutions/ MIS	PSFU	Number of agreements signed and activated by training
7	Employers' rating of competency of trained employees		%							Annual	Target Institutions/ MIS	PSFU	Competency and efficiency rates of trained staff to be measured in term of output

Baseline numbers will be available during the first 10 months once the institutions are selected and targets set in line with this.

Annex 2: Detailed Project Rationale

UGANDA: Skills Development Project

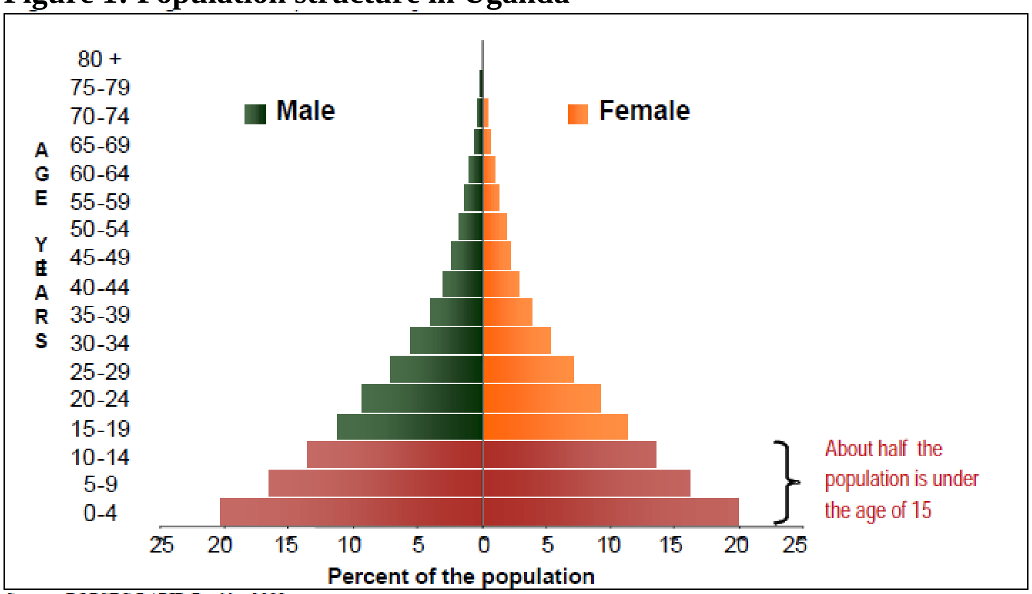
<u>What is the problem the project is trying to address?</u>

1. Uganda has one of the youngest and most rapidly growing populations in the world which is a major challenge in terms of employment opportunities in the short and medium term. The total fertility rate (TFR) is estimated at 6.7 children per woman according to the government's data. About half (53 percent) of Uganda's population is younger than 15 (see figure 1 below), well above Sub-Saharan Africa's average of 43.2 percent and a world average of 26.8 percent. With an estimated 4 percent workforce growth rate per annum, about 500,000 people are expected to enter the labor market every two years.

2. The most important demographic issue for Uganda is related to the age structure rather than the overall size of its population which stood at 36 million in 2012. Within this demographic context, declining fertility conducive to ensuring that Uganda benefits from the youth dividend is as critical as is need to increase employment opportunities (more productive, better paying jobs). Labor productivity in Uganda is dismally low, making it hard for firms to compete especially in the international markets. At the same time, with the looming oil production in the country, economic diversification is a priority in order to avoid the Dutch disease effects of oil. By improving technology and labor skills, there is significant potential to broaden the country's economic base to include agro-processing activities and construction materials clusters.

3. Turning the demographic challenge into an opportunity by equipping the large workforce with relevant skills not only to access jobs, but enter gainful self-employment, is at the forefront of the Government priorities

Figure 1: Population structure in Uganda



Source: POPSEC RAPID Booklet 2009

4. Aside from a large and growing number of new entrants to the labor market, the current labor force is underemployed. In 2010, 90 percent of the labor force were employed but about a quarter of these were dependent on secondary income generating activities, and another quarter worked for no wage or were volunteering.

5. Many of those in, and those entering, the labor force do not have foundational skills of basic literacy and numeracy, acquired in basic education. In 2012, less than half of the Grade 6 students tested by the National Assessment of Progress in Education (NAPE) were proficient in literacy (40.8 percent) and numeracy (45.2 percent)[(8).] Though the numbers of students enrolled in primary and secondary education have increased substantially since the introduction of universal primary education in 1997 and universal lower secondary education in 2007, large dropout rates from primary school (primary completion rates in 2012/13 were 68 percent for boys and 66 percent for girls) coupled with a still relatively low gross enrollment rate in secondary school, result in a large number of individuals that leave school too early without having developed generic skills essential for life and work.

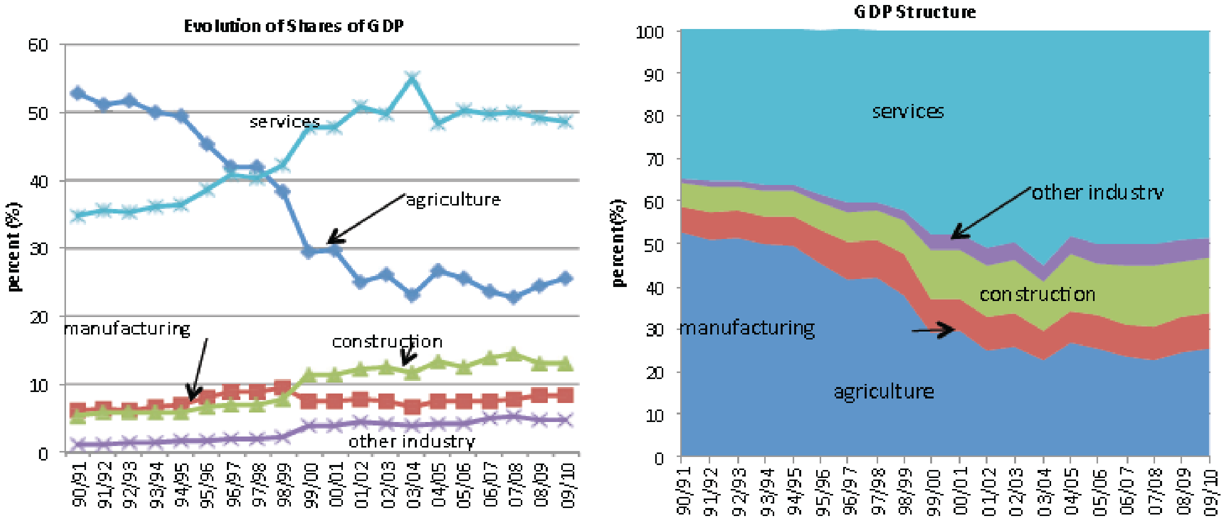
6. Against this background, this project seeks to enhance the skills of the Ugandan labor force both for existing and new entrants, and ensure that the skills gained serve the dual purpose of increasing earnings potential of individuals and contributing to economic growth by focusing on skills that are most in demand by the labor market. This requires people to be skilled in sectors that are growing in terms of its contribution to the GDP of the country and have the potential to employ large numbers of people. The next section identifies the sectors of growth, where people are employed currently and where the potential for employment lies in the future. It also focuses on Business, Technical Vocational Education and Training (BTVET) sub-sector though basic education remains key in ensuring that the labor force is equipped with foundational skills.

Where are the jobs?

7. Recent economic trends in Uganda reflect a broad sectoral shift that has been occurring over the past two decades where the service sector dominates in terms of value-addition and where agriculture's contribution has been declining. From the 1990s to 2010, agriculture's contribution to GDP has fallen from 45 percent to 27 percent while services contributed in the range of approximately 35 percent in the early 90s to 50 percent in 2010 (see figure 2). A parallel boom has been seen in construction with manufacturing playing a smaller role. Agriculture also remains important with the Uganda Bureau of Statistics (UBOS) 2010 Census of Business Establishment reporting that agribusiness was the fastest growing business sector in the past decade.

[8] Education Sector Strategic Plan Implementation Progress Review 2013

Figure 2: Structural Transformation of Uganda's Economy, 1990- 2010



Source: World Bank, 2013

8. Employment however has not mirrored the structural transformation of the economy and agriculture continues to employ the majority of Ugandans. Uganda's labor force consists of 15 million individuals with agriculture the dominant employer accounting for just over 70 percent of labor force employed in 2010 (see figure 3). In the formal and informal non-agricultural sector, the majority of employment was in the services sector, jobs are mainly in low-productivity retail trade, where 80 percent of the jobs in the sector in 2010 were in the non-wage/informal sector. Other sectors that employ large numbers include the manufacturing sector with 500,000 of the 15 million labor force in Uganda in 2010 working in this sector and about 60 percent of these in non-wage manufacturing. The challenge facing Uganda is to increase the number of jobs in the more productive sectors, shifting people out of agriculture into services and industry, while at the same time putting in place interventions which will enhance productivity in agriculture.

Figure 3: Evolution of share of employment

9. When considering the number of people employed by sector currently, about 95 percent of the 11 million people working in agriculture are informal workers. Construction is the most formalized sector with about 90 percent working in wage employment (see table 1).

Table 1: Employment numbers in 2010

	absolute nos.	**% of total**	**% informal (non-wage)**
Agriculture	11,105,580	73%	94.6%
Construction	249,890	2%	11.3%
Manufacturing	497,436	3%	61.2%
transport and communication	460,428	3%	57.8%
retail trade**	1,347,958	9%	80.4%
Finance	91,594	1%	56.8%
Hotels & restaurants	247,789	2%	
Other	1,194,939	8%	
Grand total	**15,195,614**		

<u>Where will the jobs be?</u>

10. Moving forward, the service, manufacturing, oil and gas, construction, and agriculture sectors will be important sources of employment in Uganda. After the first oil discoveries were made in 2006, current recoverable petroleum resources are estimated at about 1.4 billion barrels. The GoU is also planning to construct a refinery with the capacity to process 60,000 barrels of oil per day, to begin operations in 2017/18 when production is expected to begin[9]. Preliminary findings from a recently commissioned study to estimate manpower needs in the oil and gas sector show that manpower needs will peak in the development phase of petroleum in about mid-2017 at 13,000 workers. The vast majority of these will be in the construction industry. Even after the development phase, as oil companies' start producing oil, it is envisioned that the large demand for construction workers will continue as the government invests oil revenues in infrastructure such as schools, hospitals, roads etc. While the number of direct jobs that will be created at the oil sites is expected to decline to 3,000 once oil production starts, the oil and gas industry will also generate 100,000-150,000 indirect and induced jobs.

11. Although the discovery of oil resources is expected to generate extra resources and spur investments in physical infrastructure, and human capital development, it is also associated with challenges as it would further inhibit the development of the non-oil sectors due to the real appreciation of the exchange rate -the Dutch Disease problem (World Bank, Country Economic Memorandum, 2014).

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[9] Tullow Oil from the UK, Total from France, and CNOOC from the Peoples' Republic of China are the three largest exploration and production companies currently operating in Uganda. Following the signature of the Production Sharing Agreement with the Ministry of Energy and Mineral Development it is anticipated that CNOOC will be the first petroleum contractor (PC) to begin producing oil and gas sometime in 2017/2018.

12. There is considerable untapped industrial potential that Uganda could exploit to avoid the Dutch disease effects of oil. As primarily an agriculture-based economy, Uganda has significant potential to venture into agro-processing activities and building materials. Uganda has significant presence in many of the peripheral products, particularly, tree crops and flowers, as well as food processing, animal products and fish, which are not vertically integrated to its industrial sector. However, Uganda has the potential to diversify into the main areas of the product space by jumping to nearby products in the food processing and construction materials clusters. Similarly, sectors like transportation and logistics for good and equipment will need to multiply their current capacity to meet their future demand. Currently, very few of the currently licensed trucks in Uganda meet the high security standards required by the oil and gas industry (CEM, 2014).

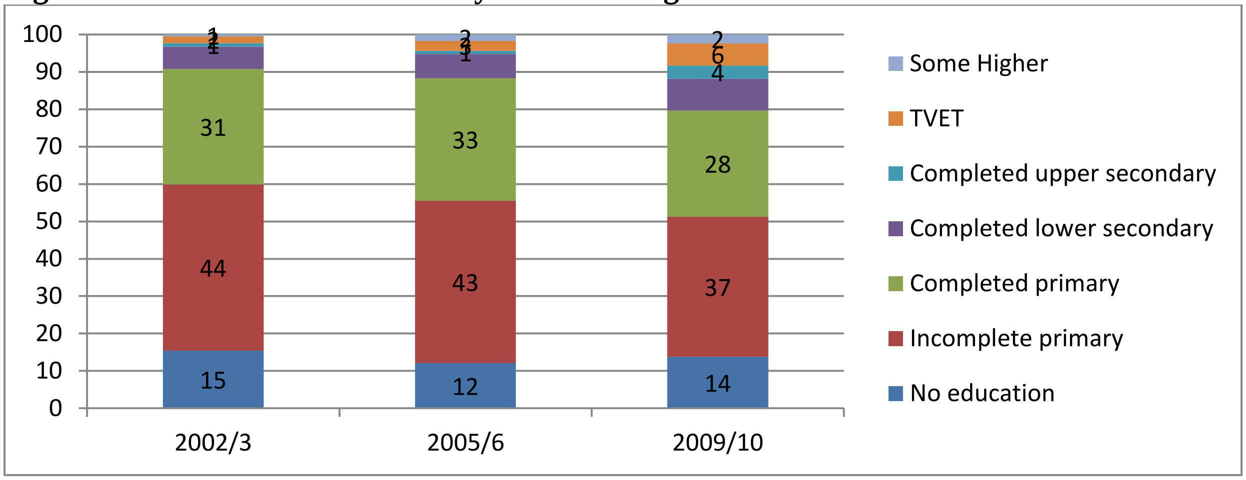
13. Transport and logistics will also play an important role in Uganda's growth by providing regional connectivity within Uganda and between Uganda as well as the rest of the region. The rise in intra-regional trade in the East African Community (EAC)[10] could allow it to leverage its central location to serve as a hub for logistics in general and distribution in particular. While there are several international companies providing logistics services (especially for international trade), the bulk of Uganda's trucking industry, which transports goods for the domestic market and employs the majority of workers, is small-scale and fragmented. Strengthening Uganda's competitive position as a logistics hub will require Uganda will require it to make the right policy choices but also to develop the skills set of new workers entering the sector, as well as those already employed from truck drivers, to inventory specialists, to supply chain management specialists.

<u>What is the level of skills within the population?</u>

14. Over 50 percent of Ugandans of working age had either no education or had not completed primary school in 2009/10. A further 30 percent had completed primary school (see figure 4). Only about 12 percent of the working age population had upper secondary TVET or higher education qualifications. While trends show that the numbers of people completing primary and secondary education is increasing, the education levels of the majority of the population indicates they do not possess basic foundational skills acquired through primary schooling such as literacy and numeracy. Furthermore, there are serious concerns on the quality of skills gained in basic education in Uganda, with the country performing worse than its counterparts in Tanzania and Kenya on regional assessments such as the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ).

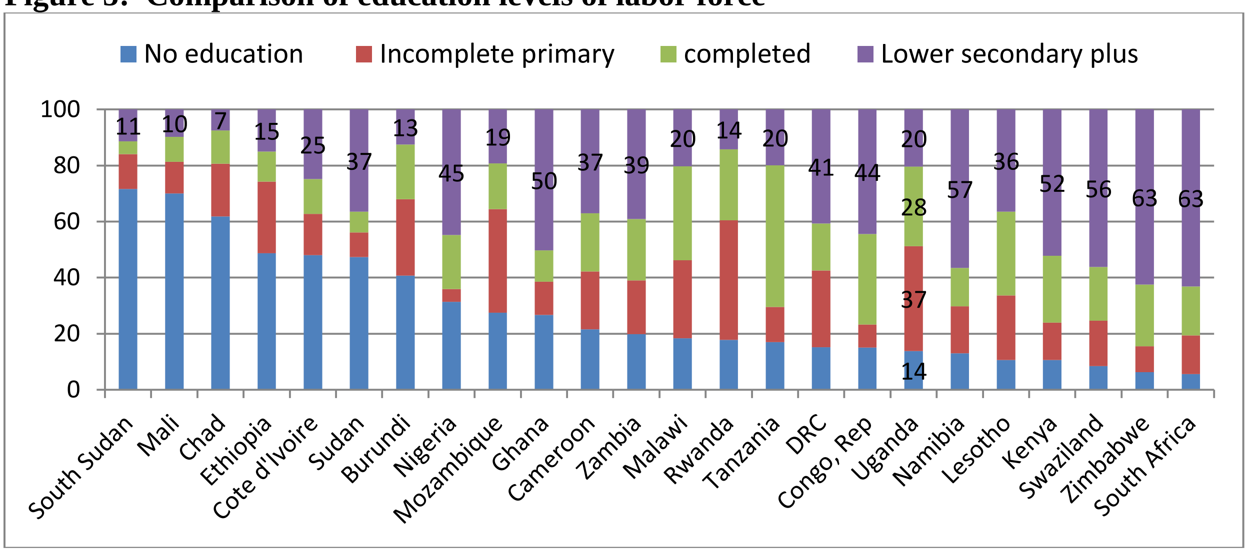
[10] EAC Common Market established in July 2010 provides a broad roadmap to achieve freedom of movement for goods, services, people (rights of establishment and residence), and capital among EAC Partner States.

Figure 4: Education level of 15-64 year olds in Uganda



15. When comparing education levels of the Ugandan labor force to other countries in the region, Uganda has a disproportionate percentage of people who do not complete primary education and a small percentage of people who have completed lower secondary or above (see figure 5). Many middle income countries that have grown equitably, have done so with a strong base of human capital. If Uganda is to become a middle income country by 2020, with shared prosperity, it needs to invest heavily in the development of its human capital.

Figure 5: Comparison of education levels of labor force

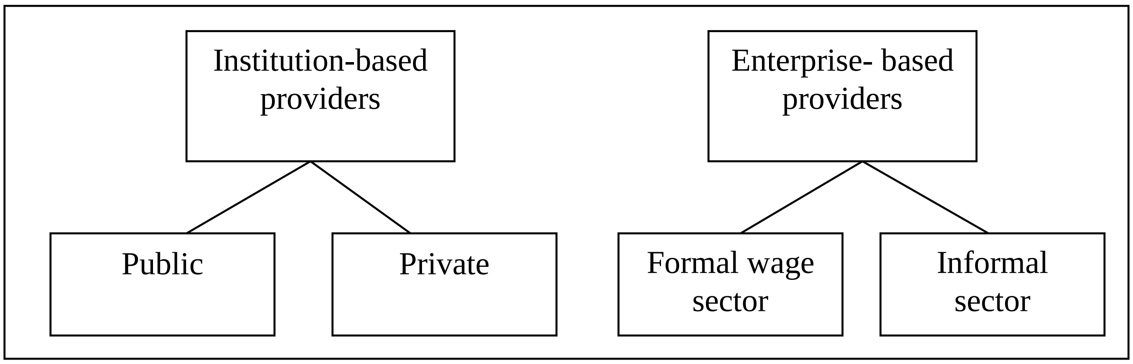


16. Investment in education pays off in terms of future income streams in Uganda. Wage regressions which control for other factors, such as location, age etc. (for more see the economic analysis Annex), indicate that hourly and monthly wage improves with more education. Based on hourly wages, workers who complete primary earn 37 percent more than those with no education and those with junior secondary education completed see an additional benefit of 46 percent. This increases to 70 percent for those who have some or complete upper secondary. In terms of BTVET, those with post-primary TVET earn 87 percent than those with no education and similarly those with post-secondary TVET earn 112 percent more than those with no education.

What is the landscape of skills development in Uganda?

17. Training provision can be broadly be grouped into two categories: (i) institution based training provision; and (ii) enterprise-based training provision (see Figure 5).

Figure 5: Training provision by location and ownership



Source: Johansson and Van Adams, 2004

18. Enterprise-based training is an important component in the supply of skills. In the formal wage sector, many firms in Uganda provide training for its workers including: (i) initial training; and (ii) upgrading training. Most medium and large size companies (above 20 employees) interviewed during preparation of this project, provide artisan and craftsmen level workers through initial training with the duration, rigor and formality dependent largely on the nature of the task to be learned and the size of the enterprise. Several companies also invest in continuous training of experienced employees to maintain and improve skills or to impart new skills. Formal apprenticeship training is not prevalent in Uganda. Within small and micro enterprises in the formal sector, there appears to be general resistance to training by employers due to the cost and mobility/poaching of trained workers.

19. Within the informal sector, few operators see the need for, or value of, skills development for themselves or their workers. A 2009 study of informal sector workers in Uganda found that the main challenges faced by operators are related to inadequate capital and lack of a proper worksite (lack of suitable workplace, storage, and challenges with electricity and transport). However if the informal sector is to continue to absorb more people and supply a reasonable return on labor, it is crucial to increase the skills of its workers. Traditional apprenticeship training is the most important source of technical and business skills for workers in the informal sector. Training primarily consists of observing and imitating a master craftsmen and instead of competency-based, it is product specific. While the model is cost-effective, it perpetuates traditional technologies and lacks standards and quality assurance. Support for training of master craftsmen and apprentices can improve standards and raise awareness of new technologies.

20. Uganda's BTVET subsector is currently not well situated to respond to the challenges of creating a technically skilled labor force for the growth sectors. It currently caters to only a small proportion of labor market entrants. Compared to approximately 500,000 new entrants, public BTVET institutions enrolled only 34,000 students in 2009. Formal BTVET targets only youth who

have completed at least primary education and Non-Formal BTVET program targets all Ugandans with approximately 13,000 students per year financed by the public sector. Although small in size, public BTVET is fragmented across several Ministries. There is significant under-investment in the sub-sector; public expenditure per student in BTVET is lowest among all education sub-sectors, and continues to fall despite being a technically oriented sector that is more expensive than general education in most countries. Management and regulation in BTVET is highly fragmented, involving too many regulatory bodies with partly overlapping responsibilities. There is no overall coordination mechanism to ensure that all players are working towards the same set of goals and priorities. Furthermore, employers and business sector representatives who know best what skills the market requires are neither appropriately involved in planning, implementing, and monitoring BTVET development, nor made part of decision-making structures at national and institutional levels.

21. ***Public BTVET*:** The current structure of BTVET operates much like a school system with relatively long programs leading to centrally tested credentials. There are three types of institutions for primary school leavers (technical schools, community polytechnics, and farm schools/agriculture institutes); two types of public institutes for lower secondary leavers (Technical Institutes and Vocational Training Institutes) and various subject- specific colleges for secondary school leavers. Excluding the colleges, the other institutions are managed by the MoES. Many of the colleges are managed by their respective line Ministries, for example, the agriculture colleges are managed by the Ministry of Agriculture, Animal Husbandry and Fisheries (MAAIF) and the tourism college is managed by the Ministry of Trade, Industry and Tourism. In 2009, there were only about 34,000 students enrolled across 131 public BTVET institutions. Several of these institutes have recently started to offer 'non-formal' training in the form of short courses offered to learners within the informal sector. However, preliminary indications show that the take-up rate for these short-courses has been low in many of the institutes presumably due to a multitude of factors including the infancy of the program, the perceived quality and relevance of these programs, and under-investment in the program.

22. ***Private Training Providers*:** Private provision of technical and vocational skills in Uganda is significant and there is movement towards more public-private partnerships in the provision of skills. Private BTVET providers in Uganda include private commercial as well as non-profit institutions, mainly faith-based institutions and non-governmental organizations (NGOs). Estimates put the total number of registered private providers at around 670 and many more unregistered, outnumbering public BTVET institutions by 7:1. The government is acknowledging this potential by having co-opted the private training provider association - the Uganda Association of Private Vocational Institutes (UGAPRIVI) - in all relevant BTVET fora in the country, and by advocating for and partly implementing public-private partnership in BTVET delivery.

23. ***Equity:*** As noted earlier, BTVET absorption is still insignificant in relation to outflows from general education. The BTVET system currently serves mainly school-age youth who wish to continue their schooling and hardly caters to other important groups such adults, primary school dropouts and employed people who wish to upgrade their qualifications. Females in Uganda do not have equal access to public skills training and make up only one quarter of total public enrolments. Moreover, they tend to be concentrated in traditional female occupations like tailoring rather than occupations that have a chance to earn more income on the market. Lastly, income inequality is also

an issue. Low income students are prevented from accessing BTVET because of the fees charged, and typically cannot compete for scholarships based on merit.

24. ***Quality and relevance of BTVET*** is very low. A major challenge with the current BTVET system is its lack of relevance to the skills needs of the market. A small survey of 141 firms conducted in 2011 by the MoES, showed that most firms rated their new recruits as not competent in the skills required. Furthermore, about 40-50 percent of registrants fail to pass the examinations, even after two to three years of training.

25. Most BTVET institutions face key issues that need to be urgently addressed including: : (i) dated curricula organized by semesters or quarters (not by modules of different time duration), lack of attention to soft skills like Occupational Health & Safety and more emphasis on theory than on practice; (ii) inefficient utilization of capacity; (iii) untrained teachers without industry-based in-service training using chalk and talk as a preferred method of instruction in the absence of well-equipped workshops and modern training methods; (iv) no effective student tracking system from graduation to placement and thereafter; (v) weak or non-existing linkages with the employment sector; (vi) poor infrastructure and ill-equipped workshops with obsolete and non-functioning equipment as well as inadequate training materials; and (vii) inadequate and inconsistent funding which is subject to erratic release.

26. ***Organizational and Management Effectiveness*****:** Managers of public BTVET institutions and Boards of Governors cannot hire staff directly with public funds since this is done by the Education Service Commission and final budget decisions made by the MoES. Perhaps the greatest impediment to improved performance in BTVET delivery is the lack of accountability. Neither the BTVET Department nor the Boards of Governors have performance agreements with institutional managers. Institutional managers or instructors are not held accountable for training results. Poor pass rates do not result in sanctions; good pass rates do not result in recognition and rewards. In fact, pass rates are not even published by program and institution.

27. ***Standards, assessment and certification*****:** The establishment of standards, and assessment and certification of the BTVET sub-sector is also particularly problematic. The BTVET Act of 2008 lays the foundation for phasing out of the current examination boards' qualification system for BTVET and replacing it with the new Uganda Vocational Qualification Framework (UVQF). The Act stipulated the establishment of the UVQF with the purpose of defining occupational standards, assessment standards, vocational qualifications and guidelines for modular training. According to the Act, principals of the UVQF should include flexible training and learning modules, assessment and certification, assessment of prior learning, recognition of formal and non-formal training, self-paced and individual learning and workplace learning. Unfortunately, the UVQF has not been implemented successfully in Uganda to date. There exists no statutory instrument to regulate the UVQF.

28. Running in parallel to current developments to the introduction of a UVQF-based training system, the so-called "workers pass" represents an alternative approach to recording/recognizing vocational skills. The workers pass, originally brought into the system by the German KfW programme, is now being taken up by Swiss Contact and UGAPRIVI (Uganda Association of Private Vocational Institutes). The workers pass is a little booklet supposed to document skills at

lower levels upon assessment by accredited assessment centres, but also employers. The pass could possibly represent an interesting tool for recognition of limited and low-level competencies, easier and at lower costs accessible to target groups that are not in a position to access formal training programs. It may also be instrumental in reducing the pressure from the system to capture all needed skills and occupational areas in the UVQF. Such pressure has tended to be detrimental to informal sector-oriented skills development in other countries. The lack of articulation between the Workers Pass and the UVQF process has been particularly effective in supporting the reform process.

29. ***Financing*** of the BTVET system has been relatively low. The percentage of spending on BTVET of the entire education budget remains at around 4%, compared to an average of 6% for other Sub-Saharan African countries during recent years. Private funding is a considerable source for BTVET in Uganda. Private funding is mainly through training fees paid by parents for BTVET trainees that are not government-sponsored. However, government-sponsored trainees in many institutions are required to pay additional contributions to their training costs in order to supplement the low public capitation grants paid to the institutions. Private households are currently contributing close to half of the total revenues of public BTVET institutions.

30. ***The Paradigm Shift*****:** To address the aforementioned issues, the Skilling Uganda strategy denotes a paradigm shift for skills development in Uganda, aiming to create employable skills and competencies relevant in the labor market instead of simply issuing academic certificates. The strategy has five specific objectives: (i) improving the relevance of skills provision to improve productivity and enhance growth; (ii) improving the quality of skills imparted; (iii) increasing access to and equity within the BTVET sector; (iv) improving organizational and management effectiveness; and (v) improving financing and internal efficiency. The MoES has the main responsibility for implementing and monitoring of the BTVET strategy but other ministries and private sector stakeholders are also involved and assume responsibilities.

31. The strategic plan outlined the need to establish a unified body for skills development that answers the broadened mandate of the BTVET sector and the implied need to widen partnerships. A Reform Task Force (RTF), with over half of the members represented by the private sector, was established as an interim management unit for four years to coordinate the implementation of the plan until a permanent body, the Skills Development Authority (SDA), and its governing structure is established. The RTF works under the technical guidance of MoES and reports to the Permanent Secretary of the MoES. Other reforms within the Skilling Uganda strategy have by and large been stalled due to a lack of funding.

What is the focus of this project?

32. Clearly, there is a need to build skills for the current and future working age population at various levels. Primary and secondary education is crucial to providing the foundational skills for all Ugandans. The Bank is currently engaged with the GoU on the recently approved Global Partnership for Education financed US$100m targeted towards improving teacher and school effectiveness at the primary level. The Bank is also engaged at the secondary level with the recently completed Uganda Post-Primary and Education Training Project and the development of a follow-on project in this sub-sector.

33. This project will focus on building the BTVET sub-sector which has the potential to develop skills of people across the labor force, from primary school drop-outs to upper secondary leavers. In line with the Skilling Uganda strategy, the focus will be on providing competency-based skills through short-term pre-employment training for artisans and craftsmen to longer-term training for technicians.

34. Given the resource as well as capacity constraints in carrying out a comprehensive reform and investment program, this Project will focus on supporting the design of an initial set of reforms that will set the foundation for transforming skills development in the country, and targeting the investment program on meeting the skills needs of a few priority sectors. The target sectors were determined by the following criteria: (i) sectors that employ large numbers of the population; (ii) sectors with potential for value addition and improved productivity; (iii) sectors where there is foreign direct investment is increasing and where significant public finances have been directed. The sectors identified include agriculture (with a focus on agro-processing), manufacturing and construction.

35. The purpose of this project is three-fold. First, it will support systemic reforms targeted at making the skills development system in the country more efficient and effective. Second, it will create a scalable model for high quality vocational and technical training which is linked to labor market needs for specific sectors. The model comprises of establishing Centers of Excellence with a network of vocational institutions (with well-prepared students; well-trained faculty; high quality, relevant curricula; adequate facilities and equipment; teaching resources and assessment systems), an institutional framework that encompasses sectoral skills councils that assess needs and develop occupational standards with employer representation at every level (national, sectoral and institutional), reliable information systems and a re-branding of the image of BTVET vis a vis students and employers. The project will work with four colleges, 12 public vocational training institutes and focus on three sectors. If the project is successful, the model can be replicated in other sectors. Third, the project will support the delivery of short-term training for workers in the formal and informal sectors to address acute skills shortages that will strengthen the competitiveness of the private sector.

36. The beneficiaries of Project will be new entrants to and existing workers in the labor market. Regardless of the type of beneficiary, training will be targeted to any person who requires training of specific skills related to the target trades/occupations within the three sectors. Training will be focused at the artisan, craftsmen and technician levels and will be delivered through competency-based training programs with recognition of prior learning.

37. While the project will only directly reach a small proportion of the labor market over the five year period, the institutional capacity that would be built would have positive externalities across the system, for example, the adoption of internationally recognized curricula for trades in the target sectors that is relevant for the labor market. These curricula will be used throughout the country by training providers.

Annex 3: Detailed Project Description

UGANDA: Skills Development Project

1. Technical-vocational training is vitally important for the production of critical job-specific skills in Uganda. Technical-vocational training is a sound investment for the individual, the employer, and the economy. For the individual, the economic returns on this investment accrue in the form of increased earnings. For companies, the economic returns are realized through gains in productivity and profits. For an economy, the returns are found in the expanded output of goods and services and economic growth. Skills development for participants in the labor force is important in Uganda for several reasons. Technological change, higher values added and the increased competition flowing from trade liberalization accelerate the demand for higher skills and productivity among workers. Skills workers are more readily able to adapt to new technology and production processes.

2. It is equally important to invest in the skills building of economically vulnerable people. Skills development is essential for individual prosperity. Skills enable the individual to increase productivity and incomes. This is important for the people who muse eke out a living in the informal sector of the economy. Uganda clearly will not be able to generate enough wage employment for those entering the labor market. The vast majority of new entrants to the labor market will have no alternative but to work in the informal sector. Knowledge and technical skills are essential to increase their productivity and incomes, and raise them out of poverty.

3. Employers in Uganda often complain about the shortage of appropriately skilled and qualified workers. Skills gaps in some sectors such as construction actually constrain enterprise production and expansion. The impact of AIDs depletes scarce human capital and magnifies the need to replace skills across a wide range of occupations. The direct impact in companies is manifest, inter alia, in staff turnover, skills shortfalls and high retaining cost.

4. The Ugandan system of skills provision- Business, Technical and Vocational Education and Training (BTVET) - faces major challenges in improving linkages with the world of work, raising standards and expanding coverage. The ten year plan for BTVET sets out the main reforms needed for upgrading the skills of the Ugandan labor force. The strategy builds on considerable progress in the reform of the BTVET system achieved during the last decade, which included the adoption of the BTVET Act in 2008 and the establishment of the Uganda Vocational Qualifications Framework (UVQF).

5. The Skilling Uganda strategy aims to transform the BTVET system from an educational sub-sector into a comprehensive system of skills development for employment, enhanced productivity and growth. It emphasizes a paradigm shift for skills development, which essentially aims at realigning the policy and institutional framework as well as investment in skills development to transform the current supply-driven system to a robust sustainable dynamic demand driven skills development system that would respond to the skills needs of the growing Ugandan economy.

I. Project Components

6. The project development objective is to enhance capacity of institutions to deliver quality and relevant skills training programs in agriculture, construction, and manufacturing sectors, in order to improve placement outcomes. The key performance indicators related to this objective are: (i) SSCs in the targeted sectors are established and functional; (ii) percentage of trainees who are employed (including self-employment) six months after they complete training; and (iii) the number of memoranda of understanding/partnership agreements signed between public/private entities and the respective CoEs for training.

Component 1: Institutionalizing systemic reforms in skills development [Total: US$5 million, IDA: US$5 million]

7. As the Skilling Uganda Strategic Plan rightly points out systemic reform in the sector is critical to realigning the delivery system without which investment in up-grading training institutions will eventually result in further reinforcing the existing supply driven system.
While the establishment of the Skills Development Authority (SDA) and Skills Development Fund (SDF) were approved by the GoU's Cabinet in 2012 under the Skilling Uganda Strategy, this is a longer term process that the RTF is mandated to complete. However, the need for skilled and certified Ugandans is immediate with the ongoing developments in the country. This component seeks to support the RTF to oversee the implementation of critical reforms necessary for the effective functioning of the skills development system as well as supporting the establishment of the SDA in the medium term. Component 3 supports the piloting of a Skills Development Matching Grant that could potentially inform the eventual establishment of the SDF.

8. ***Sub-Component 1.1: Establishing sector skills councils (SSCs) and developing the foundation of a Skills Development Authority (SDA).*** The project would support the establishment and initial operation of three sector skills councils in priority sectors, i.e. agriculture, construction and manufacturing. The SSCs would operate formally under the aegis of the Skills Development Authority when established and prior to that, under the RTF. The SSCs are a vehicle for the government to develop high quality skills standards with employers to improve worker productivity and enhance competitiveness of industry in Uganda and in the region. The Council determines skills needs and skills standards for its respective sectors. SSCs would be comprised of a strong employer majority along with representatives of workers and government ministries. Membership is limited from between 7-15 members.

9. SSCs would carry out the following functions: (i) identification and analysis of skill requirements in the economic sector; (ii) development of industry skills strategies and training plans to achieve priority goals; (iii) establishing occupational and competency standards and qualifications as part of the Uganda Vocational Qualifications Framework (UVQF); (iv) evaluating performance in skills development; (v) regulation of public and private sector training providers; and (vi) promoting enterprise based training in the sector. The SSCs may also play a role in raising and allocating funds for skills development in its sector. The project would finance training of the SSC members, studies on training needs for the sectors, fora for exchange of experience and sharing of best practices and development of standards and operating costs.

10. The RTF, and subsequently the SDA, are platforms created for effective collaboration between the public and private sectors on skills development. The Skilling Uganda strategy, justifies the establishment of an autonomous body; the Skills Development Authority (SDA) to involve stakeholders, especially employers, in the direction and evaluation of the training system...[11]". The strategic plan [12]further details the rationale for the establishment of SDA in Uganda as follows:

a. ***Involvement of the employers***. The main reason to establish an independent training authority is to involve stakeholders, especially employers, in directing and evaluating the training system. This cannot be done easily while TVET is the sole responsibility of government.

b. ***Responsiveness.*** By being outside the normal government bureaucracy, training authorities can respond more quickly to changing conditions in the labour market.

c. ***Consolidation and coherence.*** A single training authority can consolidate fragmented units and achieve economies of scale in performing the various functions. It can combine relevant government agencies into one body at the central level for more coherent policymaking and allocation of public funds. In addition, it could better address cross-sectoral issues and requirements. If located outside Ministry of Education and Sports it could avoid vested interests of sectoral training infrastructure.

d. ***Comprehensiveness***. Another reason for a consolidated training agency would be to broaden the scope of attention to all forms of skills development and all types of providers, i.e. not just pre-employment training in public institutions, but enterprise-based training in the modern sector and in the informal sector.

e. ***Professionalism.*** Being outside the civil service a training authority could potentially offer higher salaries and thereby attract, retain and motivate high quality staff. It could build the professional capacity and incentives necessary to manage the TVET system properly. It could establish more efficient and accountable procedures. Thus, a training authority could become a force for revitalization and expansion of skills provision in the country and the region overall.

f. ***Training markets.*** A training authority could become an intermediary to help stimulate a training market. Promotion of private (non-government) training – can be done more readily/easily by an independent organization with private participation.

g. ***Status.*** Independent status could help raise the image of skills development counter the prevailing negative social attitude towards technical-vocational training.

11. When fully operational, the SDA shall spearhead implementation of reforms featured in Skilling Uganda, facilitate the linkage of skills demand and supply; promote research, policies and planning for skills development; monitor and evaluate system performance; regulate and assure quality in skills provision; finance skills development; and support program development and delivery by providers.

[11] The BTVET Strategic Plan Pg. 30

[12]The BTVET Strategic Plan 2012/3 to 2021/2 , Pages 81-82

12. The project would support the development of the organizational plans, systems and operational procedures for the eventual establishment of the SDA. This would include technical assistance to develop, test and implement a management system, monitoring and evaluation system and financial management system for the SDA.

13. ***Sub-component 1.2: Alignment and strengthening of the assessment system:*** Standard-setting and assessment/certification is done by multiple institutions including the Directorate of Industrial Training (DIT), and more recently by the Uganda Business and Technical Examinations Board (UBTEB). Examination and certification functions for specialized training are conducted by special examination boards, such as Uganda Nurses and Midwives Examination Board (UNMEB) and the Health and Allied Professions Examination Board (HAPEB). At tertiary (diploma) level, selected universities such as the Makerere University and Kyambogo University function as certifying bodies for selected programs.

14. Across all these assessment systems there is insufficient participation of employers in defining the standards for assessment. Without an agreed set of standards with the industry, there is no formal or affordable mechanism to asses and certify people who are already in the labor market pool and may already have the competencies required by employers. Although the Directorate of Industrial Training (DIT) in the MoES has been tasked to develop a qualifications and assessment system, the Directorate is under-financed and has not been able to work effectively with employers across sectors to determine appropriate standards. Many private sector firms use their own assessment and certification processes, sometimes bringing in international certification agencies. A harmonized qualification and certification system would allow for recognition of prior learning and horizontal and vertical mobility of workers.

15. The project will finance technical assistance to support the SSCs to determine the appropriate mechanism/institution(s) to support the implementation of competency-based assessment in line with occupational standards determined by the SSCs. It will also support existing institutions such as the DIT and UBTEB to coordinate with the private sector in order to align the standards for assessment and certification with the needs of the industry.

16. ***Sub-component 1.3: Establishing a Management Information System (MIS) for BTVET:*** Data for BTVET institutions are collected by multiple sources and are often neither complete nor accurate. Data are not regularly organized and computerized and therefore not incorporated into planning processes. Both the Education Management Information System (EMIS) unit under the Planning Department of the MoES and the BTVET unit under the MoES collect information and collate data on the BTVET sector though neither system provides comprehensive data on programs, completion, instructors, etc. Better and timely information is essential to implementation of the suggested reforms. Accountability requires good information on results (e.g. examination performance), normative financing (per student financing) requires valid information on trainees enrolled, and sub-sector planning and monitoring require reliable and timely data on the performance and capacities of training institutions. The project will finance technical assistance to support the RTF to develop an MIS for the BTVET sector with data from at least all public institutions compiled by the end of the project. While the system will be developed and housed at the RTF, it will feed into the EMIS and BTVET units, BTVET institutions and the public at large.

17. ***Sub-component 1.4: Communication and Marketing for the BTVET sub-sector:*** The BTVET sub-sector does not have a good image in Uganda. While there is cause to doubt the quality and relevance of BTVET training as it stands now, the project will need to find ways to rebrand the image of the sub-sector from a place of last resort to the preferred training option. This will be no easy feat given the perpetual under financing of the sub-sector and the ingrained prejudice against vocational and technical training in country. This issue is not unique to Uganda and several countries have invested in marketing and rebranding the image of its TVET sub-sectors including Singapore and Malaysia.

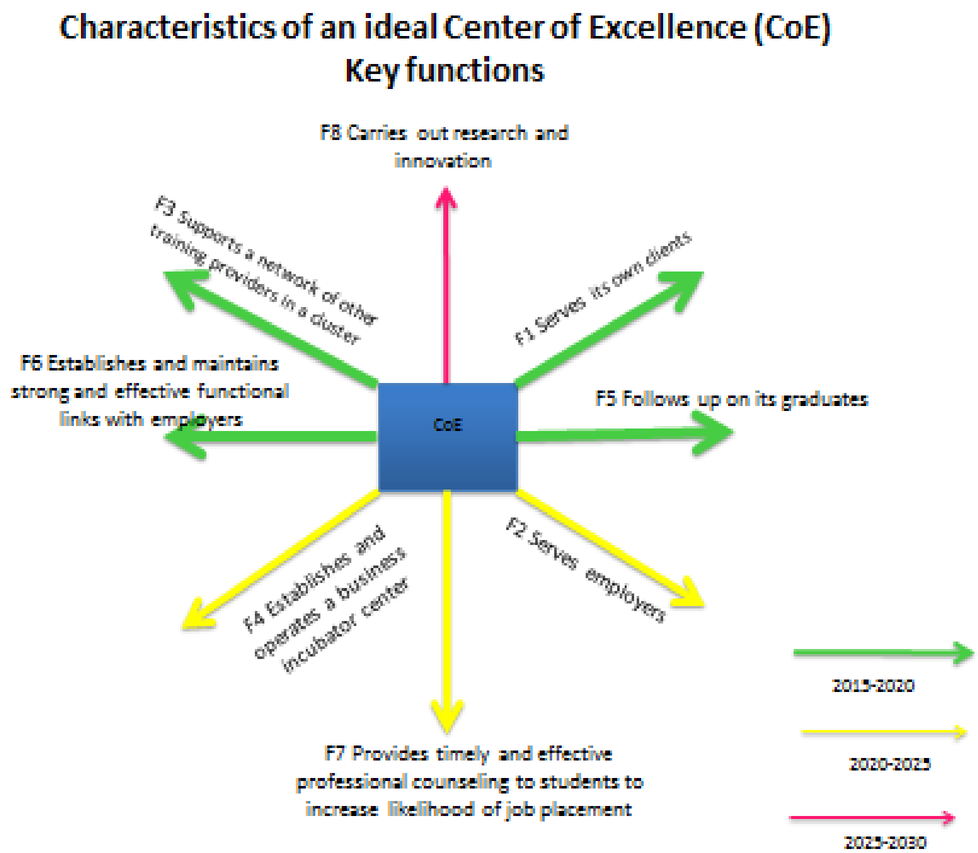
18. The project will provide support to hire a consultancy firm with relevant experience to provide technical assistance to actively rebrand the sub-sector through enhanced media communication and direct engagement with key stakeholders. It will seek to: (i) raise awareness of skills training programs in target sectors, including the availability of the Skills Development Matching Grant described under component 3; (ii) generate awareness in the communities and in primary/secondary schools for enhancing enrollment by women in CoEs and network institutions; (iii) mobilize training institutions and other service providers for participating in the project activities; and (iv) disseminate information on the strategy, results and lesson learned.

19. Several types of communication materials and guidelines will be developed by the consultancy firm including brochures, posters, leaflets, radio and television spots, interactive website and other necessary dissemination materials. These materials will be further refined and updated during the implementation of the project based on the lessons learned.

20. The consultancy firm would support communication around improving the image of the BTVET sub-sector. It will also support dissemination workshops/seminars at regional and national level involving key stakeholders. These workshops/seminars will elaborately share the project objectives, target groups, institution selection criteria, student admission criteria, details related to the Skills Development Matching Grant, and procedures and opportunities and anticipated outcomes of the project. During the communication campaign, comments and suggestions from the stakeholders will be reviewed for further refining the materials. In addition, program dissemination and mobilization will be carried out through all available media, including print, broadcast, and electronic media. The mobilization activities will be carried out by the target institutions, which would include student counseling for admission, institutional level potential parents/students seminars for selection of trade by the students, job placement, etc.

Component 2: Improving Quality and Relevance of Skills Development [Total: US$62.2 million, IDA: US$62.2 million]

21. This component seeks to target Colleges to become Centers of Excellence (CoE) offering competency-based training of high quality in low-level (artisans), medium-level (craftsman) and higher-level (technicians) skills demanded in selected trades/occupations in the manufacturing, construction, and agriculture sectors of the Ugandan economy as well as 12 public vacationing training institutes to improve its quality and relevance of training provision.



22. *Characteristics of a CoE*. The CoEs under the *Uganda Skills Development Project (USDP)* will select the competency-based training courses of *very few trades*, perhaps no more than five per CoE during the life of this operation, to be previously validated by the employers of these sectors through the auspices of the corresponding Sector Skill Council (SSC). As mentioned in Component 1, the SSCs in the sectors to be addressed by component 2 are being established by the Reform Task Force and they will be formally included as part of the Skills Development Authority (likely during 2016/17).

23. The CoEs will ensure alignment of the curricular package, the assessment instruments and procedures, the cadre of trainers and training procedures, the training equipment and physical facilities, the tracking of graduates and the organization of the CoE's physical and human resources, time and space to the occupational standards of the trades for which training will be provided. This alignment is a required means to migrate these proposed CoEs from their current content-based training, highly irrelevant to the skill-needs of the labor market, to a competency-based training driven by employers.

24. The CoEs under the USDP will establish and maintain a functional linkage with the employers of the trades for which training is being provided. Once the intended CoEs support their graduates to find job placements in the trades of their training, they will have to generate additional revenue by selling competency-based in-service training of good quality to firms in their sector for the training of their workers. CoEs are then expected to provide training to students (workers to be)

by the mid-term review and in-service training of workers already placed in firms of their sectors by the closing of the USDP.

25. A CoE will provide timely and effective professional counseling to students to increase their likelihood of job placement after graduation.

26. In the medium-term, likely after the closing of the USDP, CoEs are also expected to foster and operate as a business incubator center through which instead of training students to fill job vacancies they will produce entrepreneurs, who would create jobs. They could also in time become centers for research and innovation.

27. ***Beneficiaries.*** The beneficiaries of Project will be mainly new entrants into the labor market. Given resource constraints and the short time frame for project implementation, workers who are already in employment will not directly be targeted under this project, except in cases where firms buy the services of training institutes supported under the project. Regardless of the type of beneficiary, training in the target BTVET institutions will be targeted to any person who requires training of specific skills related to the target trades/occupations within the three sectors.

28. ***Sub-component 2.1: Establishment of Centers of Excellence [Total: US$42.1 million, IDA: US$ 42.1 million]:*** Under this sub-component four Uganda Technical Colleges (UTC) - Lira UTC, Elgon UTC, Bushenyi UTC and Bukalasa Agricultural College will be upgraded to Centers of Excellence (COE) with the characteristics and functions illustrated above. Key reform in governance will be introduced at the institution level. The targets set for Component 2 of the USDP will be achieved through the implementation of the following key activities: (i) Reforming institutional governance within target institutions; (ii) enhancing equity; (iii) Design and adaptation of demand driven competency-based curriculum and assessment system to international standards; (iv) Training for faculty and staff, and development of training and learning materials; (v) Establish and upgrade physical infrastructure, including civil works and establishment of modern workshops and classrooms with latest equipment and machineries and multi-media facilities; and (vi) Support to improve management and monitoring mechanisms within the COEs.

29. *Reforming Institutional Governance:* The CoEs cannot become effective and deliver the expected results unless they are sufficiently empowered and enabled. In order to empower the CoEs, it is important to devolve sufficient power and functions with a strong accountability mechanism. It is encouraging that the every UTC has a Governing Council. However, as per the Skilling Uganda strategy, representation of employers in the Governing Council is increased to 50 percent of the total members with the chair being chosen from among the employers, which is a critical step towards making the system demand-driven. A critical reform being introduced into the system is the significant delegation of academic, managerial, administrative and financial autonomies to the Governing Councils of the institutions. These include the power to design new course and curricula, and modify existing curricula; add new trades and drop trades that are redundant or irrelevant; generate, retain and use all revenues from the sale of goods and services; hire and fire faculty and depute faculty and staff for training, enter into partnership with other institutions as well as with enterprises though Memoranda of Understanding (MoU), plan and execute infrastructure development within the resources available to the CoE.

30. *Enhance gender equity:* Current enrollment of girls in Lira, Elgon and Bushenyi UTCs is as low as 10% and in Bukalasa Agricultural College it is about 20%. It is extremely important to increase girls' enrollment in accordance with the national mandate (of at least 30%) under the project. In order to improve girls' enrollment, several innovative steps such as: mobilization of parents and potential candidates to enter the target programs; making the institution gender friendly with access to clean water and gender sensitive sanitation; security and dormitory facilities for women; life skills education; and special counseling and placement support. There is evidence from Uganda to show that mentoring support to females engaged in non-traditional trades help them stay in the institution, complete the course and transit to work. Each CoE with the support from partner institutions will prepare a project-funded gender action plan alongside its Institutional Development Plan (IDP). The MoES will extend its existing bursaries to women to enable them to attend the target institutions.

31. *Design and adaptation of curriculum and assessment system to international standards.* The SDP under this sub-component will finance: (i) twinning arrangements between qualified international consultants with UTCs, through which competency-based curriculum for craftsmen, artisan and technician courses in construction, manufacturing and production and agriculture will be developed in consultation with industries in Uganda and in accordance with international curricula elements; (ii) development of related occupational health and safety and environment management curricula; (iii) adaptation of competency-based curriculum package in specific trades/occupations to the requirements of the country as defined by the Sector Skills Councils of the Skills Development Authority; and (iv) the development of appropriate assessment systems which are administered by a third qualifying party and not the CoE itself.

32. *Training for faculty and staff, and development of training and learning materials.* The project will finance: (i) training of faculty and staff of the CoEs and Vocational Institutes (VIs) network in industries and institutions both within the country and outside; and (ii) provision of technical assistance for the development and validation of teachers reference materials, and refresher training material to train teachers in the cluster of a given CoE. The project will also finance advancement of faculty qualifications to achieve higher degrees on a case by case basis to be determined by the Governing Council. Instructors will be trained in industry through a Return to Industry Scheme (RIS) so as to update themselves on new technology and innovation in their respective field.

33. *Establish and upgrade physical infrastructure.* Up-grading physical infrastructure such as modern workshops with the latest equipment and machineries, ensuring availability of smart classrooms with multi-media facilities, well equipped libraries, and common facilities for faculty, staff and students, which are essential inputs for quality improvement. The project will finance necessary civil works, renovations and refurbishment of existing infrastructure and build new infrastructure, as necessary, for new workshops, classrooms, libraries, administrative block, common facilities for students, faculty and staff; provision of water and sanitation in the institutions, augmented provision of electricity supply with power back-up system, as necessary; improvement of campus environment, sports facilities and low cost boundary wall. All civil works will be disabled friendly complying with national and international standards. The SDP PCU will ensure quality assurance of all civil works. Third party quality review of civil works will be carried out at mid-term. The project will also finance procurement of equipment and machineries in line with

new/revised curricula for diploma, craftsmen and artisan training programs and their maintenance, tools, and training materials for students.

34. *Improving management and monitoring mechanisms within the CoEs*. The project will finance the improvement of the COEs' monitoring systems in order to effectively track trainees once they have completed training. By tracking the students, a CoE would be in the position to send a signal to the market that its students are indeed being employed in their fields of training and that the return on the training investment is worthwhile. This sub-component will also finance the continued professional development of the management and staff of the CoEs and vocational training institutes. Each CoE will establish an institution level project implementation support unit to assist the Governing Council and the Principal in smooth implementation, monitoring and reporting of the project. The institution implementation support unit, which will be staffed with some consultants with the expertise as described in the project implementation arrangements (Annex 3), will be jointly financed by the Colleges and the Project.

35. ***Sub-component 2.2: Support to public vocational training institutes (VIs) [Total: US$12.1 million, IDA: US$12.1 million]:*** This sub-component will support selected public vocational institutes (VIs) to strengthen their capacity to respond to the needs and opportunities of the labor market, including delivery of short-term training courses, and improve the quality of the training being offered. The training will primarily be in artisan and craftsman trades that are lower down the value chain whereas component 2.1 focuses on training for craftsman trades and technicians.

36. Up to 12 VIs will be selected in a competitive manner to benefit from the support. The selection will be done according to a set of eligibility and selection criteria. The selected VIs will be assisted to introduce new short and long competency based courses within one sector (occupational area), e.g. construction, manufacturing or agri-business. The support will include adaptation of curricula provided by MoES, training of trainers and assessors, basic civil works, selected trade-relevant equipment, machinery and tools, and training-learning resources both for students and teachers, and training consumables, development of students counselling, placement and tracing routines. The average budget for support to the VIs is US$830,000.

37. Each VI supported under the project will function according to an agreed annual tailored-made, time-bound action plan and schedule setting the operational rules and financial and implementation arrangement for services to be provided. The VIs will need to be open to monitoring and evaluation and reporting requirements of the project as described in the Operation Manual.

38. The selected VIs will be partnered with one of the CoEs supported under sub-component 2.1, according to the trade of specialization. The partner CoE will assist with adaptation of curricula, training of trainers/instructors and assessors as well as guide on the equipment to be purchased.

39. Due to the synergy between sub-components 2.1 and 2.2, the activities of sub-component 2.2 will be sequenced to reflect the progress of the support to CoE. As a result, the first year of the implementation will focus on selection of the first batch (6-8) of VIs to be support, identification of trade areas to be developed, strengthening the capacity of the management of the VIs, and contracting of the engineering consultant. Full-scale implementation will only start during the second year. This includes adaptation of curricula and learning material, training of trainers, civil

works, purchase and installation of equipment. It is expected that the first batch of VIs will be able offer the new, competency-based courses during the year 3 of the project. The second batch (4-6) of VIs will be selected during the second half of year 2 of the project.

40. The participating VIs will be selected by a committee to be set up by the Department of Planning, MoES. It is expected that the committee will have adequate private sector representation. Eligibility criteria for support will include: (i) the VI has been in existence for at least 3 years; (ii) the VI provides training in the target sectors; (iii) a sufficient number of teaching staff is available or will be made available; (iv) the VI is willing to establish links with the private sector within the trade to be developed; and (v) the gender balance of the new courses to be developed. The VIs will respond to calls for proposals to be issued by the MoES.

41. The supported VIs will facilitate information-sharing and coordination of implementation in order to optimize the efficiency of the support. The MoES Project Coordination Unit (PCU) will facilitate creation of networks and the functioning of these. MoES is the executing agency for the sub-component.

42. ***Sub-component 2.3: Twinning Arrangement for establishment of Centers of Excellence and networks [Total: US$8 million, IDA: US$8 million]:*** Establishment and operationalization of COEs with the characteristics and functions described in sub-component 2.1 and network arrangements will critically necessitate intensive technical assistance both from within the country and outside. Technically qualified institutions will be selected through international competitive process to act as Twinning partners responsible for providing all necessary support to help selected Uganda Technical College (UTC) to grow into "Center of Excellence" with the characteristics listed under this component and enable each CoE perform its critical functions. The partner institutions will also be responsible for providing support to the network institutions in order to improve quality of training. The partner institutions will prepare a time-bound detailed plan of action with clear deliverables. Once approved by the MoES and the IDA, the MoES will ensure that the partners do not face procedural bottlenecks in implementing the approved work plan.

43. Broadly, the partner institutions will be responsible for, not limited to; (i) conducting need assessments for skilled workforce, particularly craftsmen, artisan and technicians in construction, manufacturing and production, and agriculture sectors; (ii) design with industry inputs competency-based training curricula for craftsmen, artisan and technician course in the selected sectors; (iii) supporting the CoEs and network VIs (VIs) adopt the new curricula; (iv) training the faculty and staff of the CoEs and VIs on the new curricula; (v) helping the CoEs and VIs design the training workshops with equipment, machineries and tools with appropriate specifications in accordance with the curricula and the norms of national and international accreditation; (vi) advising the CoEs and VIs on training-learning materials for students and teachers; and (vii) assisting CoEs with employer engagement, students counselling, placement and tracing, students internship with industries, etc.

Component 3: Employer-led short-term training and recognition of prior learning [Total: US$18 million, IDA: US$18 million].

44. This component will be implemented through a Grant Facility mechanism that will support training activities that lead to improved productivity and competitiveness in the formal and informal sectors, hereby creating income opportunities and better quality products for the customers. The

Grant Facility is expected to provide funding primarily for the improvement of the quality and relevance of existing skills systems and, if relevant, the expansion of these. In addition, the Grant Facility will give priority to innovative new approaches to skills development and employment creation, especially in micro and small enterprises. Piloting of private sector led mechanisms for recognition of prior learning will be piloted as well by the Grant Facility. The design of the Grant Facility draws on the experience of competitive skills funds in other African countries.

45. The Grant Facility will have four 'windows': Window 1 will be addressing skills shortages in the formal sector. Funding will be provided to co-operation activities between, on the one side, medium and large enterprises from the formal sector and, on the other, training providers. The enterprise is expected to be in the lead position to define the content and duration of the training. The trainees will be employees of the enterprise or, in rare cases, a group of sub-contractors supplying goods or services to the company/companies. For industries such as construction, where the mobility of workers is very high due to the extensive use of casual workers, the Grant Facility will consider funding a system based on vouchers. The vouchers will be issued to workers selected by an Association/cluster organization for purchase of short-term skill upgrading. Window 1 will also provide subsidies to private companies to increase the numbers of interns it takes on as well as apprenticeship training. For applicants proposing increases in interns/apprentices, preference will be given to applicants proposing to take on graduates from Component 2. Applications will have a ceiling of US$250,000 with a maximum grant element of 80 percent through the Grant Facility. For larger companies, the grant element would be 50 percent.

46. Window 2 will assist self-employed and workers in the informal (jua khali) sector, micro and small enterprises, master crafts-people and members of cooperatives to improve their practical, technical, business and foundational skills in order to enhance their competitiveness. Due to the fragmented nature of these activities, it is expected that intermediary institutions such as trade associations of informal sector enterprises, cluster associations, registered co-operatives and NGOs will be in the lead position to define the content and duration of the training on behalf of the member. The Grant Facility will be able to finance equipment where it is vitally important for training purposes, directed towards public training providers. The Grant Facility will not provide funding for business development assistance to beneficiaries of Window 2, but it would seek collaboration with projects offering such services. Applications will have a ceiling of US$50,000 with a maximum grant element of 90 percent which in this case, can be made in-kind.

47. Window 3 deals with innovative skills training. Private training institutions interested in developing new innovative models for delivery of training, new training concepts and new training programs responding to an identified need will be eligible for support under the window. Partnerships between training providers and private companies will be encouraged. There are several ways in which training programs or training concepts can be innovative. They may either cater for groups that have not been catered for before, the mode of training may be new in a Ugandan context, it may be based on new models in financing, e.g. through income-generation or partnerships between the training provider and a company, or the actual content of the training may be novel and be aligned to technological advancement of a product. Applicants will have to provide proof on the expected demand in the form of a demand assessment. All development costs are eligible for funding except for major infrastructural facilities. Applications will have a ceiling of US$350,000 with a maximum grant element of 75 percent.

48. Finally, Window 4 will fund initiatives by private sector/industry organizations interested in participating in the development of a system for certification of skills and competencies acquired through informal and non-formal means. It is expected that the system will be developed in collaboration with DIT and other bodies that have the expertise and facilities required for testing the theoretical and practical knowledge and skills of the worker, i.e. Recognition of prior learning. This will give workers portable certificates that signal their market values both in Uganda and abroad. At the same time, the certification will also make it easier for workers to have career pathways and give them access to the formal higher level skills training programs. Applications will have a ceiling of US$300,000 with a maximum grant element of 90 percent.

49. The sub-component is open to any company, association of MSEs/jua khalis, NGO, coop, training provider and organization that is responding to a documented demand for skills training within the priority sectors and meets the eligibility criteria. Eligibility criteria will include: (i) the training provider is registered with the relevant authority; (ii) the provider has a track record of delivering relevant quality training; (iii) the provider has the facilities required for providing the skills training in question; and (iv) the applicant is legally registered and an existing entity.

50. Skills training initiatives to be supported will be selected through a competitive process based on the merit and labor market relevance of the initiative. The applicant has to conduct an estimate of the demand for training and the expected effects.

51. A private sector dominated Grant Committee, to be appointed by the PS/ST of the MoFPED, will be the oversight body of the Grant Facility. The Committee will approve the operational details of the Grant Facility, including eligibility criteria, and oversee the progress of the Grant Facility's operations. Furthermore, based on recommendations by the PSFU PCU, the Committee will decide on skills initiatives to be funded.

Component 4: Project Management, Monitoring and Evaluation [Total: US$11.8 million, IDA: US$11.8 million]

52. This component would finance: (i) management of the project including establishment of a Project Coordination Unit within the MoES to manage the project, as well as implementation units within the respective CoEs and strengthening of an existing PCU within the PSFU; and (ii) monitoring and evaluation under the project including baseline studies, mid and end-term tracer studies, employer satisfaction surveys, mid-term management review, and annual performance audits.

53. Efficient and effective project management is critical to smooth and speedy implementation of the project leading to achievement of key indicators. The project will be implemented by the MoES under the oversight of the Multi-sectoral Steering Committee - mirroring the project preparation team composition. The MoES will be supported by a Projects Coordination Unit (PCU), supporting all education projects financed/administered through IDA including the Albertine Region Sustainable Development Project (ARSDP); the GPE-financed Teacher and School Effectiveness Project; the forthcoming Post-Primary Education and Training Project; the Nutrition Project; and the USDP. The coordination unit will be responsible and accountable for the day to day project

management and implementation under the direct oversight of the Ministry. The coordination unit will include Procurement Specialists, Financial Management Specialists, Engineers and other technical specialists.

54. Institutionalization of systemic reforms in skills development sector will be implemented by the RTF in collaboration with Sector Skills Councils (SSCs) for agriculture, manufacturing and construction in the interim until the formal establishment of the SDA at which time implementation responsibilities will be transferred to this body. Fiduciary support for this component will be through the PCU. Component 2 related to establishing four CoEs will be implemented directly by the target institutions again with fiduciary and implementation support from the PCU. The PCU based within the MoES will also provide fiduciary and implementation support to Bukalasa College to be more cost-efficient though the College remains under the ambit of MAAIF.

55. The component will also support the monitoring and evaluation (M&E) of project progress and outcomes. It will support enhancing the capacities for M&E both at the level of the institution where training is being imparted, MoES PCU, PSFU PCU and RTF/SDA. The MoES PCU will ensure that the capacity for M&E is built in the institutions which implement the project.

56. The component will support the implementing entities to provide timely, sufficient, complete, and reliable information to assess whether SDP is improving quality of training in the supported institutions and if training in the private sector is supporting the sector to be more productive. The project will support the respective implementing entities to do better results-based monitoring and evaluation. The primary responsibility for monitoring and evaluation of the project will be with the M&E units under the MoES and PSFU PCUs. The M&E arrangements implemented under the project will monitor and evaluate progress in project specific results. This will be achieved through the following activities:

(i) Collection of Base-line and End-term Data, including tracers study
(ii) Annual Institutional Performance Audits
(iii) Evaluations
(iv) Joint Project Supervision Mechanism

57. Base-line Data and End-line data: All UTCs and VIs participating in the project under Component 2 as well as entities receiving grants under Component 3 will provide data on key indicators and intermediate indicators in their proposals at the start of the project (baseline) and continue to report progress every six months before supervision missions. Participating training institutions will also provide details such as enrollment, pass-rates and employment rates and salaries of trainees, profile of training courses offered, and instructors' number, their qualifications and in-service training.

58. Annual Institutional Performance Audits: Annual in-depth institutional performance audits will be conducted during the project. The objectives of the institutional audits will be to evaluate the extent to which project objectives have been achieved, the effectiveness of project interventions in enabling the achievement of targets, and the reasons for shortfalls that are internal to the institution and those that are contextual and policy related. These audits will also audit data submitted by project institutions on project progress and collect documentary and other evidence supporting the data.

59. Evaluations: The following studies will be undertaken to evaluate key project activities: (i) third party tracer studies will be conducted right at the beginning for baseline, at mid-term and at end-term; (ii) employer satisfaction surveys; and (iii) other evaluation, studies, and analytical documentation as and when felt necessary.

60. Project Supervision Mechanism: The project will be regularly monitored through a series of rigorous bi-annual supervision missions conducted jointly by the GoU and the World Bank. At the mid-point of project life, the review mission will be the Mid-Term Review. The basis for discussions and review will be the six-monthly progress reports prepared by the MoES PCU in close collaboration with CoEs and the PSFU PCU using data regularly submitted on key performance indicators, intermediate outputs and inputs indicators, financial and physical progress, for each project component and sub-component.

Project Costing

61. The table below provides the estimated budget breakdown by component. Details of costing related to the CoEs will be finalized once the twinning institute is contracted to support the target colleges to finalize its Institutional Development Plans, satisfactory to IDA.

Project Components		**Unit cost**	**Unit**	**Estimated Budget**	**Implementing Agencies**
Component 1:Institutionalizing systemic reforms in skills development					**supported by PCU1; implemented by SDA/RTF**
1.1: Establishing sector skills councils (SSCs) & Foundations for SDA				2,000,000	
1.2: Alignment and strengthening of the assessment system				1,000,000	
1.3:Establishing a Management Information System (MIS) for BTVET				1,000,000	
1.4: Communication and Marketing for the BTVET sub-sector				1,000,000	
Sub-total				**5,000,000**	
Component 2: Improving Quality and Relevance of Skills Development					
2.1: Establishment of 4 Centers of Excellence					**supported by PCU1; implemented by CoEs**
	Civil Works	5,000,000	4	20,000,000	
	Equipment	2,625,000	4	10,500,000	
	Training materials	950,000	4	3,800,000	
	Training of instructors	700,000	4	2,800,000	
	Internship	500,000	4	2,000,000	
	Operating Budget including tracer studies, maintenance, consumables	750,000	4	3,000,000	
	Sub-total	**10,525,000**		**42,100,000**	
2.2: Support to 12 public vocational training institutes (VIs)					**Supported by PCU1, and Implemented by VIs**
	Civil Works	500,000	12	6,000,000	
	Equipment	208,333	12	2,500,000	
	Training materials	91,667	12	1,100,000	
	Training of instructors	141,667	12	1,700,000	
	Maintenance	66,667	12	800,000	
	Subtotal	**1,008,333**		**12,100,000**	

2.3: Twinning Arrangement for establishment of Centers of Excellence and networks					**supported by PCU1 and implemented by qualified institutions**
	Twinning arrangement	2,000,000	4	8,000,000	
	Twinning arrangement			**8,000,000**	
Sub-total				**62,200,000**	
Component 3:Employer-led short-term training and recognition of prior learning					
Window 1: Skills upgrading in the formal sectors		50,000	180	9,000,000	**Executed by PSFU through PCU2**
Window 2: Training of workers in the informal sectors		20,000	250	5,000,000	
Window 3: Innovative skills training		13,333	150	2,000,000	
Window 4: Recognition of prior learning		70,000	29	2,000,000	
Sub-total				**18,000,000**	
Component 4:Project Management, Monitoring and Evaluation					
PSFU	Staffing			1,500,000	**PSFU & PCU2**
	Call for proposals/operating budget			1,100,000	
	Technical evaluation consultancy			400,000	
	Monitoring and Evaluation consultancy			700,000	
	Independent verification firm			100,000	
	Sub-total			**3,800,000**	
PCU1	Staffing			2,000,000	**PCU1 in the MoES**
	Rent and utilities			1,000,000	
	Performance audits			500,000	
	External consultancy-civil works engineering firm			2,000,000	
	Communication and outreach			1,000,000	
	Workshops and meetings			1,500,000	
	Sub-total			**8,000,000**	
Subtotal				**11,800,000**	
Contingency/Unallocated				**3,000,000**	
Project Total				**100,000,000**	

Annex 4: Implementation Arrangements

UGANDA: Skills Development Project

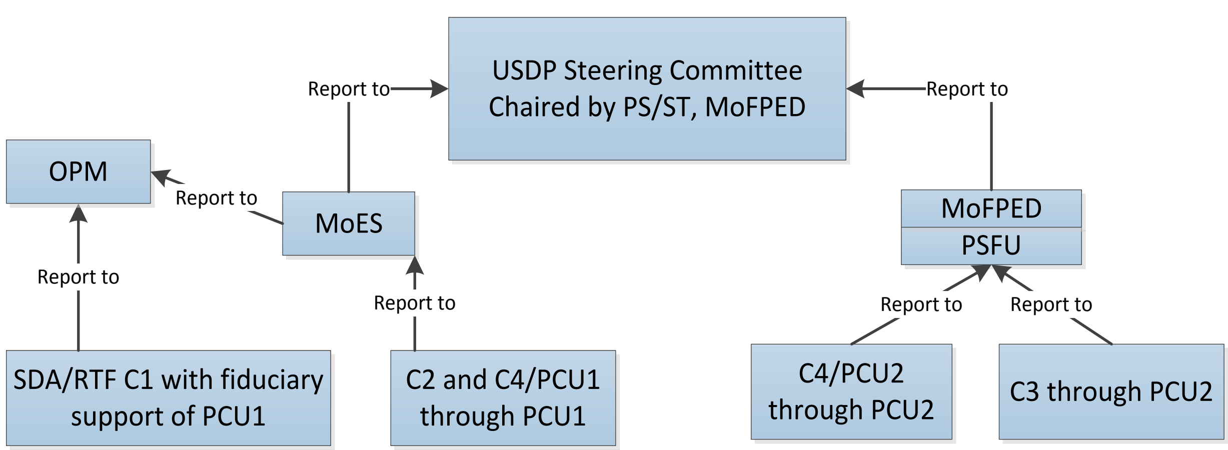
1. Given the multi-sectorial design of the Uganda Skills Development Project (USDP) and the current governance structures of its key stakeholders, that the Skills Development Authority (SDA) has not yet been established and the Technical Vocational Education and Training Reform Task Force (RTF) is housed under the Ministry of Education and Sport (MoES), the USDP implementation over a five-year period will be entrusted to the following two GoU entities:

a. The MoES will be responsible for the implementation of: Components 1, 2 and 4through a Project Coordination Unit (PCU1) accountable to the MoES, whose organization, staffing, attributions and responsibilities are fully described further down; and

b. The MoFPED will be responsible for the implementation of Components 3 and 4 through the Private Sector Foundation of Uganda (PSFU) and supported by a Project Coordination Unit (PCU2) whose organization, staffing, attributions and responsibilities are fully described further down.

2. In order to ensure appropriate coordination and accountability of the two implementing entities among themselves and with other USDP stakeholders like public and private training providers, workers and employers, a USDP Steering Committee (SC) will be established with representatives from: (i) the MoFPED; (ii) the MoES; (iii) the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF); (iv) the RTF; and (v) PSFU. The PS/ST of MoFPED will Chair the SC, while the representative of the MoES will act as the Secretariat of the SC. Figure A4.1 below illustrates the overall implementation arrangement for the USDP.

Figure A4.1 Overall Implementation Arrangement



3. The USDP SC will serve as an *advisory body* meeting to discuss and, if necessary based on the physical and financial implementation progress, recommend changes in the general policies and directions of the USDP in a manner that guarantees the achievement of the project development objectives (PDOs).

4. The USDP SC will also clear amendments to the approved USDP Operational Manual, if required, when requested by the MoES or MoFPED, satisfactory to the World Bank.

5. The USDP SC will meet quarterly at the onset of the USDP implementation cycle to provide support to the MoES and the MoFPED to:

a. Address any technical and implementation issues identified during the technical review and support missions carried out by the MoES, MoFPED, NPA and/or the World Bank and discuss and identify appropriate solutions to problems that may occur during implementation, both at central or local levels;
b. Follow up on the compliance by the MoES/PCU1, SDA/RTF and PSFU on prior implementation recommendations; and
c. Discuss the quarterly, half-yearly and final reports submitted by the PCU1 of the MoES and the PCU2 of the PSFU to World Bank.

6. Once the physical and financial implementation progress of the USDP achieves a consistent satisfactory status, the frequency of the SC meetings could be modified to twice a year.

Project Administration Mechanisms

7. **Component 1.** The Ugandan Skills Development Authority (SDA) when legally established and fully functional (expected by 2016/17), and by the ongoing Uganda Skilling Reform Task Force (RTF), during the transitional period after Credit Effectiveness, will be responsible for managing the day-to-day activities of Component 1. This component will be fully financed by IDA. Accordingly, the PCU1 under the MoES (described below) will support the SDA/RTF ensure the fiduciary and safeguards compliance associated to the implementation of this component.

8. **Components 2.** The MoES will be responsible for managing the day-to-day activities of Components 2 (including its 3 sub-components) through a Project Coordination Unit (PCU1) accountable to the Permanent Secretary of the MoES or his/her designee, partially financed by the USDP.

9. The MoES PCU1 aims at supporting all education projects financed through IDA, including the Albertine Region Sustainable Development Project (ARSDP), the GPE-financed Teacher and School Effectiveness Project (UTSEP), the USDP and any other forthcoming IDA project.

10. The PCU1 will include:

a. One Project Coordinator (PC), a senior officer seconded from the MoES under terms of reference satisfactory to IDA, in charge of the overall fiduciary, monitoring, reporting and communication operations of the PCU1 as they relate to the entire IDA-financed portfolio and Component 4;
b. In the case of USDP, there will be one DPC for USDP and the Albertine Region Sustainable Development Project (ARSDP), herewith labeled DPC/USDP- ARSDP, will be responsible for coordinating and managing Component 2 including its 3 sub-components and coordinating with the RTF Secretariat on Component 1.The DPC has already been hired through the ARSDP;
c. One financial management specialist;
d. One procurement specialist;
e. One safeguards specialist;
f. One TVET expert;
g. One civil works specialist;
h. One communications specialist; and
i. One monitoring and evaluation specialist.

11. Each one of the positions above will be selected according to ToRs satisfactory to IDA following the selection procedures set for in the USDP financial agreement.

12. **Sub-Component 2.1** will be implemented by the four selected public training colleges to be transformed into Centers of Excellence - Elgon, Lira, Bushenyi and Bukalasa – under the close coordination and monitoring of the USDP Coordinator and Deputy Coordinator in the PCU1 and with the intensive technical support of qualified international competitive-based training providers selected and retained under a twinning partnership arrangement attuned to terms of reference satisfactory to IDA.

13. **Sub-component 2.2** coordinated and supported by the PCU1, will be implemented by 12 Vocational Institutes (VIs) to be selected in a competitive fashion following selection criteria and procedures set for in the USDP Operational Manual.

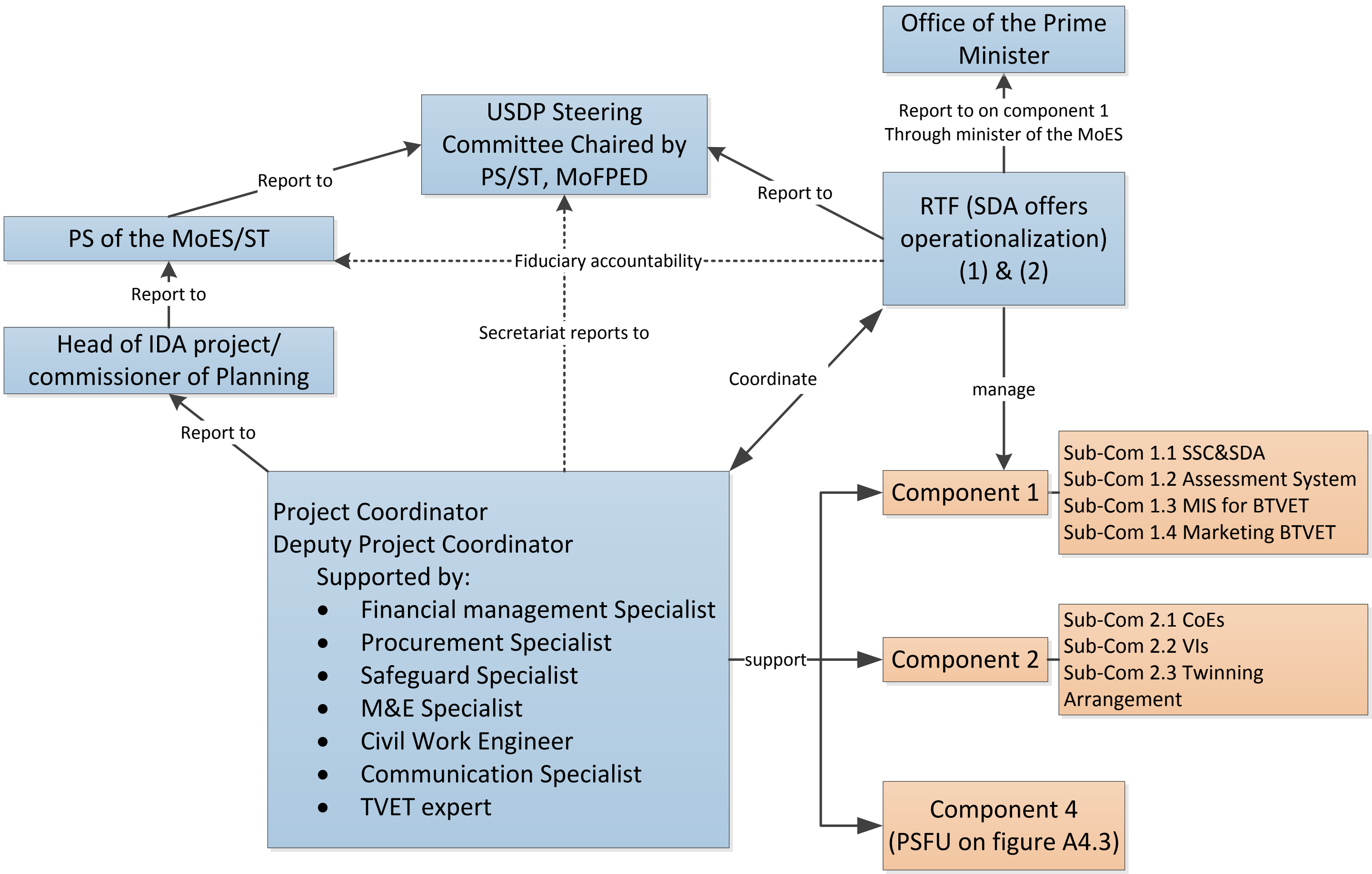
14. **Sub-component 2.3** coordinated and supported by the PCU1, will be implemented by reputable technically qualified institutions to be selected through international competitive process following the procedures set for in USDP Financial Agreement and the USDP Operations Manual. These institutions will act as Twinning partners responsible for providing all necessary support to help the training colleges under sub-component 2.1 to grow into "Center of Excellence (CoE)" with the operational characteristics described above and enable each CoE perform its critical functions.

15. The partner institutions will also be responsible for providing support and capacity buildup to the VIs under sub-component 2.2 for them to appropriately and

timely respond to the needs and opportunities of the labor market, including delivery of short-term training courses, and improve the quality of the training being offered.

16. The partner institutions will prepare a time-bound detailed capacity building action plan with clear intermediate and final deliverables as it concerns the establishment and functioning of the four CoEs and the 12 strengthened VIs. Once approved by the MoES and the IDA, the MoES will ensure that the partners do not face procedural bottlenecks in implementing the approved work plan.

Figure A4.2 Implementation Arrangements for Components 1, 2 and 4



(1) Chairman of the RTF Board reports to the office of the Prime Minister;
(2) RTF Executive Secretary reports to PSFU Steering Committee

17. In order to facilitate the coordination and monitoring of the implementation of Component 2, the PCU will be supported by a TVET expert. These support staff will be selected according to ToRs satisfactory to IDA and following the procedures set for in the USDP Financial Agreement. Component 3, including its two sub-components will be implemented by the PCU with the support of its fiduciary team.

18. **Component 4** concerning the overall management, monitoring and evaluation of the USDP will be a shared coordinated and managed responsibility between the PCU1 and PCU2 depending on the specific activities under this component.

19. Figure A4.2 above depicts the implementation arrangements for components 1, 2 and 4.

20. **Component 3.** The MoFPED/Private Sector Foundation of Uganda (PSFU) will be responsible for managing the day-to-day activities of Components 3.A private sector dominated Grant Committee, to be appointed by the PS/ST of the MoFPED, will oversee the Fund. The PSFU will be supported by a Project Coordination Unit (PCU2) and will be accountable to Grant Committee and the PS/ST of the MoFPED or his/her designee.

21. The PSFU will be the legal entity responsible for signing Grant Facility-related contracts. The PSFU will enter into grant agreements with the beneficiaries on behalf of MoFPED.

22. The Grant Committee (GC) aims at providing the required oversight of the implementation of all the activities under this Component. Accordingly, the GC will ensure that the Grant Facility under Component 3 becomes an efficient and acknowledged instrument for strengthening the skills and competence base of the Ugandan labour force, hereby making the Uganda private sector more competitive and improving access to gainful employment.

23. The specific functions of the GC are to:

a. Establish a plan and arrangements for dissemination of information regarding the procedures and operation of the Grant Facility, ensuring that all potential target audiences have access to the required information;
b. Establish and approve eligibility criteria to fund proposals in each one of the 4 windows;
c. Establish detailed procedures for screening and approval of applications to the Grant Facility;
d. Establish basic quality assurance procedures for skills development initiatives supported by the Grant Facility;
e. Oversee the progress of the Fund's operations;
f. Monitor and regularly evaluate the relevance and quality of the skills training supported by the Grant Facility;
g. Recommend to the Ministry of Finance possible changes of the scope and operation of the Grant Facility; and
h. Investigate and act on complaints received from learners, parents/guardians, employers and other stakeholders regarding the quality of training, assessment

and the award of qualifications of training initiatives supported by the Grant Facility.

24. The GC will consists of:

a. The chairperson, an industry practitioner with considerable knowledge of private sector TVET issues;
b. One senior official of the MoFPED;
c. One senior official of the MoES;
d. One senior official of the Ministry of Trade, Industry & Coops;
e. One senior official of the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF);
f. One person nominated by an Association representing micro and small enterprises;
g. One person nominated by an Association representing the large companies;
h. One person nominated by an Association representing private sector training providers;
i. One person nominated by an Association representing farmers;
j. One member of the RTF;
k. The PSFU Executive Director (in a non-voting capacity); and
l. One person designated by the contributing development partners (in a non-voting capacity).

25. The nominated persons must have proven commitment, knowledge and experience relevant to skills and technology development. The PS/ST of MoFPED will appoint the chairperson of the GC and approve the nominated members.

26. The GC will meet at least once every three months. The general rules and procedures of PSFU apply to tenure of office for the members of the Committee, disclosure of interests, allowances etc. The GC will report to the Permanent Secretary/MoFPED.

27. The GC, the PSFU management and the Ministry of MoFPED will conduct an annual joint meeting to discuss issues of common interest such as the Grant Facility’s achievements and focus areas calling for special attention.

28. The Head of the PCU2 will designate an officer of the unit to act as secretary to the GC.

29. The PSFU Grant Unit, herewith referred to as PCU2, established in early 2015 under the IDA-financed CEDP II project will be the operation arm of the MoFPED/PSFU and the GC to implement and manage the day-to-day activities of Component 3 and 4 (as applicable to the activities under component 3 and in a shared arrangement with the PCU1).

30. The PCU2, under the PSFU’s technical and fiduciary oversight, aims to serve as the operational base of the Grant Facility, the Grant Committee and other related bodies. The Grant Unit will be kept lean and contract necessary expertise for effective and efficient implementation. External specialists will be contracted to undertake specialised assignments

such as information campaigns, assistance with preparation of applications as well as evaluation and peer review of projects submitted for funding.

31. Accordingly, the PCU2 will consist of the following technical staff:

a. A Head of Unit (project manager) accountable to the Executive Director of the PSFU and who shall report to PS/MoFPED and the GC for purposes of the project;
b. Three grant specialists, dealing with assessment of the relevance and quality of proposals for each one of the 4 windows as well as for monitoring implementation of the grants;
c. A financial officer, dealing with disbursement, accounting and financial reporting; and
d. An administrative officer responsible for compliance and grant support services.

32. The PCU2 will draw on the technical staff of the PSFU, for instance in the field of communication, outreach and procurement.

33. In addition, the PCU2 will enter framework contracts with selected eligible consultancy companies or organizations to be identified through public tendering, satisfactory to IDA, to assist with: (i) specific services related to technical reviews/evaluations of proposals received for funding, including due diligence of the applicants; and (ii) physical monitoring (verification) and financial control (auditing) of grants during the course of their implementation.

34. The PCU2 will also conduct all impact-related monitoring and provide guidance to the grantees during implementation. Weak applicants may be offered the assistance of individual service providers accredited by the PCU2. For successful applications, the Grant Facility will cover the cost of this service.

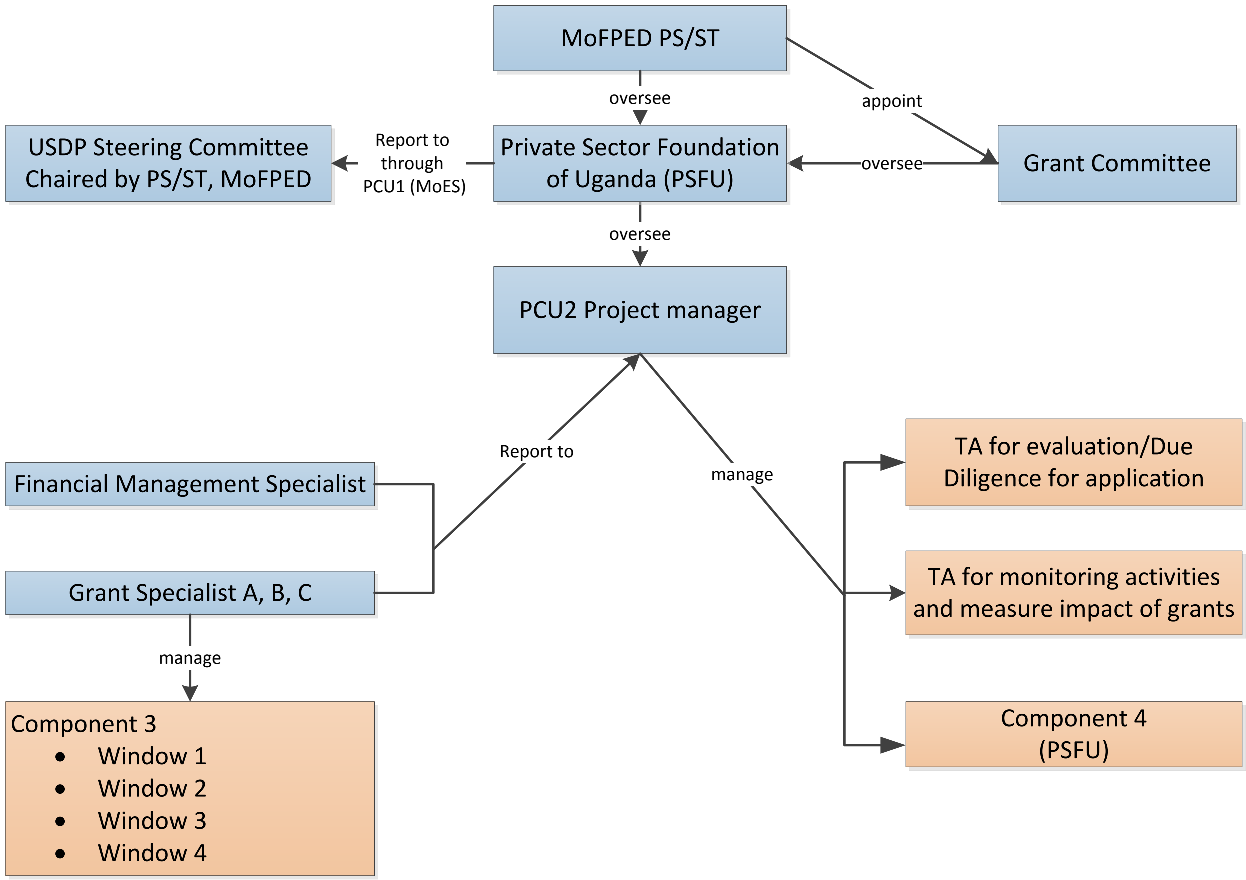
35. The specific operational characteristics of the grant scheme of Component 3 from launching the request of proposals for each of the four windows to the implementation and completion of approved proposals, including the guidance for the preparation of proposals, the review and selection of proposals, the entering of contracts with winning proposals, the on-site monitoring of the implementation of proposals and the closing acts of proposals that have achieved their intended final targets will be included in the Grant Scheme Section of the USDP Operational Manual.

36. Figure A4.3 below depicts the implementation arrangements for Component 3.

37. The USDP Operations Manual will further describe and guide the operational characteristics of the 4 Components as well as the financial management, procurement and internal administrative procedures, monitoring and reporting of the USDP.

38. Figure A4.4 illustrates the overall flow of financial resources and collection of supportive expenditure documentation and other reports attesting to the physical and financial implementation progress of the USDP

Figure A4.3 Implementation Arrangements for Components 3



Financial Management, Disbursements and Procurement

Financial Management (Additional details in Annex 7)

39. MoES and PSFU will submit quarterly Interim Financial Reports (IFRs) in a format agreed with IDA within 45 days of the end of each calendar quarter reported on. The format of the IFR will be agreed with IDA before negotiations. These quarterly reports will include: (i) Statement of Sources and Uses of Funds; (ii) Detailed Statement of Uses of Funds by Project Activity/Component; (iii) Designated Account (DA) Activity Statement accompanied with Summary Statement of DA Expenditures for Contracts subject to Prior Review and Summary Statement of DA Expenditures not subject to Prior Review; (iv) Bank Statements for the Designated Account and project accounts of the MoES and the earmarked project funds in the consolidated fund; and (v) Ageing analysis of unaccounted for advances to colleges and staff.

40. Colleges will submit quarterly interim financial reports to MoES within 30 days after the end of the quarter to allow 15 days for the MoES to provide a consolidated report to IDA. The interim financial reports will provide information on the accountability of funds received under the project. The college reports will comprise of simple financial accountability reports as instructed by the MoES.

41. Both MoES and PSFU will prepare annual accounts within three months after the end of the financial year in accordance with accounting standards acceptable to IDA. Thereafter the MoES and PSFU will be responsible for ensuring their reports are audited and submitted to IDA within six months after the end of the financial year.

42. Two Designated Accounts (DA) for the MOES and PSFU will be opened in the Bank of Uganda denominated in United States Dollars. The DA will be authorized by the MoFPED/Treasury. Funds will be transferred into respective project accounts controlled by the accounting officers of MoES and PSFU. All the bank accounts will be in the Bank of Uganda and should be opened after the signing of the project's Financing Agreement. Signatories for all the bank accounts should comply with the GoU Treasury Accounting Instructions and should be sent to IDA along with the details of the bank accounts opened.

43. Participating Colleges will have to open a project account that will receive funding from the Ministry. Details of the bank accounts opened and the signatories will have to be communicated to the MoES. This will mean that the MoES will need to provide project guidelines for the colleges to ensure proper accountability.

Disbursements

44. The Ministry and PSFU will be using the report-based disbursement method. Both will prepare a six monthly cash flow forecast for the project based on the work plan and submit the Withdrawal Applications to the Bank after the effectiveness of the project. Subsequent withdrawal applications should be submitted quarterly with IFRs within 45 days after the end of the quarter. The quarterly periods follow the calendar year quarters hence IFRs should be prepared as of end of March, June, September and December. IDA will make an advance disbursement from the proceeds of the Credit based on the cash flow forecast by depositing into the Borrower-operated Designated Accounts held at Bank of Uganda denominated in United States Dollars. Funds can be transferred from the project designated account to the project Account denominated in Uganda Shillings to make payments in Uganda Shillings.

45. The Government of Uganda is in the process of rolling out of an Integrated Management Information System (IFMS) and its implementation of the Treasury Single Account (TSA). These proposed banking arrangements will be reviewed as the IFMS and TSA reforms are extended and the Disbursement Letter will be amended to adapt the appropriate funds flow information as required and if need be.

46. The project expenditures can be paid from either the designated account or the project account. These will include transfers to implementing units like colleges under the terms of Accountability Instructions issued by the Ministry.

47. Retroactive financing for withdrawals up to an aggregate amount not to exceed 10,000,000 US Dollars may be made for payments made on or after March 31, 2015, for Eligible Expenditures under Categories (1) and (5) as per the Financing Agreement.

Procurement

48. **Procurement Agencies and Packages:** Procurement under the project will be conducted by the following agencies for the different components and below is a summary of the major procurements:

Component	Agency Responsible for procurement	Summary of Major procurements Expected
Component 1 – Institutionalizing systemic reforms in skills development	Ministry of Education and Sports (MoES)	1. Technical Assistance to support establishment and operations of the SSC 2. Establishment of an MIS for the BTVET subsector 3. Design and implementation of a communication and marketing program for the BTVET subsector
Component 2 – Improving quality and relevance of skills development	Ministry of Education and Sports (MoES) Participating Technical Colleges	1. Civil works in Refurbishment of the infrastructure in Institutes and Centers of Excellence 2. Training Equipment and workshops for CoEs and twinning institutes 3. Twinning partner institutes to provide technical assistance
Component 3 - Employer-led short-term training and recognition of prior learning	Grantees	1. Providers of Skills training to grantees
Component 4 – Project management, monitoring and evaluation	Ministry of Education and Sports (MoES) Private Sector Foundation of Uganda	1. Consultants to support project implementation 2. Studies and surveys 3. Impact evaluation and monitoring of the grant program 4. TA to conduct evaluation of grant applicants

49. **Applicable Guidelines:** Procurement under the project will follow the *Guidelines: Procurement under IBRD Loans and IDA Credits* dated January 2011 (revised July 2014) and *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* dated January 2011 (revised July 2014), as set out in the Financing Agreement.

Use of National Procurement Procedures

50. All contracts procured following National Competitive Bidding (NCB) and other lower procurement procedures such as Shopping, may follow the national public procurement law (the Procurement and Disposal of Public Assets Authority (PPDA) Act, 2003) and attendant regulations**. These procedures have been reviewed by the Bank and found to be acceptable, except for the following provisions, *which will not be applicable under this project:***

(a) Paragraphs 50, 59(A) and 59(B) of the Act on Application of Domestic Preference under NCB. Domestic Preference shall only be applied under ICB.

(b) Paragraph 90(2) of the Act on Charging of fees for dealing with bidder complaints at procuring entity level. The procuring entities shall not be allowed to charge fees for dealing with complaints.

(c) Section 88A on Selection of Consultants: The procedures for Selection of Consultants under the PPDA Act shall not apply. Only the Bank's guidelines shall apply for selection of all Consultants under the project.

(d) Ineligibility shall in addition to firms suspended by PPDA extend to firms debarred or suspended by IDA.

(e) Paragraph 6 (1) (b) of the Fourth schedule of the PPDA Act restricting contract amendments to an aggregate amount of 25% of the original contract amount.

(f) Regulation 48 of the PPDA Regulations[13] requiring the rejection of a bid submitted by a bidder obtained the bidding document directly from the procuring and disposing entity shall not apply.

51. Regulation 53 (9) of the PPDA Regulations Restricting the use of bid securing declarations to restricted domestic bidding and quotations procurement. The declaration may also applied for National Competitive Bidding.

52. Under the proposed project, procurement processing under the project shall also in addition to the World Bank guidelines comply with the national approval system except where the two conflict, that is when the World Bank Guidelines will take precedence. Specifically, the Contracts Committees shall perform their oversight functions at every key procurement stage as required by the PPDA Act, and contracts shall be subjected to the Solicitor General's clearance where applicable.

53. ***Procedure for Shopping:*** Shopping shall follow the Quotations Procurement Method procedures as defined in the PPDA Act and attendant regulations. These procedures have been reviewed by the Bank and found to be satisfactory subject to the exceptions under para above.

Arrangements for Procurement by MoES

54. Procurement under the Ministry shall be conducted by the MoES. Specifically, the Procurement Specialist hired under the project shall be responsible for conducting procurement under the SDP working collaboratively with the Procurement Disposal Unit (PDU), other technical departments of the Ministry and other technical staff within the PCU. The Procurement Specialist shall be supported by the PDU of the Ministry with a specific person designated and dedicated to support the project. MoES has established a Contracts Committee for donor financed Projects which shall be responsible adjudication of procurement decisions at key stages as envisaged in the PPDA Act.

[13] Public Procurement and Disposal of Public Assets (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014 (under section 96 of the PPDA Act), dated March 3, 2014

Arrangements for Procurement by the Institutes

55. While most of the major procurement will be conducted by the Ministry of Education and Sports, the Centers of Excellence when fully developed will need to conduct their own procurement. The Institutes currently conduct its procurement using staff assigned on a part time basis. As part to institutional strengthening in component 2, the institute's capacity will be built based on its planned procurements for the future. This will include determining the appropriate implementation structures for procurement and its development in a phased manner.

56. Given that the institutes are the beneficiaries of the project, they shall also participate in the procurement to be done by the Ministry. Their role will include needs identification, participating on evaluation teams and the management of contracts.

Arrangements for Procurement by PSFU

57. Procurement under the PSFU shall be conducted by the Procurement Office established under the Competitiveness and Enterprise Development Project. PSFU is in the process of strengthening the capacity in the unit by hiring an additional Specialist. Given the relatively limited procurement under component 3, the staff under CEDP shall suffice. Oversight and adjudication will be done by the CEDP Contracts Committee. Expected procurement shall be restricted to technical assistance to support project implementation.

58. Ministry of Finance shall enter into a Performance Agreement with the PSFU for the provision of the management service. Payments to PSFU shall be made upon achievement of agreed performance triggers.

Arrangements for Procurement by the Grantees

59. Grant applicants/recipients under component 3 shall be responsible for conducting procurement under their respective grants. The main procurement expected is for a training provider for which the grant is made. Procurement is expected to be conducted mainly following commercial practices acceptable to the Bank. The expected methods to be adopted are shopping and direct contracting of these training providers. Grantees/applicants will be required in their applications to demonstrate that: (i) the selected providers is well qualified to conduct the required training and (ii) that the cost proposed for the training firm is reasonable. These will be subject to evaluation and verification by the PSFU/evaluation consultant to establish that this is the case. PSFU may maintain a database of potential providers but this shall not be exhaustive and binding on applicants and they may select other providers as long as the above conditions are met.

60. **Procurement Thresholds to be applied in the Procurement Plan**

Expenditure Category	Contract Value Threshold (US$)	Procurement Method	Contracts Subject to Prior Review (US$)
1. Works	US$10,000,000 and above Below US$10,000,000 Below US$200,000	ICB NCB Shopping	All contracts As specified in PP None
2. Goods	US$ 1,000,000 and above Below US$1,000,000 Below US$100,000	ICB NCB[14] Shopping	All contracts As specified in PP None
3. Consulting Services[15] and Training	With firms above US$300,000 With individuals above US$100,000 With firms up to US$200,000 With Individuals up to US$100,000	Quality and Cost Based Selection Individual Qualifications/Other Individual	All contracts All Contracts None None
4. Non-consulting Services	US$500,000 and above Below US$500,000 Below US$50,000	ICB NCB Shopping	All contracts As specified in PP None
5. All types of contracts	All contracts	Sole source / direct contracting and terms of reference	As specified in PP[16]

Procurement Strategy and Market Assessment for Major Procurements

61. Under Component 2, the twinning institutes will be the main procurement on the critical path for the project as their successful appointment will determine finalization of the institutional development plans, curriculum adaptation, identification of refurbishment and equipment needs and instructor training. It is therefore critical that their hiring is completed in the first year of implementation. The twinning institutes shall be international institutes with experience in conducting similar assignments in the identified trades. There are no known firms with this capability available locally and the institutes are expected to be procured with international competition. Internationally there are many firms that have offered these services to other

[14] Where the goods are not locally available, ICB may be applied

[15] A shortlist of consultants for services estimated to cost less than US$300,000 equivalent per contract may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

[16] Consultancy services estimated to cost below US$10,000 equivalent will not be subject to prior review by the Bank subject to their inclusion in the agreed Procurement Plan.

countries. Inadequate accommodation facilities at the institutes and surrounding areas could however be a risk in attracting these firms or increasing the cost.

62. The refurbishment/upgrading is expected to be relatively small civil works contracts that can be done by local firms and not expected to attract major international competition. Sufficient local construction firms exist to perform the contracts and local competition will suffice. Nonetheless, the contracts shall be packaged into lots to allow firms to offer discounts on bigger contracts. Refurbishment/upgrading shall be supervised by local engineering firms for which a sufficient number with adequate capacity exists. Strong supervision will however be required to keep works on track.

63. For the equipment, the expected equipment is not locally produced and is expected to be imported and will be subject to international competitive bidding. Previous attempts to procure this equipment in small amounts have attracted a poor response. To mitigate this, the equipment shall as much as possible be consolidated and procured in bulk to make it more attractive to the supplier. It will be critical that the providers establish local arrangements for easy maintenance of the equipment.

64. Overall the project will involve a large number of complex Technical Assistance contracts with several requiring international competition. It is therefore critical that the procurement of this TA is closely monitored and the performance of the contracts properly managed.

Procurement Plan and Procurement Packages

65. A procurement plan was prepared by the Ministry and reviewed by the Bank and below are the main packages requiring international competition

Goods, Works and Non-Consulting Services

1	2	3	4	5	6	7	8	9
Ref No	**Contract (Description)**	**Estimated Cost (US$)**	**Procurement Method**	**P-Q**	**Domestic Preference (Yes/No)**	**Review by Bank (Prior/Post)**	**Expected Bid Opening Date**	**Contract signature date**
1	Supply of workshops and equipment for centers of excellence in Lot 1 Manufacturing, Lot 2 Agriculture and Lot 3 Construction	10,500,000	ICB	Post	N/A	Prior	10-May-16	12-Jul-16
2	Supply of training materials including books for centers of excellence in Lot 1 Manufacturing, Lot 2 Agriculture and Lot 3 Construction	3,800,000	ICB	Post	N/A	Prior	10-May-16	26-Jul-16
3	Pickup motor vehicles to support	135,000	NCB	Post	N/A	Post	20-Aug-15	8-Oct-15

	implementation							
4	Office Equipment and Furniture for Project staff and advisors	30,000	Shopping	Post	N/A	Post	15-Jul-15	24-Aug-15
5	Civil Works for the renovations and expansion of facilities at four Centers of Excellence Lot 1 UTC Bushenyi, Lot 2 UTC Elgon, lot 3 Bukalasa Agricultural College and Lot 4 UTC Lira	20,000,000	ICB	Post	N/A	Prior	10-Oct-16	22-May-17

Consultant Services

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Ref No	**Description of Assignment**	**Estimated Cost (US$)**	**Selection Method**	**Review by Bank (Prior/Post)**	**Expected Proposals Submission Date**	**Procurement Start Date**	**Contract Signing Date**
1	Support to the design, establishment and operationalization of MIS for TVET	1,000,000.00	QCBS	Prior	19-Sep-15	15-Jun-15	24-Jan-16
2	Consultant/ Advisor to support BTVET sector	350,000.00	ICS	Prior	06-May-15	1-Apr-15	28-Jul-15
3	Consulting services for the design and supervision of civil works for the refurbishment and expansion of facilities at Lot 1 UTC Bushenyi, Lot 2 UTC Elgon, lot 3 Bukalasa Agricultural College and Lot 4 UTC Lira and associated network institutes	2,000,000.00	QCBS	Prior	21-May-15	18-Feb-15	21-Sep-15
4	International Accreditation, Curriculum Adaptation and Training of Faculties and support to establishment of Centers of Excellence in Lot 1 Manufacturing, Lot 2 Agriculture and Lot 3 Construction	8,000,000.00	QCBS	Prior	23-Jul-15	15-Mar-15	23-Nov-15
5	Design and implementation of a Communication strategy and campaign for BTVET Sector	400,000.00	QCBS	Prior	07-Nov-15	10-Jul-15	9-Mar-16

6	Project Implementation support consultants i. Deputy Project Coordinator ii. Procurement Specialistiii. Project Civil Engineer iv. M&E Specialist v. Communications Specialistvi. Safeguards Specialistvii. Quantity Surveyor viii. TVET Specialist IV. Financial Management Specialist	756,000.00	ICS	Prior	30-Mar-15	2-Mar-15	12-Jul-15
7	Institutional Performance Audits of project institutions	200,000.00	QCBS	Post	07-Nov-15	10-Jul-15	9-Mar-16

Procurement Risks and Mitigation Measures

Ministry of Education and Sports

66. The MoES has a long established Procurement and Disposal Unit (PDU) which is responsible for all procurement activities. While some capacity has been built over the years, this capacity has been eroded by the transfer of all procurement staff as part of the 3 year rotation. There are major delays in procurement and overall weak contract administration including major payment delays resulting in delayed or incomplete delivery and high costs. Monitoring of procurement implementation is weak and there's difficulty in mobilizing technical departments to participate in procurement in a timely manner. The risks to procurement and project implementation are rated HIGH. A summary of the key risks and mitigation measures is indicated below.

Ministry of Education and Sports

Risk Factor	**Risk**	**Mitigation Measure**	**Timing and Responsibility for Implementation**
Internal Manuals and Clarity of the Procurement Process	Insufficient practical experience among the procurement Unit and the Contracts Committees leading to delays or wrong implementation	Prepare manual to elaborate procurement arrangements as part of project preparation as a condition of project effectiveness Organize mentorship or training programs to build confidence and skills in procurement for both Ministry and key Institute staff	Prior to Effectiveness / MoES Within 6 months of effectiveness / WB
Staffing	Insufficient staffing within the Ministry to handle the Ministry and Project Procurement and insufficient skills and experience in IDA	Procurement specialist is being hired under the project shall be responsible for the procurement under SDP, working in collaboration with the PDU.	Prior to Effectiveness / MoES

Risk Factor	Risk	Mitigation Measure	Timing and Responsibility for Implementation
	procurement leading to delayed implementation and poor procurement outcomes		
Procurement Planning and Procurement Oversight	Inadequate oversight on procurement and monitoring of progress against plan leading to delayed procurement and implementation and rising costs	Conduct 6 monthly internal audit of (i) timeliness of procurement, (ii) timeliness of contract performance, (iii) Quality of goods delivered and (iv) timeliness of payment. Audit to be done and reported on at least 6 monthly as a covenant in agreement. Thereafter monitor implementation of recommendations	
	Delays in Contracts Committee adjudication exacerbating delays in procurement due to large volume of procurement to deliberate under the Ministry and limited knowledge by Contracts Committee of IDA procurement procedures.	Ministry established a separate Contracts Committee responsible for donor financed procurement given the significant increase in IDA portfolio in Education	Completed
Procurement Cycle Management	Insufficient technical staff to support procurement leading to poor quality bidding documents, providers and contract management	Hire additional staff especially in the PCU to augment Ministry capacity. These shall include a Civil Engineer, Safeguards Specialist, Communications Specialist, Deputy Coordinator, Skills Development advisor etc	Prior to Effectiveness / MoES
		Staff from Twinning institutes to support on specifications for equipment and type of refurbishment/upgrading	Throughout implementation
		Closely monitor hiring of twinning institutes to ensure timely hiring and hiring of qualified institutes	

Risk Factor	Risk	Mitigation Measure	Timing and Responsibility for Implementation
Contract Management and Administration	Delays in project or increase in claims due to slow contract implementation Delayed payments to providers leading to high costs and slow implementation Substandard goods or works, loss of benefits, shortened project life Poor management of performance and advance guarantees leading to weak mitigation measures for government Substandard goods and works due to Inadequate verification of delivery and adherence to standards and weak beneficiary involvement	Strengthen contract management and reporting schemes with PDU responsible for reporting on overall progress on contract implementation and recommending measures to address delays including (i) enforcement of penalties for delays, (ii) better management and enforcement of securities, (iii) timely payments Hire sufficient technical staff to support contract administration	Within 6 months of effectiveness and throughout implementation/ MoES
Governance, Fraud and Corruption	Falsification of bidder qualifications and bank guarantees leading to hiring of unqualified contractors	Due diligence to be conducted on veracity bidder qualifications prior to contract award. Also verify guarantees prior to release of funds	Through Implementation /MoES

Frequency of Procurement Supervision

Supervision / Implementation Support Frequency:	6 months
Post Review Frequency:	12 months
Post Review %:	10% of contracts

Environmental and Social (including safeguards)

67. The project will be implemented in 4 CoEs namely Lira UTC, Elgon UTC, Bushenyi UTC and the Bukalasa Agricultural College and at least 12 Vocational Institutions. The CoEs and Vocational Institutions shall entail civil works which among others include: renovations and refurbishment of existing infrastructure and build new infrastructure, as necessary, for workshops, classrooms, libraries, administrative blocks, common facilities for students, faculty and staff; provision of water and sanitation in the institutions, augmented provision of electricity

supply with power back-up system, as necessary; improvement of campus environment, and low cost boundary walls.

68. The potential negative environmental impacts are associated with Component 2, specifically involving civil works for establishment and upgrade of physical infrastructure (renovation & refurbishment of existing infrastructure, build new infrastructure – workshops, classrooms, libraries, administrative blocks), provision of water and sanitation facilities, augmenting provision of electricity and improvement of campus environment and low cost boundary walls. Also relating to safeguards are basic civil works in Public Vocational/Network Institutions. The likely environmental impacts shall be largely encountered during construction of civil structures and very minimal during operation phase. Therefore, the impacts that may be generated will be site specific and readily mitigated. The impacts will typically include occupational, health and safety issues. Other likely environmental impacts of the project include loss of vegetation where site clearance is involved, air pollution due to dust emission arising from site clearance and transportation of construction materials, noise nuisance during construction, generation of construction debris/waste and site safety issues for both the workers and the school occupants (school students, staff/teachers and their families). In addition Physical Cultural Resources OP/BP 4.11 is triggered because project investments will involve civil works and may potentially affect unknown physical cultural resources in the area. The social impacts of the project may include displacement of land uses. During construction, a limited number of workers are likely to be hoarded on sites in selected benefiting schools which may lead to illicit behavior and spread of HIV/AIDs affecting school and adjacent communities. 13. Because of the likely low environmental impacts, the project is assigned Environmental Assessment Category B.

69. The ESMF was prepared through a consultative process with implementing agencies – 4 CoEs namely Lira UTC, Elgon UTC, Bushenyi UTC and the Bukalasa Agricultural College, Ministry of Education and Sports, Ministry of Agriculture Animal Industry and Fisheries, Ministry of Works and Transport, key government institutions such as National Environment Management Authority, Ministry of Trade, Industry and Cooperatives (MTIC), Uganda National Roads Authority (UNRA), Ministry of Lands, Housing and Urban Development (MLHUD), District Local Governments (Lira, Bushenyi, Mbale, Wakiso) where CoEs are found, respective sector players key in manufacturing and construction companies,- Mukwano Group of Companies, Alam Group of Companies, Roofings Group (Roofings LTD and Roofings Rolling Mill), agricultural - Mukwano Group of Companies and communities in the neighborhood of the respective UTCs/ CoEs, most notably the Local Council Leaders. The safeguards instruments have been cleared and disclosed in-country and at infoshop February 04, 2015 as per the requirements of the World Bank safeguard policy – OP/BP 4.01 – Environmental Assessment.

70. The project impacts identified will be mitigated by, limiting vegetation clearance to construction sites, vegetation cleared/degraded areas as a result of construction activities, planting trees in the school compound, sprinkling water to suppress dust emissions, use of protective gear such as nose masks, earmuffs, safety boots and gloves, proper disposal of construction debris and general solid waste, fencing off the construction sites and limiting access by non-construction personnel. A first aid kit shall be provided onsite.

71. Land acquisition will be limited to site- specific civil works for rehabilitation or construction in the selected institutions. There will be no land acquisition because institutions without proof of land ownership will not be supported by the project. In the event of land-use displacement, the RPF will guide the preparation and implementation of RAPs including appropriate compensation. The spread and infection of HIV/AIDs will be managed through training of school management Page 6 of 7 Public Disclosure Copy Public Disclosure Copy committees to carry out community awareness on HIV/AIDs and incorporate training on gender issues in the school settings.

72. The MoES has been in a long partnership with the World Bank implementing Bank funded projects. However, there is an increasing recognition that MoES has not been able to fully comply with implementing the safeguards requirements of many of the projects under its execution. This has been associated with limited capacity of its staff to comprehend the safeguards requirements.

73. MoES will recruit a full time staff to support the implementation of social and Environmental Issues (including safeguards) for all the World Bank Funded Projects that are executed by the MoES. For PSFU, the PCU2 will get support from the safeguards person hired under CEDP II to support implementation under USDP.

74. The Table below gives a summary description of Safeguards Policies triggered by the project:

Safeguard Policies	**Triggered?**	**Explanation (Optional)**
Environmental Assessment OP/BP 4.01	**Yes**	The project will involve civil works which may generate environmental, health and safety impacts. The project will involve civil works which may generate environmental, health and safety impacts. Since the specific sites and locations are not yet known, an Environmental and Social Management Framework was prepared to guide implementation of the environmental and social aspects. The ESMF was prepared in a consultative manner, and disclosed both in-countryFeb. 04, 2015 and at info-shop Feb. 04, 2015 before project appraisal. Specific safeguard instruments (ESIA, ESMPs) shall be prepared during project implementation following guidance in the ESMF.
Natural Habitats OP/BP 4.04	**No**	The project will not affect natural habitats nor support any activities that affect any natural habitat.
Forests OP/BP 4.36	**No**	The project will not involve or affect forests or forestry.

Pest Management OP 4.09	**No**	The project will not involve the use of pesticides.
Physical Cultural Resources OP/BP 4.11	**Yes**	The civil works involved in the upgrading and development of the COEs may impact on known and/or unknown PCRs and therefore a Chance Finds Procedure will be developed as part of the ESMF. As part of ESMF compilation, PCRs inventory will be carried out in key/major known institutions and appropriate management measures recommended where necessary.
Indigenous Peoples OP/BP 4.10	**No**	There are no Indigenous Peoples in the four project areas of Lira, Bushenyi, Mbale and Bukalasa.
Involuntary Resettlement OP/BP 4.12	**Yes**	The project will involve upgrading of institutions specializing in small and medium scale manufacturing/construction and agriculture, which may require land take and involve some involuntary resettlement and/or restrictions of access to resources and livelihoods. A Resettlement Policy Framework (RPF) was prepared in a consultative manner and disclosed before project appraisal both in-country Feb. 04, 2015and at InfoShop Feb. 04, 2015.
Safety of Dams OP/BP 4.37	**No**	The project does not involve dams.
Projects on International Waterways OP/BP 7.50	**No**	N/A
Projects in Disputed Areas OP/BP 7.60	**No**	N/A

Monitoring and Evaluation

75. The Project performance will be monitored by the two PCUs as well as the RTF/SDA with oversight of the MoES and MoFPED. The Project will support the implementing entities to provide timely, sufficient, complete, and reliable information to assess whether SDP is improving quality of training in the supported institutions and if training in the private sector is supporting the sector to be more productive. The primary responsibility for monitoring and evaluation of the project will be with the M&E units under the MoES and PSFU PCUs. Under component 3, the PSFU will contract a firm to support on monitoring and evaluation. Monitoring and evaluation of the Project will be achieved through the following activities:

(i) Collection of Base-line and End-term Data, including tracers study

(ii) Annual Institutional Performance Audits

(iii) Evaluations
(iv) Joint Project Supervision Mechanism

62. Base-line Data and End-line data: All UTCs and VIs participating in the project under Component 2 as well as entities receiving grants under Component 3 will provide data on key indicators and intermediate indicators in their proposals at the start of the project (baseline) and continue to report progress every six months before supervision missions. Participating training institutions will also provide details such as enrollment, pass-rates and employment rates and salaries of trainees, profile of training courses offered, and instructors' number, their qualifications and in-service training.

63. Annual Institutional Performance Audits: Annual in-depth institutional performance audits will be conducted during the project. The objectives of the institutional audits will be to evaluate the extent to which project objectives have been achieved, the effectiveness of project interventions in enabling the achievement of targets, and the reasons for shortfalls that are internal to the institution and those that are contextual and policy related. These audits will also audit data submitted by project institutions on project progress and collect documentary and other evidence supporting the data. This will be inclusive of an annual procurement audit.

64. Evaluations: The following studies will be undertaken to evaluate key project activities: (i) third party tracer studies will be conducted right at the beginning for baseline, at mid-term and at end-term; (ii) employer satisfaction surveys; and (iii) other evaluation, studies, and analytical documentation as and when felt necessary.

65. Project Supervision Mechanism: The project will be regularly monitored through a series of rigorous bi-annual supervision missions conducted jointly by the GoU and the World Bank. At the mid-point of project life, the review mission will be the Mid-Term Review. The basis for discussions and review will be the six-monthly progress reports prepared by the MoES PCU in close collaboration with CoEs and the PSFU PCU using data regularly submitted on key performance indicators, intermediate outputs and inputs indicators, financial and physical progress, for each project component and sub-component.

66. **Role of Partners (if applicable).** The World Bank currently co-chairs the Education Development Partners working group on BTVET alongside UNFPA.

Development partner	Budget	Nature & status of intervention
Arab Bank for Economic Development in Africa (BADEA)	US $5 Million	Nakaseke Technical Institute
African Development Bank	US $10.4 Million	Rehabilitation of Jinja Vocational Training Institute, Madera Technical Institute, Rukungiri Technical Institute, Dokolo, Kabasanda. In-service training through its support to Jinja VTI
Belgium (through BTC)	EUR 8 Million	Abilonino & Mulago and new project in Albertine Region scheduled for FY 15/16
European Union (EU)		Supports a large CSO support program, focusing on Skills

Development partner	Budget	Nature & status of intervention
		Development
ILO		manages a project on child labor with clear links to Skilling Uganda
Islamic Development Bank	US $13.5 Million	Uganda Technical College Elgon, Uganda Technical College Lira, and National Teachers College Unyama
JICA		Support to Nakawa VTI & in-service instructor training
Korean International Corporation Agency (KOICA)	US $4 Million	Construction and equipment of new Technical Institute at Nakawa-Ntinda
Kuwait Fund	US $12 Million	Tororo, Kalongo, Kibatsi, and Ahmed Seguya Memorial Technical Institutes
Netherlands (through ICCO & partners)		Support to skills training in agriculture & agribusiness Northern Uganda (ongoing since May 2013 to October 2016)
OPEC	US $ 24 Million	Construction of nine new Technical Institutes in the districts of Namutumba, Nakasongola, Yumbe, Hoima, Lwengo, Mukono, Amuria, Kamuli, and Pader
SAUDI Fund	US $12 Million	Construction of five new Technical Institutes in the districts of Adjumani, Bukedea, Kiboga, Lyantonde, and Kyenjojo
South-Korean Government (implemented by African Development Bank)	US $25 Million	Kiryandongo, Iganga, Nyakatale, Mubende, and Arua Technical Institutes
World Bank	US $ 25 Million	Support to three BTVET institutes under the Albertine Region Sustainable Development Project
World Bank	US $ 12 Million	Support a national Hotel and Tourism Training Institute (HTTI) at Jinja under the Competitiveness and Enterprise Development Project (CEDP) (P130471).
World Bank	US $1.5 Million	US $1.5m grant from DFID aimed to support the Uganda Petroleum Institute Kigumba (UPIK);
IFC		Financed Africa Schools Uganda program that supports over 500 private schools, with heavy emphasis on secondary and vocational/tertiary institutions, to access advisory services for improving school operations, and long-term financing for infrastructure.

Annex 5: Implementation Support Plan

UGANDA: Skills Development Project

Strategy and Approach for Implementation Support

1. The strategy for implementation support has been developed based on the nature of the project and its risk profile. It aims to make implementation support to the GoU flexible and efficient, and focuses on identified success factors and on implementation of the risk mitigation measures defined in Risk Section

2. The implementation support and supervision mechanisms comprises of:

(a) Monthly meetings (or as required) with the respective implementing entities focused on resolving any implementation bottlenecks.

(b) Joint Review Missions which will be conducted jointly between the GoU and the World Bank bi-annually to monitor performance of the project.

(c) Review of Annual Institutional Performance Audits conducted by the CoEs, which includes a fiduciary audit as well as an institutional audit to evaluate the extent to which project objectives have been achieved, the effectiveness of project interventions in enabling the achievement of targets, and the reasons for shortfalls that are internal to the institution and those that are contextual and policy related.

(d Mid-Term Review will be conducted not later than 30 months into the project to assess overall performance of the project and adjust implementation arrangements, financial allocations, or results indicators and targets as required.

Implementation Support Plan

3. **Fiduciary Training and Supervision** will be provided by the Bank's financial management specialist and the procurement specialist will be provide at the project launch workshop before Project effectiveness and during Project implementation. This will allow building capacity of the PCU staff as well as staff within the target CoEs. The Bank has already provided training to some MoES on the bid evaluation process in order to move forward on essential procurement during preparation. Supervision of financial management arrangements will be carried out as required as part of the Project supervision plan. In addition, the procurement and financial management specialists will participate in Bank supervision missions twice a year and complete desk reviews of IFRs and audit reports.

4. **Safeguards.** The Bank's safeguards specialists supervision will, on the environmental and social side, monitor compliance to the ESMF/RPF with respect to activities executed by the selected CoEs, VIs and grantees to ensure that they comply with the Bank's safeguards policies on Environmental Assessment and Resettlement

5. **Country Relations.** The Task Team Leader will coordinate with the Bank Team to ensure Project implementation is consistent with Bank requirements, as specified in the legal agreements. Moreover, the TTL will meet with Government, senior officials of the target CoEs, PSFU to discuss issues requiring resolution at their level. Constant channels for information exchange will be maintained with all major actors.

Time	Focus	Resource Estimate	Partner Role
First twelve months	Review of TORs (Twinning Institute, Engineering Firm) Training on fiduciary aspects Institutional arrangement and project supervision coordination and Team Leadership	TTL, Engineer, Procurement 2 SWs Procurement, Financial Management 5SWs TTL12 SWs	
12-48 months	Technical Review/Support TTL ‘ Environment and Social monitoring & reporting Civil works support Financial management disbursement and reporting Procurement management Institutional arrangement and project supervision coordination and Team Leadership	TTL4 SWs M&E specialist 4 SWs Environment Specialist 3 SWs Social Development Specialist 3SWs Engineer 8 SWs FM6 SWs Procurement Specialist 8 SWs TTL12 SWs	

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Operations Officer/M&E Specialist	10 SWs annually	Field trips required as needed	DC based
Procurement Specialist	8 SWs annually	Field trips required as needed	Kampala based
Financial Management Specialist	6 SWs annually	Field trips required as needed	Kampala based
Social Development Specialist	3 SWs annually	Field trips required as needed	Kampala based
Environmental Specialist	3 SWs annually	Field trips required as needed	Kampala based
Civil Engineers (2)	10 SWs annually	Field trips required as needed	Kampala based and International
Skills Development Expert	6 SWs annually	Field trips required as needed	International
Skills Fund Expert	6 SWs annually	Field trips required as needed	International
Public Sector Governance Specialist	3 SWs annually	Field trips required as needed	Kampala based
TTL (overall coordination, project supervision)	12 SWs annually	Field trips required as needed	Kampala based
Education Specialist	6 SWs annually	Field trips required as needed	Kampala based

Annex 6: Economic and Financial Analysis

A. Education and the Labor Market

1. **Investment in technical and vocational skills at the post-secondary level pays off in terms of future income streams in Uganda.** Analysis of 2012/13 Uganda National Household Survey (2012/13) indicates that levels of education and earnings are positively correlated. Average monthly and hourly wages[17] for workers with different levels of education are provided in Table 1.

2. Average wages rise with more education. For post-primary and post-secondary BTVET, wages are significant. Post-primary and post-secondary BTVET education are associated with expected monthly wages of USh 305,407 (US$122) and USh 353,743 (US$ 141) respectively. Completing even post-primary BTVET results in a higher average monthly wage than completing junior secondary where workers may be expected to make USh 216,050 (US$ 86).

Table 1: Employment Characteristics by Education Level, 2012/13

	Population Share (%)	Employment Share (%)	Positive Earnings (%)	Monthly Wage (USh)	Hours Worked (Hrs.)	Hourly wage (USh)
No schooling/below P1	16.5	16.6	12.4	69,696	37.8	461
Some primary	35.0	38.4	35.1	119,322	42.1	709
Primary completed	7.1	7.9	6.5	167,770	47.6	881
Some junior secondary	8.2	8.6	9.3	182,227	55.3	824
Junior sec. completed	4.4	4.5	7.9	216,050	59.3	911
Some or compl. upper secondary	1.5	1.5	3.6	308,920	59.3	1,303
Post-primary BTVET	2.6	2.8	7.9	305,407	49.5	1,543
Post-secondary BTVET	2.0	2.2	6.9	353,743	48.9	1,807
Higher level of education	1.0	1.1	3.7	767,550	48.8	3,930
Data on education missing	21.7	16.4	6.8	173,136	37.8	1,145
Total	100.0	100.0	100.0	194,926	46.1	1,057

Source: Tsimpo and Wodon (2015) based on the UNHS 2012/2013.

3. **Wage regressions which control for other factors, such as location, age, and gender indicate earnings gains linked to education levels, including for BTVET.** Table 2 presents the results from wage regressions, both for OLS (ordinary least squared) and the Heckman selection model that takes into consideration the probability of having a paid job. Hourly and monthly wage improves with more education. Based on hourly wages, workers who complete primary earn 37 percent more than those with no education and those with junior secondary education completed see an additional benefit of 46 percent. This increases to 70 percent for those who have some or complete upper secondary. In terms of BTVET, those with post-primary BTVET earn 87 percent than those with no education and similarly those with post-secondary BTVET earn 112 percent more than those with no education. Although, the wage premium is lower with Heckman specification the gains do remain positive.

[17] Based on the analysis of the 2012/2013 UNHS, about one in five workers (20 percent) is an employee. This is wage data which is the basis of the wage analysis, including the wage regressions, discussed in Table 2.

Table 2: Summary Results from the Wage Regressions (Coefficients), 2012/13

	Hourly Wage		Monthly Wage	
	OLS	Heckman Wages	OLS	Heckman Wages
Some primary	0.197	0.198	0.162	0.200
Primary completed	0.371	0.378	0.345	0.493
Some junior secondary	0.267	0.269	0.365	0.432
Junior sec. completed	0.461	0.454	0.545	0.398
Some or completed upper secondary	0.700	0.690	0.790	0.604
Post-primary BTVET	0.874	0.850	0.894	0.457
Post-secondary BTVET	1.119	1.088	1.154	0.578
Higher level of education	1.708	1.686	1.669	1.304
Data on education missing	NS	NS	NS	NS

Source: Tsimpo and Wodon (2015) based on the UNHS 2012/2013.
Note: NS means not statistically significant. Detailed results are available in appendix of above document

4. **Other evidence from Uganda based on impact evaluations of recent randomized experiments further support the view that there are benefits from investing in BTVET**. Blattman et al. (2014) looked at the impact of the Youth Opportunity Program (YOP) under the Northern Uganda Social Action Fund. The intervention targeted poor and unemployed youth to become self-employed by encouraging them to form groups and submit grant proposals for vocational training and business start-up. Grants of $382 were given per group member on average to be used for skills training, tools and materials. Four year later business assets had increased by 57 percent, earnings improved by 38 percent due to higher productivity and work hours increased by 17 percent. Some of the beneficiaries also incorporated their ventures and hired labor and women gained disproportionately vis-à-vis the baseline given their poorer status at the beginning of the program. The impact evaluation of the Empowerment and Livelihood for Adolescents (ELA) program also indicates gains to BTVET investments (Bandiera et al. 2012). The program implemented by BRAC Uganda is designed to improve cognitive and non-cognitive skills of adolescent girls. The intervention combined life skills and vocational training to establish small-scale enterprises. At the end of the project, there was an increase in self-employment and an increase in income generating activities by 35 percent among beneficiaries.

B. Cost Benefit Analysis[18]

5. **This project, through strengthening the quality and delivery of BTVET skills in Uganda, aims to improve the skills and the employability of individuals already in or about to enter employment in the agriculture manufacturing and construction sectors.** Individuals will be made more employable and productive by (i) imparting market relevant skills which are clearly linked to advancements in the value chain; (ii) improving the competencies imparted though better curricula and instructor training; and (iii) imparting soft and other non-cognitive skills critical to succeeding in both the formal and informal sector. Through employing individuals in more productive work, there will be individual benefits, particularly higher incomes. The chosen CoEs, two in construction, one in manufacturing and one in agriculture, are in sectors where growth is projected to be the strongest in the coming years.

[18] This CBA is adapted from Raza, Ninan, and Wodon, 2014, Cost Benefit Analysis of Investments in BTVET.

6. **The cost-benefit analysis (CBA) assesses the cost and benefits of the investment undertaken in the CoEs and supporting public vocational training institutes (VI) in Component 2; supporting employer-led short term technical and practical training under Component 3; and investment in institutional reforms undertaken under Component 1**.The investment under Component 2 is for $ 62.2 million dollars for four CoEs and 12 public vocational training institutes. Under Component 3.2 employer-led short terms technical and practical training, implemented under a Grant Facility mechanism, will receive an investment of US$ 18 million. The investment for Component 1, which covers institutional reforms including the establishment of the Skills Development Authority and its operation as well as the development of specific sector skill councils, is for $ 5 million and Component 4, which covers monitoring and evaluation and project management has an investment of $11.8 million.

7. The **approach for CBA estimates the gains for students from undertaking BTVET education and compares those gains with the cost of providing the students with the opportunity to enroll in BTVET**. Three steps are therefore needed in the analysis. First, it is necessary to project the number of additional students that will enroll in BTVET courses thanks to the investment as well as the number of those who will graduate. Second, the benefits for the students who graduate of the TVET education must be estimated. Third, these benefits must be compared to the cost of the investment so that internal rates of return can be estimated. Cost-benefit analysis is undertaken for three different scenarios. The Base Scenario assumes that all components are implemented in a timely manner. Scenario is a variation which assumes that Component 1-institutionalizing systematic reform—does not take place. The last Scenario-Scenario 2—assumes that due to procurement delays the project is delayed for two years and assesses the impact of few graduates completing under the project.

Estimation of the Private Gains from BTVET Education

8. **Investments in the CoEs, VI, and employer-led short courses should increase the number of students enrolling, as well as the number of completing these courses.** Projections for enrolment and graduates for each of the CoEs are based on data provided by the four institutions being upgraded to CoEs. Currently no short courses are being offered by the CoEs and these will be introduced under the project. Table 3 lays out the projected gains in enrolment and graduates for those institutions. Projections are provided in the table until 2019, after which the enrollment as well as the number of graduates are kept constant. The time horizon for estimating the internal rate of return in the cost-benefit analysis covers the period 2015 to 2055.

Table 3: Projections of Enrolment and Graduates (Base Scenario and Scenario 1)

Enrolment	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Assumption**
CoEs- Diploma	2318	2318	2318	2318	2550	2805	3085	10% Growth from 2017 onwards
CoEs-Certificate	352	352	379	592	651	749	899	10% growth in 2016 and 2017 and incremental growth of 5% thereafter
CoEs-Short Courses	0	0	0	400	480	600	780	20% growth in 2017 and incremental growth of 5% thereafter
VI-Certificate	2400	2400	2400	2520	2646	2778	2917	5% Growth from 2016 onwards
VI-Short Courses	0	0	0	3600	3960	4554	5693	10% growth in 2017 and incremental growth of 5% thereafter
Employer Led Short Courses				4200	4200	4200	4200	
Completers	2013	2014	2015	2016	2017	2018	2019	
CoEs- Diploma	1623	1623	1623	1623	1658	1964	2315	65% Graduation in 2017 and incremental growth of 5% there after
CoEs-Certificate	303	303	303	474	547	660	809	80% Graduation in 2016 and incremental growth of 5% thereafter
CoEs-Short Courses	0	0	0	320	403	529	741	80% Graduation in 2016 and incremental growth of 5% thereafter
VI-Certificate	3400	3400	3401	3571	3838	4168	4377	85% Graduation rate
VI-Short Courses	0	0	0	5100	5940	6831	9013	85% graduation in 2016
Employer Led Short Courses				3990	3990	3990	3990	

9. **The first step of the CBA is to assess the private gains of the BTVET qualifications offered under the project**. This is calculated by determining the lifetime value of degree k (EV_k) for which the equation is given:

$$EV_k = \sum_{t=0}^{T_k} \frac{C_{kt} + BW_{kt}}{(1+\rho)^t} + \sum_{t=T_k+1}^{T_k+35} \frac{EW_{kt} - BW_{kt}}{(1+\rho)^t}$$

10. Educational levels/programs are denoted by k, C_k is the total out-of-pocket cost per year to attend a specific education level (such as a BTVET course), and by T_k the number of years required to complete the course (diplomas require two years of study, certificates take one year, and short courses take between one to six months).BW_k is the base wage of the individual before attending the course, which is also the opportunity cost of attending the course or program, and EW_k is the expected wage after completing the course or program. If the discount rate of the individual is denoted by ρ, and if individuals work for 35 years after getting their degree or certification, the expected value for an individual of attending a course or program is given by EV_k.

A number of assumptions are needed to estimate the private gains per graduate. These include:
Base Wages are the average wages (UGX Shilling) in the survey received by workers at the corresponding pre-BTVET education levels adjusted upwards for inflation to represent values in 2014.

11. Wage Gains are obtained from the 2012/13 Uganda National Household Survey for CoE diplomas as the difference between the average wage of those with a junior secondary education and those with a post-secondary BTVET education adjusted for inflation. Since a COE certificate takes one year while a CoE diploma takes two years, it is assumed that the wage gain is half that of the diploma. For short courses, the wage gain is expected to be one fifth of the gain observed for diplomas. For VI certificates and the employer led short courses, the gain is one half of the wage differential between those with primary education and those with a post-primary BTVET education. For VI and employer-led short courses, the assumption is that only one tenth of the difference in wages between those with primary education and those with a post-primary BTVET education accrues to graduates.

12. Discount Rate is set at 7 percent, a relatively high value again in order to be conservative in the estimation of the internal rate of return.

13. The Out-of-Pocket Cost is estimated from the 2012/13 Uganda National Household Survey adjusted for inflation. Students for diplomas have to pay that amount in two consecutive years. For certificates this has to be paid once. For shorter course, the cost is pro-rated for the likely average length of the course. Table 4 provides a break-down of these results.

Table 4: Summary of Assumptions for the Estimation of the Value of BTVET per Graduates

	COE	COE	COE	VI	VI	Employer Led
	diploma	certificate	short course	certificate	short course	short Course
Base wage BW_k per month, Shillings	375,902	375,902	32,371	192,080	192,080	192,080
Wage gain (EW_k-BW_k) per month, Shillings (Base Scenario)	161,853	80,926	32,371	62,882	18,865	18,865
Wage gain (EW_k-BW_k) per month, Shillings (Scenario 1)	137,575	68,787	27,515	53,450	16,035	16,035
Wage gain (EW_k-BW_k) per month, Shillings (Scenario 2)	161,853	80,926	32,371	62,882	18,865	18,865
Individual discount rate (ρ)	7%	7%	7%	7%	7%	7%
Out of pocket cost (C_k) per year DEGREE	1,184,290	1,184,290	592,145	1,184,290	592,145	592,145
Duration of training	2 years	1 year	1/3 year	1 year	1/3 year	1/3 year
Lifetime value of the degree (EV_k) in US$ (Base Scenario)	4,760	2,659	1,279	3,245	867	867
Lifetime value of the degree (EV_k) in US$(Scenario 1)	4,615	2,586	1,250	3,188	850	850
Lifetime value of the degree (EV_k) in US$(Scenario 2)	3,463	1,930	821	2,678	697	697

Estimating the Internal Rate of Return

14. **The next step in the CBA is to calculate the internal rate of return.** This is given here as *r*:
If the additional numbers of graduates for program *k* from the investment in BTVET in year *t* are denoted by G_{kt}, then the total benefits from the increase in the number of graduates discounted by the rate of return is calculated based on the follow equation:

$$TB = \sum_{k=1}^{K} \sum_{t=T_k}^{T_k+35} \frac{G_{kt} \times EV_k}{(1+r)^t}$$

15. **On the cost side, both investment and recurrent costs are considered for the expansion of BTVET education**. Investment costs in year *t* is IC_t, and the additional maintenance and operating costs given here by OC_t (these include maintenance and teacher

costs, with the number of teachers required computed on the basis of the number of additional student enrolled, not the number of additional graduates). The total cost of the project discounted by the rate of return is:

$$TC = \sum_{k=1}^{K} \sum_{t=0}^{T_k+35} \frac{IC_{kt} + OC_{kt}}{(1+r)^t}$$

The internal rate of return *r* is then computed in such a way that:

$$TB + TC = 0$$

16. **A number of assumptions are again needed to estimate the internal rate of return:** Investment Costs are based on an allocation of potential funding for the project from the World Bank. Under the Base Scenario, The World Bank is expected to invest US$100 million over five years. Of this US$62.2 million will be allocated to the second component aiming to strengthen CoEs and VI. Under the employer-led short training Grant Facility, the total investment will equal US$ 18 million. For Scenario 1, when Component 1 and unallocated are not included, total investment falls to US$ 92 million.

17. Recurrent Costs are estimated for equipment and construction with a maintenance cost of 1.5 percent is assumed for 10 and 40 years respectively. Recurrent teacher costs are based on the average unit recurrent cost of providing BTVET education (the unit cost was estimated using 2010 data and then adjusted for inflation to reflect 2014-15 values). The number of additional students enrolled and additional graduates over the life time of the benefits (from 2015 to 2055) are obtained from assumptions in Table 3.Selected parameters for the estimation of the internal rate of return are provided in table 5.

Table 5: Assumptions for the Estimation of the Internal Rate of Return

	COE	**COE**	**COE**	**VI**	**VI**	**Employer Led**
	diploma	**certificate**	**short course**	**certificate**	**short course**	**short Course**
Duration of training	2 years	1 year	1/3 year	1 year	1/3 year	1/3 year
Teacher recurrent cost per student, US$	661	330	165	330	165	165
Number of additional students over 35 years (Base and Scenario 1)	29,107	21,565	30,340	19,881	222,737	90,825
Number of additional graduates over 35 years (Base and Scenario 1)	25,939	20,814	28,669	16,919	189,326	89,775
Number of additional students over35 years (Base and Scenario 2)	27,573	20,450	28,780	18,847	211,352	86,835
Number of additional graduates over 35 years (Scenario 2)	24,584	19,735	27,187	16,020	179,649	85,785

Cost-Benefit Analysis Results

18. **The CBA of the Base Scenario indicates that the project has a high IRR of above 14 percent.** Table 6 provides summary of CBA results. Investment costs, recurrent costs, and benefits are provided for the period 2015-2055 as well as the net benefits. The estimated internal rates of return take into account the time at which various costs are incurred and benefits are reaped. The rate of return for investments in the CoEs is estimated at 7.5 percent, while the rate for investments in VIs is significantly higher, at 41.5 percent, essentially because of the much larger number of graduates that more than compensates for the lower gains per graduate in terms of future earnings and the much lower investment in VIs. Employer led short courses have a rate of return of 32.6 percent, lower than the returns to the VI component, because the lack of certainty that the employer led Grant Facility will be sustained after the project ends. When investments in the three types of institutions are considered jointly, the internal rate of return is 14.5 percent.

Table 6: Estimated Costs, Benefits, and Internal Rates of Return for 2015-55 (Base Scenario)

Base Scenario	**Investment Cost, US$**	**Recurrent Cost, US$**	**Benefit, US$**	**Net Benefit, US$**	**Internal Rate of Return**
Centers of Excellence					
COEs Diploma		19,239,012	123,473,613		
COEs Certificate	64,665,989	7,126,829	55,343,574		7.5%
COEs Short Courses		1,102,965	36,677,689	123,360,081	
VI					
VI Certificate	20,291,634	5,475,402	54,896,405		41.4%
VI Short Courses		5,735,552	193,106,568	216,500,387	
Employer Led Short Courses	21,000,000	-	78,742,838	57,742,838	32.6%
Total	105,957,623	38,679,759	542,240,687	397,603,305	14.5%

Source: Authors
Note: Exchange rate used is U$1=UGX 2587.

19. **Two other scenarios are considered for the purposes of completeness**. Scenario 1 considers the possibility that Component 1 which institutionalizes systematic reform for skills development is not included in the project and Scenario 2 assumes that the project is delayed by two years.

20. **Under Scenario 1** without the investment in reforms, there is a direct quality effect which results in a drop in monthly wage gain. It is assumed that the wage gains per month falls by 15 percent for all types of qualification in COEs, VIs, and employer led programs as qualifications are less well aligned to labor market needs and the wage premium is lower. The discounted values of the courses are now estimated to be US$ 3,709 for COE diplomas, 2,121 for COE certificates, US$ 1,064 for COE short courses, US$ 2,826 for VI certificates, and finally US$ 754 for VI and employer-led short courses (Table 4).The new estimated costs, benefits and IRRs are given in Table 7. With the drop in monthly wage gain, the rate of return for investments

in the COEs is estimated at 4.8 percent, while the rate for investments in VIs is 32.4 percent and for employer led short courses it is 14.5 percent. Combined the IRR is 12.2 percent.

Table 7: Estimated Costs, Benefits, and Internal Rates of Return for 2015-55 (Scenario 1)

Scenario 1	**Investment Cost, US$**	**Recurrent Cost, US$**	**Benefit, US$**	**Net Benefit, US$**	**Internal Rate of Return**
Centers of Excellence					
COEs Diploma		19,239,012	89,831,108		
COEs Certificate	60,133,405	7,126,829	40,168,811		4.8%
COEs Short Courses		1,102,965	23,524,236	65,921,945	
VI					
VI Certificate	19,186,125	5,475,402	45,311,699		32.4%
VI Short Courses		5,735,552	154,462,414	169,377,034	
Employer Led Short Courses	21,000,000	-	62,575,392	41,575,392	14.5%
Total	100,319,531	38,679,759	415,873,660	276,874,371	11.3%

Source: Authors.
Note: Exchange rate used is U$1=UGX 2587.

21. Scenario **2 reflects the possibility that they may be delays in project implementation which will subsequently delay when graduates will complete and shorten the number of years they work**. This will affect the costs, benefits and IRRs. These results are presented in Table 8. As graduates end up working fewer years, the IRRs falls (although marginally).The rate of return for investments in the COEs under this scenario is estimated at 7.1 percent, while the rate for investments in VIs is 32.1.9 percent and for employer led short courses it is 25.4 percent. Combined the IRR is calculated to be 12.9 percent.

Table 8: Estimated Costs, Benefits, and Internal Rates of Return for 2015-55 (Scenario 2)

Scenario 2	**Investment Cost, US$**	**Recurrent Cost, US$**	**Benefit, US$**	**Net Benefit, US$**	**Internal Rate of Return**
Centers of Excellence					
COEs Diploma		18,224,739	113,444,729		
COEs Certificate	64,306,005	6,758,367	51,037,702		7.1%
COEs Short Courses		1,046,253	33,990,237	108,137,304	
VI					
VI Certificate	20,165,639	5,190,514	51,071,879		34.1%
VI Short Courses		6,402,804	152,702,795	172,015,717	
Employer Led Short Courses	21,000,000	-	72,917,888	51,917,888	25.4%
Total	105,471,644	37,622,677	475,165,231	332,070,909	12.9%

Source: Authors.
Note: Exchange rate used is U$1=UGX 2587.

22. **The CBA suggests that, due to the premium enjoyed by BTVET graduates on the labor market in Uganda, the project will result in high internal rates of return**. These IRRs

could rise with changes in assumptions. For example, it is likely that the number enrolling and graduating could expand further than assumed. In addition, it could be that graduates from institutions which are better integrated and responsive to labor market demand will earn a wage premium in the market that would be higher than suggested by the 2012/13 Uganda National Household Survey. Overall the analysis confirms the potential value of investing in BTVET to contribute to Uganda's recently adopted skilling strategy.

C. Financial Analysis

23. This **section offers a brief financial analysis of the project.** The section examines existing trends in education spending in Uganda to assess the priority given to the BTVET sector and also examines the fiscal impact of the project under three different scenarios. **Although, overall in nominal terms the education budget has been expanding since 2006/2007, in real terms the budget has remained quite stagnant.** Nominal budgets have increased in keeping with the priorities of the Education Sector Strategic Plan (ESSP) (from UGX 689 billion in 2006/2007 to UGX 1,342 billion in 2012/13) but in real terms there have been significant short falls. Comparing ESSP projections with real budgets in 2009 prices suggests an estimated shortfall of UGX 192 billion in 2011/2012. Total annual education budget as a share of total budget has also seen a down ward trend (16.6 percent in 2006/07 to 14.9 percent in 2012/13).

24. **Sub-sector resource allocation patterns show that the BTVET sector receives the lowest share of the education budget.** Table 9 lays out the relative share of the budget by sub-sector indicating the BTVET sector low priority as reflected in its relative share in the Education budget. BTVET's share of the total education budget has hovered around 4% until recently, where it has risen to above six percent. In real terms (in 2009 prices) between 2009/2010 and 2010/2011 in BBTVET saw a rise in the amounts allocated to the sector from UGX 6.3 billion to UGX 8.2 Billion although it was significant below the ESSP projections.

Table 9: Relative Share of the Education Budget by Sub-Sector

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Primary	63.2	59.9	57.6	55.8	57.4	56.1	55.9
Secondary	19.7	23.6	22.5	25.9	24.5	25.5	22.3
BTVET	4.5	4.1	4	3.6	4.1	6	6.7
Tertiary	10.7	10.3	13.3	11.9	11.3	10.1	12.5
Other Programmes and Administration	1.8	2.1	2.6	2.8	2.6	2.3	2.5

BTC: Education Sector Budget Analysis 2012

25. **To assess the impact of the Skilling Uganda project on the project government expenditure, three difference scenarios are considered: Base Scenario, Low Scenario and High Scenario.**

26. Table 10 present these results for the period 2015 to 2019, the years when the project will be implementation and assesses the impact of the Skilling Uganda Project on fiscal situation. The **Base Scenario** is based on IMF forecasts of GDP growth for Uganda. It projects that GDP

growth will range from 6.5 to 7.2 percent over 2015-2019. Total education expenditure as a share of total government expenditure is assumed to remain constant at the 2013/14 level of 13.5.Education expenditure increases from a projected UGX1789 billion in 2015 to UGX 2289 billion in 2019. The Skilling Uganda Project as a share of total education expenditure ranges from 1.6 percent to 0.3 percent under the Base Scenario. Under the **Low Case Scenario,** it is assumed that GDP growth will average 3.4 percent in keeping with the lowest year of growth in the 2005-2010 period. Again total share of education expenditure as a share of government expenditure remains at 13.5 percent for the project cycle in keeping with what it was in 2013/2014.Total education expenditure is lower, equaling UGX 1736.9 billion in 2015 rising to UGX 1911.1 billion in 2019.The project share of total education expenditure is consequently higher ranging from 1.6 percent to .4 percent as project costs remain the same. The **High Case Scenario** assumes higher real GDP growth rates of 9 percent. The share of education expenditure in total government expenditure remain constant at 13.5 percent and total education expenditure rises from UGX 1831 billion in 2015 to UGX 2487.7 in 2019.The project share of total education expenditure is consequently lower ranging from 1.5 percent to .3 percent as project costs remain the same.

Table 10: Fiscal Analysis: Base, Low, High

GDP Growth (Base)	2015	2016	2017	2018	2019
Real GDP Growth Rate (%)	6.5	7.1	7.2	7.2	7.2
GDP (UGX billion)	72501.3	78086.4	83865.0	89903.2	96376.3
General Government Expenditure as Percent of GDP	18.3	17.8	17.7	17.5	17.6
Total Government Expenditure (UGX billion)	13251.8	13866.6	14804.7	15762.7	16955.5
Total Government Expenditure to Education (%) (13.5% in 2013/2014, Budget Speech)	13.5	13.5	13.5	13.5	13.5
Education Expenditure (billion)	1789.0	1872.0	1998.6	2128.0	2289.0
Skilling Uganda Project (UGX, billion Econ Analysis, UGX 2587/US$)	28	45	33	27	8
Share of Skilling Uganda Project in the total education expenditure (%)	1.6	2.4	1.6	1.3	0.3
Share of Tertiary Education in Education Expenditure in 2013/2014 = 17%	17.0	17.0	17.0	17.0	17.0
Tertiary Education Expenditure (billion)	304.1	318.2	339.8	361.8	389.1
Share of Skilling Uganda Project in the total Tertiary Expenditure (%)	9.3	14.3	9.6	7.5	2.0
	1	2	3	4	5
GDP Growth (Low)	2015	2016	2017	2018	2019
Real GDP Growth Rate (%)	3.4	3.4	3.4	3.4	3.4
GDP (UGX billion)	70390.9	72784.2	75258.9	77817.7	80463.5
General Government Expenditure as Percent of GDP	18.3	17.8	17.7	17.5	17.6
Total Government Expenditure (UGX billion)	12866.1	12925.0	13285.5	13643.8	14155.9
Total Government Expenditure to Education (%) (13.5% in 2013/2014, Budget Speech)	13.5	13.5	13.5	13.5	13.5
Education Expenditure (billion)	1736.9	1744.9	1793.5	1841.9	1911.1
Skilling Uganda Project (UGX, billion Econ Analysis, UGX 2587/US$)	28.4	45.5	32.7	27.0	7.8
Share of Skilling Uganda Project in the total education expenditure (%)	1.6	2.5	1.8	1.4	0.4
Share of Tertiary Education in Education Expenditure in 2013/2014 = 17%	17.0	17.0	17.0	17.0	17.0
Tertiary Education Expenditure (billion)	295.3	296.6	304.9	313.1	324.9
Share of Skilling Uganda Project in the total Tertiary Expenditure (%)	9.6	15.3	10.7	8.6	2.4
	1	2	3	4	5
GDP Growth (High)	2015	2016	2017	2018	2018
Real GDP Growth Rate (%)	9.0	9.0	9.0	9.0	9.0
GDP (UGX billion)	74203.2	80881.5	88160.8	96095.3	104743.9
General Government Expenditure as Percent of GDP	18.3	17.8	17.7	17.5	17.6
Total Government Expenditure (UGX billion)	13562.9	14362.9	15563.0	16848.4	18427.6
Total Government Expenditure to Education (%) (13.5% in 2013/2014, Budget Speech)	13.5	13.5	13.5	13.5	13.5
Education Expenditure (billion)	1831.0	1939.0	2101.0	2274.5	2487.7
Skilling Uganda Project (UGX, billion Econ Analysis, UGX 2587/US$)	28.4	45.5	32.7	27.0	7.8
Share of Skilling Uganda Project in the total education expenditure (%)	1.5	2.3	1.5	1.2	0.3
Share of Tertiary Education in Education Expenditure in 2013/2014 = 17%	17.0	17.0	17.0	17.0	17.0
Tertiary Education Expenditure (billion)	311.3	329.6	357.2	386.7	422.9
Share of Skilling Uganda Project in the total Tertiary Expenditure (%)	9.1	13.8	9.2	7.0	1.8

D. Justification of Public Sector Role

27. **A role for public sector involvement in skilling Uganda is justified because of the number of market failures that permeate the training market.** The likelihood of market failures in the training markets is substantial which can result in sub-optimal investments in skills by individuals and firms. The causes of market failures are numerous. For one, informational asymmetries about the benefit (and costs) of skills training may results in individuals may choose to under-invest in skill training which may be suboptimal from a societal point of view. Given the complementarities of this project to other investments happening in Uganda (oil and gas, and ACDP project), this type of market failure could be a key constraint for those investments. Skill training can also be considered a merit good. Firms may opt into allow skill equilibrium, due to the lack of technical and vocational skills locally or lack of knowledge about production methods, which would have consequences for productivity gains and the growth trajectory of a sector. Another reason firms may choose to underinvest in training is because of the likelihood of poaching of skilled workers. Given the high turnover of skilled workers, firms are vary of losing workers that they have trained and hence chose not to invest in training up to the optimal amount. Private technical and vocational institutes are numerous in Uganda but little is known about it quality or relevance. This project, will however, where possible will partner and complement with the activities of the private sector technical and vocational institutes to take advantage of synergies as well as enhance capacity of the private BTVET sector.

E. The World Bank's Value Addition

28. **The World Bank has a rich body of experience in the BTVET sector which it can draw upon to inform this project.** The World Bank has supported skills development projects across the world over the past twenty years and has undertaken detailed reviews and impact evaluations of different interventions. This serves as a rich body of experience which this project can draw upon to support the implementation of the Skilling Uganda strategy.

29. The **World Bank's involvement in numerous sectors in Uganda allows for synergies across sectors.** By taking a sectoral approach to implementation of key reforms, the Project offers a comprehensive package to establish a system that is demand-responsive, focusing on quality and relevance but also considering access, particularly for women. The Project will also support the establishment of a robust governance and administrative framework for the BTVET sub-sector, by strengthening institutional arrangements. By concentrating resources in specific sectors, the project will achieve the most impact and will hopefully serve as a catalyst for reforms in other sectors.

30. **The proposed Project would be the largest single investment into the sub-sector outside of government's own resources.** The Bank is coordinating activities in the sub-sector and recently took over as the Chair of the Education Development Partners (EDP) Working Group on BTVET and seeks to coordinate efforts of other EDPs in line with the priorities of the Skilling Uganda strategy. By aligning financing to the overall Government strategy and ensuring complementarities between EDP programs, there is an opportunity to reap the greatest benefit.

Annex 7: Governance and Accountability

UGANDA: Skills Development Project

1. The project's main implementing agency for Components 1 and 2 is the MoES, which has to date experienced a selection of governance challenges. The Ministry has however developed a closer working relationship with anti-corruption agencies (specifically the Inspectorate of Government) to address corruption challenges and this has yielded pockets of effectiveness in the use of selected projects' funds that will be extended to the Sub- components 2.1 and 2.2 (on infrastructure) under the USDP. Further, component 3 of the project will be implemented by the MoFPED through the PSFU. Whereas the PSFU has also experienced serious governance challenges in the past (INT investigations during Private Sector Competitiveness Project II implementation established fraudulent practices in the then PCU), these have been addressed through sanctions of the responsible officers and streamlining internal controls. For instance the PSFU Board now has oversight responsibility for the current grant activities under the Bank financed CEDP. For this project main areas of concern could stem from (a) internal governance weaknesses within the selected CoEs and these need to be addressed by ensuring that the much sought after autonomy is accompanied by enhanced transparency in the disbursement of funds, capacity building and stronger accountability measures and encouraging participation at all levels; (b) unclear selection procedures for the beneficiary institutions creating opportunities for capture; (c) fiduciary challenges in the MoES which will be addressed through enhanced fiduciary capacity and monitoring and reporting processes; (d) lack of clear oversight mechanisms to prevent capture of grant resources for Component 3 and lack of accountability by grant recipients; and (e) fewer institutions in the market that are able to compete for access to window 2 and 3 grants leading to cartels and or other forms of collusion to up the costs and compromise quality. The project will benefit from the overall CMU enhanced engagement with civil society and other non-state actors stemming from recommendations in the Country Assistance Strategy Progress Report (August 2013).

2. Over the last five years, several analytical studies have been undertaken in the sector including: Efficiency of Public Education in Uganda (2008) aimed at contributing to improving efficiency and effectiveness of the education sector, Uganda Institutional Capacity Assessment (2010) aimed at refining the Education Sector Strategic Plan (2004-2015), and Primary Education System Analysis (2011) aimed at addressing the question of quality of primary education in Uganda. In addition, the MoES has carried out 4 independent tracking studies since 2000 in order to increase the level of fiduciary assurance in the education sector. The purpose of these tracking studies was to build a series of reports to show how the sector is performing in terms of institutional capacity to deliver on its mandate and identify accountability and overall governance challenges. The Judicial Commission of Inquiry into the Mismanagement of Universal Primary and Secondary Education School Funds report (2012) also highlighted several governance challenges on the implementation of universal primary and secondary education to which the Commission made several recommendations that provided an opportunity to the sector to address failures. These studies and report provide a rich source of information on governance constraints in the education sector and emphasize governance challenges related to (a) inadequate accountability of funds; (b) mismanagement of resources leading to poor policy implementation and service delivery; and (c) grand corruption.

3. Uganda's latest Country Assistance Strategy (CAS) Progress Report (2013) provides for a strategic re-direction of the Bank's efforts to address governance and corruption challenges which was prepared in response to emerging governance challenges that disrupted aid flow in the country. The Progress Report has proposed key adjustments in view of the changing context to help restore the path for improved governance and accountability. The Bank will adopt a three-pronged approach: (a) continuing support for public finance and procurement management systems and processes (system-wide as well as achieving value for money); (b) strengthening country oversight institutions; and (c) promoting accountability mechanisms at the local level to deliver better services. In line with these recommendations, the Bank will work closely with MoES to implement enhanced transparency and accountability measures to ensure effective use of project resources.

4. The transparency and accountability measures will be intertwined with project objectives, components, and activities. The measures aim at establishing adequate governance and accountability for the project itself in order to increase responsiveness to the needs of stakeholders and reduce risks of corruption. The main avenues to reach these objectives will be :

(a) Encourage decentralization of decision making for increased autonomy;
(b) Increase accountability for the decentralized decision making by building capacity of the implementing entities to manage and then supervise at arms-length based upon results;
(c) Create opportunities for local participation and community empowerment, including involvement of stakeholders in decision making;
(d) Increased information collection and disclosure on project activities; and
(e) Dissemination of eligibility criteria for the grants and grants selection guidelines to all stakeholders to reduce opportunities for capture.

A. Governance at the Country Level

5. Uganda has a comprehensive institutional, legal and policy framework to improve governance and address corruption in the country. The primary agency mandated to lead the fight against corruption is the Inspectorate of Government (IG) which is complimented by other secondary agencies such as the Directorate of Public Prosecutions (DPP) and Uganda Police through its Directorate of Criminal Investigation (CID). The legal framework is governed by the Constitution of Uganda (1995) and key legislation such as IG Act (2002), Public Finance and Accountability Act (2014), PPDA Act (2014), Anti-Corruption Act (2009), Anti Money Laundering Law (2014) and Whistleblowers Act (2010). The Government has pursued a combination of governance reforms in the last two years aimed at restoring integrity in the fiduciary systems and pushed for stronger sanctions through judicial processes. Among the key initiatives are: (a) strengthening the legislative framework for public finance management; (b) public sector management reforms to regulate human resource recruitment, remuneration, and performance; and (c) regulatory institutions put in place to ensure compliance with national standards in several areas. Overall progress has been mixed. At the Country level, although Uganda has maintained an overall Country Portfolio Index (CPIA) score of 3.7 in the last 3 years, the assessment on public administration and specifically corruption has declined from 2.5 in 2010 to 2.0 in 2014. International indicators on corruption and rule of law continue to decline this has put the country in the highly corrupt category for the last 4 years.

6. Further enforcement of anti-corruption legislation and administrative sanctioning remain a serious challenge in raising the bar against corruption in an environment where poor adherence by public officials to public financial management laws and regulations is one of the major constraints to improving service delivery. The Study on Non-Compliance in Public Financial Management in Uganda (2011) published by BMAU reported that the Public Finance and Accountability Act (2003), PPDA Act (2014) and Local Government PPDA Regulations (2006) were the most violated laws at all levels of Government. The most common violations included flouting of accounting procedures, irregular procurement practices, false accounting and embezzlement. Indeed in 2013 the office of the auditor general showed that US$12.9 million was paid by ministries, departments and agencies to various contractors for works that had not been executed. This raises critical questions on commitment by Government to implementation of the country's relatively strong PFM System.

7. Citizen demand for good governance remains weak**.** While efforts have been made previously to introduce direct accountability mechanisms, such as citizen report cards and expenditure tracking, these initiatives are yet to yield visible results. The capacity of civil society to reach out to the citizens remains low, exacerbated by high citizen apathy

B. Challenges of Governance and Accountability of the Education Sector

8. As highlighted in paragraph 2 above, accountability is a growing concern in the education sector in Uganda. In recent past, development grants have been suspended from Uganda citing irregularities with the way the grant funds were being used. The education sector is not been isolated from these governance challenges.

9. At the school level, there is evidence of weak governance and support systems. A 2011 study indicates that School Management Committees (SMCs) have limited capacity to execute the legislated functions - only one in four SMC members expressed awareness of key functions like planning and monitoring of education programs in school. In addition, only 32 percent of interviewed SMC members considered school development planning a key responsibility of SMC members. Evidence from the Basic Required Minimum Standards (BRMS) baseline survey also points to low school compliance to established standards and procedures in a number of areas. This further attests to weak school governance systems.

C. Strengthening Governance and Accountability under USDP

10. The project will implement a selection of transparency and accountability measures to complement the MoES' efforts to address some of the key governance challenges identified at the sector level. In addition, given the weak governance environment in the Country, the project team remains flexible to: (a) further review and introduction of new measures through annual governance and anticorruption reviews that the GoU and the Bank will agree upon based on the project performance and expected outcomes; and (b) working with the entire education sector and ensure progress in, internal systems and external accountability reforms. In addition the Project will work with the Board and management of the PSFU to provide extra oversight for the Component 3 grants, while also enhancing its fiduciary capacity under the PCU2. The measures will focus on: (a) strengthened internal efficiency through mitigating risks related to resource management (both financial and human); (b) strengthened institutional leadership capacity of the

CoEs and accountability for increased stakeholder participation and empowerment; and (c) enhanced transparency for grant access criteria and implementation.

D. Strengthened Fiduciary Environment

Mitigating Financial and Procurement Risks

11. *Procurement at the national level* will be implemented by the Ministry of Education and Sports which will procure instructional materials and technical assistance. The key risks to procurement are: (a) major delays in procurement due to lack of adequate staff with appropriate experience in procurement in both the procurement and technical departments; (b) weak interdepartmental coordination which exacerbates these delays; (c) weaknesses on contract administration resulting in cost escalations, delayed or incomplete deliveries and substandard deliveries, (d) high costs as a result of delays in payments to providers; and (e) inadequate review and oversight. The following actions are proposed as mitigating factors:

(a) hiring additional staff in the procurement, finance and technical departments prior to project effectiveness;
(b) training in procurement and contract administration;
(c) establishing a contract management and reporting system including independent verification of quality, timeliness and completeness of delivery; and regular Internal Audit of procurement processing and contract administration to assess adherence to agreed business standard and timely remedial action; and
(d) Enhanced audits and reporting.

E. Strengthened CoE Governance and Accountability

Mitigating Institutional Capacity Risks

12. To promote effective governance and accountability for key implementing entities beyond the MoES and MoFPED, the project will support the following activities:

(a) Training of heads and management of CoEs in leadership and change management. This training will be executed in the form of a comprehensive package designed to address the most critical gaps in their performance.
(b) Enhancing the effectiveness of CoE Boards through training and enhanced sharing of information on project activities to ensure they monitor progress and use of funds effectively.
(c) Review of management and accountability structure for PSFU and include fiduciary oversight over the grants by the PSFU board.

Table 1. Selected Interventions to Enhance Governance and Accountability

Sl. No.	**Governance & Accountability Mapping Areas**	**Agreed Actions**	**Responsibility**
		1. Governance of the Education Sector	
1.1	Objective and Transparent	*Promote the national policy on zero tolerance to*	MoES, IG, MoFPED

Sl. No.	Governance & Accountability Mapping Areas	Agreed Actions	Responsibility
	Project Funding	*corruption* – Developing strategies that enhance transparency and accountability of project operations in the design with full involvement of the Inspectorate of Government (IG); and establishing third party monitoring engaging non-state actors at implementation stage.	
2. Governance and Accountability at the CoE level			
2.1	CoE Boards	*Enhancing the effectiveness of CoE Boards* – Training and awareness programs targeted at Boards on: (i) planning, (ii) preparing and managing budgets, and (iii) monitoring and evaluation.	MoES, CoE
3. Adequate Governance and Accountability of the Project			
3.1	Project Implementation arrangements	*Project Implementation Plan* – Strengthening accountability and transparency of overall project implementation by providing detailed project implementation plans and related roles and responsibilities. *National Steering Committee* – Establishing strong governance at national level with a wide range of stakeholders. *Civil Society Advisory Group* – Strengthening the voice and involvement of the Civil Society Organizations (CSOs) as a key stakeholder in the project	MoES and PSFU
3.2	Project Information Disclosure	*To demonstrate transparency and accountability towards stakeholders and the general public, the following documentation will be publicly available:* i. Funds disbursement; ii. Criteria for selection of Networks for the CoEs iii. CoE annual performance (graduates produced, budgets TBD)	MoES and PSFU, CoEs and VTIs
4. Strengthened Internal Accountability			
4.1	Mitigating Governance and Accountability Risks in Procurement Management	*Procurement Management Support* – Hiring additional staff in the procurement and technical departments prior to project effectiveness. *Procurement Training Package* – Developing capacity of members and staff responsible for procurement through a custom made training package in procurement and contract administration. *Quality Assurance Mechanism* – Strengthening the quality assurance mechanism by establishing a contract management and reporting system including independent verification of quality, timeliness and completeness of delivery, and regular Internal Audit of	MoES and PSFU

Sl. No.	Governance & Accountability Mapping Areas	Agreed Actions	Responsibility
		procurement processing and contract administration to assess adherence to agreed business standard and timely remedial action.	
4.2	Mitigating Governance and Accountability Risks in Financial Management	*Regular Progress Monitoring Meetings* – Organizing monthly meetings (including the supervising entity and the government project coordinating team) to discuss progress and related financial management issues. *Regular Financial Management Trainings* – Strengthening the capacity of staff on financial management through tailored and periodic FM trainings at national and CoE levels. *Financial Management Manual* – Ensuring accountability of financial management activities at national and CoE level. *Regular Independent Audit* – Enhancing the quality of monitoring the financial management at institutional level. *Transparency and Information Disclosure* – Improve transparency in financial management by periodically disclosing, among others, Financial Monitoring Reports, Manuals, audit reports on the project website.	MoES, PSFU, VTIs and CoEs

Annex 8: Financial Management Assessment

UGANDA: Skills Development Project

1. The World Bank conducted an FM assessment of the Ministry of Education and Sports (MoES), Private Sector Foundation (PSFU together with the technical colleges which will implement the planned US$ 100m Uganda Skills Development Project. The project will support the institutionalization of skills development in the country, development of 4 existing technical colleges in different regions into Centers of Excellence (CoE), and support general project management. The objective of the FM assessments was to determine whether the FM arrangements: (a) are capable of correctly and completely recording all transactions and balances relating to the Project; (b) will facilitate the preparation of regular, accurate, reliable and timely financial statements; (c) will safeguard the Project's entity assets; and (d) will be subjected to auditing arrangements acceptable to the World Bank. The assessment complied with OP/BP 10.00 on Investment Project Financing, the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010.

Key Issues

2. The MoES is currently implementing an IDA project, that is, Universal Post Primary Education and Training Programme (UPPET) that is closing soon. It has had challenges of ineligible expenditure at school level regarding construction where about US$ 1.1 million was refunded to IDA. The ineligible expenditure was determined from audits done by the Auditor General, MoES Internal Auditors and IDA's supervision of the programme. The Ministry will also be implementing the $100 million GPE grant for primary education to improve school and teacher effectiveness. With past experience and the new projects coming up, there is need for a coordination unit for effective implementation.

3. A review of the staff capacity of the 4 colleges shows that Principals and Accountants/Bursars are in place except for Bukalasa where there is an acting principal. These are key positions that should be filled to ensure accountability of project funds sent to these colleges.

4. A number of actions to strengthen fiduciary systems both at MoES and the colleges have been identified and can be referred to in the FM action plan of this assessment. IDA will monitor these actions with MoES during the implementation of the project. The overall Financial Management residual risk rating of the project is **substantial** implying that it will have at least two onsite supervisions every year to ensure that funds are being utilized for purposes intended.

Institutional and Implementation Arrangements

5. The project will be implemented by the MoES while the day-to-day operations will be through a Coordination Unit within the Ministry to mitigate various identified staffing capacity gaps. The overall accounting officer of the project will be the Permanent Secretary MoES. The MoES has been implementing an IDA project, that is, Universal Post Primary Education and Training Project (UPPET) which was a US$150 million programme that closed on July 31, 2014.

PSFU is currently implementing two other IDA projects (CEDP and ERT-II) with an established PCU. This project will be streamlined under the same arrangement.

6. At each college level, every UTC has a Principal as an accounting officer and a Bursar as an accountant. Each college has a Governing Council which will be essential in monitoring project activities and it will be important that before the project begins, the MoES sensitizes them on their responsibilities particularly in relation to supervision of project activities and reporting. The other mitigation measure is that annual reviews of the project will need to be conducted by internal auditors under the leadership of the Commissioner Internal Audit MoFPED to ensure that funds are being utilized for purposes intended.

Budgeting Arrangements

7. The MoES and PSFU will be responsible for the preparation and monitoring of the project's budget and coordination with the Ministry of Finance, Planning and Economic Development (MoFPED) to ensure the project's budget is consolidated into Government of Uganda's annual budget. Both agencies have the capacity to handle the budgeting arrangements adequately as they have the adequate staffing, information system (Output Monitoring Tool, Integrated Financial Management Information System-IFMIS and SUN systems at PSFU) and Government of Uganda, Treasury Accounting Instructions and necessary legislations that include the Public Finance and Accountability Act and Budget Act.

8. The risk to the budgeting process is the high levels supplementary budgets funded through reallocations as pointed out in the Auditor General's reports for the recent years ended June 2012 and 2013. This could take away planned resources from the MoES and be used for other purposes. However, this is mitigated by having earmarked funding to this project by agreeing this arrangement with the MoFPED such that funds are available whenever required by the project.

9. At college level, budget allocations for the project will be communicated by the MoES after agreement on annual work plans for each college and budgets are expected to be monitored by the colleges using financial reports sent to the MoES on a quarterly basis within 30 days after the end of the quarter. The financial reports will compare actual expenditure to budgeted amounts and provide explanations of any significant variances.

Accounting Arrangements

10. **Staffing:** The MoES has a Finance and Administration department headed by an Under Secretary who reports to the Permanent Secretary and who will be responsible for the accounting function of the program. The accounts section is headed by the Assistant Commissioner who, assisted by a Senior Accountant. The coordination Unit will have a designated or contracted Project Accountant to prepare the accounts for this project. The key staff members in the MoES accounting division who will be responsible for the accountability of the project's funds are experienced and qualified and have trained on the more recent World Bank Financial Management and Disbursement procedures to handle World Bank projects. The Executive Director at PSFU is the overall accounting officer while Director Finance oversees the accounts department and a dedicated project accountant will be responsible for the project.

11. At college level, the key accounting staff is the Accountant/Bursar together with the Accounts Assistant/Cashier and the Principal as the accounting officer. Elgon, Bushenyi and Lira have these positions filled while Bukalasa has no accountant with an acting Principal together with an Accounts Assistant/Cashier in place. For timely submission by the colleges of complete and accurate quarterly financial reports to the MoES within 30 days after the quarter, these positions should be filled at all times.

12. **Accounting Information Systems:** The project accounts will be maintained on a computerized accounting system. The MoES is using the Integrated Financial Management Information System (IFMIS), including the modified Donor project module being used for the current UPPET project funded by the Bank. However, participating colleges do not have IFMIS implying that they will be using manual systems such as Microsoft Excel schedules given their anticipated low levels of transactions. PSFU maintains the SUN accounting system and is adequate for the project.

13. **Accounting Policies and Procedures:** For the MoES, these are documented in the Government of Uganda (GoU) Treasury Accounting Instructions while for the colleges they are documented in the Universities and Other Tertiary Institutions Act, 2001 which will be supplemented by project guidelines. Both of these documents are adequate for the project. PSFU is supplemented with the finance manual.

14. **Internal Control Arrangements:** Internal control systems for the MoES are documented in the Government of Uganda Treasury Accounting Instructions while PSFU is supplemented with the finance manual. However, a key weakness of the MoES that might affect the implementation of this project is inadequate follow up of accountability of advances sent to spending units such as college under this project. In order to mitigate this risk, a dedicated project accountant is proposed to ensure timely accountabilities to the MoES. The internal audit function will have to monitor compliance with the internal control systems in place and report on any areas of concern. In this regard, annual internal audit reports on the project will be expected as for other IDA financed projects.

15. **Internal Audit:** The MoES has a functional internal audit unit headed by an Assistant Commissioner. The unit has an additional four internal auditors that can be beefed-up from the pool of auditors at MoFPED to execute an assignment whenever required by the project. The unit has been very effective under the UPPET IDA project. The auditors are qualified and experienced and they use a risk based approach and it will therefore be essential for the internal audit unit to include in their work program the audit of this project. The work plan should include an annual review of the project by the internal audit unit that will involve visiting the colleges working closely with the MoFPED and district internal auditors to ensure funds are being used for purposes intended. PSFU has an internal audit who independently reviews the foundation activities.

Financial Reporting Arrangements

16. MoES and PSFU will submit quarterly Interim Financial Reports (IFRs) in a format agreed with IDA within 45 days of the end of each calendar quarter reported on. The format of the IFR will be agreed with IDA before negotiations.
These quarterly reports will include:

- Statement of Sources and Uses of Funds;
- Detailed Statement of Uses of Funds by Project Activity/Component;
- Designated Account (DA) Activity Statement accompanied with Summary Statement of DA Expenditures for Contracts subject to Prior Review and Summary Statement of DA Expenditures not subject to Prior Review;
- Bank Statements for the Designated Account and project accounts of the MoES and the earmarked project funds in the consolidated fund; and
- Ageing analysis of unaccounted for advances to colleges and staff.

17. Colleges will submit quarterly interim financial reports to MoES within 30 days after the end of the quarter to allow 15 days for the MoES to provide a consolidated report to IDA. The interim financial reports will provide information on the accountability of funds received under the project. The college reports will comprise of simple financial accountability reports as instructed by the MoES.

18. MoES will prepare annual accounts within three months after the end of the financial year in accordance with accounting standards acceptable to IDA. Thereafter the MoES will be responsible for ensuring their reports are audited and submitted to IDA within six months after the end of the financial year.

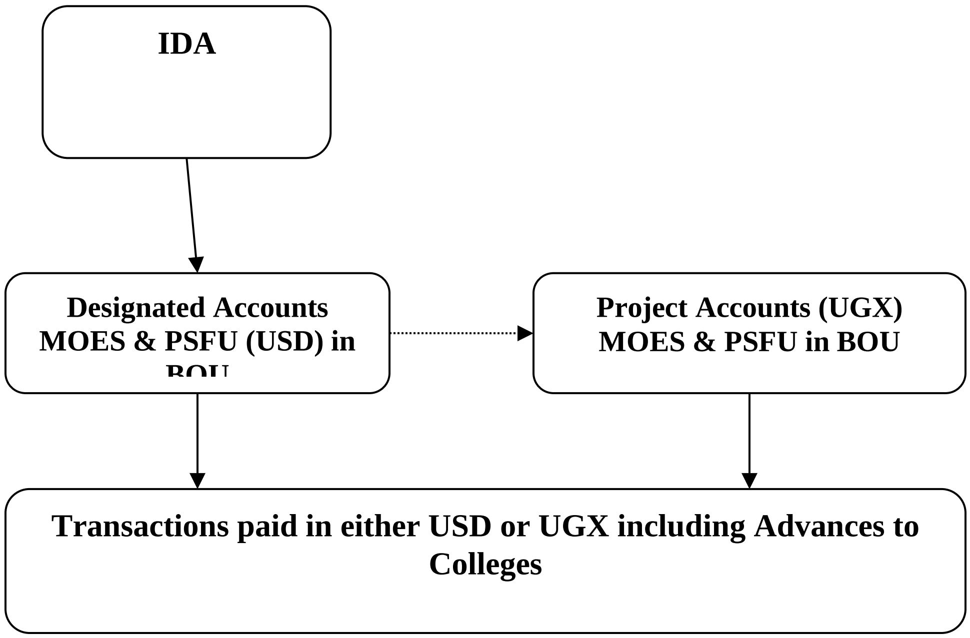
19. **Banking Arrangements:** Two Designated Accounts (DA) for the Project will be opened in the Bank of Uganda denominated in United States Dollars for MOES and PSFU respectively. The DA will be authorized by the MoFPED/Treasury. Project accounts under the control of the MoES and PSFU will be denominated in Uganda Shillings. All the bank accounts will be in the Bank of Uganda and should be opened after the signing of the project's Financing Agreement. Signatories for all the bank accounts should comply with the GoU Treasury Accounting Instructions and should be sent to IDA along with the details of the bank accounts opened.

20. Participating colleges will have to open a project account that will receive funding from the Ministry. Details of the bank accounts opened and the signatories will have to be communicated to the MoES. This will mean that the MoES will need to provide project guidelines for the colleges to ensure proper accountability.

21. **Disbursements and Funds Flow Arrangements:** The Ministry and PSFU will be using the report-based disbursement method. Both will prepare six monthly cash flow forecasts for the project based on the work plan and submit the Withdrawal Application to the Bank after the effectiveness of the project. Subsequent withdrawal applications should be submitted quarterly with IFRs within 45 days after the end of the quarter. The quarterly periods follow the calendar year quarters hence IFRs should be prepared as of end of March, June, September and December. IDA will make an advance disbursement from the proceeds of the Credit based on the

cash flow forecast by depositing into a Borrower-operated Designated Accounts held at Bank of Uganda denominated in United States Dollars. The project expenditures can be paid from either the designated account or the project account. These will include transfers to implementing units like colleges under the terms of Accountability Instructions issued by the Ministry.

Funds flow diagram



22. Advances and reimbursements can be made into the Designated Account. Other methods of disbursements that can be used are direct payments and special commitments using letters of credit. Details with respect to the disbursement mechanisms will be included in the Disbursement Letter.

Auditing Arrangements

23. The Auditor General is primarily responsible for auditing all government programs and projects. The audit may be subcontracted by the Auditor General to an acceptable private audit firm to IDA, who will submit the audit report to the Auditor General to issue the final report to IDA. The audits are conducted in accordance with international auditing standards. The audit terms of reference will need to be agreed with IDA before negotiations. It will be essential that the audit terms of reference include physical visits to the colleges. The project's audit report plus the management letter will be submitted to IDA within 6 months after the end of the financial year. IDA will conduct one value for money audit towards the end of the project life to be done by the Auditor General. Depending on the risks in the project, IDA may request for a forensic audit also to be done by the Auditor General. All audit reports will be publically disclosed by the World Bank in accordance with the World Bank disclosure policy. MoES received an unqualified opinion for the June 2013 audit report but the UPPET project audit received an emphasis of matter regarding outstanding accountabilities at school level.

24. **Financial Management Action Plan**

Financial Management Action Plan	Action	Date due by	Responsible
1	Conduct one Value For Money audit by the Auditor General towards the end of the project's life.	During Implementation	MoES in coordination with Auditor General
2	MoES internal Audit Unit in coordination with Commissioner Internal Audit MoFPED to undertake annual reviews of the project in order to strengthen fiduciary compliance.	During implementation	MoES and MoFPED
3	Have a dedicated Accountant in the PCU for effective reporting and follow-up.	By effectiveness	MOES/PSFU
4	Have the position of Accountant filled at Bukalasa to strengthen the fiduciary function at the college.	Before any disbursement to college	MoES and College
5	MoES to ensure information on the projects budget, disbursement to colleges and audited accounts are transparently made available to the public (on website, notice boards or published in the local newspapers).	During implementation	MoES

25. The frequency of the financial management/fiduciary on-site supervision missions will be twice a year based on the risk rating of the project. The project will need to allocate adequate budget for monitoring and audit reviews. Findings from audits conducted by the Internal Audit unit, Auditor General and procurement audits by Public Procurement Disposal of Public Asset Authority could guide revision of supervision plans.

26. **Conclusion:** The conclusion of the assessment is that the financial management arrangements in place meet the World Bank's minimum requirements under OP/BP10.00 and therefore are adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project required by the World Bank. The overall Financial Management residual risk rating of the project is **substantial** implying that it will have at least two onsite supervisions every year to ensure that funds are being utilized for purposes intended.

The Risks and mitigation measures identified during the assessment are detailed in the table below:

FM Risk Assessment

Risk	***Risk Rating***	***Risk Mitigating Measures Incorporated into Project Design***	**Risk rating after mitigation**	*Y/N*
Country Level-The 2005 & 2012 PEFA reports identified weaknesses in government PFM systems. Enforcement of Procurement rules is still weak. Governance issues including the scandals in the OPM and Public Service Ministry is still presenting a major challenge. June 30, 2013 audit report identifies major weaknesses in FM across the Government departments.	H	Weaknesses in accounting capacity, budget classification, payroll rules and procurement compliance are being mitigated under a government PFM reform program called FINMAP. The High Level Action Matrix agreed between development partners and Government is being implemented to address the governance issues.	S	
Entity Level-While basic legal and institutional framework is in place, monitoring and enforcement remains an area of weakness in order to ensure proper project implementation.	S	Institutional strengthening of MoES through the letter of Sector Policy, increased staffing in the proposed coordination unit with dedicated employees will strengthen its monitoring and enforcement function to mitigate this risk.	M	
Project Level- The program involves mainly a single sector but with 4 spending units (colleges) in the country with a number of transactions. Delays in payments and accountabilities have been experienced under UPPET project.	H	MoES has strengthened its accountability mechanism for the schools/colleges to mitigate this risk. Colleges have Bursars (accountants) and Accounts Clerks to ensure proper accountability. New improved payment procedures were adopted in 2013. MOES will agree with the participating colleges on implementing modalities agreeable to IDA.	S	
Control Risk				
Budgeting				
The budgeting function at MoES is adequate and all Bank funded projects are captured under the National budget. Planning department has previously not budgeted for enough annual resources to ensure IFMS is adequately loaded for smooth implementation	S	MoES Planning department has agreed to consult user departments to ensure adequate budget provisions to mitigate this risk. Internal audit section will also review project budgets.	M	
Internal Control- Inability to follow up reported internal control weaknesses identified by internal and external auditors together with FM reviews.	H	The current Internal Auditors are qualified and experienced. They have performed very well on the current project and will continue to cover these project activities including follow-up of issues to minimise this risk.	S	

Risk	*Risk Rating*	*Risk Mitigating Measures Incorporated into Project Design*	**Risk rating after mitigation**	*Y/N*
Financial Reporting- Financial Information may be late and unreliable for purposes of preparation of required reports.	H	MoES and PSFU have the capacity to prepare the financial reports. There will be a dedicated Accountant for the project in the proposed coordination unit. Ministry will continue to prepare formats for the interim financial reports as in the previous IDA credit. Colleges will submit their reports to MOES 30 days after every quarter for timely consolidation**.**	S	
Accounting- The accounts examination section may not review college accounts and ensure that issues are addressed in a timely manner and there is a risk that funds will not be accounted for by the MOES or Colleges due to non-compliance.	H	The staffing arrangements at the MoES will be enhanced with the proposed coordination unit with a dedicated accountant to further mitigate this risk.	S	
Funds Flow- Risk of lack of transparency in the system.	M	Arrangements to move funds have been established by MOFPED and the MoES and are adequate, transparently done with publication in newspapers and notice boards.	L	
External Audit - The risk of the annual audit not being submitted within six months after year end and lack of effective follow-up of issues.	S	The Auditor General will audit project accounts as mandated by the law and requires individual college accounts to be audited annually by independent auditors. Internal audit to follow up on reported issues.	M	
		Overall Risk Rating	**Substantial**	

H – High S – Substantial M – Moderate L – Low

The overall residual risk is expected to be Substantial upon meeting the conditions in the risk assessment and mitigation table above.

MAP

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MAY 2012

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IDA/R2015-0054/2

March 28, 2015

FROM: The Corporate Secretary

Uganda - Skills Development Project

Withdrawal of Document, Issuance of Revised Document and Change of Closing Date

At Management's request, the President's Memorandum and additional documentation for the proposed Skills Development Project in the Republic of Uganda (IDA/R2015-0054) will be replaced. The Project Appraisal Document will be replaced because of a system-related problem which led to the circulation of an incorrect version of the document to Executive Directors. The revised document, which does not contain any material changes, will be circulated with a new AOB date to be determined.

<u>Distribution:</u>
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA