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IDA/R2017-0226/1

June 15, 2017

Closing Date: Wednesday, July 5, 2017 at 6 p.m.

FROM: Vice President and Corporate Secretary

Rwanda - Rwanda Priority Skills for Growth Program-for-Results

Program Appraisal Document

Attached is the Program Appraisal Document regarding a proposed credit to Rwanda for a Rwanda Priority Skills for Growth Program-for-Results (IDA/R2017-0226), 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
- Directors and Department Heads, Bank, IFC and MIGA

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 116204-RW

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 87.6 MILLION

(US$120 MILLION EQUIVALENT)

TO THE

REPUBLIC OF RWANDA

FOR A

RWANDA PRIORITY SKILLS FOR GROWTH (PSG) PROGRAM-FOR-RESULTS

Education Global Practice
Africa Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective April 30, 2017)

Currency Unit = United States Dollars (US$)
Rwanda Franc (RWF) = US$1
SDR 0.72938396 = US$1
US$1.37102 = SDR 1

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BPO	Business Process Outsourcing
BRD	Development Bank of Rwanda
CESB	Capacity Development and Employment Services Board
DLI	Disbursement-linked Indicator
DP	Development Partner
EDPRS	Economic Development and Poverty Reduction Strategy
EIRR	Economic Internal Rates of Return
ESSA	Environmental and Social Systems Assessment
F&C	Fraud and Corruption
GIZ	German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*)
GoR	Government of Rwanda
GRS	Grievance Redress Service
HEC	Higher Education Council
HLI	Higher Learning Institution
IBT	Industry-based Training
IPRC	Integrated Polytechnic Regional Center
JPC	Joint Performance Contract
LMIS	Labor Market Information System
M&E	Monitoring and Evaluation
MICE	Meetings, Incentives, Conferences, and Exhibitions
MIFOTRA	Ministry of Public Service and Labor
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education
MINEACOM	Ministry of Trade, Industry and East African Community Affairs
MIS	Management Information System
MSME	Medium, Small, and Micro Enterprise
NCBS	National Capacity-building Secretariat
NCST	National Commission for Science and Technology
NEP	National Employment Program
NPV	Net Present Value
OAG	Office of the Auditor General
PDO	Program Development Objective
PforR	Program for Results
PPP	Public-private Partnership
PSF	Private Sector Federation
QF	Qualifications Framework
REB	Rwanda Education Board

RP	Rwanda Polytechnic
RPPA	Rwanda Public Procurement Authority
RPL	Recognition of Prior Learning
RTTI	Rwanda TVET Trainer Institute
SDF	Skills Development Fund
SDP	Skills Development Project
SEEP	Skills, Employability, and Entrepreneurship Program
SIDA	Swedish International Development Cooperation Agency
SSC	Sector Skills Council
TSS	Technical Secondary School
TVET	Technical Vocational Education and Training
UR	University of Rwanda
VTC	Vocational Training Center
VUP	Vision 2020 Umurenge Program
WDA	Workforce Development Authority

Regional Vice President:	Makhtar Diop
Senior Global Practice Director:	Jaime Saavedra Chanduvi
Country Director:	Diarietou Gaye
Practice Manager:	Sajitha Bashir
Task Team Leader(s):	Elizabeth Ninan Dulvy

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Rwanda Priority Skills for Growth

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AFRICA
Education Global Practice (GED01)

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Basic Information

Date: June 12, 2017		Sectors:	Education
Country Director:	Diarietou Gaye	Themes:	Education for the knowledge economy
Practice Manager:	Sajitha Bashir		
Global Practice Vice President:	Keith E. Hansen		
Program ID:	P252350		
Team Leader(s):	Elizabeth Ninan Dulvy		

Program Implementation Period:	Start Date: 3 July 2017	End Date: 30 September 2020
Expected Financing Effectiveness Date: 1 September 2017		
Expected Financing Closing Date: 1 September 2020		

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Program Financing Data

[ ]	Loan	[ ]	Grant	[ ]	Other
[X]	Credit				

For Loans/Credits/Others (US$, millions):

Total Program Cost: 1,153		Total Bank Financing:	120
Total Cofinancing:		Financing Gap:	

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Financing Source	Amount
BORROWER/RECIPIENT	0
IBRD/IDA	120
Total	120

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Borrower: Ministry of Finance and Economic Planning			
Responsible Agency: Capacity Development and Employment Services Board			
Contact:	Antonia Mutoro	Title:	Director General
Telephone No.:	+250 788301163	Email:	directorgeneral@cesb.gov.rw
Responsible Agency: Ministry of Education			
Contact: Samuel Mulindwa		Title: Permanent Secretary	
Telephone No.:	+250 788387575	Email:	smulindwa@mineduc.gov.rw

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Expected Disbursements (in US$, millions)

Fiscal Year	2017/18	2018/19	2019/20						
Annual	30.35	44.92	44.73						
Cumulative	30.35	75.27	120.00						

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Program Development Objective(s)

The Program Development Objective is to expand opportunities for the acquisition of quality, market-relevant skills in selected economic sectors

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Compliance	
Policy	
Does the program depart from the CAS in content or in other significant respects?	Yes [ ] No [X]
.	
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ] No [X]
Have these been approved by Bank management?	Yes [ ] No []
Is approval for any policy waiver sought from the Board?	Yes [ ] No [X]
Overall Risk Rating: Substantial	

The main risks are related to insufficient coordination and monitoring of the National Employment Program in bringing together various stakeholders to focus efforts related to skills development. In addition, there are substantial risks associated with the restructuring process of several implementing entities and how this might potentially affect the entities' ability to implement activities effectively.

Legal Covenants

Name	Recurrent	Due Date	Frequency
Prepare Operational Manual which is acceptable to IDA.	No	3 months after the effectiveness	

Description of Covenant

The Recipient shall prepare, in form and substance satisfactory to the Association and no later than three (3) months after the Effective Date, an operational manual.

Name	Recurrent	Due Date	Frequency
Appoint an appropriate entity to do the verification for DLI 2.	No	3 months after the effectiveness	

Description of Covenant

The Recipient shall cause CESB to appoint, and thereafter maintain throughout Program implementation, an Independent Verification Agent, with qualification, experience and under terms of reference satisfactory to the Association.

Conditions

Source of Fund	Name	Type
IDA	Article V, Section 5.01	Effectiveness

Description of Condition

The Additional Condition of Effectiveness consists of the following, namely the Subsidiary Agreements have been executed on behalf of the Recipient and each of the Program Implementing Entities.

Source of Fund	Name	Type
IDA	Article V, Section 5.02	Effectiveness

Description of Condition

The Additional Legal Matters consist of the following, namely the Subsidiary Agreements have been duly authorized or ratified by the Recipient and the respective Program Implementing Entities and are legally binding upon the Recipient and the respective Program Implementing Entities in accordance with their terms.

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Team Composition

Bank Staff

Name	Title	Specialization	Unit

Elizabeth Ninan Dulvy	Senior Education Specialist	Task Team Leader	GED01
Nobuyuki Tanaka	Economist		GED01
Yevgeniya Savchenko	Economist		GPV04
Toby Linden	Lead Education Specialist		GED01
Huma Ali Waheed	Senior Education Specialist		GED01
Chingboon Lee	Consultant		GED01
Jee-Peng Tan	Consultant		GED01
Jorgen Billetoft	Consultant		GED01
Natarajan Varaprasad	Consultant		GED01
Enagnon Ernest Eric Adda	Senior Financial Management Specialist		GGO31
Mulugeta Dinka	Senior Procurement Specialist		GGO01
Edward Felix Dwumfour	Senior Environmental Specialist		GEN01
Emmanuel Muligirwa	Environmental Specialist		GEN01
Tito Kodiaga	Consultant		GEN01
Lilian Wambui Kahindo	Social Development specialist		GSU07
George Nkulanga Bob	Consultant		GFA07
Sofia De Abreu Ferreira	Senior Counsel		LEGEN
Marjorie Mpundu	Senior Counsel		LEGAM
Maiada Mahmoud Abdel Fattah Kassem	Finance Officer		WFALA
Ronette Gwendolyn Jordan	Voice Secondee		WFALA
Rosario Aristorenas	Senior Program Assistant		GED01
Dimitrie Mukanyiligira Sissi	Executive Assistant		AFMRW
Margo A. Hoftijzer	Senior Economist	Peer Reviewer	GED03
Tom Bundervoet	Senior Economist	Peer Reviewer	GPV01

Arvil Van Adams	Consultant	Peer Reviewer	GED01
Aghassi Mkrtchyan	Senior Economist	Peer Reviewer	GMF07

I. STRATEGIC CONTEXT

A. Country Context

1. **Rwanda, a small landlocked economy with population of 11.6 million and GDP per capita of US$697 in 2015, has been experiencing rapid economic growth over the past fifteen years.** Between 2000 and 2015, Rwanda grew on average at 7.7 percent annually outperforming its neighbors[1]. Political stability, prudent macroeconomic policies, promotion of good governance and favorable investment climate contributed to the fast growth and low inflation. Growth has been driven primarily by services - 58 percent contribution to overall growth, followed by agriculture – 24 percent, and industry – 18 percent[2].

2. **Despite these positive macro-economic trends, employment in Rwanda is characterized by agriculture, informality and low earnings.** In 2011, the number of employed was 4.9 million with 70 percent of workers having their main job in agriculture. Within agriculture, 60 percent of workers were self-employed working on their family's farm. In the non-agriculture sector, self-employment in small enterprises dominated, closely followed by wage employment in the informal sector. Taken together, most Rwandans are self-employed or work in the informal sector with only seven percent of total employment in the modern wage sector. For the majority of those who are working, earnings are low. In 2011, one third of workers were engaged in low-earning jobs, meaning their labor earnings placed them below the national poverty line.

3. **There has been a shift in employment trends toward non-farm occupations.** Between 2006 and 2011, approximately 630,000 new jobs were added to the economy, 73 percent of them in non-farm occupations. A World Bank (2015) study showed that employment growth between 2006 and 2011 was most responsive to growth in industry, mainly in mining and utilities, and manufacturing. The move to non-farm occupations has been driven by the youth, in particular young men. Within agriculture, farm wage labor is on the rise, and this is driven by young women.

4. **The labor force is growing at a rapid pace annually with census projections showing that the working-age population will grow by about 240,000 per year between 2016 and 2025.** This growth is substantially larger than the increase in jobs during the last 15 years. Acknowledging the demographic trends, the ongoing Second Five-Year Economic Development and Poverty Reduction Strategy (EDPRS-2) of the Government of Rwanda (GoR) has an ambitious target of creating 200,000 off-farm jobs annually. For off-farm jobs, both the formal and informal sector will be important. The informal non-farm sector absorbed 70 percent of the new workers between 2006 and 2011 and will continue to absorb workers who seek a better living outside agriculture. Employment in the formal sector, while growing quickly, will remain low for the foreseeable future given it is starting from a low base. Even so, the sector remains important since most of the perceived 'good' jobs are created by the formal private sector. Increases in agriculture productivity and job creation in industries related to agriculture (agro-processing, agribusiness) will also support employment outcomes for the most vulnerable, unskilled workers.

5. **The competitiveness and further growth of Rwandan economy are constrained by lack of a skilled labor force.** Rwanda was ranked as 56 out of 190 countries on the ease of "Doing Business" ranking in 2017, and 52 out of 138 in the Global Competitiveness Index 2016 – 2017 rankings, significantly higher than its neighbors in the East African Community and across Africa. Within the 'Doing Business' report, an 'inadequately educated workforce' was ranked the second most problematic factor in doing business by

[1] World Development Indicator 2016.
[2] World Bank 2015 Rwanda Jobs and Employment Study, Figure 24, page 2.

firms in Rwanda in 2016 (the most problematic factor was access to financing). This highlights both qualitative and quantitative shortcomings of the education and training system in Rwanda.

6. **The demand for education and skills in Rwanda has outpaced the supply of skills in recent years.** This is illustrated by the fact that between 2006 and 2011, the supply of skills increased in the economy and the price of skills (earnings) increased too during the same period, suggesting a high demand for skills in the economy. This finding is in line with the most recent poverty assessment[3], which found that the returns to education (as measured by consumption) are very high in Rwanda. While having completed only a few years of primary school adds four percent to consumption, a full cycle of primary education already adds 27 percent, while having completed secondary school basically doubles consumption (relative to households with an uneducated head). Montenegro and Patrinos (2014), also found that Rwanda has the highest returns to education among the 139 countries in their study and that returns have steadily increased since 2001.

7. **Building skills to advance the country's economic agenda is a priority in the GoR's ongoing EDPRS-2.** Launched in September 2013, EDPRS-2 builds on the country's Vision 2020[4] and seeks to transform the country by raising its per capita GDP to middle-income level by 2020. A productive workforce equipped with skills that are relevant is considered an essential ingredient for the success of this economic and social transformation. The EDPRS-2 identifies the priority sectors- transport, energy, mining, hospitality[5], IT and trade logistics- where technical and professional skills will need to be built to support Rwanda's economic transformation to a middle-income country. It also identifies some sectors that will require the development of basic skills for massive job creation in construction, transport, agro-processing and light manufacturing[6].

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

8. **The GoR has identified economic sectors which are critical for its economic development, and have the potential for growth, exports, or job creation.** In the context of scarce resources, the Government is targeting investments and support for the education/ training courses and programs that create skilled labor for these priority areas. The focus is also on developing skills along a continuum of occupations. As sectors grow and diversify, many occupations emerge. These occupations range from those requiring minimum levels of pre-employment training (vocational training of short durations) to those requiring highly specialized skills (often requiring university level training). The sector approach allows for cost-effective development and realization of a range of human resource competencies through the development and/or upgrading of the vocational, technical and academic programs. Such an approach focuses on overcoming the divide between technical vocational education and training (TVET) and higher education institutions (both in the public and private sectors).

Overview of the Skills Development System in Rwanda

9. In Rwanda, the education system is composed of four main levels: (a) pre-primary, (b) primary, (c) secondary, and (d) higher education, with a significant TVET stream at both secondary and higher education levels (see figure 1). In addition, there is non-formal education, or Adult Basic Education as it is more

[3] World Bank 2015b Rwanda Poverty Assessment April 2015

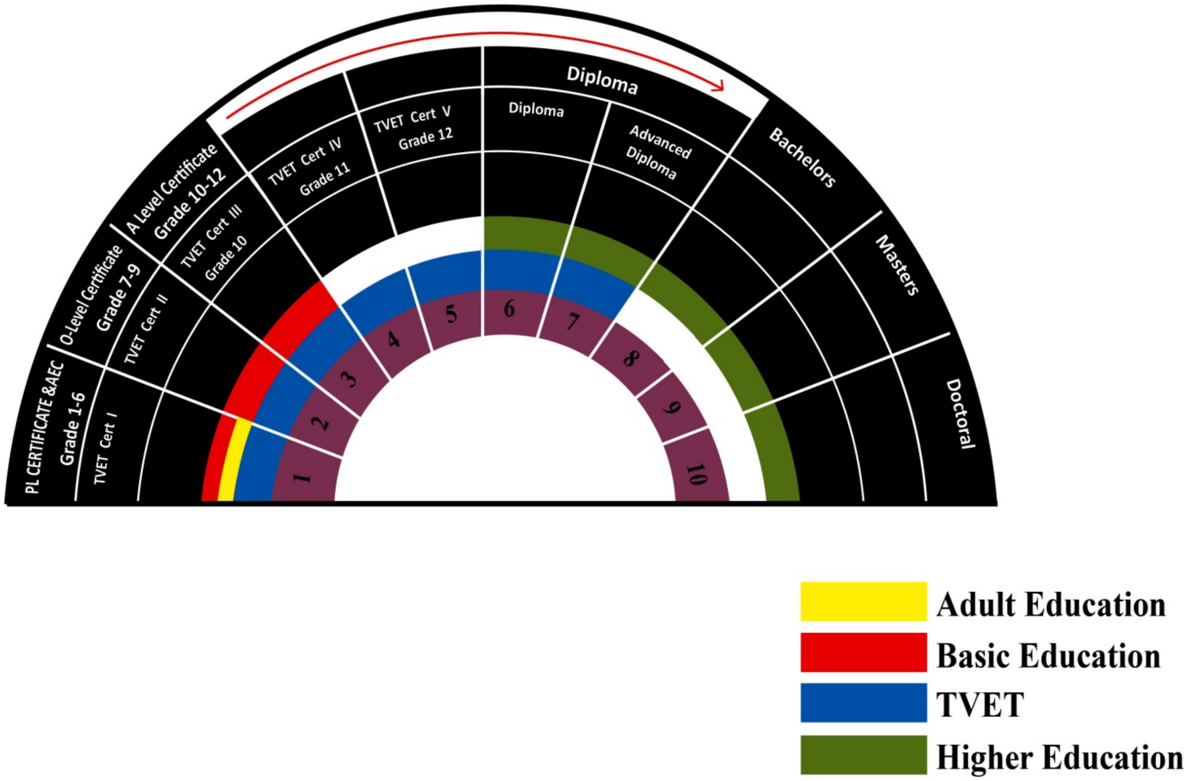
[4] Republic of Rwanda 2012 Rwanda Vision 2020. Republic of Rwanda.

[5] Includes basic mastery of international languages such as English and French.

[6] In consultation with stakeholders, among the sectors identified with in the EDPRS-2, three sectors (energy, transport and logistics, and manufacturing) are identified for the priority sectors to be covered by Program for Results (PforR) operation. The main reasons are (a) these sectors are considered to be of strategic importance for the country; (b) the country has a competitive advantage/ resources in these sectors; (c) these sectors can absorb or are already absorbing a lot of labor; and (d) skills development in these sectors is not adequately financed.

commonly referred to. Compulsory education spans the nine years from age 7 to age 15, covering primary and lower secondary education, and is commonly known as nine years of basic education.

Figure 1. Structure of the Education and Training System in Rwanda (Rwanda Education Framework)



Source: Higher Education Council (HEC).

10. **TVET provides young people and the unemployed with the skills to gain productive employment and also provides those already in employment with an opportunity to upgrade their skills, including entrepreneurs and employees of firms.** TVET is delivered through the Technical Secondary Schools (TSSs), Vocational Training Centers (VTCs) and Integrated Polytechnic Regional Centers (IPRCs). Following 9 years of basic education, pupils can choose between general education, technical secondary education or education at a Teacher Training College.[7] Following the general education pathway provides the opportunity for pupils to move to Bachelors, Masters and PhD programs in public or private universities in Rwanda. Completing TSS offers the opportunity for pupils to go through a one-year certificate program or a two-year diploma program or a three-year advanced diploma program. These programs are generally offered by one of Rwanda's five public IPRCs or other private polytechnics. Individuals also have the option of enrolling in short-courses (6 months to one year) in one of 186 public and private VTCs in Rwanda regardless of their academic qualifications.

11. **In 2013, there was a major reform of the higher education system in Rwanda.** The GoR established the University of Rwanda (UR) through the merger of seven public higher education institutions: the National University of Rwanda, Kigali Institute of Science and Technology, School of Finance and Banking, Kigali Institute of Education, Kigali Health Institute, Institute of Agriculture and Animal Husbandry and Umutara Polytechnic. The UR is now structured on six constituent colleges where disciplines from former Institutions were pooled together to form a given College. This structure gives the

[7] Since 2010, there have been plans to integrate the 3-year senior level with the 9 years of basic education to create a continuous '12 years of basic education' learning track. Efforts are currently underway to implement these plans.

UR benefits from consistency in management and the economies of scale in applying technology, curricula to managing costs.

Access to Training

12. **Overall student enrollment in TVET has increased over the past five years.** A total of 94,373 students were enrolled in TVET institutions (VTCs, TSSs and Technical Tertiary Institutions) in 2015, increasing from 67,919 in 2011. Out of those enrolled in TVET, about 20 percent are enrolled in VTCs, more than 70 percent in TSSs, and about 6 percent in Technical Tertiary Institutions. Overall, more male students are enrolled than female, and the share of male students has been increasing (53 percent in 2011 to 58 percent in 2015). This gender disparity is most significant at technical tertiary institutions where there are three times more male students than female students.

13. **At the higher education level, student enrollment has expanded for the past five years (73,674 in 2011 to 86,315 in 2015), driven mainly by the expansion of private higher learning institutions (HLIs).** At public HLIs, the majority of students are male (68 percent) while there are slightly more female students (52 percent) attending private HLIs. Although higher education enrollment in Rwanda is relatively higher than those in neighboring countries, it remains relatively low compared to other middle-income countries[8].

14. **For those who are already in the labor market, the GoR piloted a Skills Development Fund (SDF) under the previous IDA-financed Skills Development Project (SDP).** The objective of the SDF was to minimize skills gaps by rapidly increasing the supply of skills in high demand in the labor market. This objective was achieved through the provision of sub-grants to eligible applicants on a competitive basis with the purpose of raising the quality and volume of TVET institutions' short-term training offerings in critical sectors and occupations with demonstrated areas of skills shortages. Grants were given for training of out of school youth, apprenticeships, rapid-response training and industry-based training (IBT).[9] By the end of the previous project, the SDF had provided grants of more than US$4 million to 108 TVET institutions. About 15,000 Rwandans were trained by project closure.

15. **The tracer study of graduates that benefited through financing from the SDF showed that 65 percent of students from VTCs and those who underwent IBT were employed or self-employed 6 months after training completion.** Of those who were already employed, about 93 percent showed improvement in their job performance after undergoing the training. Employer satisfaction with the training was also very high. The GoR seeks to continue and expand on these short-term training programs and adapt the structure of the SDF to consider the lessons learned thus far.

Quality and Relevance of Current Training Programs

16. **With the support of its donor partners, Rwanda is also making substantial investments in upgrading the instructional infrastructure in TVET system and at the UR.** The recently-completed World Bank operation on skills, for example, upgraded the facilities at 6 VTCs (Busogo, Kinihira, Kibuye, Kabarondo, Kibungo and Kirehe), and provided them with equipment and materials to improve the quality of programs. Conditions remain sub-optimal, however, as reflected in these simple indicators: of the 389 TVET institutions under the Workforce Development Authority (WDA), only 131 have internet

[8] According to UIS database (data.uis.unesco.org/), tertiary enrollment in Rwanda is 696 per 100,000 inhabitants (2013). The ratio is 752 for Ethiopia (2012), 80 for Malawi (2011), 315 for Tanzania (2013), 2,462 for Vietnam (2013), 6,705 for Korea (2013).

[9] Rapid Response Training (RRT) refers to training conducted at the request of a specific firm/employer. The request for training is made to the WDA by the respective firm through the Rwanda Development Board; IBT is also run by WDA and students undergo training in a firm.

connections, while 37 still have no water and 3 have no electricity.[10] At the UR, conditions are much better but they still fall short of what is required to become a leading institution in Africa; the goal is to rise from being among the top 140 universities at present, to being among the top 50 by 2020, and among the top 10 by 2025. An infrastructure development plan is currently being prepared to realize these targets.[11]

17. While there are still challenges with adequate supply of TVET infrastructure and equipment, there are other pressing challenges affecting the quality and relevance of training in the TVET sub-sector: (a) many teachers lack adequate qualifications or have little or no practical experience in the relevant fields; (b) training programs in some of the promising emerging industries, where there are high active demands for skills, are still missing or slow to be scaled up; (c) the examination system of TVET tends to measure mostly theoretical achievements; and (d) links with potential employers are often missing or too weak, creating disconnects between training and the reality of industries, (e) lack or poor institutionalized research between education and the labor market. This leads to limited innovations and adaptations within the TVET system. To overcome these challenges over the last five years the GoR has prioritized the TVET Sector with funding commensurate with the priorities of the sector.

18. At the higher education level, the Higher Education Policy 2008 identifies the following specific challenges related to quality and relevance of training which persisted within the former Public Universities including: (a) severe shortage of adequate and appropriate teaching aids and equipment; (b) lack of interest in and commitment to research; (c) ineffective management and control systems; (d) shortage of well-trained and qualified teachers, especially in Mathematics and Sciences; and (e) weak links between supply of higher education and labor market demands. UR's new strategic plan of 2016-2025 addresses these issues, including quality and relevance of university programs to the needs of the labor market and promotion of research.

Equity in Skills Training Programs

19. **As shown earlier, both TVET programs and public HLIs enroll far more male than female students.** In 2016 48 percent of students provided with student loans in public HLIs were from the poorest quintiles Ubudehe 1 and 2 while 52 percent were from Ubudehe 3. Students from the wealthiest category Ubudehe 4 were not eligible for student loans[12].

20. **Nearly all students in the UR are supported financially by the government through student loans or bursaries.** Of 30,445 students studying in the UR in academic year 2014/15, around 92 percent were sponsored by the government either fully or partially while only eight percent were self-sponsored full fee-paying students. This ratio of students supported by the government far exceeds the target under the Government's own Education Sector Strategy and Plan for 2014/15 which was 61.7 percent[13].

21. **Short-term training opportunities, mainly for individuals who are already in the labor market, are equally distributed across income groups.** Opportunities are given to all categories

[10] Data from http://www.wda.gov.rw/tvetis/index/, accessed on September 10, 2016.
[11] UR (2016). "Strategic Plan 2016-2025: Draft One," (March).
[12] In 2015, the Ubudehe categories were revised from six to four categories: Category 1- HH has shelter insecurity and lacks basic necessities or is food insecure (poorest); Category 2- HH reduced quantity of food and HHM gets part time job (rural): HH reduced quantity of food (urban); Category 3- HH has sufficient food and has basic necessities or HHM is an ordinary employee or HHM has informal trade; Category 4- HH member is employed at Management level or has big enterprise or consultancy or wholesaler, import and exports (richest).
[13] The monitoring framework of the ESSP 2013/14 – 2017/18 sets an indicator of "% students in public tertiary institutions in Rwanda receiving financial support from government" with the target values of: 62.1 (2013/14); 61.7 (2014/15); 61.3 (2015/16); 60.8 (2016/17); and 60.4 (2017/18).

irrespective to the economic status or regional locality (refer to progress reports on National Employment Program [NEP] Pillar One.)

22. **Since 2011, the Rwanda Education Board (REB) has been administering the student loans scheme for tertiary level students, including students in TVET and university under it's Higher Education Student Loans Department.** Loans are granted to students based on (a) program the students plan to enroll in (40 percent of total score); (b) academic performance (40 percent of total score); and (c) financial means testing or the Ubudehe status of the student (20 percent of total score). Only self-sponsored students and students in Ubudehe category 4 (the wealthiest category) are charged full tuition fees. Students in ubudehe categories 1-3 as long as they fulfill the first two conditions their tuition fees and living allowances are given in loans subject to availability of budget. Students in category four are not considered for student loans. The student loans program gives preference to students enrolling in science related courses with the regulation calling for 70 percent of student loans beneficiaries to be in science related courses and 30 percent in non-science courses[14].

23. **According to a report by the Auditor General, by June 2011, the loans distributed by the GoR since 1980 amounted to RWF 70.77 billion (around US$86 million at the current exchange rate) whereas the amount of loans recovered was just around RWF 3.5 billion (around US$4.2 million).** Student financing was started with the establishment of Student Financing Agency of Rwanda (SFAR) in 2004 and they started the process of loan recovery in 2007, the responsibility was changed to REB following its establishment in 2011. The Auditor General's report was made in 2011 when the process of loan recovery had only recently commenced. As of 2016 the loan recovery stands at 16 percent (around 12.4Bn RWF).

24. **As part of the effort to address the challenges, in October 2015, Development Bank of Rwanda (BRD), a development bank in Rwanda established in 1967, signed a 10-year agreement with the GoR to administer the disbursement and recovery of loans under the student loan/bursary scheme.** A new law governing student loans now explicitly gives the employers legal obligations to inform the operating financial institution in writing about the employees who benefited from the student loans and deduct the loan repayment from the source. Under the new law, defaulters may also face a tougher loan collection – one akin to those under the civil and commercial laws. These changes (privatization of operation and strengthening of legal framework) are expected to improve the rate of loan recovery.

Governance and Management of the Skills Development System in Rwanda

25. **Skills development has always been recognized as a crucial part of Rwanda's development agenda.** The Human Resources and Institutional Capacity Development Agency (HIDA), established in 2005, was the first apex organization to coordinate and spearhead skills development across different sectors. HIDA was restructured and the private sector capacity building docket placed under the Rwanda Development Board (RDB) and the Public Sector Capacity Building Secretariat (PSCBS) was established in 2009 to cover the public sector. In 2013, the National Capacity-building Secretariat (NCBS) was formed under the purview of the Ministry of Finance and Economic Planning (MINECOFIN) with an expanded mandate to coordinate skills development across public, private and civil society sectors. In October 2016, Cabinet established the Capacity Development and Employment Services Board (CESB) to bring together skills development and employment creation under the tutelage of the Ministry of Public Service and Labor (MIFOTRA).

26. **CESB is an apex body that houses a number of skills development and employment programs though it does not have implementation responsibilities.** A set of national institutions spearhead

[14] Definitions and procedures for the student loans operation are articulated in REB. Volume VI: Procedures Manual for Higher Education Student Loans (HESL) Department.

particular aspects of skills development and serve as a “responsibility center” within its area of competence and policy responsibility (see table 1).

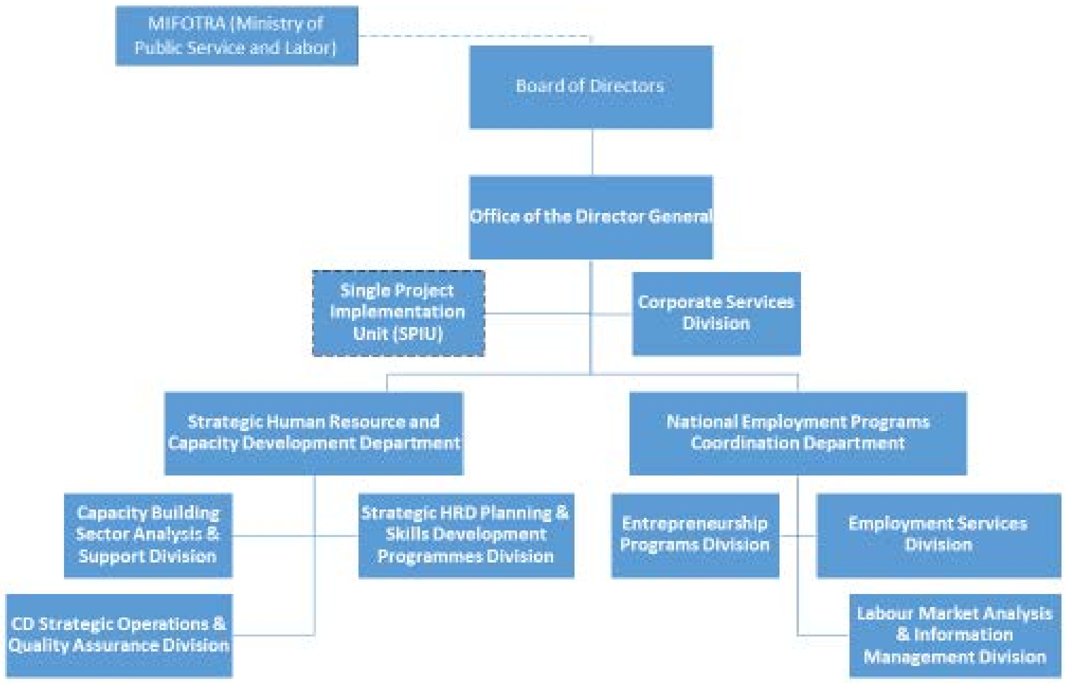
Table 1. List of National Institutions and Skills Development-related Policies and Programs

CESB	National Capacity Development Policy (2016) NEP (2014) Workplace Learning Policy (2015) Five Year Priority Skills Development Program (2013 -2018)
MIFOTRA	Public Sector Pay and Retention Policy (2012) Results Based Performance Management Policy for Rwanda Public Service (2015) – with MINECOFIN National Employment Policy (2007)
Ministry of Education (MINEDUC)	Education Sector Policy (2003) TVET Policy (2014) Science, Technology and Innovation Policy (2006) Science, Technology, Innovation and Research Policy (forthcoming)
Ministry of Commerce (MINEACOM)	SME Policy (2010) – with RDB
Ministry of Youth and ICT (MYICT)	Youth Policy (ND) ICT Policy (2001) ICT Sector Strategic Plan 2013-2018 SMART Rwanda Master Plan 2015 ~ 2020

27. There are other responsibility centers including MINECOFIN, Ministry of Local Government (MINALOC), Private Sector Federation (PSF), Ministry of Gender and Family Promotion, and Rwanda Civil Society Platforms (RCSP), which will now be coordinated under CESB.

28. **CESB will be accountable to MIFOTRA and have its own governance arrangements in the form of a Board, the composition of which is to be determined.** The organizational structure of CESB (see diagram below) will encompass both strategic human resource and capacity development and NEPs coordination. This new structure has been put in place by the GoR according to the Prime Minister’s Order No39/03 of 24/02/2017 determining organizational structure, salaries and fringe benefits for employees of the CESB.

Figure 2. Organizational Structure of CESB



Source: No39/03 of 24/02/2017 Prime Minister's Order determining organizational structure, salaries and fringe benefits for employees of the CESB.

29. **As an apex body, CESB is responsible for promoting and facilitating close collaboration between relevant stakeholders.** CESB, which is mandated to report on national skills development and employment programs, is currently developing a meta monitoring and evaluation (M&E) framework that seeks to capture information from these different sources. This will however remain a complex task given the diversity of programs and interventions.

30. **This PforR is grounded on the Government's NEPs-approved by Cabinet in 2014- which falls under the purview of the CESB.** NEP was designed to address the employment challenges in Rwanda and equip its population with the skills required to support economic development. The vision of the GoR's skills development program under the NEP is to equip its current and incoming labor force with skills for jobs in the priority economic sectors, to boost overall economic growth and development of the country.

C. Relationship to the CAS/CPF and Rationale for Use of Instrument

31. **The proposed operation is aligned with themes under the World Bank's Country Partnership Strategy for Rwanda FY2014-2018, which identifies the following areas as a focus for IDA resources: energy, urban development, rural development, social protection and accountable governance[15].** These areas are further grouped into three themes: Theme 1: Accelerating economic growth that is private-sector driven and job-creating; Theme 2: Improving the productivity and incomes of the poor through rural development and social protection; and Theme 3: Supporting accountable governance through Public

[15] These areas are selected based on five criteria: (a) alignment with the EDPRS-2, (b) World Bank's comparative advantage, (c) within World Bank Group synergies; (d) client demand and (e) risks are used to identify the areas to concentrate IDA resources.

Financial Management (PFM) and decentralization. Specifically, the proposed operation, which aims to improve skills for job opportunities, supports theme 1 and 2.

32. **The proposed operation is also aligned with the World Bank's Africa Region strategic focus (high quality human capital)[16], and complements other IDA-financed projects in Rwanda such as the current Electricity Sector Strengthening Project (P150634), the Urban Development Project (P150844), and the Transformation of the Agriculture Sector Program (P148927).** It will also complement the forthcoming Rural Electrification operation (P162671), the third Social Protection Development Policy Operation (P158698) as well as regional programs such as Africa Centers of Excellence program (P151847) and the Partnership for skills in Applied Sciences, Engineering and Technology, which aims to accelerate the creation of a mass of highly skilled workers for socio-economic development at the SSA region level and to help fill skilled jobs locally in rapidly growing, priority sectors of African economies.

33. **The World Bank is uniquely placed to support the GoR through this operation given it has supported SDPs across the world over the past twenty years and has undertaken detailed reviews and impact evaluations of different interventions.** By supporting an existing program, the operation offers a comprehensive package to establish a system that is demand-responsive, focusing on quality and relevance but also considering access for all Rwandans. The operation will also support the establishment of a robust governance and institutional framework to support skills development. Further, by focusing resources in specific economic sectors, the operation will achieve greater impact and will hopefully serve as a catalyst for reforms in other sectors.

34. **The forthcoming operation builds on the successes of the IDA-financed SDP that closed at the end of May 2016.** The project was rated satisfactory at closing and given the achievements of the SDP and the leadership exercised in the region by the Rwandan government in the skills development agenda, the new operation is an opportunity to progress to the next level by developing a more comprehensive, innovative and results oriented approach to skills development in Rwanda. The choice of financing instrument is the PforR given there is an existing program (the NEP), and there are institutions and processes that IDA can support in strengthening the skills development agenda. There is also a strong focus on achieving results in Rwanda and this operation will give greater emphasis on achieving key results under the Government's program.

II. PROGRAM DESCRIPTION

A. Government Program

35. The Five Year (2014-2019) NEP of the GoR is designed to serve the following objectives (a) creating sufficient jobs that are adequately remunerative and sustainable across the economy, (b) equipping the workforce with vital skills and attitude for increased productivity that are needed for the growth of the private sector, and (c) provide a national framework for coordinating all employment and related initiatives and activities in the public, private sector and civil society.

36. **The principles and aim of the NEP are derived from the thematic orientation, objectives and strategy of the EDPRS-2 which recognizes the important role of employment for economic development and poverty reduction and, accordingly, calls for "200,000 off-farm jobs to be created each year" to meet the employment needs of the labor force, precipitated by "increasing population**

[16] http://www.worldbank.org/en/region/afr/overview#2

density and demographic trends and the growing youth share of the population”. This is the national target for job creation that has been adopted by the NEP.

37. The strategic policy and program interventions proposed within the framework of the NEP for achieving its objectives, goals and targets are organized under the following four main pillars: (a) Skills Development; (b) Entrepreneurship and Business Development; (c) Labor Market Intervention; and (d) Coordination and M&E. Highlights of program interventions under each of these pillars are provided below including the Ministry leading each pillar.

NEP Pillar 1: Skills Development, led by Ministry of Education (MINEDUC)

(a) Provide short-term vocational training and informal apprenticeships, along with tool kits for self-employment, to out-of-school youth to give them practical skills for work in labor-intensive trades[17] that align with local demand and opportunities;[18]

(b) Offer targeted rapid response training, as part of the GoR’s investment attraction packages, the Government subsidizes training with emerging investment opportunities and conducts specialized trainings to the need of investors who are constrained to acquire skilled personnel in specific sectors;

(c) Strengthen private sector participation in skills building, through the creation of Sector Skills Councils (SSCs) as a key mechanism for engagement, and by enlisting firms to host industrial attachments and professional internships; and

(d) Develop specialized skills at the technician and professional levels, with a focus on priority economic sectors and big investment projects[19] and creating a database to keep track of students enrolled in and graduating from critical programs in local and foreign institutions.

NEP Pillar 2: Entrepreneurship and Business Development, led by Ministry of Trade, Industry and East African Community Affairs (MINEACOM)

(a) Support the growth and productivity enhancement of medium, small, and micro enterprises (MSMEs), through mentorship, coaching by ‘Business Development Advisors’ to enable firms to win public tender contracts and become suppliers to large investors; and nurturing new business ideas and facilitating access to funding for bankable proposals; More Business Development Advisors will be trained and certified and District-Kora Wigire facilities are to be refurbished and equipped. This pillar of the NEP will also enhance competitiveness of SMEs by providing tailored business advisory services and technical assistance for standards compliance, and assistance in negotiating supply contracts; and promote skills upgrading and technology innovation by creating accessible spaces for hawkers, street vendors; and equipping Integrated Craft Production Centers and Community Processing Centers. Lastly, the pillar will support developing Business Process Outsourcing (BPO) services, through infrastructure investment for BPO centers; by attracting international companies; and by offering refresher courses and soft skills training for BPO center operators.

[17] Examples include masonry, plumbing, carpentry, woodworking, construction, welding, pottery, handicrafts, tailoring, culinary arts, and food and beverage services (Republic of Rwanda. 2014. Design of Five-Year National Employment Programme (NEP) for Rwanda, p.55-56).
[18] Opportunities are expected to be associated with growth of the emerging economic sectors which include: agri-business, agro-processing, mining, manufacturing, construction, ICT, retail and trade, tourism, hospitality services.
[19] Pipeline projects include those in railways, oil and gas, airport, and urban development plans.

NEP Pillar 3: Labor Market Intervention, led by Ministry of Local Government (MINALOC)[20]

(a) Strengthen labor market information system (LMIS) with linkages to district-level employment services, by upgrading LMIS, mainstreaming job creation in EDPRS-2 sector strategies, and conducting annual labor force surveys;

(b) Promote job creation under public works projects, by consolidating relevant databases on beneficiaries as part of redesigned public works programs; and by negotiating contracts on big public works tenders to employ massive numbers of youth, and promote skills training; and implementing at least one new public works project per district (for example, greening the economy); and

(c) Enable access to foreign employment opportunities, by developing and approving a guiding framework, and setting the stage for use of private employment agencies to export labor.

NEP Pillar 4: Coordination and M&E, led by Ministry of Public Service and Labor (MIFOTRA)

(a) Strengthen the M&E system, to enable electronic profiling of all NEP beneficiaries, coordination and reporting on the implementation of NEP activities

B. Program Development Objective/s (PDO) and Key Results

38. The Development Objective (DO) for this operation is to expand opportunities for the acquisition of quality, market-relevant skills in selected economic sectors.

39. The selected economic sectors include Energy, Transport and Logistics, and Manufacturing (with a focus on 'Made in Rwanda' products[21]).

40. The target sectors for developing skills were determined based on the following criteria: (a) priority sectors of focus under the EDPRS-2; (b) sectors that employ large numbers of the population; (c) sectors with potential for value addition and improved productivity; (d) sectors where foreign direct investment is increasing and/or where significant public finances have been directed; (e) sectors that will support growth in other sectors; and (f) sectors where there is insufficient financing from government and development partners (DPs).

41. The main results areas of the operation are:

(a) reinforcing governance of the skills development system;

(b) ensuring provision of quality training programs with market relevance;

(c) expanding opportunities for continuous upgrading of job-relevant skills for sustained employability; and

[20] In the July 2014 GoR's document entitled "Design of Five-Year National Employment Programme (NEP) for Rwanda", MIFOTRA is identified as the lead ministry on p. 77 while on p. 93, it is MINALOC taking the lead.
[21] Made in Rwanda Products include: (a) Construction materials: Cement, Iron and steel, Aluminum products, paints and varnishes, plastic tubes, ceramic/ granite tiles; (b) Light manufacturing: Textile and garments, pharmaceuticals, soaps and detergents, reagents, packaging materials, wooden furniture and insecticides; (c) Agro-processing: sugar, fertilizer, edible oil, dried fish, maize and rice.

(d) capacity building for implementation.

42. Progress toward achievement of the PDO will be measured through the following PDO indicators:

(a) New or updated programs accredited for occupations in at least one of the selected economic sectors

(b) Percentage of SDF supported trainees employed/self-employed 6 months after graduation (% of female graduates)

(c) Improved sustainability of financing for long term training programs as measured by the rate of student loan recovery

(d) Capacity building for targeted entities in five areas, each with progress milestones, is completed

43. The PforR operation is expected to directly benefit approximately the following beneficiaries over its three years of implementation:

(a) 3,477 university students (long-term training at UR)

(b) 1,384 diploma students (long-term training at IPRCs or Polytechnic)

(c) 3,371 graduates from certificate programs (short-term training at TSSs, VTCs, IPRCs, Polytechnic and UR)

(d) 9,000 beneficiaries trained under SDF (short-term training)

44. The Results Framework and monitoring arrangements are provided in annex 2.

45. **This operation is being developed as the first of two phases, each phase of three years.** The current operation will run through the end of the NEP program (2019/2020). The current operation will build the foundations of the long-term training program in terms of curriculum development and institutional capacity building, but it will take at least five years before the first cohort of undergraduate students will graduate from the programs and find employment. The current operation will, however, be able to track employment outcomes for individuals who access short-term training opportunities through the SDF. The second phase of the operation, depending on the availability of IDA resources, will also coincide with the development of a follow-on NEP.

C. PforR Program Scope

46. The NEP and the program for IDA support (herein referred to as the Program) and rationale for program boundaries are described below.

Table 2. Program Boundaries

Government's NEP		IDA Priority Skills for Growth
Objective: supporting strategic policy and program interventions in key sectors of the economy and the labor market to generate and facilitate the creation of stable jobs that are productive and adequately remunerative.		Expanding opportunities for the acquisition of quality, market-relevant skills in selected economic sectors.
Pillar 1:	Provide short-term vocational training and informal apprenticeships	X

Government's NEP		IDA Priority Skills for Growth
Skills Development (led by Ministry of Education [MINEDUC])	Offer targeted rapid response training	X
	Strengthen private sector participation in skills building	X
	Develop specialized skills at the technician and professional levels	X
Pillar 2: Entrepreneurship and Business Development (Led by Ministry of Trade and Industry)	Support the growth and productivity enhancement of MSMEs	
Pillar 3: Labor Market Intervention (Led by Ministry of Local Government [MINALOC])	Strengthen LMIS with linkages to district-level employment services	
	Promote job creation under public works projects	
	Enable access to foreign employment opportunities	
Pillar 4: Coordination and M&E (Led by Ministry of Public Service and Labor [MIFOTRA])	Strengthen the M&E system	X

47. Over the last two years of implementation of NEP (2014-2016), the focus has largely been on Pillar 2 of the plan, that is, entrepreneurship and business development; as well as two activities under Pillar 1 namely, the short-term vocational training and informal apprenticeships and targeted rapid response training.

48. **The focus of the PforR will be on Pillars 1 and 4 of the NEP, particularly, strengthening the longer-term training program, which has not been a significant focus of the NEP thus far.** It will also focus on expanding the short-term training programs to make them more responsive to the demands of industry. Within both the short and long-term training programs, there will be a strong focus on strengthening the participation of the private sector in skills development and strengthening the governance and management of the skills development system in Rwanda to ensure the concept of developing market-relevant skills translates to operational reality. In addition, the PforR will support strengthening of the coordination and M&E of the NEP and more broadly, of capacity building and employment services in Rwanda.

49. **The GoR is interested in strengthening these two Pillars of the NEP, given there are significant government and DP finances directed toward Pillars 2 (Entrepreneurship and Business Development) and 3 of the NEP (Labor Market Intervention).** Pillar 2 of the NEP is supported by several DPs including the Swedish International Development Cooperation Agency (SIDA), Swiss Cooperation, German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ), the African Development Bank (AfDB) amongst others. Pillar 3 of the NEP, related to the public works program in Rwanda under the Vision 2020 Umurenge Program (VUP) has been supported by IDA through a series of three Development Policy Operations beginning in 2009 and with the third operation coming to a close at the end of 2017. By 2015/16, there were about 106,000 beneficiary households receiving support through the public works program under the VUP up from approximately 18,000 beneficiary households at the beginning of the program in 2008. Pillar 2 and 3 will continue to be supported by the government and other DPs including through other IDA operations, but will not be a focus of this PforR.

50. Within the Pillars of focus, and with skills development the main focus of this operation, there are three main results areas of the NEP this operation would focus on namely, (a) reinforcing governance of the skills development system; (b) ensuring provision of quality training programs with market relevance, and; (c) operationalizing accredited pathways for continuous upgrading of job-relevant skills for sustained employability. In addition, the PforR will support capacity building for effective implementation of NEP. The activities to achieve these results areas are detailed in the section below.

Results Area 1: Reinforcing Governance of the Skills Development System (Pillar 4 and Pillar 1, Program Intervention 3, of NEP)

51. **In the three selected economic sectors, an important concern is gaps in technical and professional skills that undermine the performance of ongoing or pipeline projects, in both the public and private sectors that are critical to Rwanda's economy at this stage of its development.** In light of concerns about skills gaps, the GoR has taken steps to bring investments in workforce skills into closer alignment with Vision 2020 and EDPRS-2, and to the country's longer term Vision 2050 and EDPRS-3, which are currently being designed.

52. **In Rwanda, skills assessment studies were conducted across eight sectors in 2008 by the Rwanda Development Board (RDB) which have, to date, formed the basis of the type of skills to be developed and the numbers of individuals to be trained.** A similar, though much more detailed, exercise was completed in 2015 for the energy sector by the National Commission for Science and Technology (NCST) and currently, the CESB is using the energy study as a template to guide replication of the exercise in new sectors, including horticulture, tourism, manufacturing (focused on Made-in-Rwanda products) and the meetings, incentives, conferences, and exhibitions (MICE) services. However, there has been a lack of follow through to actually amend and implement revised training programs that respond to the needs of the industry as articulated in the energy study. This exemplifies a critical break in the chain of actions required to build job-relevant skills and to consolidate and institutionalize the GoR's current efforts in assessing skills gaps to inform strategic planning for skills development.

53. **The challenge to be addressed through this operation is to translate the concept of job-relevant skills into operational reality in a more institutionalized structure.** Three areas of action are especially pertinent to developing job-relevant skills: (a) gathering and consolidating critical intelligence from employers on current and prospective jobs and competencies required for business operations and growth; (b) assessing currently available education and training programs and evidence of possible misalignment with employers' needs; and (c) articulating and implementing concrete plans to address the gaps, which would typically require the introduction of new courses, or renewal and upgrading of existing ones, along with investments to align instructor capability accordingly. The three action areas form a long chain of activity involving multiple actors whose actions may be impeded by gaps in information or incentives.

54. **Countries as diverse as Australia, Costa Rica, Singapore and the United Kingdom use an apex body, such as an Expert Skills Group, to conduct these actions.** Such a body not only oversees the technical analysis but also advises the government on operational arrangements. In Rwanda, the apex body according to the Government's National Capacity Development Policy, Strategy and Implementation Plan (2016) is the newly-constituted CESB. This PforR will support the CESB to undertake the three areas of action to develop job-relevant skills in the targeted economic sectors. By focusing on three economic sectors prioritized under the PforR, the expectation is to distill lessons and codify best practices that can be disseminated more broadly to bring about a cultural shift toward tighter links between skills demand and supply in Rwanda's system for skills development.

55. **Recently, the GoR has begun using Joint Performance Contracts (JPCs) to encourage collaboration across government ministries to achieve targets that require joint action by multiple ministries.** Signed jointly by the relevant Ministers and made available to the public on the government's website, a JPC specifies performance targets against which the relevant Ministers are evaluated by the Prime Minister. A JPC for the NEP, one of CESB's two focus areas, is currently in its second year of use. The PforR will support the strengthening of the skills related component of the NEP JPC.

56. **The strengthening of the skills-related component within the NEP JPC has two immediate purposes.** The first is to ensure that the findings of energy skills analyses are translated in a timely manner into new or updated course offerings. The second purpose is to apply the same methodology to the other two economic sectors prioritized for attention under this operation. There is a third, broader purpose. It is to give strategic leaders an authentic understanding of and mastery over the long chain of actions involved in building job-relevant skills—from identifying and tapping leading employers for information on skills and competencies required in their industry, to translating the information into training packages within the country's qualifications framework (QF), to creating feedback loops to sustain a dynamic balance between skills demand and supply. The leaders' experiences in these areas provide a basis for distilling best practices and codifying key processes, to reduce delays and minimize the loss of accuracy in capturing information exchange among parties that normally have few occasions for interaction. When embedded in the institutional culture of CESB, the benefit of these experiences are spread beyond the three sectors selected for focus in this operation. In this way, the skills JPC is potentially a powerful catalytic impact on strengthening Rwanda's system for skills development.

57. **During the first year of the PforR, the focus will be on incorporating selected results of sector level analyses and action plans into the NEP JPC.** Each action plan will be based on an assessment of skills profiles, competencies and employer demand for skills, and an analysis of gaps in training provision. Each action plan should contain, at a minimum, (a) identification of the appropriate training providers to address the skills gap and mismatches in training supply; (b) courses to be improved or developed following a rigorous curriculum development process (see Disbursement-linked Indicator 2 [DLI 2]); (c) timeline for rollout of new or improved courses; and (d) tracking labor market outcomes of graduates from those courses.

58. **The NEP, which expires in 2019, focuses on employment and short term training needs.** The PforR will support CESB to take the lead in developing a skills development and employment promotion strategy as the follow-on to the NEP. This strategy will take a more integrated approach to skills development (that is, addressing full continuum from certificate to degree levels) and employment generation based on comprehensive skills needs assessment of EDPRS priority sectors.

Results Area 2: Ensuring Provision of Quality Training Programs with Market Relevance (Pillar 1 of NEP)

59. **The development of skills profiles and competencies in priority economic sectors provides critical information to be disseminated amongst education and training providers to build a solid bridge between the world of learning and the world of work.** Training providers can use the information to design or amend competency-based course curricula that respond to employers' expectations as conditions in the labor market evolve. Such curricula are only part of the story, however; other factors that matter in equipping the graduates of training programs with employable skills include: competent faculty to deliver the training and suitable facilities and equipment and adequate provision of materials, all of which requires systematic validation through quality assurance protocols. The PforR operation will support 21 target institutions (3 UR Colleges, 6 IPRCs/Polytechnics, 12 VTCs/TSSs)[22] in responding to these

[22] Those targeted institutions are College of Science and Technology of UR, College of Business and Economics of

challenges, focusing on 33 new training programs and 13 existing programs geared toward meeting skills needs in the selected economic sectors.

2.1 Promote Competency-based Curriculum Development and Pedagogy

60. **Engaging industry in shaping and delivering training content is critical for ensuring that course offerings respond to the needs of enterprises and the labor market.** The work of the CESB taps into high-level insights from industry leaders. The connection to industry needs to be reinforced through additional interactions at the level of individual institutions between service providers and employers. These interactions can help training providers develop truly demand-driven curricula and course materials that respond to local and sector-specific requirements. The SSCs, which fall under the purview of the CESB and the PSF, were recently established (ICT, Mining, Financial Services, Agriculture, Energy, Tourism, Arts, Media and Entertainment, Manufacturing, Construction, Transport and Logistics, Health, Beauty, Fashion and Design) and are a promising development in this regard. In addition to providing inputs and support for curricula development and pedagogy, SSCs can also facilitate public-private partnerships (PPPs) to create opportunities for instructors and trainees to "intern" at companies and gain practical work experience. Training institutions will need to provide career guidance and counselling for trainees and conduct follow-up tracer studies of former graduates and customer satisfaction surveys with enterprises.

2.2 Invest in Faculty Development, Facilities, and Equipment and in Organizational Reform

61. **Investments to enhance training providers' capacity to deliver competency-based training programs help to improve the effectiveness and efficiency of service provision.** The pace of faculty upgrading in Rwanda has been modest, however. In 2013-14, only about 360 of the nearly 3,000 instructors in the public TVET system under the WDA's purview had benefited from training. [23] In the future, the pace of upgrading can be expected to pick up with the establishment of the Rwanda TVET Trainer Institute (RTTI) which is being set up at the IPRC-Kigali with assistance from the Korean government. Faculty upgrading is also an important aim at the UR where only 20 percent of the faculty have PhDs at present. As part of its strategic plan, the UR aims to raise that share to 28 percent by 2020 and to 60 percent by 2025.[24]

62. **With regard to organizational reform, the most significant development has been the creation of the UR in 2013 through the consolidation of institutions that previously operated as stand-alone entities under a single umbrella with six constituent colleges.** At the TVET level, the concept of "One Polytechnic" (much like one UR) was approved at the end of 2016, as a way to capture economies of scale by sharing common resources—for curriculum development and staff and student management—across multiple TVET institutions. All the public IPRCs, VTCs and TSSs in Rwanda will be constituted into the umbrella of one institution known as the Rwanda Polytechnic (RP) which will manage the delivery of training across the seven polytechnics. This function was previously managed by the WDA and the WDA will henceforth focus on quality assurance of the TVET institutions.

63. **The PforR operation will support eighteen TVET institutions and three UR Colleges in continuing to rationalize their organizational structures.** The impact of the institutions' efforts on

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UR, College of Agriculture, Animal Sciences and Veterinary Medicine of UR, IPRC East, IPRC West, IPRC Kigali, IPRC South, Tumba College of Technology, Musanze Polytechnic, Nyanza TSS, Nyamata TSS, TSS EAV Ntendezi, TSS EAV Kabutare, TSS Kinazi, TSS EFA Nyagahanga, TSS ESTB Busogo, VTC Nyarutarama Incubation, VTC Masaka Incubation, and VTC Gakoni, Nelson Mandela VTC, Kavumu VTC.

[23] UNESCO (2015). Mapping Research and Innovation in the Republic of Rwanda. G.G. Lemarchand and A. Tash (eds.). GO→SPIN Country Profiles in Science, Technology and Innovation Policy, vol. 4. United Nations Educational, Scientific and Cultural Organization: Paris. (pp. 65).

[24] UR (2016). "Strategic Plan 2016-2025: Draft One," (March).

training more individuals on better quality, market-relevant competency based curricula in the three selected sectors will be an important focus of M&E under the PforR operation. The PforR will support the targeted training institutions to not only deliver high-quality, market relevant programs but a secondary objective will be to increase the participation of women and individuals from poor households in these programs.

64. At the University level, the PforR will support improving targeted programs under the UR namely, (a) the College of Science and Technology (focused on training programs in energy and transport and logistics); (b) the College of Business and Economics (focused on training programs on transport and logistics); and (c) the College of Agriculture, Animal Sciences and Veterinary Medicine (focused on agro-processing). These Colleges will focus on long-term degree programs. At the TVET level, four IPRCs and two polytechnics as well as 12 VTCs/TSSs have been selected under this operation. The IPRCs and polytechnics will focus on two-year diploma and three-year advanced diploma courses while the VTCs/TSSs will focus on shorter term training courses. These institutions were selected given they have or are planning to initiate training programs that are relevant for the three economic sectors.

Result Area 3: Expanding Opportunities for Continuous Upgrading of Job-relevant Skills for Sustained Employability (Pillar 1 of NEP)

65. **This result area will focus on expanding opportunities for individuals to gain job relevant skills in two ways.** First, by establishing a QF in the targeted sectors the operation will support the development of an education and training system with a coherent and permeable structure. This is done through the modularization[25] of training courses from the artisan level to the professional level so that there are pathways for individuals to enter and progress within a career track in the education and training system. Second, the operation will offer financing opportunities for individuals and firms to access short and long-term training courses. For short-term courses, firms/associations/training institutes will have access to matching grants through a competitive process under the SDF. For long-term courses, individuals will have access through the Government's ongoing student loans scheme.

3.1 Consolidate the National QF to Create Learning Pathways

66. Till recently, Rwanda had four disjointed QFs managed by different educational institutions namely, (a) the Rwanda National Examination Grading System for primary and secondary education implemented by REB; (b) the Rwanda TVET QF coordinated by the WDA; (c) the Rwanda QF for Higher Education implemented by HEC; and (d) the National QF for Adult Education implemented by REB.

67. **These differing QFs have meant that individuals could not easily progress from one level to another (for example, from TVET to university), hence reducing learning pathways and career opportunities for individuals.** A consolidated QF is key in clarifying learning and career pathways which are crucial for mobility and progression of learners in any education system. It is an instrument for the development, classification and recognition of skills, knowledge and competencies along a continuum of agreed levels that specifies what learners must know or be able to do whether learned in a classroom, on-the-job, or less formally[26].

[25] Modularization effectively means breaking down whole educational qualifications into useful sub-units (a module), each with measurable outcomes that are assessed (and sometimes certified) in their own right and as well as contributing to an overall educational outcome (primarily, a qualification).

[26] http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/instructionalmaterial/wcms_103623.pdf

68. **The HEC has been leading the QFs consolidation process with support from REB and the WDA.** The Rwanda Educational Qualifications Framework (REQF) was approved by MINEDUC's Senior Management Meeting – a legal instrument establishing the REQF is being developed. The challenge going forward is to finalize this framework and operationalize it in specific sectors. The PforR will begin this operationalization with the energy sector where standards have been set, through a collaboration with employers, for the critical skills needed in the sector over the next ten years. The next step is for the WDA and HEC to identify which training institutes currently deliver programs in these critical skills and to assess whether they meet the set standards. New and amended training programs will need to be modularized which can potentially improve access by, for example, reducing financial costs (paying per module rather than the whole qualification), and can assist with regard to time commitment since people can take one course at a time rather than the whole qualification at once. The PforR will support the modularization of courses within the target sectors in line with the QFs developed. This will enable the development of career pathways and extend opportunities for training to a wider population.

3.2 Align Financing Incentives to Foster Market-responsive Investments in Skills

3.2.1 Support for Long-term Training Opportunities through Student Loans and Bursaries

69. **The MINEDUC convenes key government stakeholders to evaluate and decide on student applications for financial assistance, following criteria that includes academic performance, field of study and financial means of the student.** Each year, about 7,000 students are approved to receive assistance in the form of a combination of loans (which must be repaid at an interest rate of 11 percent a year, as soon as an individual starts earning an income following graduation) and bursaries (which are a grant and thus do not need to be repaid).

70. **BRD signed a 10-year agreement with the GoR to administer the disbursement and recovery of loans under the student loan/bursary scheme beginning in October 2015.** This relocation takes advantage of the BRD's capacity for quick processing of payments of the loans, the part for tuition flowing directly to the education institutions and the part for living expenses to the student's personal bank accounts.

71. **The PforR will support the BRD to create a robust management information system (MIS) of individual students, which will be updated annually to capture changes in students' enrollment status and field of study, as well as their employment following graduation.** Creating a robust MIS on the student loan and bursary program—for current and past beneficiaries—is a critical step toward ensuring the program's financial sustainability. The primary goal of the PforR will be to improve loan recovery rates to expand the GoR's coverage of financial assistance.

3.2.1 Support for Short-term Training Opportunities through the SDF

72. **Under the previous IDA-financed SDP, a SDF was implemented on a pilot basis through the WDA. Given the successes recorded by the previous fund, the PforR will support the revival of the SDF.** While the previous SDF was quite successful in terms of achieving the set objectives, a number of lessons were learnt that need to be considered in the future SDF facility, including a stronger labor market orientation and clearer private sector participation in governance of the Fund.

73. **The SDF will support short-term training under Pillar 1 of the NEP including, employer-led short-term vocational training and apprenticeships, provision of labor market relevant skills for out-of-school youth, rapid-response training and Recognition of Prior Learning (RPL).** The focus will be on short-term, practical and technical training of employees (including business skills for the informal sector) and school-leavers ranging from few days to not more than six months. The SDF will mainly finance costs associated with development and delivery of the supported training activities.

74. **The SDF will be implemented through a matching-grant facility that will be co-financed by the private sector.** Priority will be given to training activities that lead to improved productivity and competitiveness in the formal and informal sectors. Skills upgrading 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.

75. The SDF will have three 'windows', catering for different target groups:

(a) **Window 1 - Rapid response training (US$4.0 million).** The objective of this window is to address skills gaps experienced by enterprises in the formal sector and to promote collaborations between industry and training providers. SDF will co-finance short-term skills up-grading training courses for workers who are in the process of being employed by the applicant or existing workers in the applicant's enterprise. Most applicants will be new investors in Rwanda (referred to the WDA by the Rwanda Development Board) who are looking to hire employees to support their business. The applicant/enterprise is expected to be in the lead position to define the content and duration of the training. Training can be provided to a single employer with a sufficient number of workers in need of upskilling or a number of employers with identical training needs. The enterprise (association of enterprises) will be the applicant. The applying company (group of companies) is supposed to identify the training provider it wants to partner with, but the SDF Secretariat may assist if needed.

(b) **Window 2 - Out-of-school youth training (US$5.0 million).** The objective of this window is to provide out-of-school youth with practical skills for work in labor-intensive trades that align them with local demand and opportunities. Priority will be given to non-traditional trades and trades relevant for women. Also, skills upgrading courses for the informal sector will qualify for support under this window. Both non-agricultural and agricultural courses are eligible for support. The training may include an introduction to basic business skills. The grant may be used for acquiring basic tools needed for the training and, in rare cases, tool kits for particularly promising graduates.

(c) **Window 3 - Apprenticeships/internships (US$3.0 million).** The purpose of this window is to provide TVET students and graduates with an opportunity to acquire labor market relevant skills. Priority will be given to non-traditional trades and trades relevant for women. Two types of programs are eligible for support: a) Internships - placement of TVET students or graduates as interns in an enterprise/institution. and b) Apprenticeships - IBT organized by a company for out-of-school youth.

76. **By its very nature, the Skills Fund will be supported over a limited time.** The purpose is to develop skills in the short term to address market inefficiencies in training and ease the entry of out-of-school youth to the labor market. The sustainability of the Fund 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. As part of the PforR, the WDA will prepare a plan for the long-term sustainability of the SDF.

Result Area 4: Capacity Building for Implementation (supporting activities under the PAP)

77. **In view of the foregoing restructuring and reforms that were described earlier, one obvious area of critical capacity building is Change Management.** Each of the restructured institutions will need

to adjust quickly to new leadership, new missions, integrate new departments, revise their Key Performance Indicators (KPIs) and become productive as one cohesive unit. While recognizing that the restructuring will result in better management of the skills development system in Rwanda, without proper change management, the process is not likely to be as smooth as it should or can be. As part of the restructuring, several Single Project Implementation Units (SPIUs) have been or are going to be established at several large agencies, including the WDA, UR and MINEDUC. It is important that the coordinators of the SPIUs are trained in project management, which has a structured methodology to ensure that projects are delivered on budget and on schedule. A group of people with accredited project management certification will make a huge difference to the culture of project planning, resourcing, implementation and execution.

78. **Beyond these generic capacity building areas that are required across institutions, there are also specific institutional capacity gaps within some of the implementing entities which were identified by the GoR and the World Bank during preparation.** Within the UR, there is a need for technical expertise in competency-based curriculum planning and development, pedagogy and assessment, the use of ICT in the delivery of training programs and expertise to support the overall management and coordination of the UR. Under the WDA and RP, there is a need for more and better trained instructors, both in the relevant skills area as well as pedagogy. In addition, the WDA will potentially require more and better skilled professionals to handle its quality assurance and regulatory function.

79. **The CESB would like to establish a twinning/coaching partnership with an apex institution in another country that has successfully instituted a functional apex skills/employment entity and within NEPs Coordination at CESB there is a focus on hiring technical experts to develop an effective M&E system for the NEP, which is adequately linked to the Joint Imihigo (Performance Contract).** The HEC function of inspection and monitoring of tertiary education institutions will also need to be strengthened through the provision of technical experts and the BRD will need to hire a firm and full-time staff to develop and manage the MIS for the student loan scheme.

80. **Given the varied capacity building needs across institutions to effectively implement the NEP, the World Bank and the GoR agreed that capacity building would be one of the key results areas under the PforR which is beyond the scope of the current NEP.** There would also be a specific DLI targeting capacity building. The GoR will seek the support of an appropriate partner(s) through its existing bilateral relationships with countries that have proved to be successful in skills development, to provide capacity development support to all implementing institutions as and when required.

81. The PforR will target the following entities for capacity building: CESB, MINEDUC, HEC, BRD, UR, WDA, RP, and targeted training institutions. The five areas for capacity building are: (a) cross ministerial collaboration and accountability to undertake strategic planning, implement action plans to build skills for growth, and formulate a comprehensive Skills Development and Employment Promotion Strategy as a follow-on to the NEP; (b) curriculum development to create new or update training courses and programs leading to specialized professional and technical qualifications in selected economic sectors; (c) quality assurance of the training programs; (d) management of student loans recovery; and (e) general project management, especially M&E, for the implementing institutions.

82. **A detailed needs assessment will be conducted in each of the above areas to inform the preparation of a time bound capacity building action plan with clear milestones.** In the first year of the Program, CESB will enter into a Memorandum of Understanding (MoU) with a partner institution(s) to undertake capacity building support for implementing entities and Inception Report submitted with the quality acceptable to the World Bank. Annual reports will be produced to establish if the milestones set for capacity building have been achieved.

Table 3. Program Financing (US$1,153 million)

	Amount, RWF, millions	Amount, US$, millions	Percent of Total Program Financing
Government			
Pillar 1	608,793	733	63.6
Pillar 2	40,804	49	4.3
Pillar 3	1,797	2	0.2
Pillar 4	47,979	58	5.0
Total government	699,373	843	73.1
DPs			
World Bank (additional financing)	99,600	120	10.4
DPs (parallel financing)	157,790	190	16.5
Total DPs	257,390	310	26.9
Total program (p): Government + DPs	956,763	1,153	100
PfoR (P): Government (Pillars 1 and 4) +World Bank	756,372	911	79

83. **The total government program financing (p) amounts to US$1,153 million and includes government (73 percent) and DP (27 percent) financing (see table 3).** Several DPs (both bilateral and multilateral) have been supporting skills development related areas, and currently more than 10 DPs are actively supporting upgrading skills in Rwanda through various interventions, and working with training institutions such as VTCs, IPRCs, universities; government agencies (for example, WDA, NCBS); ministries (for example, MINEDUC and MIFOTRA); and the private sector. Activities that DPs support vary from training of trainers, curriculum development/amendment and provision of facilities and equipment. Some DPs focus on skills in selected priority economic sectors while others provide overall support for the skills system (see table 4 below and additional details in annex 2). PforR financing comprises government financing for Pillars 1 and 4 of the NEP and the World Bank operation. PforR financing represents 79 percent of total program financing (p). The World Bank operation finances 10 percent of the total program and 13 percent of the PforR.

Table 4. DPs Supporting Skills Development and Selected Economic Sectors

	Tourism and Hospitality	Construction	Agro-processing	Manufacturing	Energy	ICT	Across Economic Sectors
AfDB							
Swiss							
GIZ							
Swedish							
Belgian							
MasterCard Foundation							

Source: Various sources such as WDA website, document obtained from skills working group.

D. Disbursement-Linked Indicators and Verification Protocols

84. **A total of six DLIs, one to two for each Results Area are selected for this operation.** Table 5 presents an overview of the DLIs. Details of DLIs, definition, and verification protocols are provided in annex 3.

85. **The Office of the Auditor General (OAG) will be the independent verification entity and will be responsible for verifying five of six results/ DLIs under the operation.** One DLI (DLI 2) will be verified by a third party verification entity with expertise in assessing the quality of the developed curriculum.

Table 5. Overview of DLIs

Results Areas	DLI Number	DLIs	World Bank Financing Allocated to DLIs (US$, millions equivalent)
Results Area 1	1	Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans	25
Results Area 2	2	New or updated programs accredited for occupations in the selected economic sectors	30.5
	3	Number of accredited new or updated programs taught by staff participating in industry attachments in the selected economic sectors	5
Results Area 3	4	Number of graduates of Skills Development Fund (SDF) supported programs by window	24.5
	5	Improved sustainability of financing for long term training programs as measured by student loan recovery	25
Results Area 4	6	Capacity building for targeted entities in five areas, each with progress milestones, is completed	10

E. Capacity Building and Institutional Strengthening

86. **Capacity building and institutional strengthening has been integrated into the PforR as a strategic result area given its importance in achieving the other results areas of the PforR and in supporting skills development in Rwanda.** Details of the Program Action Plan can be found in annex 8 which sets out the issues for effective implementation, the actions required to address these and the institutions which are targeted.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

87. **The PforR will be implemented by the CESB and MINEDUC, with the support of BRD, HEC, RP, UR and WDA.** The overall NEP is implemented by several ministries, though MINEDUC takes responsibility for Pillar 1 of the NEP and MIFOTRA (through CESB) takes responsibility of Pillar 4.

88. **CESB will be responsible for implementation of Results Areas 1 and 4.** CESB will be responsible for: (a) Strategic Human Resource and Capacity Development: (i) sector skills assessments; (ii) coordination of the strengthening of the skills development results areas within the NEP JPC; (iii) and strategic skills planning and (b) NEPs Coordination: M&E of the implementation of NEP.

89. **MINEDUC, alongside its semi-autonomous, legally independent agencies, is responsible for implementation of Results Areas 2 and 3 of the PforR.** Under the MINEDUC the main implementation agencies include WDA, RP (once established), HEC, and the UR. Additionally, BRD would be working with HEC on the student loans scheme. Specifically, under the PforR these agencies will be responsible for the following activities:

90. **The WDA was established in 2009 as a public institution with separate legal personality and regulatory and implementation responsibilities for TVET and has administrative and financial autonomy.** It is responsible for coordinating TVET provision and providing strategic oversight of the TVET sector, this includes the identification of TVET subjects; the development of standards and curricula; inspections of TVET institutions; training of vocational and technical teachers; examination and certification; regulating and accrediting TVET institutions; supporting entrepreneurship development; and the establishment of a National TVET QF. In 2017, the WDA will be restructured to only focus on its regulatory function while other functions related to the coordination and implementation of TVET programs will be transferred to the RP. Under this PforR, the WDA will be responsible for: (a) administering SDF; (b) operationalizing new national QF in targeted sectors alongside HEC and REB; and (c) establishing standards for training programs, accrediting new/amended TVET programs and providing quality assurance for these.

91. RP will be established in 2017 and under the PforR will be responsible for: (a) coordinating short term and long term technical and vocational training under the targeted IPRCs, VTCs and TSSs and (b) developing/updating curricula to be competency-based in collaboration with employers within the target sectors. The WDA will take responsibility for these functions whilst RP is being set up.

92. **HEC is a semi-autonomous agency, with separate legal personality, established in 2006.** It is responsible for securing coherent provision of quality higher education in Rwanda and advising the Minister on all matters relating to the accreditation of higher education institutions. It is also responsible for monitoring and evaluating the quality and standards of the HLIs and enhancement of teaching and research. Under this PforR, HEC will be responsible for (a) operationalizing new national QF in targeted sectors alongside the WDA and REB; and (b) establishing standards for training programs, accrediting new/amended HLI programs and providing quality assurance for these.

93. **The UR is a special public organ, which has separate legal personality that enjoys administrative, teaching, research and financial autonomy.** As of FY2014/15, UR has been responsible for developing budget plans and reporting financial statements of the colleges and institutes. Under the PforR, UR will be responsible for: (a) delivering longer term training in the selected priority sectors; (b) working with CESB on the sector skills assessments; (c) developing/updating curricula to be competency-based in collaboration with employers within the target sectors and (d) upgrading of staff.

94. **REB and BRD will be responsible for the implementation of the student loans scheme.** REB was established in 2010 as a semi-autonomous entity, with separate legal personality, reporting to the Minister of MINEDUC. One of REB's functions is to select beneficiaries who would receive support through the loans scheme[27]. Once the students are selected, BRD will be responsible for administering the disbursement and recovery of loans under the student loan/bursary scheme.

B. Results Monitoring and Evaluation

95. **The CESB will be responsible for tracking overall results indicators for the NEP.** The CESB has a Single Project Implementation Unit (SPIU) which it inherited through NCBS that will be responsible for monitoring of Program results. It will directly track indicators under results area 1 and 4 of the PforR.

96. **MINEDUC will be responsible for tracking overall results indicators for the Program through program implementing agencies.** Information on partnerships with employers, curriculum development/amendment, and students enrolled within the targeted Colleges will be obtained from the UR. Similarly, information on partnerships with employers, curriculum development/amendment, and students

[27] This function will likely be transferred to the HEC through the current restructuring process.

enrolled within the targeted IPRCs, VTCs and TSSs will be obtained from the WDA and later, from RP when it is fully functional. Data related to the student loans scheme will be provided by BRD and information related to the SDF provided by the WDA. These data will be collated and cross-checked by a central unit within MINEDUC, namely the SPIU which is to be established. Prior to the establishment of the SPIU, this information will be collated by the M&E unit of MINEDUC.

97. In addition to monitoring by the CESB and MINEDUC, Results Framework indicators which are also DLIs will be subject to third-party verification by the OAG.

98. **As part of program review, two Joint Review Missions (JRMs) will be carried out each year consisting of representatives of the World Bank and the GoR.** The JRMs will track progress on program implementation, achievement of key performance indicators and progress on agreed DLIs. In addition, there will be a detailed mid-term review of the Program.

C. Disbursement Arrangements

99. **Disbursements will be made upon the presentation and verification of evidence of attainment of the Program's DLIs.** Details of DLIs, DLRs and verification protocols are included in annex 3.

100. **Verification of the results will take place annually.** Claims for achievement in one 12 month period should be made within six months of the end of the period. No disbursement against DLIs is expected to be made upon achievement of the results prior to the date of the operation's legal agreement.

101. **Following verification of claims, disbursement of funds will be made directly into the program designated account in the Treasury.** MINECOFIN will be responsible for the distribution of funds to institutions/ government agencies as agreed in its annual budgeting process.

102. **Further details related to flow of funds, in terms of paying for results, will be included in the Program Operations Manual which will be prepared and approved three months after the effective date of this PforR.** The Program Operations Manual will contain detailed information on procedures to be followed at each stage of the transaction cycle including commitments, transaction verification and approval, payment and reporting.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

103. **Strategic relevance.** The PforR is strategically relevant to the Rwanda Vision 2020 and its development policies. The PforR directly supports NEP by focusing on issues of training quality, establishing pathways throughout education and training system, scaling up training in priority sectors, and sector governance. Given the links between different programs related to skills development, by supporting NEP the PforR is also strategically relevant for the Priority Skills Development Program (2013-2018) and science, technology, innovation, and research.

104. **Technical soundness.** The approach that government undertook in developing the NEP is technically sound. The overall goals of the NEP are to foster quality employment in the country and streamline government programs, related to employability and building skills for employment in priority sectors, across different ministries. The consolidation of the skills development programs under NEP aims at addressing inefficiencies which were stemming from duplication of training programs under different ministries. Additionally, NEP structure is expected to generate better coordination between different

ministries responsible for labor demand and supply aspects. The PforR will support Pillars 1 and 4 of the NEP.

105. **Governance structure.** The PforR will be implemented by MINEDUC, with support of BRD, HEC, RP (once established), UR and WDA and CESB/MIFOTRA under the guidance from the MINECOFIN. The main implementing agency for Results Area 1 (NEP Pillar 4) and Results Area 4 (supports activities under the PAP) will be CESB, which is a separate legal entity and reports to the MIFOTRA. Agencies under MINEDUC will be responsible for Results Areas 2 and 3, including the HEC, UR, WDA, RP (when established), and BRD (NEP Pillar 1). All these agencies (Program Implementing Entities) working with MINEDUC on the implementation of Results Areas 2 and 3 of the PforR have separate legal personality and, as such, Program Agreements will be signed between each of the Program Implementing Entities and the World Bank. Likewise, the Recipient will enter into Subsidiary Agreements with each of the Program Implementing Entities for purposes of implementation of their respective parts of the PforR.

106. **Expenditure framework.** As this PforR focuses on Pillars 1 and 4 of the NEP, the boundaries for the expenditure framework are drawn around the agencies which implement the aforementioned pillars, namely, the MINEDUC, WDA, HEC, UR, RP (when established), BRD and CESB (NCBS). Furthermore, for this PforR both administrative and programmatic budgets of these agencies are included to adequately assess the implementation and scaling up capacity.[28] The NEP actual nominal expenditures by the government for all four pillars during the first 2 years of its implementation (2014-2016) amounted to RWF 213 billion with the PforR related activities (Pillars 1 and 4) accounting for 93 percent of NEP allocation in 2015/16. Most of the expenditures were incurred by the REB under the student loan scheme, followed by the WDA. The majority of the expenditures across all agencies were recurrent. Budget execution was in accordance with the planned budget allocation across all the agencies, with agencies executing 87 (NCBS) to 101 (REB) percent of total allocated budgets in 2015/2016.

107. **Results chain analysis and M&E.** Proposed results areas, DO indicators, intermediate indicators and DLIs are aligned with the DO. The results framework identifies three results areas which correspond to the DO. The first result area focuses on system wide interventions to enhance system governance and coordination between different agencies. The second focuses on enhancing quality and market relevance of the training provided. The third includes interventions related to operationalizing accredited pathways for continuous skills upgrading and to scaling up training provision. The Results Chain (annex 2) explains the logical connection between activities, results, and outcomes across each result area. The operation would be using existing NEP and institutional M&E systems and support strengthening of those systems as one of the activities under the PforR.

108. **Economic rationale.** The PforR is expected to have individual, sectoral, and societal benefits. For individuals, the PforR is expected to increase the employability and earnings of TVET and HLI graduates in priority sector by improving the quality and relevance of the skills they acquire and offering better matching opportunities with the employers. At the sectoral level, PforR-supported interventions are expected to (a) improve skills development system management; (b) enhance the quality and relevance of skills development programs in priority sectors; and (c) expand private participation in the delivery of training programs. For society, the PforR benefits would include (a) a more productive labor force of workers with quality labor market-relevant skills; (b) strengthening firm productivity and competitiveness through the more productive labor force; and (c) heightening the performance of the economy because workers and firms are more productive. The Economic Internal Rate of Return (EIRR) analysis shows that

[28] MINECOFIN follows a programmatic budgeting process. Therefore, the budget allocated to the agencies for implementation of NEPs sometimes does not include administrative and management costs if these resources are drawn from existing administrative resources.

the PforR has a rate of return in the preferred scenario of 10.9 percent and a net present value (NPV) of US$73.5 million when a 7 percent discount rate is used. The sensitivity analysis shows that the rate of return is in the range of 10.4-11.2 percent, depending on the scenario assumptions which is in line with other similar projects.

B. Fiduciary

109. **An integrated fiduciary assessment of the operation was conducted.** The assessment is based on the Guidance Notes on Program-for-Results Operations and the OP/BP 9.00, PforR policies and procedures. The OECD-DAC "four pillars" approach was also used to define the risks in the procurement environment. The assessment covered the key institutions directly responsible for the program implementation (MINEDUC, CESB/NCBS, UR, and WDA).

110. The fiduciary assessment entailed a review of the capacity of key participating entities on their ability (a) to plan, record, control, and manage all Program resources and produce timely, understandable, relevant, and reliable information for the stakeholders; (b) to follow and monitor procurement rules and procedures, capacity, and performance focusing on procurement performance indicators and the extent to which the capacity and performance support the program DOs and risks associated with the Program; and (c) to ensure that implementation arrangements are adequate and risks are reasonably mitigated by the existing framework.

111. The review concludes that, (a) the fiduciary risk is moderate, and (b) the procurement and financial management arrangements are compliant with the OP/BP 9.00. There is legislative scrutiny of the Finance Law in conformity with the Organic Law on State Finances and Property. The budget is formulated through a consultative process involving the implementing entities and the MINECOFIN before scrutiny by the legislature (Parliament) and there are significant deviations from budget appropriations. However, some weaknesses are noted in the planning of the externally funded project in terms of predictability which impact negatively the budget execution ratio. Thus, the realism of budget planning and execution effectiveness needs to be improved to ensure quality and timely services delivery at the program level. The implementing entities need to better align the budget allocations with the Medium Term Expenditure Framework (MTEF), procurement plan and DPs' commitment. The accounting system enables the preparation of timely and reliable financial reports at implementing entities level. At implementing entities level, SmartIFMIS was rolled out by MINECOFIN and effectively used to plan, record and produce the financial report.

112. **With regard to internal controls, there is adequate segregation of duties in the financial management cycle.** However, there is room for improvement in internal controls in light of the main external and internal audit findings related to non-compliance with procurement guidelines, irregular audit committee meetings and inadequate budgeting of externally financed projects. The Internal Audit function across the implementing entities exists but capacity strengthening and resources needs to be thoroughly assessed in accordance with international standards to ensure that resources allocated to the function meets the work program needs and are aligned with the level of risk identified. There is a high turnover of staff in Internal Audit and to cope with the need to attract and retain adequate qualified staff and ensure their professional growth, an internal auditors' retention and career development strategy is recommended. The Audit Committees are in place at all implementing entities but their effectiveness needs to be improved to ensure that its members have the required background and receive regular trainings to keep them abreast on internal control and internal audit standards and practice that will enhance their ability to add value to the Committee. Furthermore, the assessment recommends that the Audit Committee member independence should be enhanced by ensuring that they comply with a chart of independence to be developed that will contain provisions preventing conflict of interest or any relationship that can impede objectivity and independence.

113. **The implementation ratio of the external audit recommendations at implementing entities is on average 60 percent.** Even though commendable, this ratio needs to be improved with particular attention to critical audit recommendations that qualified the external audit opinion on financial statement and on compliance. With regards to external audit, the OAG is responsible for auditing all the entities responsible for implementation of the program activities. The independence of the OAG is enshrined in the Constitution and it has the mandate to audit all public expenditures. The Auditor General's audit coverage for the fiscal year 2015-2016 is 160 reports (for 294 MDAs) with 83 reports having unqualified audit opinions on the financial statements. MINEDUC and CESB received unqualified audit opinions for the last two years.

114. **The implementing agencies of the PforR are fully governed by the national procurement law, procedures and regulations.** Rwanda Public Procurement Law (Law No. 12 of 2007) was passed in March 2007 and revised in 2013 (Law No. 5 of 2013) and is currently undergoing amendment so as to enshrine the e-Procurement system and to consolidate all amendments made so far. The revised and consolidated law was submitted to "Rwanda Law Reform Commission" who is the reviewing body before being tabled for approval of the parliament. The Rwanda public procurement law is based on international fundamental procurement principles of transparency, competition, economy, efficiency, fairness and accountability as articulated under Article-4 of the Law.

115. **The Law is supported by implementing Regulations and a User Guide to facilitate understanding of the requirements and good practice.** There are Standard Bidding Documents to simplify and standardize the bidding process. The Rwanda Public Procurement Authority (RPPA) has organized training programs to familiarize procurement practitioners with the requirements of the Law and with the procedures to be followed.

116. **Procurement compliance is actively enforced by the RPPA through a program of procurement audits, carried out in accordance with an internal control and audit manual.** The audits cover all phases of public procurement proceedings and execution of contracts, from preparation of procurement plans to completion of contracts. The audit reports show that there are improvements from time to time, in all procurement indicators. Despite this progress, there are areas where the level of compliance is below the target set by RPPA and need improvement.

117. **In addition to the procurement audits, procurement related complaints are reviewed by a National Independent Review Panel.** Thus the business community is taking advantage of its right to challenge the decisions of Procuring Entities and the Procuring Entities are aware that any departure from the Law or bias and unfairness in evaluation and contract award may be subject to challenge.

118. **In addition, the GoR is currently developing a full-fledged e-Procurement System for use by central and local government entities, as part of its procurement modernization.** Once implemented, the system will enhance transparency, minimize fraud and corruption (F&C) and ensures efficiency of the procurement process. Once rolled out the system will be accessible over the Internet by all Government entities and the business community.

119. **Furthermore, Rwanda enacted law "N°011/2016 of 02/05/2016 Law establishing the Association of procurement professionals and determining its organization and functioning" as step toward professionalization of procurement.** It is therefore evident that Rwanda has an effective system for prescribing the rules and procedures by which public procurement should be carried out, for training in the requisite competencies and for monitoring and enforcing compliance.

120. **An assessment of the system and processes for dealing with F&C issues shows that Rwanda has strong institutional, organization and legal frameworks for controlling F&C when they occur.**

Rwanda further strengthened the legal frameworks in 2013 with the amendment of the law to allow the Office of the Ombudsman to prosecute cases of corruption. Rwanda also passed the Whistle Blowers Protection Act, 2013. The Ombudsman has a well-functioning system for receiving complaints, as also is the procurement authority. Transparency International Rwanda and other civil society organizations have partnered with the government to promote integrity in the management of public finances by introducing and signing Integrity Pacts with some Districts. The integrity pacts bind the local authorities, their staff and the bidding companies not to engage in corruption of any form and they are highly monitored for enforcement. Unqualified audit opinion is one of the performance indicators of the Performance contract of all Ministries, agencies, departments and the local government.

121. **According to the public procurement law of Rwanda there is an independent review panel at the national and districts level to review procurement related complaints from bidders and consultants.** The review panel is composed of seven members four of which are supposed to be from the private sectors. However, there are challenges, including: (a) inadequate arrangements to deal with F&C at the Districts and sub-district levels as the Office of the Ombudsman is not decentralized, especially in the context where there is shortage of suitably qualified fiduciary staff and all 30 districts have qualified or adverse audits opinion; (b) problem of retention of qualified staff, especially investigators, (c) difficulty of obtaining evidence and lack of information to prosecute allegations of corruption; including lack of legal requirement to submit the OAG audit report to the Ombudsman (d) risks of F&C arising from weaknesses in procurement, including use of limited open competitive methods; award of tenders that are not planned and limited publication of contract awards in publicly accessible media. The assessment recommends that all cases of fraud or corruption shall be reported according to the template provided if related to the program expenditures disbursed by the World Bank, Government and others DPs.

C. Environmental and Social Effects

122. **The Program will not finance any major civil works, and thus no anticipated adverse environmental and social effects are expected.** The increase in numbers of students that this Program envisages by expanding short and long- term training in selected sectors is expected to lead to increased pressure on utilities such as water supply, water abstraction and waste water treatment. While the Program activities are not expected to have significant adverse environmental footprint, the Program provides an opportunity to enhance the recognition of environment, social, health and safety and long-term sustainability aspects in training institutions and programs at the technical, vocational and the university levels. Given that some of the key economic sectors targeted for skills development are the energy, transport, logistics and manufacturing (agro-processing and Made in Rwanda products) sectors, this Program provides an opportunity to improve due diligence measures related to management of energy, transport, logistics and manufacturing related issues, land acquisition, occupational health and safety, improved waste management, and enhancement of sanitation, specifically provision of safe and sufficient toilets especially for female students along with adequate and clean water supply systems.

123. **Additionally, the programmatic approach to skills development provides an opportunity to enhance the recognition of environment, health and safety and long-term sustainability aspects in training institutions and programs at the alternative technical, vocational and the university levels.** Three colleges under the UR are being targeted to deliver job-relevant degree programs and at the TVET level, beneficiary institutions will include six IPRCs and polytechnics as well as 12 VTCs/TSSs. The IPRCs and polytechnics will focus on two and three years of diploma / advanced diploma courses while the VTCs/TSSs will focus on shorter term training courses. In this context, the broad environmental goals of the Environmental and Social Systems Assessment (ESSA) would be to mainstream environmental and social due diligence and awareness into the programs, through special consideration being given to training proposals eligible under the SDF for inclusion of environmental sensitivity and management aspects or

content, for example, in skills development in the construction sector, which is one of the key economic sectors.

124. **Key beneficiaries of the student loans scheme will be monitored by gender and socio-economic status.** The ESSA was prepared in a consultative manner, and documentation of the discussions, along with the ESSA will be disclosed in-country and in the World Bank's InfoShop.

125. **The ESSA identifies strengths, gaps and opportunities in Rwanda's environmental and social management system with respect to addressing the environmental and social risks associated with the program.** The analysis identifies the following main areas for action to ensure that the Program interventions are aligned with the core principles of OP/BP 9.00. These include, among others, strengthening of technical guidelines for mainstreaming of environmental and social measures in various programs, improved skills and coordination among multiple agencies. These could be further defined during implementation, as required. Key measures to strengthen system performance for environmental and social management will be summarized in annex 6.

126. **Citizen engagement, participatory decision making, transparency and stakeholder involvement are major aspects of the program.** Decision making that considers the active involvement of all the relevant actors at all levels will be encouraged. For training institutions, even though the key stakeholders are represented and involved through boards of training institutions, institutional leadership determines their level of involvement. For higher education facilities, participatory decision is less because the decision making process does not involve key stakeholder groups like parents and local councils that are historical agents of participatory approaches.

127. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. 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. 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

D. Risk Assessment

128. **The overall risk of the program is Substantial.** The main risks are related to insufficient coordination and monitoring of the NEP in bringing together various stakeholders to focus efforts related to skills development. In addition, there are substantial risks associated with the restructuring process of several implementing entities and how this might potentially affect the entities' ability to implement activities effectively.

129. **Sector strategies and policies.** Relevant strategies ad policies are in place to support skills develop and employments (see table 1). However, these need to be consolidated, and , the risk is considered as moderate. This risk is mitigated given the NEP activities and budget will remain the same and the coordination can continue under MIFOTRA since the CESB will also be reporting to the Minister of MIFOTRA. Further, by including a DLI on capacity building in the operation, the GoR has committed to addressing the issue comprehensively.

130. **Technical design of project.** The technical design is specific to three sectors and integrates skills training from TVET through to higher education. This is a shift from the current NEP which largely focuses on short-term training for those already in the labor force. While pre-employment training is ongoing, the PforR operation will necessitate the NEP to take a more holistic view of skills development by coordinating support for the continuum of skills from pre-employment to training for those in the labor force. This will require additional capacity building in coordinating and monitoring skills development across the spectrum of education and training for the focus sectors. The operation will support improved coordination of skills training through the formalization and implementation of a JPC between implementing partners to catalyze a behavioral change in how skills development is managed in Rwanda.

131. **Institutional capacity for implementation and sustainability.** The institutional risks related to coordination and leadership of the operation are highlighted in the sections above, particularly as it relates to the restructuring of the apex body from the NCBS to the CESB. There are also concerns related to the sustainability of the SDF. The strong focus on capacity building under the project is a mechanism to ensure adequate, tailor-made capacity building for institutions through the life of the project. Analysis of options to ensure the sustainability of the SDF could also be explored under the program.

132. The fiduciary risks were highlighted in the section above and are considered to be moderate.

E. Program Action Plan

133. **Almost all the implementing entities of the program are in the process of being restructured to improve the efficiency and effectiveness of skills training and employment services in Rwanda.** These changes will require considerable capacity building of the Ministries and agencies implementing the program. The capacity building requirements for these entities range from more generic areas such change management and program management to other specialized areas such as twinning partnerships and competency-based curriculum planning and pedagogy. The requirements for capacity building are varied across implementing entities and will be ongoing through the restructuring process.

134. **With regards to change management, each of the restructured institutions will need to adjust quickly to new leadership, new missions, integrate new departments, revise their Key Performance Indicators (KPIs) and become productive as one cohesive unit.** While recognizing that the changes will result in better management of the priority skills acquisition and upgrading process, without proper change management, the process is not likely to be as smooth as it should or can be. The identified specialized areas for capacity building for each institution are listed in the Program Action Plan table in annex 8.

Annex 1: Detailed Program Description

1. This operation is grounded on the NEP (2014-2019) of the GoR, which is designed to serve the following objectives: (a) creating sufficient jobs that are adequately remunerative and sustainable across the economy,(b) equipping the workforce with vital skills and attitude for increased productivity that are needed for the private sector growth, and (c) provide a national framework for coordinating all employment and related initiatives and activities in the public, private sector and civil society.

2. **The principles and aim of the NEP are derived from the thematic orientation, objectives and strategy of the EDPRS-2 which recognizes the important role of employment for economic development and poverty reduction and, accordingly, calls for "200,000 off-farm jobs to be created each year" to meet the employment needs of the labor force, precipitated by "increasing population density and demographic trends and the growing youth share of the population".** This is the national target for job creation that has been adopted by the NEP.

3. The strategic policy and program interventions proposed within the framework of the NEP for achieving its objectives, goals and targets is organized under the following four main pillars: (a) Skills Development; (b) Entrepreneurship and Business Development; (c) Labor Market Intervention; and (d) Coordination and M&E. Highlights of program interventions under each of these pillars are provided below including the Ministry leading each pillar.

NEP Pillar 1: Skills Development, led by Ministry of Education (MINEDUC)

(a) Provide short-term vocational training and informal apprenticeships, along with tool kits for self-employment, to out-of-school youth to give them practical skills for work in labor-intensive trades[29] that align with local demand and opportunities;[30]

(b) Offer targeted rapid response training, as part of the GoR's investment attraction packages, the Government subsidizes training with emerging investment opportunities and conducts specialized trainings to the need of investors who are constrained to acquire skilled personnel in specific sectors;

(c) Strengthen private sector participation in skills building, through the creation of SSCs as a key mechanism for engagement, and by enlisting firms to host industrial attachments and professional internships; and

(d) Develop specialized skills at the technician and professional levels, with a focus on priority economic sectors and big investment projects[31] and creating a database to keep track of students enrolled in and graduating from critical programs in local and foreign institutions.

NEP Pillar 2: Entrepreneurship and Business Development, led by Ministry of Trade, Industry and East African Community Affairs (MINEACOM)

(a) Support the growth and productivity enhancement of MSMEs, through mentorship, coaching by 'Business Development Advisors' to enable firms to win public tender contracts and

[29] Examples include masonry, plumbing, carpentry, woodworking, construction, welding, pottery, handicrafts, tailoring, culinary arts, and food and beverage services (Republic of Rwanda. 2014. Design of Five-Year National Employment Programme (NEP) for Rwanda, p.55-56).
[30] Opportunities are expected to be associated with growth of the emerging economic sectors which include: agri-business, agro-processing, mining, manufacturing, construction, ICT, retail and trade, tourism, hospitality services.
[31] Pipeline projects include those in railways, oil and gas, airport, and urban development plans.

become suppliers to large investors; and nurturing new business ideas and facilitating access to funding for bankable proposals; More Business Development Advisors will be trained and certified and District-Kora Wigire facilities are to be refurbished and equipped. This pillar of the NEP also will enhance competitiveness of SMEs by providing tailored business advisory services and technical assistance for standards compliance, and assistance in negotiating supply contracts; and promote skills upgrading and technology innovation by creating accessible spaces for hawkers, street vendors; and equipping Integrated Craft Production Centers and Community Processing Centers. Lastly, the pillar will support developing BPO services, through infrastructure investment for BPO centers; by attracting international companies; and by offering refresher courses and soft skills training for BPO center operators.

NEP Pillar 3: Labor Market Intervention, led by Ministry of Local Government (MINALOC)[32]

(a) Strengthen LMIS with linkages to district-level employment services, by upgrading LMIS, mainstreaming job creation in EDPRS-2 sector strategies, and conducting annual labor force surveys;

(b) Promote job creation under public works projects, by consolidating relevant databases on beneficiaries as part of redesigned public works programs; and by negotiating contracts on big public works tenders to employ massive numbers of youth, and promote skills training; and implementing at least one new public works project per district (for example, greening the economy); and

(c) Enable access to foreign employment opportunities, by developing and approving a guiding framework, and setting the stage for use of private employment agencies to export labor.

NEP Pillar 4: Coordination and M&E, led by Ministry of Public Service and Labor (MIFOTRA)

(a) Strengthen the M&E system, to enable electronic profiling of all NEP beneficiaries, coordination and reporting on the implementation of NEP activities

4. **This PforR operation will support the government's employment program- the NEP- with a focus on pillars 1 and 4.** The DO for this operation is to expand opportunities for the acquisition of quality, market-relevant skills in selected economic sectors.

5. **The selected economic sectors include Energy, Transport and Logistics, and Manufacturing (with a focus on 'Made in Rwanda' products[33]).** These sectors will be the focus of the project for results areas 1 and 2 and the student loans scheme under results area 3. Under the SDF (results area 3), the selected economic sectors will be extended to all priority sectors under the EDPRS-2.

6. The NEP and the program for IDA support (herein referred to as the Program) and rationale for program boundaries are described below.

[32] In the July 2014 GoR's document entitled "Design of Five-Year National Employment Programme (NEP) for Rwanda", MIFOTRA is identified as the lead ministry on p. 77 while on p. 93, it is MINALOC taking the lead.
[33] Made in Rwanda Products include: (a) Construction materials: Cement, Iron and steel, Aluminum products, paints and varnishes, plastic tubes, ceramic/ granite tiles; (b) Light manufacturing: Textile and garments, pharmaceuticals, soaps and detergents, reagents, packaging materials, wooden furniture and insecticides; (c) Agro-processing: sugar, fertilizer, edible oil, dried fish, maize and rice.

Table 1.1. Program Boundaries

Government's NEP		IDA Priority Skills for Growth
Objective: supporting strategic policy and program interventions in key sectors of the economy and the labor market to generate and facilitate the creation of stable jobs that are productive and adequately remunerative.		Expanding opportunities for the acquisition of quality, market-relevant skills in selected economic sectors.
Pillar 1: Skills Development (led by Ministry of Education [MINEDUC])	Provide short-term vocational training and informal apprenticeships	X
	Offer targeted rapid response training	X
	Strengthen private sector participation in skills building	X
	Develop specialized skills at the technician and professional levels	X
Pillar 2: Entrepreneurship and Business Development (Led by Ministry of Trade and Industry)	Support the growth and productivity enhancement of MSMEs	
Pillar 3: Labor Market Intervention (Led by Ministry of Local Government [MINALOC])	Strengthen LMIS with linkages to district-level employment services	
	Promote job creation under public works projects	
	Enable access to foreign employment opportunities	
Pillar 4: Coordination and M&E (Led by Ministry of Public Service and Labor [MIFOTRA])	Strengthen the M&E system	X

7. **Over the last two years of implementation of NEP (2014-2016), the focus has largely been on Pillar 2 of the plan, that is, entrepreneurship and business development; as well as two activities under Pillar 1 namely, the short-term vocational training and informal apprenticeships and targeted rapid response training.** The reported indicators by the former NEP Secretariat indicate an increase in the number of beneficiaries[34] from 17,000 in 2014/15 to 31,000 in 2015/16. Based on this, it is estimated that about 51,700 jobs were created through the NEP last fiscal year, mainly related to micro businesses accessing business advisory services in its proximity.

Table 1.2. Beneficiaries of NEP in 2014/15 and 2015/16

Program Intervention	2014/2015	2015/2016
Pillar 1: Skills Development		
Provide short-term vocational training and informal apprenticeships	9,885	9,830
Offer targeted rapid response training	-	1,144
Strengthen private sector participation in skills building	-	-
Develop specialized skills at the technician and professional levels	-	-
Pillar 2: Entrepreneurship and Business Development		
Support the growth and productivity enhancement of MSMEs	7,084	19,952
Pillar 3: Labor Market Intervention		

[34] Beneficiaries could be individuals or MSMEs

Program Intervention	2014/2015	2015/2016
Strengthen LMIS with linkages to district-level employment services	-	-
Promote job creation under public works projects,	-	-
Enable access to foreign employment opportunities	-	-
Pillar 4: Coordination and M&E		
Strengthen the M&E system		

Source: NEP Secretariat Annual Reports

8. **The provision of short-term training was the core program intervention under the NEP over the two years of its implementation,[35] with some interventions involving a broader set of activities focused on setting up facilities (for example, production centers) or business units (for example, cooperatives) and financing arrangements for promising start-ups.** The training programs were short-term courses on lower-level operational skills, with some courses specifically designed for vulnerable population groups (for example, the disabled).

9. **Thus far, the NEP shows a focus toward short-term training for artisans and craftsmen rather than on longer term, technician and professional training.** Under the skills development pillar, details related to strengthening of private sector participation in skills development and developing skills at the technician and professional levels in priority economic sectors were not reported in both years. Similarly, the status of the LMIS and the public works program were not reported.

10. **Implementation of all the areas of NEP is on-going although there is a need to strengthen reporting and coordination.** Training has been ongoing at the technician and professional levels for in priority economic sectors within higher learning and TVET institutes. In addition, the foundations for effective collaboration between the public and private sectors in developing skills has been partially institutionalized with the establishment of the SSCs in four sectors. SSCs are a vehicle for the government to specify skills standards with systematic input from employers to improve worker productivity and enhance firm competitiveness. The Councils determine skills profiles (including competencies at various levels) for their respective sectors and are comprised of a plurality of employers along with representatives of workers and government ministries. In addition, the first labor force survey is currently being undertaken by the National Institute of Statistics in Rwanda, which will contribute toward the further development of the LMIS which is currently being implemented by MINALOC.

11. **The challenges of reporting under the NEP are understandable given the NEP is entering its third year of implementation by ten Ministries and private sector representation.** Recognizing the complexity of the program, the GoR previously placed the NEP under the MIFOTRA that is now under CESB and established the following mechanisms for coordination:

- A Ministerial Steering Committee meets quarterly to provide overall guidance and orientation on key program priorities and to address institutional barriers that impede implementation;

- A Senior Technical Committee comprising the relevant Permanent Secretaries, Directors-General and Heads of Institution meets quarterly to assess implementation progress and to remove technical barriers that block program implementation, and

- A Working-level Technical Committee comprising technical staff from the relevant Institutions meets regularly to share feedback on implementation progress;

[35] Training for road paving, garment manufacturing, food processing, hairdressing, tailoring, embroidery, candle and wheelchair-making, management of small income-generating activities, and so on.

- CESB now serves as the NEP Secretariat under MIFOTRA's Productivity and Employment working group to guide the mainstreaming of NEP employment planning, implementation and overall reporting; mobilizes extra-budgetary donor resources (for example, to support projects on youth employment, skills training and business development); coordinates follow-up and reporting on NEP interventions implemented by all line ministries, agencies and districts; and publishes the annual NEP report on implementation progress. CESB is also mandated to report on the NEP to MINEACOM's working group on Private Sector Development and Youth Employment.

12. **The GoR is nonetheless taking steps to reinforce the foregoing arrangements.** The responsibility for monitoring, evaluating and reporting on the NEP has been transferred to the CESB under MIFOTRA. The new arrangement reinforces the CESB's function as the apex body to provide national level coordination and implementation oversight of the GoR's capacity development policy, including a broadening of its mandate beyond skills-building for the public sector. The role of CESB will be to facilitate information exchange, coordinate interventions and build synergies. In the interim, the PforR will support CESB to improve coordination amongst the stakeholders and to ensure effective reporting against targets.

13. **The focus on the PforR will be on Pillars 1 and 4 of the NEP, that is, expanding the short-term training in selected sectors, and particularly, strengthening the longer-term training program, which has not been a significant focus of the NEP thus far.** There will also be a strong focus on strengthening the participation of private sector in skills development and strengthening the governance and management of the skills development system in Rwanda to ensure the concept of developing market-relevant skills translates to operational reality. In addition to strengthening the governance and management of the skills development system, the PforR will support strengthening of the coordination and M&E of the NEP and more broadly, of capacity building and employment services in Rwanda.

14. **The GoR is interested in strengthening these two Pillars of the NEP.** Pillar 2 of the NEP is supported by several DPs including the SIDA, Swiss Cooperation, GIZ, the AfDB amongst others. Pillar 3 of the NEP, related to the public works program in Rwanda under the VUP has been supported by IDA through a series of three Development Policy Operations beginning in 2009 and with the third operation coming to a close at the end of 2017. By 2015/16, there were about 106,000 beneficiary households receiving support through the public works program under the VUP up from approximately 18,000 beneficiary households at the beginning of the program in 2008. Pillar 2 and 3 will continue to be supported by the government and other DPs, including through other IDA operations, but will not be a focus of this PforR.

15. **The World Bank's proposed support to the Pillars 1 and 4 will include special focus on capacity building around critical areas, including strengthening the quality of education and training programs, developing pathways for continuous education and links with industry to enhance program relevance.** The focus will be on building a continuum of skills, from artisans to managers, to grow and transform Rwanda's economy with a focus on three priority sectors: energy; transport and logistics; and manufacturing (including agro-processing, garments and other Made-in-Rwanda initiatives).

16. Within the Pillars of focus, and with skills development the main focus of this operation, there are three main results areas this operation would focus on namely, (a) reinforcing governance of the skills development system; (b) ensuring provision of quality training programs with market relevance, and; (c) operationalizing accredited pathways for continuous upgrading of job-relevant skills for sustained employability. The activities to achieve these results areas are detailed in the section below:

Results Area 1: Reinforcing Governance of the Skills Development System (Pillar 4 and Pillar 1, Program Intervention 3, of NEP)

17. **To sustain Rwanda's record of growing at more than 7 percent a year since 2000, the GoR considers human capital a key ingredient of its economic strategy.**[36] In the three selected economic sectors, an important concern is gaps in technical and professional skills that undermine the performance of ongoing or pipeline projects, in both the public and private sectors that are critical to Rwanda's economy at this stage of its development. In the energy sector, for example, the paucity of skills to manage power distribution undermines power utilities' ability to assure stability in electricity supply, especially to commercial clients, thus increasing business risks and reducing Rwanda's attraction to potential investors. Transport and logistics is another "backbone" sector besides energy, given its role in enabling other sectors of the economy to function efficiently. The GoR considers skills gaps in managing the movement of goods and people—by air, road, rail and water—ripe for focus in developing the country's workforce. Addressing these gaps is timely as the country begins to invest in building secondary cities; to partner with neighboring countries in the Northern Corridor project; and to develop its capabilities as a major distribution hub in East Africa.

18. **In manufacturing—the third economic sector selected for focus in this operation—the Rwanda Development Board (RDB) is working closely with the Ministry of Trade and Industry [37] to support the emergence of "anchor" firms around which industry clusters may form and grow, and contribute to reducing the country's trade deficit.** The approach follows the example of countries such as Costa Rica, Ireland, Singapore, and Vietnam among others, in which customized training is used to equip workers, technicians and professionals with the skills required to access jobs in these clusters and support the growth and viability of the enterprise base in these clusters. The focus in the manufacturing sector is on the so-called 'Made-in Rwanda' products under the Ministry of Trade and Industry's Domestic Market Recapturing Strategy (DRMS).

19. **In light of concerns about skills gaps, the GoR has taken steps to bring investments in workforce skills into closer alignment with Vision 2020 and EDPRS-2, and to the country's longer term Vision 2050 and EDPRS-3, which are currently being designed.** In Rwanda, skills assessment studies were conducted across eight sectors in 2008 by the Rwanda Development Board (RDB) which have, to date, formed the basis of the type of skills to be developed and the numbers of individuals to be trained. A similar, though much more detailed, exercise was completed in 2015 for the energy sector by the NCST and currently, the CESB is using the energy study as a template to guide replication of the exercise in new sectors, including horticulture, tourism, manufacturing (focused on Made-in-Rwanda products) and the MICE services. However, there has been a lack of follow-through on the energy study to actually amending and implementing revised training programs that respond to the needs of the industry as articulated in the energy study. This exemplifies a critical break in the chain of actions required to build job-relevant skills and to consolidate and institutionalize the GoR's current efforts in assessing skills gaps to inform strategic planning for skills development.

20. **The challenge to be addressed through this operation is to translate the concept of job-relevant skills into operational reality in a more institutionalized structure.** Three areas of action are especially pertinent to developing job-relevant skills: (a) gathering and consolidating critical intelligence from employers on current and prospective jobs and competencies required for business operations and growth; (b) assessing currently available education and training programs and evidence of possible

[36] It aims to universalize 12 years of education for all Rwandan children; and has started to shift enrollments in secondary education toward technical and vocational education and training (TVET) and to raise the share of tertiary level students pursuing courses in Science, Technology, Engineering and Mathematics.
[37] Changed to the Ministry of Trade, Industry and East African Community Affairs (MINEACOM) in 2017

misalignment with employers' needs; and (c) articulating and implementing concrete plans to address the gaps, which would typically require the introduction of new courses, or renewal and upgrading of existing ones, along with investments to align instructor capability accordingly. The three action areas form a long chain of activity involving multiple actors whose actions may be impeded by gaps in information or incentives.

21. **Countries as diverse as Australia, Cost Rica, Singapore and the United Kingdom use an apex body, such as an Expert Skills Group, to conduct these actions.** Such a body not only oversees the technical analysis but also advises the government on operational arrangements. In Rwanda, the apex body according to the Government's National Capacity Development Policy, Strategy and Implementation Plan (2016) is the newly-constituted[38] CESB. This PforR will support the CESB to undertake the three areas of action to develop job-relevant skills in the targeted economic sectors. By focusing on three economic sectors prioritized under the PforR, the expectation is to distill lessons and codify best practices that can be disseminated more broadly to bring about a cultural shift toward tighter links between skills demand and supply in Rwanda's system for skills development.

22. **Recently, the GoR has begun using JPCs to encourage collaboration across government ministries to achieve targets that require joint action by multiple ministries.** Signed jointly by the relevant Ministers and made available to the public on the government's website, a JPC specifies performance targets against which the relevant Ministers are evaluated by the Prime Minister. A JPC for the NEP, one of CESB's two focus areas, is currently in its second year of use. The PforR will support the strengthening of the skills related component of the NEP JPC.

23. **The strengthening of the skills-related component within the NEP JPC has two immediate purposes.** The first is to ensure that the findings of energy skills analyses are translated in a timely manner into new or updated course offerings. The second purpose is to apply the same methodology to the other two economic sectors prioritized for attention under this operation. There is a third, broader purpose. It is to give strategic leaders an authentic understanding of and mastery over the long chain of actions involved in building job-relevant skills—from identifying and tapping leading employers for information on skills and competencies required in their industry, to translating the information into training packages within the country's QF, to creating feedback loops to sustain a dynamic balance between skills demand and supply. The leaders' experiences in these areas provide a basis for distilling best practices and codifying key processes, to reduce delays and minimize the loss of accuracy in capturing information exchange among parties that normally have few occasions for interaction. When embedded in the institutional culture of CESB, the benefit of these experiences are spread beyond the three sectors selected for focus in this operation. In this way, the skills JPC is potentially a powerful catalytic impact on strengthening Rwanda's system for skills development.

24. **During the first year of the PforR, the focus will be on incorporating selected results of sector level analyses and action plans into the NEP JPC.** Each action plan will be based on an assessment of skills profiles, competencies and employer demand for skills, and an analysis of gaps in training provision. Each action plan should contain, at a minimum, (a) identification of the appropriate training providers to address the skills gap and mismatches in training supply; (b) courses to be improved or developed following a rigorous curriculum development process (see DLI 2); (c) timeline for rollout of new or improved courses; and (d) tracking labor market outcomes of graduates from those courses.

25. **The NEP, which expires in 2019, focuses on employment and short term training needs.** The PforR will support CESB to take the lead in developing a Skills Development and Employment Promotion

[38] The law establishing the CESB Nº43/2016 of 18/10/2016 published in the Official Gazette No Special of 18.10.2016.

Strategy as the follow-on to the NEP. This strategy will take a more integrated approach to skills development (that is, addressing full continuum from certificate to degree levels) and employment generation based on comprehensive skills needs assessment of EDPRS priority sectors.

Results Area 2: Ensuring Provision of Quality Training Programs with Market Relevance (Pillar 1 of NEP)

26. **The development of skills profiles and competencies in priority economic sectors provide critical information to be disseminated amongst education and training providers to build a solid bridge between the world of learning and the world of work.** Training providers can use the information to design or amend competency-based course curricula that respond to employers' expectations as conditions in the labor market evolve. Such curricula are only part of the story, however; other factors that matter in equipping the graduates of training programs with employable skills include: competent faculty to deliver the training and suitable facilities and equipment and adequate provision of materials, all of which requires systematic validation through quality assurance protocols. Taken together, these requirements exert pressure on the cost of training and education programs, particularly in technical, vocational and professional fields of study. Managing costs while assuring quality and impact on students' employment prospects are therefore key challenges for service providers. The PforR operation will support selected institutions in responding to these challenges, focusing on training programs and courses geared toward meeting skills needs in the selected economic sectors.

2.1 Promote Competency-based Curriculum Development and Pedagogy

27. **Engaging industry in shaping and delivering training content is critical for ensuring that course offerings respond to the needs of enterprises and the labor market.** The work of the CESB taps into high-level insights from industry leaders. The connection to industry needs to be reinforced through additional interactions at the level of individual institutions between service providers and employers. These interactions can help training providers develop truly demand-driven curricula and course materials that respond to local and sector-specific requirements. The SSCs, which fall under the purview of the CESB and the PSF, were recently established in a few sectors and are a promising development in this regard. In addition to providing inputs and support for curricula development and pedagogy, SSCs can also facilitate PPPs to create opportunities for instructors and trainees to "intern" at companies and gain practical work experience. Training institutions will need to provide career guidance and counselling for trainees and conduct follow-up tracer studies of former graduates and customer satisfaction surveys with enterprises.

2.2 Invest in Faculty Development, Facilities and Equipment and in Organizational Reform

28. **Investments to enhance training providers' capacity to deliver competency-based training programs help to improve the effectiveness and efficiency of service provision.** The pace of faculty upgrading in Rwanda has been modest, however. In 2013-14, only about 360 of the nearly 3,000 instructors in the public TVET system under the WDA's purview had benefited from training. [39] In the future, the pace of upgrading can be expected to pick up with the establishment of the RTTI which is being set up at the IPRC-Kigali with assistance from the Korean government. Faculty upgrading is also an important aim at the UR where only 20 percent of the faculty have PhDs at present. As part of its strategic plan, the UR aims to raise that share to 28 percent by 2020 and to 60 percent by 2025.[40]

[39] UNESCO (2015). Mapping Research and Innovation in the Republic of Rwanda. G.G. Lemarchand and A. Tash (eds.). GO→SPIN Country Profiles in Science, Technology and Innovation Policy, vol. 4. United Nations Educational, Scientific and Cultural Organization: Paris. (pp. 65).
[40] UR (2016). "Strategic Plan 2016-2025: Draft One," (March).

29. **With regard to organizational reform, the most significant development has been the creation of the UR in 2013 through the consolidation of institutions that previously operated as stand-alone entities under a single rationalized and integrated university with six constituent colleges.** This structure gives the UR an organizational structure that benefits from consistency in management and the economies of scale in applying technology to manage costs. At the TVET level, the IPRCs are also a recent innovation designed to provide leadership for technical training in the regions. The concept of "One Polytechnic" (much like one UR) was approved at the end of 2016, as a way to capture economies of scale by sharing common resources—for curriculum development and staff and student management—across multiple institutions. All the seven IPRCs in Rwanda will be constituted into the umbrella of one institution known as the RP which will manage the delivery of training across the seven polytechnics. This function was previously managed by the WDA and the WDA will henceforth focus on quality assurance of the TVET institutions.

30. **The PforR operation will support selected TVET institutions and UR Colleges in continuing to rationalize their organizational structures.** The impact of the institutions' efforts on training more individuals on better quality, market-relevant competency based curricula in the three selected sectors will be an important focus of M&E under the PforR operation. The PforR will support the targeted training institutions to not only deliver high-quality, market relevant programs but also to increase the participation of women and individuals from poor households in these programs.

31. At the University level, the PforR will support improving targeted programs under the UR namely, (a) the College of Science and Technology (focused on training programs in energy and transport and logistics); (b) the College of Business and Economics (focused on training programs on transport and logistics); and (c) the College of Agriculture, Animal Sciences and Veterinary Medicine (focused on agro-processing). These Colleges will focus on long-term degree programs. At the TVET level, six IPRCs and polytechnics as well as 12 VTCs/TSSs have been selected under this operation. The IPRCs and polytechnics will focus on two-three year diploma / advanced diploma courses while the VTCs/TSSs will focus on shorter term training courses. These institutions were selected given they have or are planning to initiate training programs that are relevant for the three economic sectors.

Result Area 3: Expanding Opportunities for Continuous Upgrading of Job-relevant Skills for Sustained Employability (Pillar 1 of NEP)

32. **Individuals' investment in skills acquisition should ideally equip them with credentials with economic value and position them to access additional opportunities for gaining new skills.** Instead, learning pathways are not always clear and may lead to dead ends; worse still, they may provide credentials that are not valued by employers. A national QF, which has been developed in Rwanda, can help to address this challenge. The framework creates a map for entry to and progression within career tracks; it establishes benchmarks for prior learning; and improves understanding of the relation among the credentials earned through various training programs. Having a framework is only the first step, however; its usefulness depends on the extent to which employers and individuals trust and rely on it to guide training and hiring decisions. For this reason, robust testing and examination systems to certify the skills acquired by trainees are vital to the usefulness and relevance of a QF.

3.1 Consolidate the National QF to Create Learning Pathways

33. Until recently, Rwanda had four disjointed QFs managed by different educational institutions namely, (a) the Rwanda National Examination Grading System for primary and secondary education implemented by REB; (b) the Rwanda Technical and Vocational Education and Training Qualification Framework coordinated by the (WDA); (c) the Rwanda Qualification Framework for Higher Education

implemented by HEC; and (d) the National Qualification Framework for Adult Education implemented by REB.

34. **These differing QFs have meant that individuals could not easily progress from one level to another (for example, from TVET to higher learning), hence reducing learning pathways and career opportunities for individuals.** A consolidated QF is key in clarifying learning and career pathways which are crucial for mobility and progression of learners in any education system. It is an instrument for the development, classification and recognition of skills, knowledge and competencies along a continuum of agreed levels that specifies what learners must know or be able to do whether learned in a classroom, on-the-job, or less formally[41].

35. **The HEC has been leading the QFs consolidation process with support from REB and the WDA.** The vision is an education and training system with a coherent and permeable structure that not only promotes lifelong learning but also opens up opportunities—through the recognition of non-formally acquired skills—for large parts of the population previously excluded from the formal education system and facilitating their access into the system. The PforR will strengthen the QF consolidation process with particular emphasis on developing support and trust in the QF among employers and workers' organizations.

36. **The consolidation of the QF with the support of employers is a critical milestone in expanding opportunities for individuals to access education and training, the second critical element of a QF is quality assurance.** Three important measures of quality assurance are: validation of qualifications and/or standards; accreditation and audit of education and training institutions; and quality assurance of skills and learning assessments leading to the award of qualifications[42]. Strengthening the robustness of skills testing and the examination system for qualifications in TVET and other technical fields is a potential area for support under the PforR. This broad agenda could be sharpened by focusing on training programs that are aligned to the three economic sectors prioritized for this operation. This concentration of effort would enable the relevant GoR ministries and agencies to accumulate the experience, know-how and capacity to create a system-wide approach for enhancing the credibility of credentials earned different training programs throughout the system.

37. **Modularization effectively means breaking down whole educational qualifications into useful sub-units (a module), each with measurable outcomes that are assessed (and sometimes certified) in their own right and as well as contributing to an overall educational outcome (primarily, a qualification).** Modularizing programs creates opportunity for access to education and training for disadvantaged individuals and also improves their ability to progress through programs. Modular programs can potentially improve access by, for example, reducing financial costs (paying per module rather than the whole qualification), and can assist with regard to time commitment since people can take one course at a time rather than the whole qualification at once. The PforR will support the modularization of courses within the target sectors in line with the QFs developed. This will enable the development of career pathways and extend opportunities for training to a wider population.

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[41] Tuck, Ron (2007). An Introductory Guide to National Qualifications Frameworks: Conceptual and Practical issues for Policy Makers. ILO. (http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/instructionalmaterial/wcms_103623.pdf.)

[42] Tuck, Ron (2007). An Introductory Guide to National Qualifications Frameworks: Conceptual and Practical issues for Policy Makers. ILO. (http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/instructionalmaterial/wcms_103623.pdf.)

3.2 Align Financing Incentives to Foster Market-responsive Investments in Skills

3.2.1 Support for Long-term Training Opportunities through Student Loans and Bursaries

38. **The MINEDUC convenes key government stakeholders to evaluate and decide on student applications for financial assistance, following criteria that includes academic performance, field of study and economic status.** Each year, about 7,000 students are approved to receive assistance in the form of a combination of loans (which must be repaid at an interest rate of 11 percent a year, as soon as an individual starts earning an income following graduation) and bursaries (which are a grant and thus do not need to be repaid).

39. **BRD signed a 10-year agreement with the GoR to administer the disbursement and recovery of loans under the student loan/bursary scheme beginning in October 2015.** This relocation takes advantage of the BRD's capacity for quick processing of payments of the loans, the part for tuition flowing directly to the education institutions and the part for living expenses to the student's personal bank accounts.

40. **The PforR will support the BRD to create a robust MIS of individual students, which will be updated annually to capture changes in students' enrollment status and field of study, as well as their employment following graduation.** Creating a robust MIS on the student loan and bursary program—for current and past beneficiaries—is a critical step toward ensuring the program's financial sustainability. The primary goal of the PforR will be to improve loan recovery rates to expand the GoR's coverage of financial assistance.

3.2.1 Support for Short-term Training Opportunities through the SDF

41. **Under the previous IDA project, a SDF was implemented on a pilot basis.** The objective of the Fund was to minimize skills gaps by rapidly increasing the supply of skills in high demand in the labor market. This objective was achieved through the provision of sub-grants to eligible applicants on a competitive basis with the purpose of raising the quality and volume of TVET institutions' short-term training offerings in critical sectors and occupations with demonstrated areas of skills shortages. By the end of the previous project, the SDF had provided grants to the tune of more than US$4 million to TVET 108 institutions. About 15,000 Rwandans were trained by project closure although these beneficiary institutions continue to provide training using the support they acquired from SDF.

42. **Given the successes recorded by the previous fund, the WDA would like to revive the SDF to support short-term training.** While the previous SDF was quite successful in terms of achieving the set objectives, a number of lessons were learnt that would need to be considered in the future SDF facility, including a stronger labor market orientation and clearer private sector participation in governance of the Fund.

43. **Skills funds have become a popular instrument to address skills gaps through co-financing of continuing training in the formal and informal sectors, and provide targeted support to emerging economic activities calling for skills that are not available in the labor market.** The funds are typically public bodies administered by a board comprising employers' and employees' representatives. Many funds have been a success, especially in terms of dealing with specific skills shortages; however, the financial sustainability of the funds has proved to be challenge in many countries. Therefore, a plan for the long-term development of the SDF should be prepared at an early stage of the implementation.

44. **The revived SDF will take its point of departure in Pillar 1 of the NEP, including employer-led short-term vocational training and apprenticeships, provision of labor market relevant skills for out-of-school youth, RPL, and strengthening of private sector participation in skills building.**

Furthermore, the SDF will, on a cost-sharing basis, promote development of innovative new approaches to skills development and employment creation.

45. **According to the NEP 2015/16 progress report, since implementation of NEP started in 2015 more than 3,200 artisans and craftsmen have been certified by the WDA under the RPL scheme[43], and 5,200 young men and women developed hands-on skills in different trades such as carpentry, welding, tailoring and dress-making, hair-dressing, masonry and plumbing.** The training lasts on the average three months. Particularly promising graduates were offered start-up tools kits and soft loans upon completion of the training. In addition, 1,150 persons were trained under the 'Rapid Response Training' scheme. The trained persons were from three different organizations, a garment factory, a road construction company, an agricultural company, and a home-based care practitioner program. The effect of the training on the situation of the trainees has not yet been systematically investigated. The SDF will draw on the experience of the NEP, but maintain a stronger labor-market orientation and make an effort to avoid over-supply of new entrants to trades that are characterized by fierce competition and low earnings.

46. **The focus of SDF will be on short-term, practical and technical training of employees (including business skills for the informal sector) and school-leavers ranging from few days to not more than six months.** The SDF 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.

47. **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.

Governance and Management

48. **The operations of the SDF will be overseen by a Board with private sector representation.** The SDF board will also serve as the 'grant committee', the body that has the final say on which applications to be co-funded by the SDF. In consultation with the World Bank, the Board approves the operational details of the Fund. Accordingly, the SDF Board will ensure that the Fund becomes an efficient and acknowledged instrument for strengthening the skills and competence base of the Rwandan labor force, hereby making the Rwanda private sector more competitive and improving access to gainful employment. The Board may reallocate financial resources between the different windows, if required. The members of the Committee are supposed to undertake their responsibility with due care and integrity. Preferably, the chairperson should be a recognized person with extensive private sector experience. The WDA Board of Directors appoints the SDF Board.

49. **Management of the SDF will be in the hands of a secretariat to be established under the purview of the WDA.** A Fund Manager will be responsible for the day-to-day operations of the fund. The SDF Secretariat is the unit responsible for all administration, supervision, logistics and safeguard measures required to operate the SDF and secure the implementation in line with the main principles laid down in the agreement between the World Bank (IDA) and the GoR. The secretariat, which will be kept lean, will consist of a group of full-time technical experts and administrative staff. For specialized functions, such as communication, procurement, due diligence and monitoring, the Fund will rely on WDA staff and short-term external expertise. The Fund Manager will be accountable to the DG of the WDA. The SDF Operations

[43] The high number of artisans and craftsmen interested in obtaining an official recognition of their skills suggest that there is a considerable unrecorded potential of craftsmen in Rwanda.

Manual will stipulate the operational details of the SDF Secretariat, including communication, procurement, and monitoring procedures.

50. The Director General of WDA will report progress of the implementation of SDF in the NEP Steering Committee meeting and also provide a quarterly report to CESB that is coordinating the NEP.

Three "Windows"

51. The SDF will have three "windows", catering for different target groups:

Window 1: Rapid Response

52. **The objective of this window is to address skills gaps experienced by enterprises in the formal sector and to promote collaborations between industry and training providers.** SDF will co-finance short-term skills up-grading training courses for workers who are in the process of being employed by the applicant, workers who are already employed, or a group of sub-contractors supplying goods or services to the company/companies, for example, farmers. Training activities sponsored through Window 1 will primarily focus on the practical skills of the trainee, but relevant theoretical training may be sponsored as well.

53. **The enterprise is expected to be in the lead position to define the content and duration of the training.** Training can be provided to a single employer with a sufficient number of workers to be trained or to a number of employers with identical training needs. The enterprise (association of enterprises) will be the applicant. The applying company (group of companies) is supposed to identify the provider it prefers to deliver the training, but the SDF Secretariat may assist if needed. The applicant(s) must demonstrate how the proposed skills training will benefit the company and how it will lead to increased productivity and competitiveness for the firm. The firm may also indicate whether it intends to continue the training activities on its own upon completion of the SDF sponsored training.

54. **The training provider must have a demonstrated capacity (knowledge, skill, practical experience, training facilities, and the necessary relevant machines/tools) to provide the training requested by the enterprise.** If more adequate, part of the training can take place at facilities of the company. However, there may be situations where the company provides the training facilities and contracts the trainers.

55. **In instances where the required expertise is not available in Rwanda, the cost of bringing training experts from other countries will be co-funded.** Also, in few instances where no relevant training programs are available in Rwanda or can be established at a reasonable cost, the SDF will sponsor training taking place outside of the country.

56. While the grant agreement usually is with the company requesting the training, funds for the provision of such training will be paid directly to the training provider upon competition of the agreed training.

57. The length of training should not exceed 6 months.

Table 1.3.

Expected no. of grants	30
Expected average size of grants	US$133,333
Max. size of grants	US$250,000
Grantee co-funding for all applicants	30%

Source: WDA

Window 2: Out-of-school Youth

58. **The objective of this window is to provide out-of-school youth with practical skills for work in labor-intensive trades that align them with local demand and opportunities.** Priority will be given to non-traditional trades and trades relevant for women. Also, skills upgrading courses for the informal sector will qualify for support under this window. Both non-agricultural and agricultural courses are eligible for support. The training may include an introduction to basic business skills.

59. **Applicants under this window are training institutions, public and private, and NGOs interested in providing short-term training within non-traditional trades for out-of-school youth as well as informal sector associations.** The training provider must have a demonstrated capacity (knowledge, skill, practical experience, training facilities, and the necessary relevant machines/tools) to provide the proposed training. Training courses for members of informal sector associations must be prepared in collaboration with these, and the application must indicate how the informal sector operators will benefit from the training. Training providers will be encouraged to collaborate with organizations that can provide follow-up assistance, for example, coaching, to graduates who wants to establish their own business.

60. **The grant may include acquisition of basic tools needed for the training and, in rare cases, tool kits for particularly promising graduates.** The duration of the training should not exceed 6 months.

Table 1.4.

Expected no. of grants	30
Expected average size of grants	US$166,667
Max. size of grants	US$300,000
Grantee co-funding for non-government applicants	15% (in kind)

Source: WDA

Window 3: Apprenticeships/Internships

61. **The purpose of this window is to provide TVET students and graduates with an opportunity to acquire labor market relevant practical skills.** Priority will be given to non-traditional trades and trades relevant for women. Two types of apprenticeships/internships are eligible for support:

62. **Internships.** Placement of TVET students or graduates as interns in an enterprise/institution. The internship should not exceed 6 months. The grant can be used for acquiring minor tools/equipment needed for the training, covering additional costs incurred such as insurance, and transport stipends for interns. The SDF will not cover the salary of the intern. Applicants are supposed to be existing TVET institutions (IPRCs, VTCs, TSSs) in collaboration with companies willing to take on interns. Applying TVET institutions must show that they have entered an agreement with relevant companies with sufficient capacity to cater for the number of proposed interns. The ratio between regular employees and interns must not exceed 2:1.

63. **Apprenticeships.** IBT organized by a company interested in establishing an apprenticeship scheme within its organization. The company will define the content and duration of the training. Preferably, the training should combine practical training at the workplace with school-based theoretical classes (dual system). The duration of the training should not exceed 12 months. Applicants are supposed to be companies in partnership with TVET institutions. The companies must have the necessary capacity (qualified staff and facilities) to provide the apprentices with adequate quality skills.

64. For Window 3, co-financing in kind will be accepted.

Table 1.5.

Expected no. of grants	40
Expected average size of grants	US$75,000
Max. size of grants	US$125,000
Grantee co-funding for non-government applicants	5% (in kind)

Source: WDA

Result Area 4: Capacity Building for Implementation (Supports activities under the PAP)

65. **In view of the foregoing restructuring and reforms that were described earlier, one obvious area of critical capacity building is Change Management.** Each of the restructured institutions will need to adjust quickly to new leadership, new missions, integrate new departments, revise their Key Performance Indicators (KPIs) and become productive as one cohesive unit. While recognizing that the restructuring will result in better management of the skills development system in Rwanda, without proper change management, the process is not likely to be as smooth as it should or can be. As part of the restructuring, several Single Project Implementation Units (SPIUs) have been or are going to be established at several large agencies, including the WDA, UR and MINEDUC. It is important that the coordinators of the SPIUs are trained in project management, which has a structured methodology to ensure that projects are delivered on budget and on schedule. A group of people with accredited project management certification will make a huge difference to the culture of project planning, resourcing, implementation and execution.

66. **Beyond these generic capacity building areas that are required across institutions, there are also specific institutional capacity gaps within some of the implementing entities which were identified by the GoR and the World Bank during preparation.** Within the UR, there is a need for technical expertise in competency-based curriculum planning and development, pedagogy and assessment, the use of ICT in the delivery of training programs and expertise to support the overall management and coordination of the UR. Under the WDA and RP, there is a need for more and better trained instructors, both in the relevant skills area as well as pedagogy. In addition, the WDA will potentially require more and better skilled professionals to handle its quality assurance and regulatory function.

67. **The CESB would like to establish a twinning/coaching partnership with an apex institution in another country that has successfully instituted a functional apex skills/employment entity and within the CESB – NEPs Coordination - there is a focus on hiring technical experts to develop an effective M&E system for the NEP, which is adequately linked to the Joint Imihigo (Performance Contract).** The HEC function of inspection and monitoring of tertiary institutions will also need to be strengthened through the provision of technical experts and the BRD will need to hire a firm and full-time staff to develop and manage the MIS for the student loan scheme.

68. **Given the varied capacity building needs across institutions to effectively implement the NEP, the World Bank and the GoR agreed that capacity building would be one of the key results areas under the PforR which is beyond the scope of the current NEP.** There would also be a specific DLI targeting capacity building. The GoR will seek the support of an appropriate partner(s) through its existing

bilateral relationships with countries that have proved to be successful in skills development, to provide capacity development support to all implementing institutions as and when required.

69. **The PforR will target the following entities for capacity building: CESB, MINEDUC, HEC, BRD, UR, WDA, RP, and targeted training institutions.** The five areas for capacity building are: (a) cross ministerial collaboration and accountability to undertake strategic planning, implement action plans to build skills for growth, and formulate a comprehensive Skills Development and Employment Promotion Strategy as a follow-on to the NEP; (b) curriculum development to create new or update training courses and programs leading to specialized professional and technical qualifications in selected economic sectors; (c) quality assurance of the training programs; (d) management of student loans recovery; and (e) general project management, especially M&E, for the implementing institutions.

70. **A detailed needs assessment will be conducted in each of the above areas to inform the preparation of a time bound capacity building action plan with clear milestones.** In the first year of the Program, CESB will enter into a Memorandum of Understanding (MoU) with a partner institution(s) to undertake capacity building support for implementing entities and Inception Report submitted with the quality acceptable to the World Bank. Annual reports will be produced to establish if the milestones set for capacity building have been achieved.

Implementation Arrangements

71. **The PforR will be implemented by the CESB and MINEDUC with support of BRD, HEC, RP (once established), UR and WDA.** The overall NEP is implemented by several ministries, though MINEDUC takes responsibility for Pillar 1 of the NEP and MIFOTRA (through CESB) takes responsibility of Pillar 4.

72. **CESB will be responsible for implementation of Results Areas 1 and 4.** CESB will be responsible for: (a) Strategic Human Resource and Capacity Development (former NCBS with expanded mandate): (i) sector skills assessments; (ii) coordination of the strengthening of the skills development pillar results into the NEP JPC; (iii) and strategic skills planning and (b) NEPs Coordination: M&E of the implementation of NEP.

73. **MINEDUC, alongside its semi-autonomous, legally independent agencies, is responsible for implementation of Results Areas 2 and 3 of the PforR.** Under the MINEDUC the main implementation agencies include WDA, RP (once established), HEC, and the UR. Additionally, BRD would be working with the HEC on the student loans scheme. Specifically, under the PforR these agencies will be responsible for the following activities:

74. **The WDA was established in 2009 as a public institution, with separate legal personality, with regulatory and implementation responsibilities for TVET and has administrative and financial autonomy.** It is responsible for coordinating TVET provision and providing strategic oversight of the TVET sector, this includes the identification of TVET subjects; the development of standards and curricula; inspections of TVET institutions; training of vocational and technical teachers; examination and certification; regulating and accrediting TVET institutions; supporting entrepreneurship development; and the establishment of a National TVET QF. In 2017, the WDA will be restructured to only focus on its regulatory function while other functions related to the coordination and implementation of TVET programs will be transferred to the RP. Under this PforR, the WDA will be responsible for: (a) administering SDF; (b) operationalizing new national QF in targeted sectors alongside HEC and REB; and (c) establishing standards for training programs, accrediting new/amended TVET programs and providing quality assurance for these.

75. RP will be established in 2017 and under the PforR will be responsible for: (a) coordinating short term and long term technical and vocational training under the targeted IPRCs, VTCs and TSSs and (b) developing/updating curricula to be competency-based in collaboration with employers within the target sectors. The WDA will take responsibility for these functions whilst RP is being set up.

76. **HEC is a semi-autonomous agency, with separate legal entity, established in 2006.** It is responsible for securing coherent provision of quality higher education in Rwanda and advising the Minister on all matters relating to the accreditation of higher education institutions. It is also responsible for monitoring and evaluating the quality and standards of the HLIs and enhancement of teaching and research. Under this PforR, HEC will be responsible for (a) operationalizing new national QF in targeted sectors alongside WDA and REB; and (b) establishing standards for training programs, accrediting new/amended HLI programs and providing quality assurance for these.

77. **The UR is a special public organ, with separate legal personality, that enjoys administrative, teaching, research and financial autonomy.** As of FY2014/15, UR has been responsible for developing budget plans and reporting financial statements of the colleges and institutes. Under the PforR, UR will be responsible for: (a) delivering longer term training in the selected priority sectors; (b) working with CESB on the sector skills assessments; (c) developing/updating curricula to be competency-based in collaboration with employers within the target sectors and (d) upgrading of staff.

78. **REB and BRD will be responsible for the implementation of the student loans scheme.** REB was established in 2010 as a semi-autonomous entity, with separate legal personality, reporting to the Minister of MINEDUC. One of REB's functions is to select beneficiaries who would receive support through the loans scheme[44]. Once the students are selected, BRD will be responsible for administering the disbursement and recovery of loans under the student loan/bursary scheme.

[44] This function will likely be transferred to the HEC through the current restructuring process.

Figure 1.1. Implementation Arrangements for Results Area 1

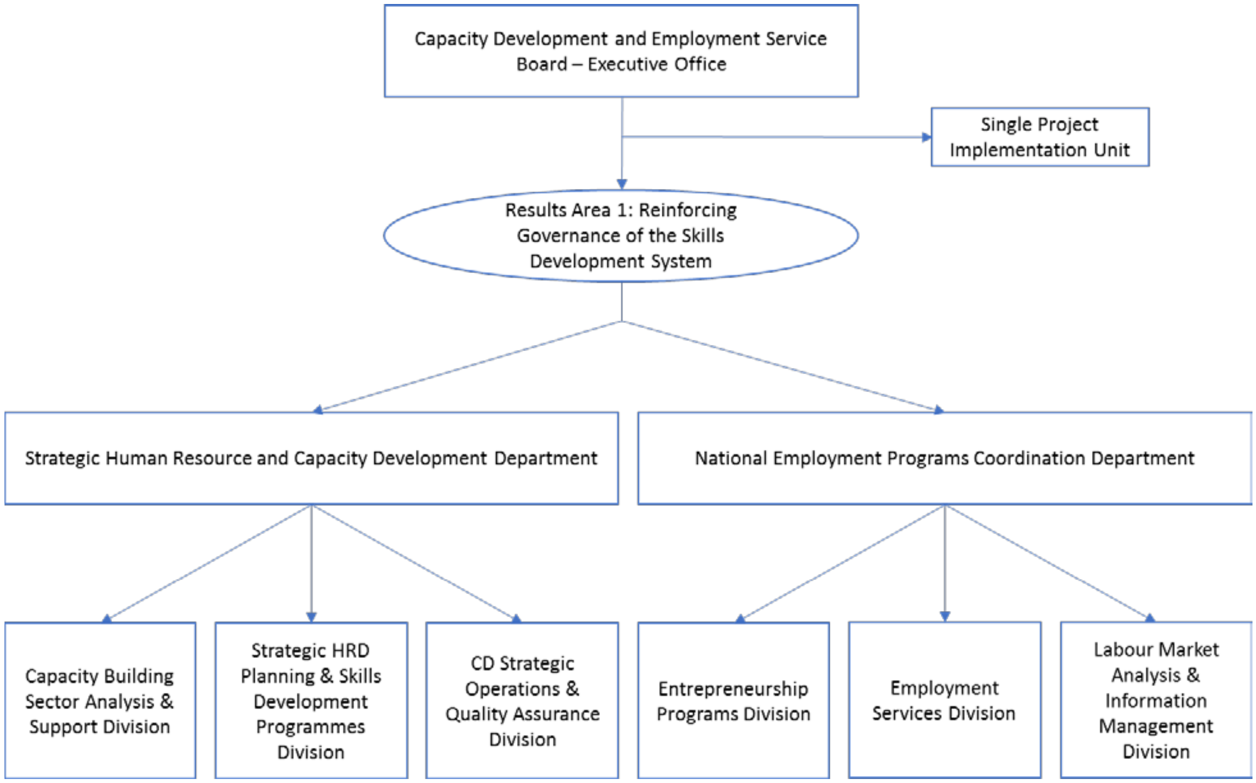

Figure 1.2. Implementation Arrangements for Results Area 2

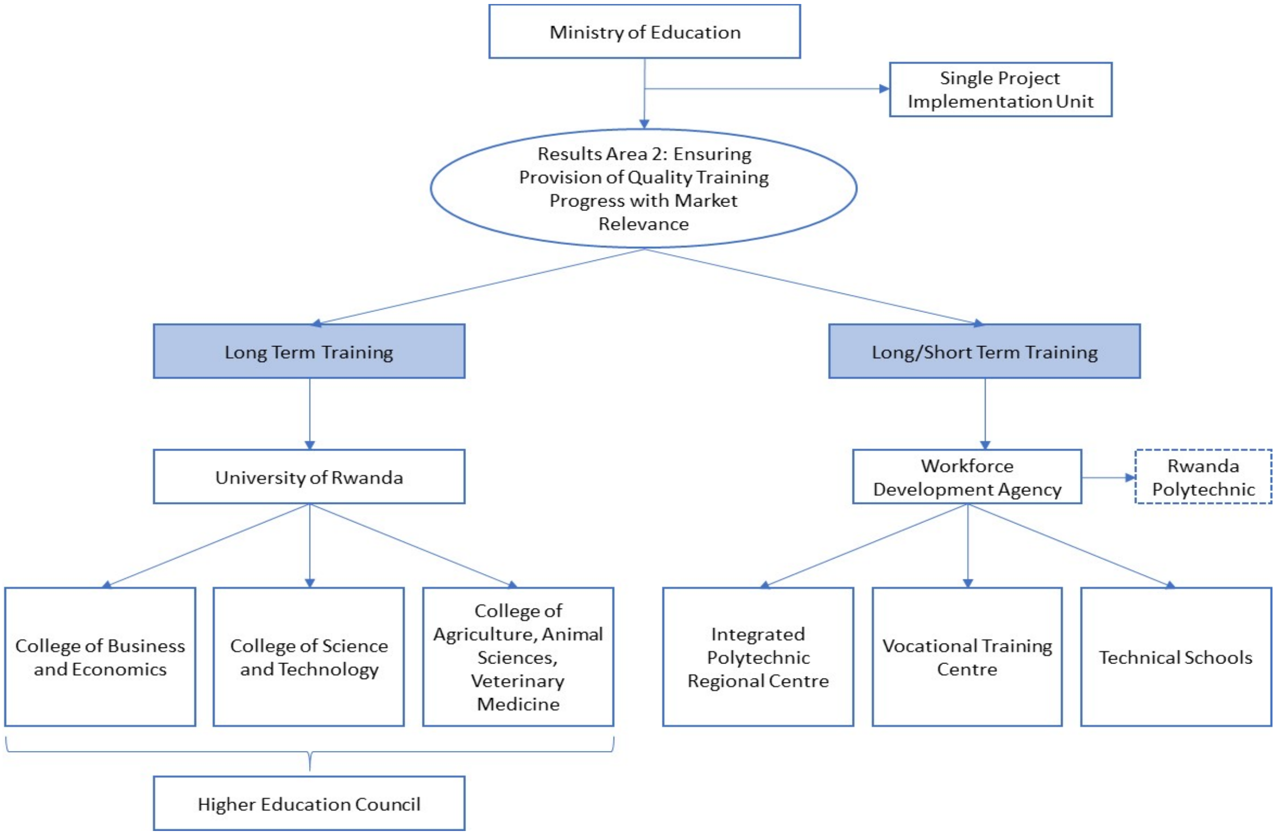

Figure 1.3. Implementation Arrangements for Results Area 3

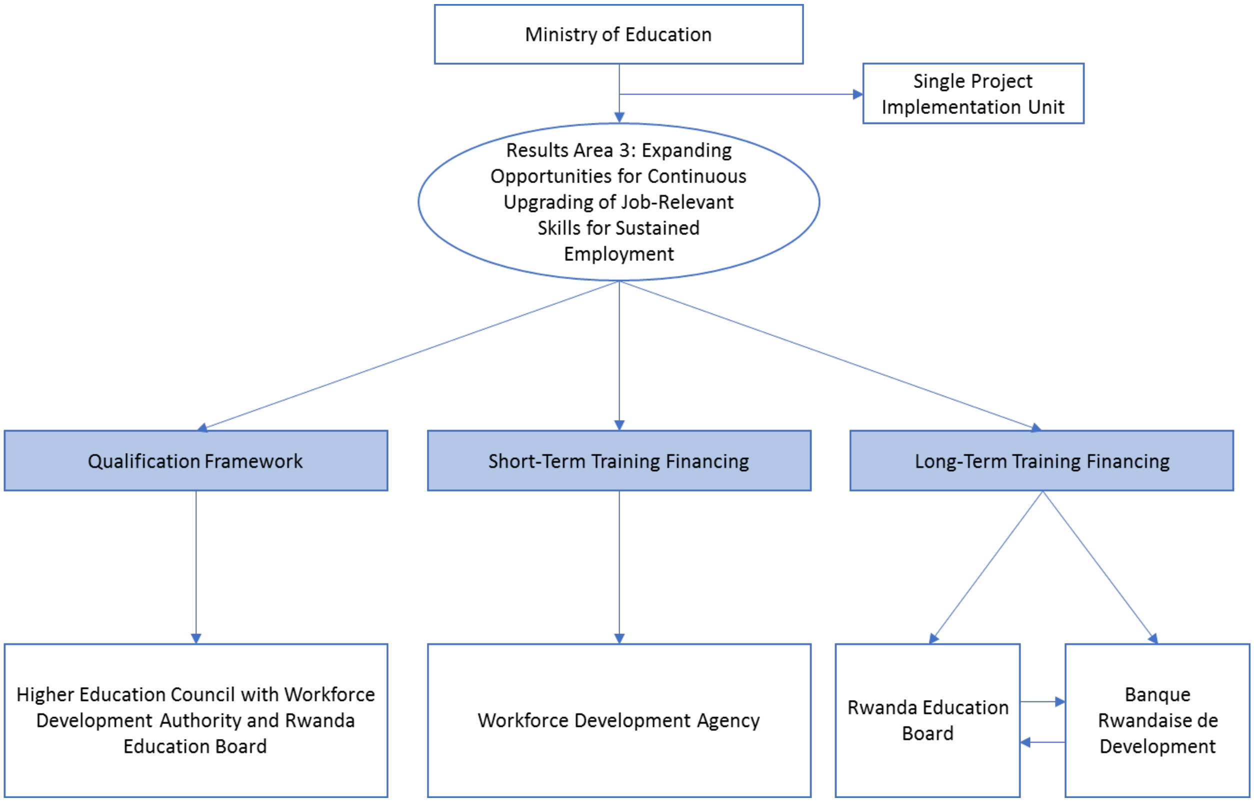

Table 1.6. Program Description of Key On-going DP Support for Skills in Rwanda

DPs	Program
AfDB	AfDB provides UA35.9 million (US$50 million) sector budget support through the third phase of the Skills, Employability, and Entrepreneurship Program (SEEP III), aiming upgrading skills at technician level in selected priority sectors such as manufacturing, construction, agro-processing, and energy to increase productivity and enhance employment. The program also supports the strengthening MSMEs, which squarely fits within Pillar 2 of the NEP. The SEEPIII builds on the former supports of SEEPI and SEEPII. The Program aims to achieve following targets: (a) Share of TVET enrolment as percentage of upper secondary stream increased from 42 percent in 2015 to 50 percent in 2017; (b) Proportion of employers who are satisfied with TVET graduates increased from 73.4 percent in 2013 to 76 percent in 2017; (c) Value added per worker in industry increase from US$2,418 in 2014 to US$2,538 in 2017; and (d) Number of MSMEs created annually as start-ups increased from 13,610 in 2016 to 14,500 in 2017. (Source: AfDB website, SEEPIII Appraisal Document)
MasterCard Foundation	The MasterCard Foundation is developing a US$50 million initiative that aims to upgrade skills and increase employability in hospitality and tourism sector in Rwanda. The program is expected to become effective in 2017. The initiative aims to: (a) Equip 18,500 underemployment and unemployment youth in urban and peri-urban areas with skills and links to employment opportunities; (b) Upgrade skills of 11,500 women and men already working in the sector; and

DPs	Program
	(c) Support the growth of 600 high-potential tourism SMEs in Rwanda (Source: MasterCard Foundation Rwanda Initiative Summery)
GIZ	The GIZ provides EU 5 million technical cooperation grant through the Promotion of Economy and Employment (*EcoEmploi*) program, aiming to support networking and capacity development both for private and public organizations in selected economic sectors such as tourism, ICT, creative industries and woods. More specifically, EcoEmploi program providing support for, for examples: • Support in-company short term vocational and technical training; • Support the implementation of industrial attachment program; • Develop and implement a modern apprentice system; • Upgrading TVET trainers according to CBT/ CVA; and • Entrepreneurship training. (Source: WDA website, information obtained by DP group)
Swiss Contact/ Swiss Development Cooperation	Swiss Contact under SDC provides CHF 7.5 million for skills development, job creation and private sector development for TVET graduates in Western province, through the second phase of the Promote Market Oriented Skills Training program. The program is to follow on its Phase 1 program (completed in 2016), and aims to support to strengthening quality, management and role model TVET centers. (Source: WDA website, information obtained by DP group)
Swedish	Swedish government provides approx. US$9.5 million to finance activities under the NEP. Moreover, Swedish government supports UR for research, higher education and institutional advancement over the five-year period with an amount of US$40.7 million. (Source: MIFTORA website, UR website)
APEFE/ Belgian government	APEFE, funded by the Belgian government, supports TVET program in Southern province in Rwanda, with a focus on skills development in construction, hospitality and agri-vet food processing sectors. APEFE supports several activities to improve TVET such as training of trainers, school management capacity, infrastructure and curriculum. (Source: WDA website, information obtained by DP group)

Annex 2: Results Framework

Results Areas Supported by PforR	PDO/Outcome Indicators (Key Indicators to Measure the Achievement of Each Aspect of the PDO Statement)	Intermediate Results Indicators (Critical Processes, Outputs or Intermediate Outcomes Indicators Needed to Achieve Each Aspect of the PDO)	DLI Number	Unit of Measure	Baseline (2016/17)	End Target[45] (2019/20)
Results Area 1: Reinforce governance of the skills development system		IR Indicator 1.1: Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans	1	Y/N	N	Y
		IR Indicator 1.2: Action plans for specialized technical and professional skills development are formulated for the selected economic sectors		Number	0	3
		IR Indicator 1.3: Key elements of the action plans are incorporated in NEP JPC		Number	0	3
		IR Indicator 1.4: Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet		Y/N	N	Y
Results Area 2: Ensure provision of quality training programs with market relevance	PDO Indicator: New or updated programs accredited for occupations in at least one of the selected economic sectors		2	Number	13	46
		IR Indicator 2.1: Number of accredited new or updated programs taught by staff participating in industry attachments in the selected economic sectors.	3	Number	0	15
		IR Indicator 2.2: Percentage of new or updated programs with a modularized design aligned with the REQF in the selected economic sectors.		Percentage	0	50
Results Area 3: Expanding opportunities for continuous	PDO Indicator: Percentage of SDF supported trainees employed/self-employed 6 months after graduation (% of female graduates)			Percentage	n/a (% female: n/a)	64 (% female: 34)

[45] Numbers are cumulative.

upgrading of job-relevant skills for sustained employability		IR Indicator 3.1: Number of graduates of SDF supported programs by window	4	Number	Total: 0 (% female: n/a) Window 1: 0 (% female: n/a) Window 2: 0 (%female: n/a) Window 3: 0 (%female: n/a)	Total: 9,000 (% female: 35.5) Window 1: 2,575 (% female: 30.0) Window 2: 3,025 (%female: 35.0) Window 3: 3,400 (% female: 40.0)
	PDO Indicator: Improved sustainability of financing for long term training programs as measured by student loan recovery		5	Percentag e	16%	At least 11 percentage point improvement from baseline in loan recovery rate (27%)
		IR Indicator 4.1: BRD Loan Recovery Management Information System is operational		Y/N	N	Y
		IR Indicator 4.2: Number of loan recipients from the 1980 – 2015 cohort who are repaying loans that are registered in the loan recovery MIS		Number	10,000	25,000
		IR Indicator 4.3: Number of students receiving loans for long-term training (% female, % STEM)		Number	7,607 (% female: 32.0, % STEM: 79.6)	9,370 (% female: 38.0, % STEM: 90.0)
Results Area 4: Capacity building for implementation	PDO Indicator: Capacity building for targeted entities in five areas, each with progress milestones, is completed		6	Y/N	N	Yes, completion of milestones in three of the five capacity building areas[46]

[46] The five areas are: (a) cross ministerial collaboration and accountability to undertake strategic planning, implement action plans to build skills for growth, and formulate a comprehensive skills and employment strategy as a follow-on to the NEP; (b) curriculum development to create new or update training courses and programs leading to specialized professional and technical qualifications in selected economic sectors; (c) quality assurance of the training programs; (d) management of student loans recovery; and (e) general project management, especially M&E, for the implementing institutions.

Indicator Description

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 1.1: Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans	Currently Pillar 1 (skills development) focuses on short term training. A strengthened Pillar 1, in addition to expanding opportunities for short term training, would have an increased focus on longer term training at the degree, diploma and certificate levels in the selected economic sectors. NEP JPC commits concerned ministries to collaborate in achieving agreed targets in the NEP. The increased focus on longer term training would be achieved by incorporating in NEP JPC action plans on new or updated training programs to address	Once	CESB	CESB provides a copy of the NEP JPC to OAG	CESB	Auditor-General	Yes. Completion of action plan that is based on respective skills needs assessment in each selected economic sector (energy, transport and logistics, manufacturing) would release US$3 million. Action plan of each selected economic sector (energy, transport and logistics, manufacturing) integrated into NEP JPC would release US$2 million. Skills Development and Employment Promotion

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	skills gaps and mismatches (at technician and professional levels) in the selected economic sectors. CESB takes the lead in conducting skills needs assessments, developing action plans and incorporation of key elements in the NEP JPC. Each action plan will be based on an assessment of skills profiles, competencies and employer demand for skills, and an analysis of gaps in training provision. The action plan should contain: • identification of the appropriate training providers to address the skills gap and mismatches in training supply;						Strategy as a follow-on to the NEP is not scalable.

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	• courses to be improved or developed following a rigorous curriculum development process (see DLI 2); • timeline for rollout of new or improved courses; • tracking labor market outcomes of graduates from those courses NEP, which expires in 2019, focuses on employment and short term training needs. CESB will take the lead in developing a Skills Development and Employment Promotion Strategy as the follow-on to the NEP. This strategy will take a more integrated approach to skills development (that is, addressing full continuum from certificate to degree						

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	levels) and employment generation based on comprehensive skills needs assessment of EDPRS priority sectors.						
IR Indicator 1.2: Action plans for specialized technical and professional skills development are formulated for the selected economic sectors	CESB distills the findings from the sector-specific skills reports to inform the action plans, key elements of which will be incorporated in NEP JPC.	Year 1: Incorporation of action plan for Energy sector Year 2: Incorporation of action plans for transport and logistics, and manufacturing (Made in Rwanda).	CESB MINECOFIN	CESB provides action plans for the selected economic sectors to MINECOFIN	MINECOFIN		
IR Indicator 1.3: Key elements of the action plans are incorporated in NEP JPC.	CESB will prepare reports distilling key elements of the action plans for the selected economic sectors.	Annual Year 1: Report on key elements of energy sector action plan Year 2: Report on key elements of transport and logistics, and manufacturing (Made in Rwanda) action plans	CESB	CESB provides reports on key elements of action plans for the selected economic sectors to MINECOFIN for incorporation into NEP JPC	CESB		

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 1.4: Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet	CESB will supervise the preparation of skills development needs and gap assessment for the EDPRS priority sectors, use the assessments of results to prepare a comprehensive Skills Development and Employment Promotion Strategy. Cabinet considers and approves the Skills Development and Employment Promotion Strategy.	Once	CESB NEP Steering Committee	CESB provides a comprehensive Skills Development and Employment Promotion Strategy to NEP Steering Committee for discussion and endorsement. NEP Steering Committee submits the Skills Development and Employment Promotion Strategy to Cabinet for approval through the Prime Minister's Office	NEP Steering Committee Prime Minister's Office		
PDO Indicator: New or updated programs accredited for occupations in at least one of the selected economic sectors	Programs consist of courses leading to degree, diploma, or certificate level qualifications. The choice of programs and courses to be created or updated is based on and in line with skills needs assessment, gap analysis and action plan for the selected economic sectors (including	Annual	UR and WDA websites	UR and WDA maintain updated information on new and updated programs on their websites. MINEDUC (SPIU) downloads relevant information for reporting to the World Bank.	MINEDUC (SPIU)	Third Party Verification firm[47]	Yes Unit disbursement is differentiated by the level of accredited programs (that is, degree, diploma and certificate levels).

[47] This is the firm which is independent of the program implementing entity.

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	and similar to those done by NCST for the Energy Sector). The curricula for these new or updated programs (courses) are developed following a rigorous process, for example, DACUM http://dacum.osu.edu/ or similar. The process will be documented indicating sufficient industry participation at all levels of setting standards, developing curriculum and approving the curriculum. Degree level programs should be accredited by HEC and diploma and certificate level programs by WDA now and RP, once constituted.						
IR Indicator 2.1: Number of accredited new or updated programs	Industry attachments should be at least one month in duration, and should occur during 2017 – 2019.	Annual	Targeted institutions	Targeted institutions prepare reports using a template provided by MINEDUC (SPIU) on teaching staff	MINEDUC (SPIU)	Auditor-General	Yes Disbursement amount is scaled per program.

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
taught by staff participating in industry attachments in the selected economic sectors	The host entity should be a business enterprise in one of the selected economic sectors. The industry attachments should be based on a formal agreement between a targeted training institution and host entity. A program is counted once if: • one (or more) of its instructors has (have) participated in an industry attachment, regardless of the number of locations where the staff teaches the courses associated with the program. • at least one of teaching staff from the program has participated in an industry attachment.			participating in industry attachments.			
IR Indicator 2.2: Percentage of new or	Modular training, within the structure of the REQF, enables	Annual	WDA, HEC	Targeted training institutions submit their modular training	MINEDUC (SPIU)		

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
updated programs with a modularized design aligned with the REQF in the selected economic sectors	trainees to accumulate credits incrementally toward certification at the different qualification levels. This approach offers greater flexibility for individuals to acquire the qualifications for employment and career development. The targeted training institutions will therefore be adopting this approach to diversify learning pathways.			programs to HEC and WDA for accreditation. MINEDUC (SPIU) obtains relevant information from HEC and WDA.			
PDO Indicator: Percentage of SDF supported trainees employed/self-employed 6 months after graduation (% of female graduates)	Numerator is the number of graduates from SDF supported graduates employed or self-employed six months after graduation. Denominator is the total number of graduates from the SDF supported programs.	Annual	WDA	WDA will conduct tracer studies on all graduates of SDF supported training programs.	MINEDUC (SPIU)		
IR Indicator 3.1. Number of graduates of SDF supported	The governance and management structure of SDF will be functional based	Annual	WDA	Administrated data will be collected by WDA as a part of grant application and selection	MINEDUC (SPIU)	Auditor-General	Yes. Functional governance and

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
programs by window	on the operational manual. The SDF is considered to be functional once 1) operations manual is approved; 2) SDF staff is contracted; and 3) the first call for proposals is made. The SDF will have three windows providing grants for short term training: Window 1: rapid response training Window 2: out-of-school youth Window 3: apprenticeships and internships Each window will support demand driven training provision through competitive process for awarding training grants.			and monitoring grants awarded.			management structure of SDP would release US$4.25 million Disbursement amount is scaled in units of 500 graduates within the maximum target for each window as specified in the SDF operational manual.
PDO Indicator: Improved sustainability of financing for long term training	The baseline loan recovery ratio is defined by the following ratio: loan repayment amount collected from loan	Annual	BRD	BRD will set up and maintain an MIS containing the following information: For the 1980-2015 cohort – name of loan	MINEDUC (SPIU)	Auditor-General	Yes US$2 million will be disbursed to each percentage point increase

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
programs as measured by student loan recovery	beneficiaries from 1980-2015 cohorts; and those recovered by BRD in calendar year 2016 divided by total amount of outstanding loans to loan beneficiaries in the 1980-2015 cohorts that BRD received from REB to manage in calendar year 2016. The total amount of loans issued out by REB from 1980 to 2015 was about RWF 70 billion. Loan repayment amount collected from 2007 to 2016 was RWF 12 billion. The baseline recovery ratio is 16%. For each year of project implementation the denominator will stay the same, that is, about RWF 70 billion; the numerator will be the cumulative loan			beneficiary and related persons (if available), year of the loan origination, amount of original loan and amount repaid, NID (when available). For the 2016 cohort (new loan beneficiaries) - name of loan beneficiary, NID, gender, field of study, level of study, Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding For the 2017 cohorts and beyond – name of loan beneficiary, NID, gender, field of study, level of study, HLIs, revised Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding.			for loan recovery.

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	repayment amount (starting from calendar year 2016) collected from loan beneficiaries in the 1980-2015 cohorts. Loan recovery management information system is a computerized individual-level database capable of processing data and generating reports on demand. The MIS should contain at least the following information: For the 1980-2015 cohort – name of loan beneficiary and related persons (if available), year of the loan origination, amount of original loan and amount repaid, NID (when available) For the 2016 cohort (new loan beneficiaries)- name of loan beneficiary, NID, gender, field of						

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	study, level of study, HLIs, Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding For the 2017 cohorts and beyond – name of loan beneficiary, NID, gender, field of study, level of study, HLIs, revised Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding[48].						
IR Indicator 4.1: BRD Loan Recovery Management Information System is operational	Loan Recovery MIS is able to generate on demand reports on the status of student loan program.	Once	BRD	BRD prepares reports on the status of loan recovery for submission to HEC/MINEDUC(SPIU).	HEC/MINEDUC (SPIU)		

[48] The number of Ubudehe categories were reduced from six to four in 2017.

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 4.2: Number of loan recipients who are repaying loans from the 1980-2015 cohort as a result of BRD recovery	At the start of calendar year 2016, about 55,000 loan beneficiaries from the 1980-2015 cohorts had outstanding loans under BRD management. This indicator tracks the number among the 1980-2015 cohorts who are repaying loan.	Annual	BRD	The indicator will be computed using the aggregated data generated by BRD's MIS system;	MINEDUC (SPIU)		
IR Indicator 4.3: Number of students receiving loans for long-term training (% female, % STEM)	This indicator will track the number of students receiving loans for diploma and degree level training, disaggregated by gender and STEM/no-STEM fields of study.	Annual	HEC	HEC will maintain administrative database on applicants and loan beneficiaries by gender and fields of study.	MINEDUC (SPIU)		
PDO Indicator: Capacity building for targeted entities in five areas, each with progress milestones, is completed	The targeted entities include CESB, MINEDUC, HEC, BRD, UR, WDA, RP, and targeted training institutions. The five areas for capacity building are: (a) Cross ministerial collaboration and accountability to undertake strategic planning,	Annual	CESB	CESB coordinates needs assessment in each of the five areas, and prepares a capacity building plan. Each of targeted entities submit progress reports to MINEDUC (SPIU).	MINEDUC (SPIU)	Auditor-General	No

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	implement action plans to build skills for growth, and formulate a comprehensive Skills Development and Employment Promotion Strategy as a follow-on to the NEP; (b) Curriculum development to create new or update training courses and programs leading to specialized professional and technical qualifications in selected economic sectors; (c) Quality assurance of the training programs; (d) Management of student loans recovery; and (e) General project management, especially M&E, for the						

Indicator Name (Number)	Description (Clear Definition)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
	implementing institutions. Detailed needs assessments will be conducted in each of the above areas to inform the preparation of a time bound capacity building action plan with clear milestones. Year 1. MoU with partner institution(s) to undertake capacity building support for implementing entities and Inception Report submitted with the quality acceptable to the World Bank. Year 3. Annual progress report of capacity building milestones submitted with the quality acceptable to the World Bank.						

Annex 3: Disbursement-Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix

	Total Financing Allocated to DLI (US$, millions)	As % of Total Financing Amount (%)	DLI Baseline	Indicative Timeline for DLI Achievement			
				Period 1 (March 2018)	Period 2 (August 2018)	Period 3 (August 2019)	Period 4 (March 2020)
DLI 1**:** Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans			No	Action plans based on skills needs assessments completed (US$3 million per action plan)	Incorporation in the NEP JPC of key elements of an action plan to address skills gaps in the energy, transport and logistics and manufacturing (Made in Rwanda) sectors (US$6 million) Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet (US$10 million)		
Allocated amount:	25	20.8		9	16	0	0
DLI 2: New or updated programs accredited for occupations in the selected economic sectors			13	8	10	12	3
Allocated amount:	30.5	25.4		9.1	7.0	12.3	2.1
DLI 3: Number of accredited new or updated programs taught by staff participating in industry			0		8	7	

	Total Financing Allocated to DLI (US$, millions)	As % of Total Financing Amount (%)	DLI Baseline	Indicative Timeline for DLI Achievement			
				Period 1 (March 2018)	Period 2 (August 2018)	Period 3 (August 2019)	Period 4 (March 2020)
attachments in the selected economic sectors							
Allocated amount:	5	4.2		0	2.67	2.33	0
DLI 4: Number of graduates of Skills Development Fund (SDF) supported programs by window			Total: 0 Window 1: 0 Window 2: 0 Window 3: 0	Governance and management structure of SDF is functional based on the operational manual (US$4.25 million)	Total: 2,285 Window 1: 450 Window 2: 560 Window 3: 1,275 Total: 3,590 Window 1: 1,125 Window 2: 1,190 Window 3: 1,275	Total: 3,125 Window 1: 1,000 Window 2: 1,275 Window 3: 850	
Allocated amount:	24.5	20.4		4.25	13.25	7.0	0
DLI 5: Improved sustainability of financing for long term training programs as measured by student loan recovery			16%	Digitized database in place to track beneficiaries of student loan program	At least 3 percentage point improvement from baseline in loan recovery rate (19%)	At least 7 percentage point improvement from baseline in loan recovery rate (23%)	At least 11 percentage point improvement from baseline in loan recovery rate (27%)
Allocated amount:	25	20.8		3	6	8	8
DLI 6: Capacity building for targeted entities in five areas, each with progress milestones, is completed			No	MoU with partner institution(s) and agreed capacity building plan, with specified implementation milestones		Completion of milestones in one of the five capacity building areas	Completion of milestones in three of the five capacity building areas

	Total Financing Allocated to DLI (US$, millions)	As % of Total Financing Amount (%)	DLI Baseline	Indicative Timeline for DLI Achievement			
				Period 1 (March 2018)	Period 2 (August 2018)	Period 3 (August 2019)	Period 4 (March 2020)
Allocated amount:	10	8.3		5	0	1.67	3.33
Total Financing Allocated:	120	100		30.35	44.92	31.30	13.43

DLI Verification Protocol Table

Number	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data source/agency	Verification Entity	Procedure
1	DLI 1: Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans	Currently Pillar 1 (skills development) focuses on short term training. A strengthened Pillar 1, in addition to expanding opportunities for short term training, would have an increased focus on longer term training at the degree, diploma and certificate levels in the selected economic sectors. NEP JPC commits concerned ministries to collaborate in achieving agreed targets in the NEP. The increased focus on longer term training would be achieved by incorporating in NEP JPC action plans to address skills gaps (at technician and professional levels) in the selected economic sectors. CESB takes the lead in conducting skills needs assessment, developing	Yes. Completion of action plans based on the skills needs assessment of each selected economic sector (energy, transport and logistics, manufacturing) would release US$3 million. Action plans of selected economic sector (energy, transport and logistics, manufacturing) integrated into NEP JPC	CESB	Auditor-General	Auditor-General will confirm (a) completion of action plan that is based on respective skills needs assessment in the selected economic sectors (b) incorporation in the NEP JPC key elements of the action plans for skills development in the selected economic sectors (c) Cabinet approval of the Skills Development and Employment Promotion Strategy as a follow-on to the 2015 – 2019 NEP

<table>
<tr><th rowspan="2">Number</th><th rowspan="2">DLI</th><th rowspan="2">Definition/Description of Achievement</th><th rowspan="2">Scalability of Disbursements (Yes/No)</th><th colspan="3">Protocol to Evaluate Achievement of the DLI and Data/Result Verification</th></tr>
<tr><th>Data source/agency</th><th>Verification Entity</th><th>Procedure</th></tr>
<tr><td></td><td></td><td>action plans and incorporation of key elements in the NEP JPC.

Each action plan will be based on an assessment of skills profiles and needs, and an analysis of gaps in training provision.

The action plan should contain:
• identification of the appropriate training providers to address the skills gap and mismatches in training supply;
• courses to be improved or developed following a rigorous curriculum development process (see DLI 2);
• timeline for rollout of new or improved courses; and
• tracking labor market outcomes of graduates from those courses.

NEP, which expires in 2019, focuses on employment and short term training needs. CESB will take the lead in developing a Skills Development and Employment Promotion Strategy as the follow-on to the NEP. This strategy will take a more integrated approach to skills development (that is, addressing full continuum from certificate to degree levels) and employment generation based on comprehensive skills needs assessment of EDPRS priority sectors.</td><td>would release US$6 million.

Skills Development and Employment Promotion Strategy as a follow-on to the NEP is not scalable.</td><td></td><td></td><td></td></tr>
</table>

Number	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data source/agency	Verification Entity	Procedure
2	DLI 2: New or updated programs accredited for occupations in the selected economic sectors	Programs consist of courses leading to degree, diploma, or certificate level qualifications. The choice of programs and courses to be created or updated is based on and in line with skills needs assessment, gap analysis and action plan for the selected economic sectors (including and similar to those done by NCST for the Energy Sector). The curricula for these new or updated programs (courses) are developed following a rigorous process, for example, DACUM http://dacum.osu.edu/ or similar. The process will be documented indicating sufficient industry participation at all levels of setting standards, developing curriculum and approving the curriculum. Degree level programs should be accredited by HEC and diploma and certificate level programs by WDA now and RP, once constituted.	Yes Unit disbursement is differentiated by the level of accredited programs (that is, degree, diploma and certificate levels).	UR, HEC, WDA	Third Party Verification firm[49]	The third party verification firm will visit UR Colleges, HEC and WDA to review the curricula for the new or updated courses as well as documentation on the process for developing these new curricula.
3	DLI 3: Number of accredited new or updated programs taught by staff participating in industry attachments	Industry attachments should be at least one month in duration, and should occur during 2017 – 2019. The host entity should be a business enterprise in one of the selected economic sectors.	Yes Disbursement amount is scaled per program.	Information supplied by WDA and UR will be consolidated by MINEDUC.	Auditor-General	Auditor-General will (a) Obtain from MINEDUC the list of teaching staff and host entities involved in industry attachments along

[49] This is the firm which is independent of the program implementing entity.

Number	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data source/agency	Verification Entity	Procedure
	in the selected economic sectors	The industry attachments should be based on a formal agreement between a targeted training institution and host entity. A program is counted once if: • one (or more) of its instructors has (have) participated in an industry attachment, regardless of the number of locations where the staff teaches the courses associated with the program. • at least one of teaching staff from the program has participated in an industry attachment.		This information comprises a list of teaching staff and host entities for the industry attachments.		with the corresponding formal agreements between targeted institutions and entities hosting the industry attachments (b) Conduct key informant interviews with at least 90 percent of the teaching staff and host entities involved, to ascertain that the industry attachments actually took place.
4	DLI 4: Number of graduates of Skills Development Fund (SDF) supported programs by window	SDF offers grants for technical and vocational short term training (6 months or shorter). Firms, cooperatives, associations and training providers (both public and private) are eligible to apply for grants through competitive process that will be defined in the SDF operational manual. The SDF fund will have three windows: Window 1: rapid response training Window 2: out-of-school youth Window 3: apprenticeships and internships	Yes Disbursement amount is scaled in units of 500 graduates within the maximum target for each window as specified in the SDF operational manual.	WDA	Auditor-General	Auditor-General will (a) Verify the call for the proposals for grant application has been advertised. (b) On a random sampling basis, verify WDA-provided information in the WDA's database.

Number	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data source/agency	Verification Entity	Procedure
		WDA should maintain a database on the grant applications and grants awarded. For each awarded grant, information on the purposes of the grants and graduates from training funded by the grants. The SDF is considered to be functional once (a) operations manual is approved; (b) SDF staff is contracted; and (c) the first call for proposals is made.				
5	DLI 5: Improved sustainability of financing for long term training programs as measured by student loan recovery	The baseline loan recovery ratio is defined by the following ratio: loan repayment amount collected from loan beneficiaries from 1980-2015 cohorts recovered by BRD in calendar year 2016 divided by total amount of outstanding loans to loan beneficiaries in the 1980-2015 cohorts that BRD received from REB to manage in calendar year 2016. The total amount of outstanding loans that BRD received from REB to manage in calendar year 2016 was about RWF 70 billion. Loan repayment amount collected from 2007 to 2016 was RWF 12 billion. The baseline recovery ratio is 16%. For each year of project implementation the denominator will stay the same, that is, about RWF 70 billion; the numerator will be the cumulative loan repayment amount (starting from calendar year	Yes US$2 million will be disbursed to each percentage point increase for loan recovery.	BRD	Auditor-General	Auditor-General will obtain information on the amount of outstanding loans and repayments made from the BRD at the beginning of the year and at the end of the year to ascertain the loan recovery rate. The indicator will be computed using the aggregated data for the numerator generated by BRD's MIS system. Auditor-General will conduct a random sample of individuals/employers selected from BRD's MIS to verify the information recorded for these individuals/employers.

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<tr><th rowspan="2">Number</th><th rowspan="2">DLI</th><th rowspan="2">Definition/Description of Achievement</th><th rowspan="2">Scalability of Disbursements (Yes/No)</th><th colspan="3">Protocol to Evaluate Achievement of the DLI and Data/Result Verification</th></tr>
<tr><th>Data source/agency</th><th>Verification Entity</th><th>Procedure</th></tr>
<tr><td></td><td></td><td>2016) collected from loan beneficiaries in the 1980-2015 cohorts.
Loan recovery MIS is a computerized individual-level database capable of processing data and generating reports on demand.

The MIS should contain at least the following information:
(a) for the 1980-2015 cohort – name of loan beneficiary and related persons (if available), year of the loan origination, amount of original loan and amount repaid, NID (when available).
(b) for the 2016 cohort - name of loan beneficiary, NID, gender, field of study, level of study, HLIs, Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding
(c) for the 2017 cohorts and beyond – name of loan beneficiary, NID, gender, field of study, level of study, HLIs, revised Ubudehe category (four groups) at the time of loan origination, year of the loan origination, amount of original loan, amount repaid and amount outstanding.</td><td></td><td></td><td></td><td>Auditor-General will obtain from BRD audited financial reports on the Education Loan Recovery Fund.

Auditor-General will obtain from BRD the following reports:
(a) progress in setting up the MIS;
(b) aggregate data reports for the 1980-2015 cohort on amount of loans recovered and number of loan beneficiaries repaying their loans; and
(c) aggregate data reports for cohorts from 2016 onwards on amount of loans recovered and number of loan beneficiaries repaying their loans by selected Ubudehe category.</td></tr>
<tr><td>6</td><td>DLI 6: Capacity building for targeted entities in five areas, each with progress milestones, is completed</td><td>The targeted entities include CESB, MINEDUC, HEC, BRD, UR, WDA, RP, and targeted training institutions.

To implement activities envisaged under this operation, capacity will need</td><td>No</td><td>MINEDUC and CESB</td><td>Auditor-General</td><td>Auditor General will

(a) In period 1, confirm the existence of a capacity building plan with clear milestones, based on</td></tr>
</table>

Number	DLI	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data source/agency	Verification Entity	Procedure
		to be strengthened in the following five areas: (a) Cross ministerial collaboration and accountability to undertake strategic planning, implement action plans to build skills for growth, and formulate a comprehensive Skills Development and Employment Promotion Strategy as a follow-on to the NEP; (b) Curriculum development to create new or update training courses and programs leading to specialized professional and technical qualifications in selected economic sectors; (c) Quality assurance of the training programs; (d) Management of student loans recovery; and (e) General project management, especially M&E, for the implementing institutions. Detailed needs assessments will be conducted in each of the above areas to inform the preparation of a time bound capacity building action plan with clear milestones.				a needs assessment covering five areas; (b) In period 1, confirm the existence of an MoU/contract with a partner(s) that will support implementation of the capacity building plan (c) In period 3 and 4, confirm the plan is being implemented by interviewing key informants in all the targeted entities (d) In period 3, confirm the completion of milestone in one of the five capacity building areas (e) In period 4, confirm the completion of milestones in three of the five capacity building areas

World Bank Disbursement Table

Number	DLI	World Bank Financing Allocated to the DLI (US$, millions)	Of which Financing Available for Prior Results	Deadline for DLI Achievement[1]	Minimum DLI Value to be Achieved to Trigger Disbursements of World Bank Financing [2]	Maximum DLI Value(s) Expected to be Achieved for World Bank Disbursements Purposes [3]	Determination of Financing Amount to be Disbursed Against Achieved and Verified DLI Value(s) [4]
1	Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans	25	0	FY2017/18, FY2018/19	Completion of skills needs assessment in at least one sector.	Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet	US$3 million per sector upon completion of skills needs assessment. Total US$9 million for three sectors. US$2 million per sector upon incorporation in the elements of an action plan to address skills gaps in energy, transport and logistics and manufacturing (Made in Rwanda) sectors within the NEP JPC results the first 12 months. Total of US$6 million for three sectors. Full amount of US$10 million upon approval of a Skills Development and Employment Promotion Strategy as

Number	DLI	World Bank Financing Allocated to the DLI (US$, millions)	Of which Financing Available for Prior Results	Deadline for DLI Achievement[1]	Minimum DLI Value to be Achieved to Trigger Disbursements of World Bank Financing [2]	Maximum DLI Value(s) Expected to be Achieved for World Bank Disbursements Purposes [3]	Determination of Financing Amount to be Disbursed Against Achieved and Verified DLI Value(s) [4]
							a follow-on to the NEP by Cabinet.
2	New or updated programs accredited for occupations in the selected economic sectors	30.5	0	FY2019/20	14	46	US$1.2 million for each accredited program at degree level US$1 million for each accredited program at diploma level US$700,000 for each accredited program at certificate level Maximum amount for disbursement is US$30.5 million
3	Number of accredited new or updated programs taught by staff participating in industry attachments in the selected economic sectors	5	0	FY2018/19 FY2019/20	1	15	US$333,333 per new or updated accredited programs taught by staff participating in industry attachments in the selected economic sectors. Maximum amount for disbursement is US$5 million
4	Number of graduates of Skills Development Fund (SDF)	24.5	0	FY2017/18, FY2019/20	500 graduates	9,000 graduates	Full amount of US$4.25 million upon the governance and

Number	DLI	World Bank Financing Allocated to the DLI (US$, millions)	Of which Financing Available for Prior Results	Deadline for DLI Achievement[1]	Minimum DLI Value to be Achieved to Trigger Disbursements of World Bank Financing [2]	Maximum DLI Value(s) Expected to be Achieved for World Bank Disbursements Purposes [3]	Determination of Financing Amount to be Disbursed Against Achieved and Verified DLI Value(s) [4]
	supported programs by window						management structure of SDF functional. US$1,125,000 for each unit of 500 graduates; Maximum amount for disbursement is US$20.25 million
5	Improved sustainability of financing for long term training programs as measured by student loan recovery	25	0	FY2017/18, FY2019/20	Digitized database in place to track beneficiaries of student loan program Minimum increase of 3 percentage point from baseline in loan recovery	11 percentage point increase	Full amount of US$3 million in Period 1 when digitized database is in place to track beneficiaries of student loan program. In Period 2, 3 and 4, US$2 million per 1 percentage point improvement from baseline Maximum amount for disbursement is US$25 million.
6	Capacity building for targeted entities in five areas, each with progress milestones, is completed	10	0	FY2017/18, FY2019/20	MoU with partner institution(s) and agreed capacity building plan, with specified	Completion of milestones in three of the five capacity building areas.	Full amount of US$5 million upon the signing of MoU with partner institution(s) and agreement of the capacity building plan, with specified

Number	DLI	World Bank Financing Allocated to the DLI (US$, millions)	Of which Financing Available for Prior Results	Deadline for DLI Achievement[1]	Minimum DLI Value to be Achieved to Trigger Disbursements of World Bank Financing [2]	Maximum DLI Value(s) Expected to be Achieved for World Bank Disbursements Purposes [3]	Determination of Financing Amount to be Disbursed Against Achieved and Verified DLI Value(s) [4]
					implementation milestones.		implementation milestones US$1,666,666 per one capacity building area (total three areas out of the five areas).

[1]If the DLI is to be achieved by a certain date before the World Bank Financing closing date, please insert such date. Otherwise, please insert the World Bank Financing closing date.

[2] If the DLI has to remain at or above a minimum level to trigger World Bank disbursements (for example, DLI baseline), please indicate such level.

[3] Please insert the DLI value(s) above which no additional World Bank financing will be disbursed.

[4]Specify the formula determining the level of World Bank financing to be disbursed on the basis of level of progress in achieving the DLI, once the level of DLI achievement has been verified by the World Bank. Such formula may be of various types, including pass/fail, linear, or other types as may be agreed between the World Bank and the borrower.

Disbursement-linked Indicators: Theory of Change

1. **A set of DLIs for the PforR operation will form the basis for disbursement.** The DLIs are expected to enhance the focus on key results and incentivize the performance improvements in the areas identified as critical for reinforcing governance of the skills development system, ensuring provision of quality training programs with market relevance, expanding opportunities for continuous upgrading of job-relevant skills for sustained employment, and capacity building for implementation. There are six DLIs under the PforR operation blending process with output indicators. There are three DLIs at PDO level with the other three at intermediate results level.

2. The DLIs are organized into the same key results areas as the results framework: (a) reinforcing governance of the skills development system; (b) ensuring provision of quality training progress with market relevance; (c) expanding opportunities for continuous upgrading of job-relevant skills for sustained employment; and (d) capacity building for implementation.

Results Area 1. Reinforcing Governance of the Skills Development System

DLI 1: Strengthened Pillar 1 (skills development) of the NEP, as evidenced by the implementation of a JPC that integrates the results of the sector level action plans

3. **This DLI will be completed when a Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet.** It is expected that skills needs assessment in energy, transport and logistics and manufacturing sectors complete in Period 1. It is expected that key elements of an action plan to address skills gaps in the energy, transport and logistics and manufacturing sectors are incorporated in the NEP JPC in Period 2. Also, in Period 2, the Skills Development and Employment Promotion Strategy as a follow-on to the NEP is approved by Cabinet.

- **Theory of change.** The Cabinet's approval of the Skills Development and Employment Promotion Strategy as a follow-on to the NEP is a key result in the governance of the skills development system required to give strategic leaders an authentic understanding of and mastery over the long chain of actions involved in building job relevant skills (from the identification of a skills gap to the translation of the information into a training package).

Results Area 2. Ensuring Provision of Quality Training Programs with Market Relevance

DLI 2: New or updated programs accredited for occupations in the selected economic sectors.

4. **This DLI will be completed when the number of new or updated programs that are accredited for occupations in the selected economic sectors increases.** This is a scalable indicator, and it is expected that by Year 3, the cumulative number will increase up to 33. It is expected that 8 programs will be newly developed or updated by the end of Period 1, and additionally 10 (cumulatively, 18) in Period 2, 12 (cumulatively, 30) in Period 3 and 3 (cumulatively, 33) in Period 4 are newly developed or updated.

- **Theory of change.** This DLI will be completed when the UR and TVET institutions develop new programs or update existing programs and those new or updated programs are accredited for occupation in the selected economic sectors.

DLI 3: Number of accredited new or updated programs taught by staff participating in industry attachments in the selected economic sectors.

5. **This DLI will be completed when the number of accredited new or updated programs that are taught by staff who participate in industry attachments in the selected economic sectors increases.** This is a scalable indicator, and it is expected that by the end of Period 2, 8 out of total 33 new or updated programs are taught by staff who participate in industry attachments in the selected economic sectors. Additional 7 new or updated programs are taught by the end of Period 3. The target values are set only for Period 2 and 3.

Results Area 3. Expanding Opportunities for Continuous Upgrading of Job-relevant Skills for Sustained Employment

DLI 4: Number of graduates of Skills Development Fund (SDF) supported programs by window.

6. **This DLI will be completed when the governance and management structure of the SDF is functional based on the operations manual, and the number of graduates from SDF supported programs increases.** The number of graduates is measured for each window. It is expected that the governance and management structure of SDF is functional in Period 1. From the first cohort, a total of 2,285 trainees (450 in Window 1, 560 in Window 2, 1,275 in Window 3) graduate from the programs supported by SDF, and from the second cohort additionally, 3,590 (1,125 for Window 1, 1,190 in Window 2, 1,275 in Window 3) in Period 2. Additional 3,125 (1,000 in Window 1, 1,275 in Window 2, 850 in Window 3) from the third cohort in Period 3 are expected to graduate from the programs.

- **Theory of change.** It is critical that out of school youth or those who are already employed are equipped with the skills through short term training programs, and the sound governance and management structure to provide such training programs is also essential. This operation aims to revive the SDF, and set up the functional governance and management structure to give more youth opportunities for the relevant short term training programs.

DLI5: Improved sustainability of financing for long term training programs as measured by student loan recovery

7. **This DLI will be completed when the digitized database is in place to track beneficiaries of the student loan program and the loan recovery rate increases.** It is expected that in Period 1, digitized database is in place. The loan recovery rate increases by at least 3 percentage point from baseline in Period 2, at least 7 percentage point in Period 3, and at least 11 percentage point in Period 4.

- **Theory of change.** The provision of government financing (that is, student loan) is one of key factors that expand opportunities for students to access to education. Sustainable and well targeted loan scheme will increase the number of students who enjoy the benefits of an education at the UR and IPRCs. However, the sustainability of student loan mechanism is challenging. One way to make the fund sustainable is to increase the loan recovery from beneficiaries by setting up the system.

Results Area 4: Capacity building

DLI 6. Capacity building for targeted entities in five areas, each with progress milestones, is completed.

8. **This DLI will be completed when milestones in three of the five capacity building areas are completed.** It is expected that an MoU with partner institution(s) is signed and a capacity building plan,

with the specified implementation milestones, is agreed in Period 1. The milestones in one of the five capacity building areas are completed in Period 3, and the milestones in a total of three of the five capacity building areas are completed in Period 4. No target value is set in Period 2.

- **Theory of change.** The GoR emphasizes the importance of skills development for its social and economic development, and has been making concerted efforts to address the challenges of skills shortage, for instance by restructuring relevant entities in the country. However, due to its restructuring and new mandate for staff, capacity building activities are critical to implement activities efficiently and monitor the progress properly.

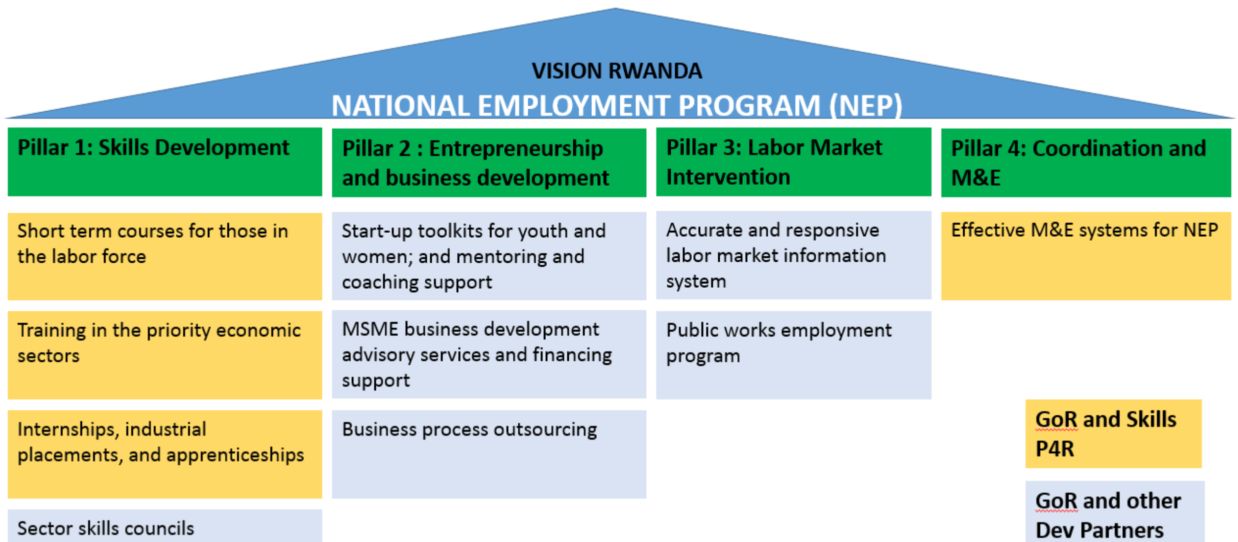
Annex 4: Summary Technical Assessment

1. Program Strategic Relevance and Technical Soundness

A. Strategic Relevance

1. **The PforR is strategically relevant to the Rwanda Vision 2020 and its development policies.** The PforR directly supports NEP by focusing on issues of training quality, establishing pathways throughout education and training system, scaling up training in priority sectors, and sector governance. Given the links between different programs related to skills development, by supporting NEP the PforR is also strategically relevant for Program for Priority Skills Development (PPSD) (2013-2018) and science, technology, innovation, and research. Figure 4.1 specifies NEP pillars and specific activities which are supported by PforR.

Figure 4.1. PforR Support to the NEP



2. **The DO of this PforR is to expand opportunities for the acquisition of quality, market-relevant skills in selected economic sectors (Energy, Transport and Logistics, Manufacturing-Made in Rwanda).** The achievement of the DO is measured along three results areas: (a) reinforcing governance of the skills development system; (b) ensuring provision of quality training programs with market relevance, and; (c) expanding opportunities for continuous upgrading of job-relevant skills for sustained employability.

3. **The PforR directly supports two out of four NEP pillars.** Table 4.1 summarizes how the PforR results areas are related to the NEP pillars. The PforR does not directly support Pillar 2 "Entrepreneurship and Business Development" because the GoR has made substantial progress in this area, and there is a number of DPs which are already supporting the GoR, including GIZ, SIDA, AfDB, and BTC. Furthermore, the GoR did not request the World Bank's support for this pillar of the NEP.

Table 4.1. NEP Pillars, PforR Results Areas, and Corresponding Outcomes

PforR Results Areas/NEP Pillars	Pillar 1: Skills Development	Pillar 2: Entrepreneurship and Business Development	Pillar 3: Labor Market Interventions	Pillar 4: Coordination and M&E
Results Area 1: Reinforcing governance of the skills development system	NEP joint-performance contract for skills development			Regular NEP progress monitoring
Results Area 2: Ensuring provision of quality training programs with market relevance	• Short term competency based training for priority sectors • Curricula revision/development for long term training in the priority sectors • Employer participation in course design and delivery • Teaching staff development			
Results Area 3: Expanding opportunities for continuous upgrading of job-relevant skills for sustained employability	• Operationalizing REQF in selected economic sectors • Increased number of Rwandans trained in short term and long term market relevant training programs			
Results area 4: Capacity Building for Implementation (supports activities under the PAP)	While this results area is not a part of the NEP, during technical assessment it was identified that this area is critical for effective implementation the NEP. The GoR will seek the support of an appropriate partner(s) through its existing bilateral relationships with countries that have proved to be successful in skills development, to provide capacity development support to all implementing institutions as and when required.			

Note: The corresponding outcomes in each cell are adopted from the results chain.

B. Technical Soundness

4. **The approach that government undertook toward development of the NEP is technically sound.** The overall goal of the NEP is to foster quality employment in the country and streamline government programs, which are relevant for employability and building skills for employment in priority sectors, across different ministries. The consolidation of the skills development programs under NEP aims at addressing inefficiencies which were stemming from duplication of training programs under different ministries. Additionally, NEP structure was supposed to generate better coordination between different ministries responsible for labor demand and supply aspects. Furthermore, the specific focus on skills development in the priority sectors and short term training in NEP operationalizes strategic areas of the EDPRS-2 and 5- year PPSD to produce skilled labor for growing priority sectors as well as improve labor productivity of those who are already employed.

5. **The assessment of technical soundness of specific NEP components will focus on the pillars supported by the PforR and is organized around results areas supported by the PforR.**

Results Area 1: Reinforcing Governance of the Skills Development System

6. **This results area supports Pillar 3 "Labor Market Interventions" and Pillar 4 "Coordination and M&E" of the NEP.** The main achievements of the GoR in implementation of these pillars included (a) establishing NEP secretariat to monitor achievement of the NEP targets on a regular basis; (b) setting up NEP M&E system; (c) piloting labor force survey; (d) conducting assessments of three NEP interventions – Business Development Advisory Services, IBT, and Quasi-Equity Scheme; (e) supporting LMIS and integration of the LMIS information into the NEP monitoring.

7. During technical assessments, several areas under Pillar 3 and 4 were identified which require strengthening to successfully implement the government program and can be supported by the PforR, including

(a) **Strengthening system-wide coordination.** While the structure for NEP coordination and monitoring is developed, the coordination and information flows between different ministries and agencies involved in the NEP implementation needs to be strengthened. The CESB, which brings together capacity building and employment services under one institutional arrangement, was formed in October 2016. It is the apex organization to provide national level coordination and implementation oversight of the capacity development across all sectors (public, private and civil society) and employment programs coordination. Capacity building would be required for CESB to successfully implement its mandate.

(b) **Setting up systems to operationalize and monitor implementation of sector specific skills reports.** CESB envisions production of sector specific reports on skills requirements. The first skills assessment report was produced for the energy sector by the NCST. Its results have been already incorporated in the updated curricula of the WDA which now need to be rolled out in the training institutions. CESB is leading development of skills assessment in several other areas.[50] Once the reports are completed, their results need to be translated into training packages and rolled out for delivery. Establishing of the JPC for skills development between different ministries and agencies would be important to ensure that a specific mechanism which oversees and ensures implementation of this process from the development of skills assessments to translating them in training packages to rolling out of these packages takes place.

Results Area 2: Ensuring Provision of Quality Training Programs with Market Relevance

8. This results area supports Pillar 1 "Skills Development" of the NEP with specific focus on improving quality and relevance of programs offered by selected training institutions in selected economic sectors.

9. **While quality of training and employer participation is important for the NEP, in the first two years of NEP implementation the main focus was on scaling up the numbers of trained workforce.** The main achievements of the GoR in implementation of this pillar included: (a) updating WDA curricula in accordance with the recommendations from the Energy Sector Skills assessment report with support from NURFIC; (b) WDA collaboration with employers on delivering IBT in tourism; (c) WDA's rapid response training to satisfy industry demand, for example, C&H garments company.

[50] Mining, energy (off-grid), urbanization, tourism (MICE), agriculture (horticulture, coffee and tea), and manufacturing (Made in Rwanda)

10. To ensure the provision of quality and market relevant training programs along the skills continuum, the following areas, which require strengthening, were identified during technical assessment:

(a) **Adoption of competency-based curricula to deliver training in priority sectors.** While progress has been made by the WDA in updating/developing curricula in energy sector, the next step would be to start training following these curricula. At the higher education level, first the curricula have to be updated/developed based on the energy report and the programs need to be initiated. Finally, at both WDA and UR-level similar exercises have to be done for the other sectors, including existing programs' updates, new programs' development, accreditation of the programs, and delivery.

(b) **Upgrading of the teaching, research, and innovation skills of academic staff in the flagship institutions.** To deliver the updated and/or newly developed programs, capacity development of the teaching staff would be required.

(c) **Strengthening the collaboration of training institutions to improve the relevance of training programs.** The WDA and UR highlighted that further strengthening of ties with the employers, in course design and delivery, would be required to ensure the relevance of training programs for the labor market. MoUs between flagship training institutions and employers could be a step forward to encourage employers' participation in course design and delivery.

(d) **Assessing the status of the organizational reform at the UR and polytechnic system.** Several public universities were brought under one UR umbrella in 2013 to streamline the delivery, harmonize the processes and the quality of the public higher education system. The WDA functions were modified to focus on quality assurance, standards development, and M&E. The RP will assume the functions of training delivery and curricula development. These changes came into effect on October, 2016. It is expected that capacity, both human and physical, would need to be developed to accommodate the changes in the WDA structure. Finally, it would be important to assess the status of these organizational reforms.

Results Area 3: Expanding Opportunities for Continuous Upgrading of Job-relevant Skills for Sustained Employability

11. This results area supports Pillar 1 "Skills Development" of the NEP with specific focus on operationalizing learning pathways for trainees to upgrade skills, supporting long term training opportunities through student loans and bursaries, and supporting short term training opportunities through the SDF.

12. The main achievements of the GoR in implementation of this pillar included (a) REQF developed through harmonizing QFs of general education, vocational and technical education and training, and higher education; (b) administration of the government student loan scheme for disbursements and recovery moved from REB to BRD, with REB maintaining the selection responsibility and 27,971 students accessed the loans in 2015/2016 for studying in Rwandan HLIs and 563 – for studying abroad; (c) 17,947 unskilled/semiskilled students and unemployed graduates trained and certified through massive vocational training, rapid response training, or RPL between 2014-2016; (d) 2,912 students went through IBT.

13. The technical assessment identified several areas for support and further strengthening under the PforR:

(a) **Rolling out implementation of the REQF.** MINEDUC, MIFOTRA and other relevant agencies, including employer partners, should implement the proposed REQF for credentials relevant for employment in the selected economic sectors. This would also include flagship training institutions developing modularized course offering in selected economic sectors.

(b) **Replenishing of the SDF.** to sustain the progress made on developing skilled labor force, there is a need to replenish the SDF to finance internships, industrial attachments, work place training and rapid response training with a focus on skills needs in priority sectors.

(c) **Expanding the student loan scheme and prioritizing approvals for students in courses relevant for skills needs in the selected economic sectors.** Also, it would be important to establish an electronic system to track students receiving student loans to monitor student progress and loan performance.

Results Area 4: Capacity Building for Implementation (Supports activities under the PAP)

14. **This results area supports all pillars of the NEP and it was not part of the original NEP.** In view of the foregoing restructuring and reforms that were described earlier, one obvious area of critical capacity building is Change Management. Beyond this overarching organizational capacity building which is required across institutions, there are also specific institutional capacity gaps within some of the implementing entities which were identified by the GoR and the World Bank during preparation and are described in the following section. To address its capacity building needs, the GoR will seek the support of an appropriate partner through its existing bilateral relationships with countries that have proved to be successful in skills development, to provide capacity development support to all implementing institutions as and when required.

C. Institutional Implementation Arrangements

Implementing Agencies

15. **The PforR will be implemented by MINEDUC and MIFOTRA under the guidance from the MINECOFIN.** The overall NEP is implemented[51] by several ministries, each responsible for a certain pillar: Pillar 1- MINEDUC, Pillar 2- MINEACOM, Pillar 3 – MIFOTRA/MINALOC, Pillar 4 – MIFOTRA, under the MINECOFIN guidance. Given the focus of this PforR, the main implementing ministries will be MINEDUC and MIFOTRA.

16. **MIFOTRA is largely responsible for implementation of Results Areas 1 and 4.** Under the MIFOTRA the main implementation agency is CESB and its Departments (see figure 4.2). Specifically, the responsibilities of these departments as related to the NEP and PforR will include

(a) **Strategic Human Resource and Capacity Development Department.** (i) skills sector assessment; (ii) skills JPC coordination; (iii) strategic skills planning

(b) **NEPs Coordination Department.** NEP Coordination and M&E

17. **MINEDUC is largely responsible for implementation of Results Areas 2 and 3 of the PforR.** Under the MINEDUC the main implementation agencies include WDA, RP (once established), HEC, and

[51] More detailed description of each agency is in the full Technical Assessment document

UR. Additionally, BRD would be working with HEC on student loans. Specifically, under the PforR these agencies will be responsible for the following activities:

(a) **REB administering jointly with the BRD student loans for higher education.** The scholarship function is moved to the HEC.

(b) **WDA.** (i) administering SDF; (ii) delivering short term training under TSSs and VTCs and long term technical training under IPRCs; (iii) operationalizing new national QF; (iv) quality assurance of TVET; and (v) developing/updating curricula and standards. Training delivery and development of curricula and standards are expected to be moved under RP once it is established.

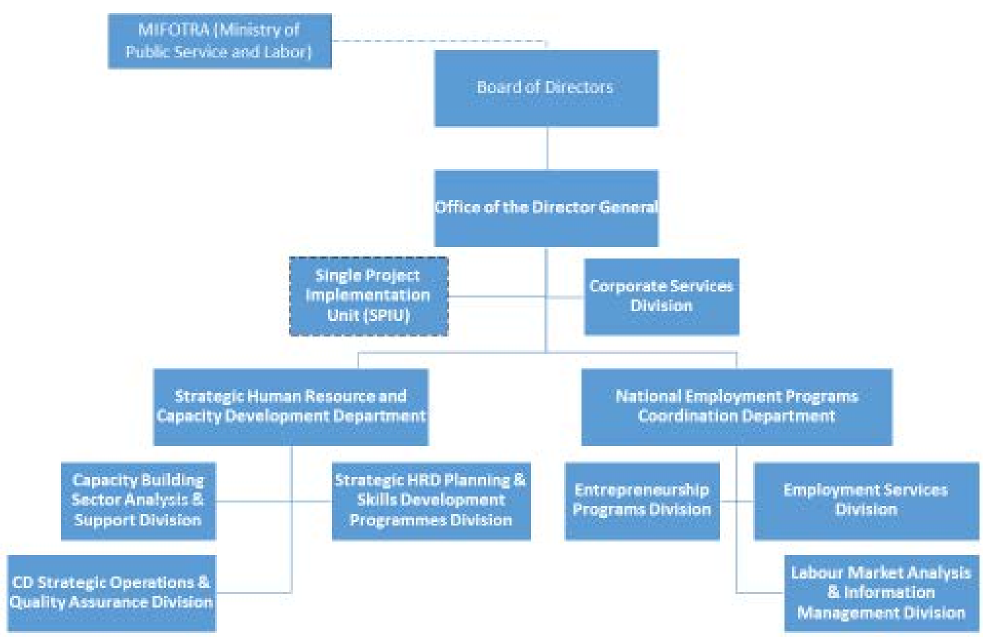
(c) **RP.** (i) delivering short term training under TSSs and VTCs and long term technical training under IPRCs, and (ii) developing/updating curricula. RP is expected to assume these functions once it is established.

(d) **HEC.** (i) quality assurance; (ii) operationalizing national QF; and (iii) jointly with the BRD administering student loans for higher education once this function is moved from REB.

(e) **UR.** (i) delivering longer term training in priority areas; (ii) working with CESB on skills sector assessments; (iii) operationalizing national QF; (iv) teacher training; (v) developing curricula for priority sectors.

(f) **MINEDUC.** (i) coordinating program implementation.

Figure 4.2. Organizational Structure of the CESB



Source: PM Order No39/03 of 24/02/2017 determining organizational structure, salaries and fringe benefits for CESB.

Assessment of General Capacity Gaps

Change Management

18. **In view of the foregoing restructuring and reforms that were described earlier, one obvious area of critical need is Change Management.** Each of the restructured institutions will need to adjust quickly to new leadership, new missions, integrate new departments, revise their Key Performance Indicators (KPIs) and become productive as one cohesive unit. Proactive internal and external communications will be vital in ensuring common understanding of strategies, goals and outcomes.

19. Given that there has been institutional restructuring among most of the project implementing partners, and while recognizing that the changes will result in better management of the priority skills acquisition and upgrading process, there will be a need for adequate change management.

20. Support from change management technical assistance may be required to advise the institutions undergoing restructuring.

Project Management

21. **Single Project Implementation Units (SPIUs) are being established at several large agencies as part of the restructuring process, including at the WDA, UR, and MINEDUC.** It is important that the coordinators of the SPIUs are trained in project management. Project management is a specialized profession that has a structured methodology to ensure that projects are delivered on time and on schedule. A group of people with accredited project management certification will make a huge difference to the culture of project planning, resourcing, implementation and execution.

22. **Hire technical experts to develop skills to a cadre of staff within stakeholder institutions.** This would include the use of a standard project management software application.

Assessment of Specific Institutional Capacity Gaps

23. Below are specific institutional capacity gaps which were identified by the GoR and the World Bank during preparation.

24. **UR.** UR's ten-year Strategic Plan presents the vision and mission of the UR and gives a concise overview of the Institution's strategic framework for action. The Plan has eight ambitious goals and related performance indicators. There is significant financing of the UR from the GoR and DPs, though there appears to be additional needs in terms of support on particular functions such as Student Affairs, Alumni Affairs and overall management of UR. Within the targeted colleges for the PforR, there appeared to be a need for technical expertise to develop competency-based curricula in collaboration with the private sector.

25. Hire technical expertise for the targeted colleges in competency-based curriculum planning and development, best practice in pedagogy and assessment, use of ICT, and expertise to support the overall management and coordination of the UR.

26. **WDA and RP.** The capacity of the WDA has been significantly developed through investments from the GoR and DPs, including IDA. The restructuring of the WDA to focus on quality assurance of the TVET system while the new RP focuses on the coordination of the implementation of TVET programs, will require considerable strengthening of skills within each institution. The restructuring foresees that staff dealing with implementation of programs would move from the WDA to RP, but given enrollments are expected to increase across training institutions, it is likely that RP will require more and better trained

instructors, both in the relevant skills area as well as technical pedagogy. In addition, the WDA will potentially require more and better skilled professionals to handle its quality assurance and regulatory function.

27. Hire additional specialists to support RTTI to upgrade the training skills of the hundreds or even thousands of trainers who will be needed to be deployed across the country in the next 15 years under RP as well as additional specialists under the WDA to support its quality assurance and regulatory function.

28. **CESB.** The CESB is a new institutional structure and is the apex body for skills development and employment services in Rwanda. Its mandate requires close collaboration between multiple Ministries, agencies and employers. Globally, several countries have successful apex bodies that not only oversee technical analysis of skills needs assessments but also advise government on operational arrangements to develop the required skills in country. CESB could learn from the experience of other countries in developing its role as the apex body for skills development and employment in Rwanda.

29. Establish a twinning partnership with an apex institution in another country that has successfully instituted a functional apex skills/employment entity.

30. **NEP Secretariat.**[52] The main role of NEP Secretariat is to coordinate the planning and implementation of the program between a large number of agencies involved in the NEP at different levels (for example, steering committee, higher technical committee and NEP Technical team). However, it has limited capacity to undertake serious M&E duties as implementation is across several implementing entities and at different levels of government (some aspects of the program related Pillar 2 are delegated to 30 districts and their sectoral contract staff). More capability needs to be built at the center and the field to undertake M&E work of the NEP more effectively.

31. Hire technical experts to develop an effective M&E system for the NEP which is adequately linked to the Joint Imihigo (Performance Contract).

32. **HEC.** The recently-concluded independent audit of HEC's functions and governance recommended review of the current laws to enable HEC implement its mandate. The audit report also found that HEC's staffing structure is heavily skewed toward administration and not sufficiently toward its inspection, monitoring and enforcement functions. If the audit report's recommendations are adopted, it will go a long way in tightening up the standards and quality of higher education in Rwanda and control and regulate the proliferation of private institutions offering "soft" disciplines which do not lead to employment.

33. Hire technical experts to support the HEC in strengthening its function of inspection and monitoring of tertiary institutions.

34. ***Banque Rwandaise de Development.*** The student loans disbursement and recovery functions rest with BRD since 2016. While the BRD has hired relevant staff to administer the loans scheme, it will require additional capacity to establish and manage a functional MIS with details of current and past beneficiaries. The establishment of the MIS is most likely going to be contracted out to a firm but the BRD will need to hire full-time staff to manage the system.

35. Hire a firm and full-time staff to develop and manage the MIS for the student loan scheme.

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[52] The capacity assessment was conducted for the NEP secretariat during the period when the secretariat was under MIFOTRA

2. Program Expenditure Framework

36. **Program boundaries.** As this PforR focuses on Pillars 1, and 4 of the NEP, the boundaries for the expenditure framework are drawn around the agencies which implement the aforementioned pillars, namely MINEDUC, REB, WDA, HEC, UR, RP (once established), BRD and CESB. Furthermore, for this PforR both administrative and programmatic budgets of these agencies are included to adequately assess the implementation and scaling up capacity.[53] While the technical assessment reports on the NEP exclusive activities, the PforR program boundary is somewhat different in two ways: (a) it excludes expenditures of agencies which were not mentioned above, for example, MINEACOM; and (b) it includes administrative budgets of the agencies.

37. **Expenditure trends.** The total government expenditure on the NEP[54] in 2014/2015, the first year of its implementation, was RWF 51.7 billion (see table 4.2). In the second year of the implementation went up RWF 77.2 billion and are expected to further increase to RWF 78 billion in 2016/2017. Furthermore, additional financing was received from Swedish SIDA [55] in the amount of RWF 5.1 billion (US$8 million) between 2014-2016. Furthermore, other DPs contributed to skills development activities either through direct budget support (AfDB SEEP III) or through specific projects. Total nominal government expenditures on NEP over the first 3 years of NEP implementation are 20 percent higher than expected by the 5-year NEP implementation plan. Under 5-year plan, the total government expenditures were expected to be RWF 165 billion. Actual nominal expenditures amounted to RWF 198 billion.

Table 4.2. Nominal Expenditures by Agency, (RWF, millions)

NEP Pillar	Agency	Actuals			Projected		
		2013/2014	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Pillar 1	HEC	547	540	501	627	712	804
	UR	29,845	28,696	2,938	3,532	3,100	-
	WDA	26,052	21,365	19,832	32,063	42,158	34,924
	REB	45,032	43,581	61,391	51,902	53,458	62,698
	MINEDUC	8,165	7,040	4,373	9,946	6,316	8,539
Pillar 2	MINEACOM		6,113	6,667	6,800	6,936	7,074
Pillar 3	MIFOTRA			90	156	270	469
Pillar 4	NCBS/CESB	5,896	5,180	4,966	8,913	7,495	9,467
	Total	**115,536**	**112,513**	**100,760**	**113,939**	**120,445**	**123,974**

Source: MINECOFIN.
Note: *- the NEP program started in 2014/2015. However, the agencies were conducting NEP related activities, frequently overlapping between different agencies, before 2014. One of the NEP core goals was to eliminate these duplications, hence seeming decline in the budget in 2014/2015.

38. **Expenditures on skills development activities accounted for 88 percent of total government NEP allocation in 2015/16.** Skills development activities were carried out by the MINEDUC, WDA, REB, and NCSB. MINEDUC, responsible for activities related to secondary schools and science and technology in education, spent 4.7 percent of total NEP budget. The WDA, which was delivering short term rapid response training as well as developing curricula, fulfilling accreditation and quality assurance functions, and developing school infrastructure, received 21 percent. Expenditures on higher education scholarship

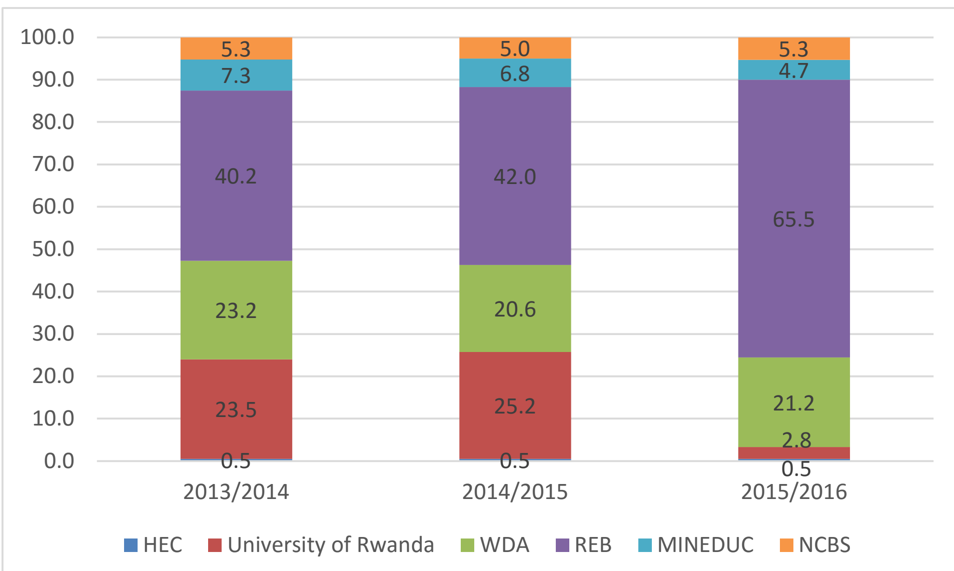
[53] MINECOFIN follows a programmatic budgeting process. Therefore, the budget allocated to the agencies for implementation of NEP programs sometimes does not include administrative and management costs if these resources are drawn from existing administrative resources.
[54] The total government expenditure on NEP are defined by the program boundaries as explained in the main text of the PAD.
[55] Source: NEP Secretariat

management administered by REB accounted for the largest share of the NEP expenditures – 65 percent. Finally, activities under the NCBS constituted 5 percent of the NEP spending.

39. **The government expenditures on skills development declined between 2014/15 and 2015/16 (table 4.2).** The total government expenditure on education as percentage of GDP was hovering around 5 percent between 2010 and 2013. It has been declining since 2013/2014 constituting 4.25 percent in 2014/2014 and going down to 3.5 percent in 2015/2016. Furthermore, expenditures on education as a share of total government expenditures went down from 16 percent in 2013 to 14 percent in 2014/2015. The overall government expenditure on skills declined from RWF 113 billion to 101 billion between 2014/2015 and 2015/2016. The decline was across the agencies, the seeming exception being the REB. However, the increase in REB financing is explained by moving higher education student loan scheme administration from the UR to REB.

40. **The majority of government spending under the program boundaries were to REB, which is responsible for general education and administering of higher education student loan program, followed by the WDA (figure 4.3)**. As mentioned earlier, REB took over the higher education student loan administration scheme implemented jointly with RDB in 2015/2016. This explains sharp increase in the share of the REB expenditures and sharp decrease in UR's share. The WDA's share increased slightly from 20.6 to 21.2 percent. The MINEDUC's share was declining while NCBS has been stable.

Figure 4.3. Distribution of NEP Skills-related Expenditures by Different Agencies Over Time



Source: MINECOFIN.

41. **Most of the expenditures across all agencies were recurrent.** In fact, NCBS and HEC did not incur any development expenditures over 2014-2016 as these agencies mostly focus on policy and quality assurance. The agencies which incurred development expenditures experienced decline between 2014/2015 and 2015/2016. The share of development expenditures in total expenditures went from 2.5 to 1.8 percent in MINEDUC, from 29.4 to 25.6 percent in REB, and from 50.7 to 42.6 percent in the WDA. Furthermore, due to the change in student loan scheme administration, in 2015/2016 UR received government financing only for development budget.

42. **Budget execution.** Budget execution was in accordance with the planned budget allocation across all the agencies, with agencies executing 87 (NCBS) to 101 (REB) percent of total allocated budgets in

2015/2016. Budget execution for most of the agencies have improved between 2014/2015 and 2015/2016, except for HEC.

43. **DP financing.** DPs contributed both to NEP financing and skills development financing. Table 4.3 summarizes program financing including DP financing. Actual DP financing declined between 2014/2015 and 2015/2016 from RWF 13.9 billion to 8.2 billion. The share of DP financing has also declined from 11.0 to 7.5 percent. However, the DP financing flows picked up in 2016/2017 with a number of projects. Even though the exact amount of potential disbursement is still to be finalized, under the assumption of equal disbursements each year, the financing from the PforR would amount to approximately 17 percent of total budget financing annually.

Table 4.3. Financing of the Program including DPs, (RWF, millions)

	Actuals			**Projected**			
	2013/2014	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
Government Financing	115,536	112,513	100,760	113,939	120,445	123,974	127,742
DP's financing	5,595	13,930	8,217	33,911	33,911	33,911	33,911
World Bank financing				n/a	33,200	33,200	33,200
Total	**121,131**	**126,443**	**108,977**	**147,850**	**187,556**	**191,085**	**194,853**
Share of DP's financing	4.6	11.0	7.5	22.9	35.8	35.1	34.4

Source: MINECOFIN and author's calculations
Note: Exchange rate of RWF830 per US$1 was used for DP's financing in 2017-2019.

3. Program Results Framework and M&E

44. **Proposed results areas, DO indicators, intermediate indicators and DLIs are aligned with the DO.** Results framework identifies three results areas which correspond to the DO. The first result area focuses on system wide interventions to enhance system governance and coordination between different agencies. The second focuses on enhancing quality and market relevance of the training provided. The third includes interventions related to operationalizing accredited pathways for continuous skills upgrading and to scaling up training provision. The DO indicators, intermediate indicators and DLIs are aligned with the DO and are elaborated on in the Results Framework (annexes 2 and 3 of PAD). Furthermore, the Results Chain explains the logic connection between activities, results, and outcomes along each result area.

45. **The operation would be using existing NEP and institutional M&E systems and support strengthening of those systems.** Currently, NEP Secretariat monitors performance of NEP and produces annual performance reports. With the creation of CESB, while NEP secretariat has been absorbed into the NEPs Coordination Department at CESB, it is expected to preserve its M&E function. Furthermore, each implementing agency has annual performance contract with the MINECONFIN, where results that they expect to achieve over the course of the year are specified. This information could be used to monitor the progress of each agency performance. Additionally, each agency collects information for their own M&E purposes and have dedicated monitoring specialists. Finally, once the JPC is established the agency in charge of JPC will ensure the collection and monitoring of the information for skills related activities, including the ones under this operation. However, individual agencies would require further capacity building related to M&E which would be supported under this operation.

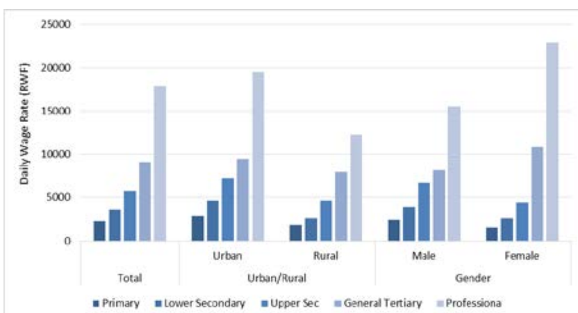
4. Program Economic Evaluation

A. Rationale for Public Provision and Financing

46. **The existence of externalities, which lead to suboptimal investments by individuals/firms, and market failures, for example, imperfect financial markets, justify government involvement in provision of certain goods.** In case of skills development sector, the individual benefits can be measured by returns to training and skills. The social benefits of public investment in skills can be represented by growth and productivity externalities and positive spillovers that skills could create in other sectors, such as health. Individuals, when deciding on which level of education to obtain, frequently do not internalize the externalities education brings to the society and underinvest. Furthermore, in developing countries the lending markets are often underdeveloped, and students might not be able to afford obtaining higher levels of education. For these reasons, the public investment in skills development sector is justified. Moreover, public interventions may help to create efficiency gains in the skills production sector not only through investments, but also through implementing policy reforms and by addressing market failures, such as credit constraints.

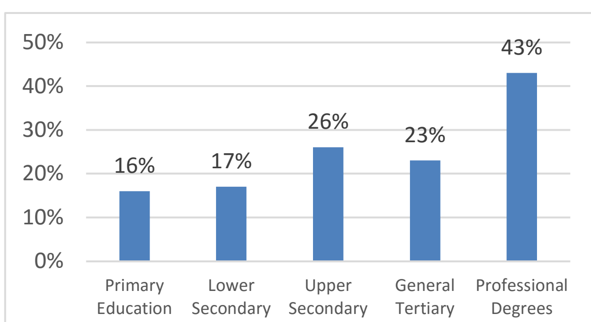
47. **Private returns to education.** In Rwanda average earnings of non-farm workers are increasing with education level (figure 4.4). This is true for individuals living both in urban and rural areas and for both genders. Professionals, especially women and those living in urban areas, are earning the most. Furthermore, the basic Mincerian analysis (figure 4.5) shows that, controlling for gender and geography, individuals who have professional degrees reap the return of 43 percent, those with general tertiary – 23 percent, and those with upper secondary – 26 percent. These returns are among the highest among developing countries (see Montenegro and Patrinos (2013) for international comparisons).

Figure 4.4. ***Daily Wage of Non-farm Workers, RWF***



Source: Rwanda Public Expenditure Assessment, 2016

Figure 4.5. Returns to Education by Level, percent



Source: Rwanda Public Expenditure Assessment, 2016

48. **Social benefits.** 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 helps improve a country's growth and competitiveness; it also increases firm productivity and helps to reduce poverty. Furthermore, literature shows that education has positive externalities for health, for example, better child health outcomes in families of higher educated mothers, child bearing, and intergenerational education outcomes.

49. The following reasons warrant public skills development interventions:

- **Growth and productivity externalities.** An educated and skilled labor force is one of the major drivers of firm productivity and country growth. When making educational and training choices, the fact that individuals do not account for the externalities produced by education and training for the whole economy may lead to underinvestment in education and training. Creating incentives for individuals to invest in training, for example, public provision of skills development, and stipends for economically and socially disadvantaged groups and for private providers to expand training provision, may help to optimize the supply of skilled labor.

- **Efficiency gains from policy reforms.** System-wide and institutional reforms focused on improving efficiency and making the skills development system market-demand driven are essential to generate the market-relevant skills required by a changing economy and help Rwanda achieve its development goals as specified in Vision 2020.

- **Information asymmetry.** The lack of information on labor market demand, available skills development programs, and types of skills produced by the current system lead to inefficiencies in the skills market. Collection, analysis, and dissemination of skills supply and demand information represents a public good that can help to narrow skills gaps and mismatches.

- **Market failures.** Profit-oriented private providers typically tailor their offerings to social rather than market demand. Furthermore, young financial markets of Rwanda are not matured well enough to address credit constraints of youth.

50. Public interventions are crucial to address these challenges.

- **First, private providers and individuals that make education and training choices often do not internalize the country's development and growth objectives and firm productivity externalities, which may lead the private sector to under-provide skills and individuals to under-invest in education and training.** This PforR will support government efforts in skilling up the labor force (pre-employment short term and long term training, upskilling of the workforce) to meet the goals of Rwanda Vision2020.

- **Second, since majority of students receive their education and training from the public sector, public sector reforms are necessary to improve system performance.** This PforR will support the GoR efforts (a) in strengthening management of skills development sector and coordination between different stake holders in the sector; (b) improving the quality of the education and training sector, for example, developing competency-based market relevant curricula in priority sectors, upskilling teaching staff; (c) fostering the links between education and training institutions (supply side) and employers (demand side); and (d) improving the pathways between different levels of education and training system.

- **Third, because providing a public good, such as information on skills supply and demand, cannot typically be internalized by the private sector, public sector intervention is essential.** This PforR will support the GoR efforts in this area by focusing on strengthening information flows between different skills development agencies as well as education and training system and employers and supporting conducting and operationalizing skills sector analyses in priority sectors.

- **Finally, profit-oriented private institutions provide training in fields that are popular among students rather than fields in demand in the labor market.** This creates shortages of skills in certain areas and oversupply in other fields, ultimately leading to higher unemployment for graduates and lower productivity for firms. This PforR will support GoRs efforts in addressing these challenges by focusing on the priority sectors and strengthening the links with the employers.

B. World Bank Added Value

51. **The GoR requested World Bank's support for enhancing the performance of the country's skills development sector as a follow up to SDP which was successfully completed in May, 2016.** Also, the World Bank brings additional value added through regional initiatives in higher education sector (African Centers of Excellence) and secondary education in math and sciences (African Institute for Mathematical Science and Math and Science for Sub-Saharan Africa).

52. **The World Bank's global and local technical and operational experience in skills development sector can bring useful lessons to Rwanda policy makers as they attempt to design skills development reforms.** The World Bank is currently engaged in a number of SDPs in the region from which lessons can be learned, for example, Tanzania PforR, Uganda SDP. Also, the World Bank can draw on Agriculture and Public Sector Reform PforRs in Rwanda. Finally, the World Bank can bring expertise from other countries, developed and developing countries, such as Singapore, Malaysia, Korea, and European countries, whose experience is of particular interest to the authorities of Rwanda.

C. Program's Economic Impact

53. **The PforR is expected to have individual, sectoral, and societal benefits.** For individuals, the PforR is expected to increase the employability and earnings of TVET and HLI graduates in priority sector by improving the quality and relevance of the skills they acquire and offering better matching opportunities with the employers. At the sectoral level, PforR-supported interventions are expected to (a) improve skills development system management through organizational and managerial reforms, behavioral changes in institutional performance with focus on results delivery, and better M&E; (b) enhance the quality and relevance of skills development programs in priority sectors by increasing employer involvement in program design and delivery; and (c) expand private participation in the delivery of training programs by creating incentives and a more favorable environment. For society, the PforR benefits would include (a) a more productive labor force of workers with quality labor market-relevant skills; (b) strengthening firm productivity and competitiveness through the more productive labor force; (c) heightening the performance of the economy because workers and firms are more productive. While it would be possible to assess the economic returns to individuals and with sensitivity analysis to some extent the returns to system changes, we will not be able to assess the societal benefits. Therefore the estimations below represent the lower bound of the benefits.

54. **To calculate the EIRR and NPV of the project, the following basic assumptions were made: the expected working life period is 35 years, no unemployment between graduation and leaving the**

employment is assumed. The exchange rate is set at US$1 = RWF 830; the discount rate 7 percent[56]; and the inflation rate 3.8 percent (average between 2010 and 2015). The baselines are as follows: based on HEC tracer study of 2015, the completion rate of students from the UR is assumed to be at 90 percent, the employment rate - at 85 percent. Based on the SDF tracer study of 2014, completion rate of students who benefitted from the SDF was 80 percent, employment rate was 46 percent. The final set of the scenarios considered is summarized in table 4.4:[57]

- **In the base scenario, the performance of the project is assessed only based on additional number of students trained in selected priority sectors (additional first year enrollment of 4,861 in UR and IPRCs/Polytechnic through the loans, and 9,000 in SDF) over the period of 3 years.** It is assumed that these students have the same graduation and employment rate as the baseline. For SDF, the employment rate is guided by the targets in the results framework. The NPV of the project in base scenario is estimated at US$64.3 million and IRR at 10.4 percent.

- **Scenario 1-3 consider improved performance compared to baseline by varying different parameters, for example, improved earnings, improved completion rate and improved employment rate.** Table 4.4 summarizes NPV and IRR for selected parameter values. Other parameter values were also considered.

- **Finally, Scenario 4 looks at cumulative improved performance of students in priority sectors and considers potential system-wide spillover to other areas.** The spillovers include improvements in completion and graduation rate system wide. This is the preferred scenario since the system-wide reforms once adopted are expected to have effect on skills generation beyond selected economic sectors, for example, deeper engagement of employers in design and delivery of programs. The NPV under this scenario is US$73.5 million and EIRR is 10.9 percent.

Table 4.4. NPV and IRR of the PforR under Different Scenarios

Scenario	Changes	NPV, US$, millions	IRR (%)
Base	Increase in number of students in programs of selected economic sectors	64.34	10.42
Scenario 1	10% increase in earnings of those who graduated from programs of selected economic sectors	81.36	11.19
Scenario 2	5 pp increase in completion rates of those who graduated of selected economic sectors	74.02	10.86
Scenario 3	Increase in employment of those who graduated from of selected economic sectors – 5pp for UR/IPRCs graduates and employment as specified in results framework for SDF	72.46	10.79
Scenario 4	Scenario 1+3 plus system-wide spillover effect resulting in higher completion and graduation (5pp in HLIs and SDF and 10 pp in VTCs) system-wide	73.53	10.88

55. While there is no direct comparison with other operations, the EIRR and NPV of this PforR is in line with SDPs in the region and around the globe (table 4.5)

[56] This discount rate is used in similar projects in Africa, for example, Uganda Skills Project.
[57] Note other scenarios with different parameters were also considered, table 5 presents the preferred set of scenarios.

Table 4.5. Economic Analysis Comparison, Selected Countries

Country	NPV, millions	IRR	Loan Amount, millions	Ratio NPV/Loan	Year of Project Approval
Rwanda PSG	73.5	10.9	120	0.61	2017
Rwanda SDP	10.5	18.1	30	0.35	2011
Tanzania	2.3	36.5	115	0.02	2008
Nigeria	n/a	13.0	180	n/a	2007
Zambia	n/a	17.0	25	n/a	2001
India	n/a	15.0	250	n/a	2004
Sri Lanka*	40.1	13.9	101	0.40	2014
Pakistan*	22.8	17.4	50	0.46	2015

Note: * refers to economic analysis at appraisal stage, otherwise at the ICR stage

5. Technical Risk Rating

56. **Complexity of the operation.** The operation focuses on the continuum of technical skills across education levels from technical and vocational education to higher education. Multiple agencies across different ministries are responsible for delivery of the NEP program and the PforR. The ability of each individual agency to deliver will have effect on the success of each operation. To mitigate this risk several measures were undertaken. First, the operation focuses on 2 out of 4 pillars of the NEP which reduced the number of agencies and ministries involved. Second, the results framework and DLI matrix are structured in such a way that there is clear division of responsibility for delivering specific results. Finally, once skills JPC is designed and signed, there would be a clear method of accountability and additional incentive for coordination between agencies.

57. **Coordination between implementing agencies.** At the moment the coordination between different agencies needs to be improved. The idea behind NEP was to streamline skills development and employment generating activities. In the first years of the implementation there was some degree of success in streamlining different skills development programs across different ministries. However, moving forward a number of challenges remains. For example, to successfully operationalize the REQF close coordination between general education, technical and vocational, and higher education agencies is required to ensure that certifications obtained by the students in, say, TVET, are accepted by UR. Another example where coordination is required is for operationalization of the sector skills assessments. While one agency (CESB) is responsible for producing the reports, other agencies, for example, the WDA, UR, are responsible for translating these reports into curricula and delivering training. The coordination risk will be mitigated by several measures. First, engaging high level policy buy-in and guidance. Second, by explicitly specifying the results to be delivered in the skills JPC. Finally, these activities will start small – using energy skills assessment report as a pilot. Lessons learned from the energy sector will be adopted to other two selected economic sectors supported under this operation, that is, transport and logistics and manufacturing. Later, these models could be rolled out to other sectors.

58. **Restructuring of key implementing agencies.** The GoR has been restructuring a number of skills development related agencies to make skills development sector more efficient and responsive to changing needs of labor market. The UR was established in September 2013 by merging and integrating all Rwandan public universities. In 2014-2015, the government student loan scheme administration for disbursements and recovery was transferred from REB to BRD with student selection responsibility remaining with REB. This function is now further transferred from REB to HEC. The technical and vocation sector is undergoing major restructuring as well. The WDA used to be responsible for training delivery, standards setting and

quality assurance. As of October 2016, these functions have been separated: the WDA will be responsible for standards setting and quality assurance, and newly established RP will be responsible for training delivery and curricula development. Finally, in terms of strategic planning, CESB was established on October 2016. This agency will take under its mandate to include the roles initially undertaken by NCBS, NEP Secretariat, LMIS, certain functions of the NCST, and assume several other related functions in terms of capacity development and employment programs coordination. While all these changes are important and expected to make sector functioning more efficient, they would also imply substantial capacity building needs, operational changes, and additional time needed to implement restructuring activities. To mitigate this risk, the following measures would be taken under this operation (a) flexible design; (b) ensuring buy-in by high level stakeholders in government; (c) JPC to stimulate the implementation of the activities and assign responsibility for implementation to specific actors.

Annex 5: Summary Fiduciary Systems Assessment

1. Methodology and Scope

1. This assessment follows a methodical and rigorous approach building on the, (a) OP/BP 9.00, Program for Results, (b) the OECD-DAC "four pillars" approach to define the inherent risks in the procurement environment, the Guidance Note for the PforR operation, and (c) the fiduciary performance of the ongoing operation.

2. **The fiduciary assessment focuses on identifying the key strengths and weaknesses of the PFM and procurement systems of the implementing entities (MINEDUC, REB, CESB, WDA, HEC, UR) and measures to tackle F&C in achieving the overall program DOs.** It also helps the World Bank identify fiduciary related risks that will feed into the overall risk assessment for the program. The assessment covers the following critical elements of an open, orderly and effective program fiduciary system.

(a) **Planning and budget preparation.** The realism of the program budget, policy based, and implemented in an orderly and predictable manner.

(b) **Accounting and financial reporting.** Adequate program records are maintained and financial reports produced and disseminated for decision-making, management, and program reporting.

(c) **Treasury management and funds flow.** Adequate and timely funds are available to finance program implementation.

(d) **Internal controls (including internal audit).** There are satisfactory arrangements to (a) monitor, evaluate, and validate program results; and (b) exercise control and stewardship of program funds.

(e) **Program audit.** Adequate independent audit and verification arrangements are in place following the international standards on auditing.

(f) **Procurement.** Adequacy of the procurement arrangements in terms of (i) procurement planning, (ii) procurement process and procedures, (iii) control and integrity including complaints handling mechanism, (iv) procurement capacity and (v) contracts administration.

(g) **F&C.** Adequacy of regulatory and institutional arrangement to prevent, detect, investigate and sanction cases of F&C.

3. Conclusion is drawn on the residual risk after combining the inherent and control risks in the country's PFM system as mitigated by combination of the Government's efforts in PFM reforms, the proposed mitigation measures and World Bank supervision effort. In line with the FM Sector Board's FM Practices Manual, the FM risks are rated as Low (L), Modest (M), Substantial (S) or High (H).

2. Fiduciary Legal and Regulatory Framework

4. The fiduciary arrangements of the program are anchored in:

(a) The 2003 Rwanda Constitution revised in December 24, 2015, Articles 162 to 166,

(b) The Organic Law N° 12/2013 of 12/09/2013 on State Finances and Property that establishes principles and modalities for sound management of State finances and property. The organic law applied to all budget entities at Central and decentralized level and sets up fundamental public finance management principles as comprehensiveness, transparency, accountability, uniformity, consolidation and gender balance in public State finance management.

(c) The Ministerial Order n°001/16/10/TC dated 26/01/2016 on financial regulations that regulates the structure and functioning of public financial management, the preparation and implementation of the State budget; the accounting and reporting of all financial transactions, and the financial control. The Order applies to the management of public finances of all public entities including the Central Government entities, decentralized entities, public institutions and subsidiary entities.

(d) The Articles 165,166 of the Rwanda revised Constitution and the Law N° 79/2013 of 11/9/2013 determines the mission, organization and functioning of the OAG of State finances.

(e) The GoR public procurement legal framework based on the UNCITRAL model covers all aspects of public procurement at all levels of Government. Procurement in Rwanda is regulated by Law No. 12/2007 of March 27, 2007 and its associated regulations, revised in 2013. The RPPA is the Public body that was established on February 20, 2008 by the Law No. 63/2007 of December 30, 2007. The RPPA mission is oriented toward regulation, capacity building and control. The 2013 law is further detailed by Ministerial Order N° 001/14/10/TC of 19/02/2014 establishing regulations on Public Procurement and Standard Bidding Documents; Law modifying and completing the Law n°12/2007 of 27/03/2007 on Public Procurement (N°05/2013 of 13/02/2013); Public Procurement User Guide, November 2010 and RPPA and MINECOFIN circulars. The GoR is moving toward modernizing its procurement function to improve compliance, efficiency, transparency, fair competition, value for money and controls in public procurement. The procurement Laws are being updated to include the eProcurement.

(f) The law "N°011/2016 of 02/05/2016 establishing the Association of procurement professionals and determining its organization and functioning.

(g) The Article 633 of Organic Law No. 01/2012/OL of the Penal Code on corruption and several others laws to help fight, prevent, investigate and punish F&C[i]. The Law establishing the Office of the Ombudsman was amended in 2013 (Law No. 76/2013) to enable the OM to prosecute cases of corruption to speed up the process of prosecution. Also a Whistle Blowers' Protection Act was passed in 2013 to give reasonable assurance and incentives to report cases of F&C. One key innovation for deterrence is a naming and shaming policy for persons convicted of corruption whose names and offences are published in newspapers and at the website of the Office of the Ombudsman (http://www.ombudsman.gov.rw).

3. Institutional Arrangements

5. **MINEDUC will have overall coordination responsibility in addition to implementation of its component, while UR, WDA, HEC, RB (once established) and CESB are implementing their respective components.** The PforR funds will flow from the World Bank to the TSA managed by the MINECOFIN and from the MINECOFIN to the implementing entities in accordance with established implementation responsibilities. A comprehensive and operational Program Action Plan (PAP) to strengthen the planning, budgetary and implementation capacities of the participating entities is part of the implementation mechanism.

4. Fiduciary Capacity of the Implementing Entities

6. This chapter reviews critical Financial Management (FM) elements of implementing the PforR operation to assess the capacity of the implementing agency to record, control, and manage all program resources and produce timely, understandable, relevant, and reliable financial information for stakeholders and for audit purposes.

7. The program will use World Bank PforR lending instrument, which requires the use of Government and/or Program systems that include procurement, financial management and governance and anticorruption aspects.

8. **According to PforR Policy and Directive, high value contracts are not eligible to be financed under a PforR program.** High-value contracts, is defined by PforR Policy and Directive as "an individual contract's estimated monetary value is equal to or more than 25 percent of the estimated total Program expenditures" or "contracts with estimated values exceeding the monetary amounts, as may be amended from time to time, that require mandatory review by the Bank's OPRC"; and it is confirmed from the program design that there is no contract that could potentially be high value and be considered to be excluded from the program.

9. **The World Bank carried out a procurement capacity assessment of the program implementing agencies; between December 2016 to February 2017; for the proposed Priority Skills for Growth PforR (PSG PforR) operation.** The proposed DO for this operation is to expand opportunities for the acquisition of quality, market-relevant skills in selected economic sectors. The geographic scope of PSG PforR will be MINEDUC, CESB, UR, WDA, RP (once established), REB, BRD and HEC. Other stakeholders, from the perspective of fiduciary, in the PforR implementation are RPPA, OAG, Criminal Investigation Department (CID) and Ombudsman Office (OB). The PforR program funds will be used by the agencies for objectives lay out in the program's investment menu which have been developed through the technical assessment and program preparation.

10. **MINEDUC will have overall responsibility for the efficient and effective implementation of the PSG PforR operation, while the program is implemented by all the five implementing agencies.** The PforR funds will flow directly from the MINECOFIN to respective implementing agencies; MINEDUC, CESB, UR, WDA and HEC. The implementation of procurement and FM of the operation will be integrated in the government ongoing programs and managed under corporate services of respective implementing agency.

11. **The MINEDUC organizational structure doesn't provide for a standalone procurement unit.** The structure requires only one procurement officer under the permanent secretary (PS) with qualification of minimum bachelor degree. Given that MINEDUC has an overall PSG PforR coordination role in addition to executing procurement of the program under its responsibility, the existing one procurement staff is not adequate. However, MINEDUC is establishing a Single Project Implementation Unit which will have a dedicated Procurement specialist(s) and will have responsibility for managing part of Results areas 2 and 3.

12. The procurement unit staffing under UR is assessed to be adequate in terms of qualification and number to manage procurement of the operation in addition to their current responsibility.

13. **CESB currently has one procurement specialist under the corporate service.** The CESB structure was put in place under the Official Gazette no 13 of 27/03/2017, No39/03 of 24/02/2017 that upgraded the position from procurement officer to procurement specialist. The SPIU at CESB has provision for one Procurement Management Specialist (PMS) who is yet to be hired. Hence, provided the position is

upgraded according to the new structure and the Procurement Management Specialist (PMS) position is filled; the procurement staff is adequate to manage the program.

Table 5.1. Staffing Summary

Implementing Agency	Number of Procurement Specialist/Officer		Structured Under	Remark on Adequacy of Staff (Yes/No)
	According to the Organizational Structure	Existing		
MINEDUC	1	1	PS	No, however, additional procurement staff to be recruited for the SPIU which will mean adequate staff will be available.
UR	5	4	Deputy Vice Chancellor-DVC (Chief Budget Manager)	Yes, (The procurement unit has adequate capacity to handle procurement of the program in addition to their current responsibility). The staff work alongside procurement officers in the Colleges of UR.
CESB	1	2	SPIU Coordinator	Yes, The CESB structure was put in place according to the Official Gazette no 13 of 27/03/2017, No39/03 of 24/02/2017 that upgraded the position from procurement officer to procurement specialist. The SPIU has provision for 1 Procurement Management Specialist (PMS) yet to be hired. Filling up this position will have to be completed before the effectiveness of the program and provided this is implemented, the procurement unit has adequate capacity to handle procurement under the program in addition to their current responsibility
WDA	3	3	2 Proc. Officer under DG and 1 Proc. Officers under SPIU	Yes, the existing staffs are adequate for the PSG PforR.
HEC	1	1	1 Proc. Officer under the Executive Director	The existing staff is adequate.
REB	1	1	1 Proc. Officer under Corporate Service	The existing staff is adequate.

14. **The assessment revealed that the existing procurement staff of UR are adequate to manage procurement of the PforR operation in addition to their current responsibility while MINEDUC and CESB need to revise their procurement structure to have two procurement officers.** As an alternative MINEDUC may maintain its current structure and hire procurement consultant for the period of the PforR operation and similarly, CESB may retain the current procurement management consultant.

15. **Exclusion of World Bank debarred firms is normally acceptable to the government and RPPA has provided a link to World Bank debarment, on its web site.** RPPA also have a law by which it debars (Black lists) firms. Accordingly, firms can be suspended for a maximum of 5 years. Normally, monitoring of the implementation of Debarred firms can be problematic, from the practical point of view. Hence, MINEDUC should take the responsibility to ensure the implementation while RPPA sends out a circular with reference to the link to list of World Bank debarred firms, which is there on RPPA web site and OAG to be made aware to do the verification during its regular audit of the program.

16. **The assessment revealed both strengths and weakness in the procurement environment.** The strengths of the procurement systems and practices are: (a) The implementing agencies procurements system is generally sound, entered in IFMIS, and consistent with the budget, and completion reports are prepared; (b) Each implementing agency has an established institutional setup for implementation of procurement activities; (c) There are adequate suppliers of goods, works and services; (d) Reasonable oversight and accountability exist. Procurements and/or contracts are monitored regularly, by RPPA. All procuring entities are required to provide a monthly report to RPPA on the implementation of the procurement plan. RPPA has the overall responsibility to train all new procurement staffs and new members of the internal tender committees on national procurement procedures as outlined in the Procurement Law. In addition, RPPA provides refresher trainings to all procurement staff at least once a year. Besides, the Office of Auditor General (OAG) undertakes compliance auditing, in addition to the established financial auditing. Office of the Ombudsman is also over sighting on information basis. Also, each procuring entity has an internal auditor who reviews financial and procurement operations on regular basis; (e) The public procurement Directives provides that implementing agencies are required to comply with the well-defined complaints handling mechanism and is fully implemented through National Independent Review Panel mechanism; (f) Majority of awarded contracts of works and goods are awarded based on the lowest evaluated bidder (least evaluated responsive bidder); (g) Large number of contracts are awarded based on criteria provided in the bidding documents; (h) Large number of consultancy services contracts are awarded through Quality and Cost Based Selection (QCBS) procedure.

17. To address weaknesses in the procurement system and practices, the government has embarked on (a) developing 2016-2018 strategy for the RPPA, (b) emphasizing on value for money in procurement, and (c) e-procurement system called "*umucyo*" (meaning transparency) –www.umucyo.gov.rw . The eProcurement started with a pilot phase in eight entities - three ministries, three agencies and two districts - with the aim of enrolling all the budget entities by July 2017. The roll out of *umucyo* at implementing entities will help mitigate some of the above risks and improve the procurement processes. The assessment recommends the hiring of additional procurement specialists at implementing entities (MINEDUC, CESB), and the organization of annual training initiative for all implementing entities on procurement specific areas (Consultancy services and high value Goods).

5. Planning and Budget

18. **The budget planning and execution legal, regulatory and institutional framework is strong.** The implementing entities prepare their annual budget based on the Vision 2020, EDPRS2, sector strategic priorities and Single Action Plan. The expenditure allocations to programs and sub-programs are aligned with the Medium Term Expenditure Framework (MTEF) of each budget entities. Consultations with spending ministries (MINECOFIN, MINEDUC) and budget agencies (CESB, WDA, UR, REB, HEC) in budget formulation - the budget is formulated through systematic consultations with the budget Agencies and the legislature - adhere to a fixed budget calendar. The first planning and budgeting call requests all budget entities information to facilitate adequate planning and prioritization nationwide.

19. **Progress has been made to improve the process on aligning programs; sub programs and outputs in the sector strategic plans to those in the annual action plans starting with the 2016-2017**

budget. The single action plan (SAP) supporting each budget has been submitted electronically via IFMIS after a systematic planning consultation held before budget consultation to review the quality of the plans and ensure greater emphasis on the strategic objectives delivery. Despite improvements made, other areas require improvements. The effectiveness of the MTEF process needs to be further strengthened with fully costed sector strategies for some sectors with annual detailed costs, output costs and the limited use of the MTEF outer years as basis for the yearly budget preparation. The capacity of some of the Program Implementing Entities will need to be strengthened to reduce the difference between the budget approved by the parliament and the budget effectively executed.

Table 5.2. Analysis of Budget Execution Performance FY15/16

Number	Entities	Budget Execution (%)	Comments
1	MINEDUC	77	Overall budget execution rate is 77%. However, on externally financed projects, the execution rate is relatively low (39%) compare to domestically financed expenditures due mainly delayed procurement process and request for no objection from DP.
2	WDA	96	Overall budget execution rate is 96%. Nevertheless, the execution on capital expenditures for externally financed projects was (61%).
3	CESB	98	Overall budget execution rate is 98%. However, in general, the execution on externally financed projects is low due to differences in DPs and GoR fiscal years which made it difficult to accurately plan for disbursements.
	REB	108.6	Overrun due to old schools building and extra payments for bursaries
	UR	80	Overall budget execution rate is 80% but low execution on externally financed projects due to delays in procurement
	HEC	88.4	Overall budget execution rate is 88.4% due to understaffing which is currently being addressed

Sources: Audited Financial Statement and Unaudited Financial Statement

20. **To this regard, during the inter-ministerial budget consultation processes, MINECOFIN conducts a review of ministry's and others budget agencies' budget preparation process to ensure alignment with the EDPRS and the MTEF.** Based on the budget consultation processes, the Budget Framework Paper provides proposals for the allocation of resources and budget ceilings over the MTEF period and is submitted to Parliament. Starting with the fiscal year 2016-2017, budget ceilings have been allocated based on the quality of the Single Action Plan. Furthermore, the Government has approved in 2015 the Results Based Management Policy which principles have been integrated in the planning and budgeting guidelines from 2016-2017. This is expected to provide a comprehensive, integrated and standardized framework for result based performance within the Rwandan public service and strengthen the link between sector, institutional and individual performance to allow for better attribution of the EDPRS2 outcomes to the SSP activities and to further measure MDAs' individual performance and hence contribute to the overall performance management system. Continuous capacity building support, training and strong monitoring mechanisms will be required to fully embed the RBM principles in planning and budgeting process in MDAs and improve the budget formulation and execution process.

6. Treasury Management and Funds Flow

21. **A Treasury Single Account (TSA) concept is in place whereby all entities and autonomous agencies now operate with sub-accounts of the main TSA.** Each day a notional amount equal to the commitment ceiling would be associated with a sub account and purchases made through these accounts involved a debit of funds directly from the TSA. Each of these accounts operates as a zero balance account.

Any payments into those accounts are cleared against the TSA daily. Commitment ceilings are modified daily according to expenditure and revenue flows through the accounts for application at the start of the next day. All cash balances, therefore, are calculated daily and consolidated.

22. **There is a zero-cash handling policy. Rwanda Revenue Authority (RRA) uses commercial banks as collection agents with requirement to transfer collections to the central bank within 3 days.** Payments by MDAs are paid from the central bank TSA. A directive requires the use of financial institutions; either commercial banks or savings and credit co-operatives (SACCOs[58]) for tax and fee payment. SACCOs are required to transfer all collections to the common account for the District and its Sectors.

23. **After the submission of the Finance Bill to both Chambers of Parliament, the Secretary to the Treasury shall require the chief budget managers to prepare and submit to MINECOFIN on the basis of the draft budget, provisional annual expenditure plans broken down by month and quarter consistent with the public entity procurement plan.** Upon the adoption of the annual budget, the Minister shall inform the chief budget manager of each public entity of its approved budget and request for a detailed final annual expenditure plan based on the approved budget. Authorization is issued on a quarterly basis and on each budget item. Depending on the available resources, the Minister decides to issue the authorization on a monthly basis. Quarterly cash flow plans are then prepared on a quarterly basis, and spending agencies make commitments on the basis of the approved cash flow plans**.**

24. **The only acceptable mode of committing expenditure is a duly issued "purchase order" generated by the SmartFMS thus triggering a "commitment" indicating that the allocated budget has been 'ring-fenced' by that amount.** After the delivery of the goods/services and supplier invoice, the commitment is converted into an actual charge to government expenditure, and therefore a liability if not yet paid.

25. **The program disbursement will be made into the TSA.** After the achievement of the DLIs, the evidence will be collected by the MINEDUC and submitted to the OAG for verification with copy to the World Bank. After the verification, the OAG will express its conclusions that will be sent to MINEDUC and transmitted to the World Bank for review. The World Bank could request a field visit if necessary. If the World Bank is satisfied with the OAG conclusions and evidence provided, notification letter will be sent to the recipient for request of funds associated with the DLIs. The recipient could also ask for an advance up to 25 percent of the financing that will be deducted upon the achievement of the DLIs. For timely and adequate verification of the DLIs, the OAG shall be allocated sufficient resources.

7. Accounting and Financial Reporting

26. **The implementing entities comply with the Organic Law on State Finances and Property requires that "the revenues of Central Government or decentralized entities shall adhere to internationally accepted standards of classification of revenues".** The budget classification system is comprehensive and consistent with international standards. The budget is prepared in compliance with the IMF's Government Finance Statistics Manual (IMF-GFSM 2001). The Chart of Accounts is also comprehensive to allow for the preparation of full set of financial statements in accordance with the

[58]"A SACCO is a cooperative financial institution, where individuals save their money and can get loans in order to invest in various activities. They are user-owned financial intermediaries. Members typically have a "common bond" based on geographic area, employer, community, industry or other affiliation. Each member has equal voting rights regardless of their deposit amount or how many shares they own. Their principal products are savings and credit, however some offer money transfers, payment services and insurance". - Umurenge SACCOs Strategy. Financial Development Secretariat, MINECOFIN, GoR: http://www.rca.gov.rw/IMG/pdf/Umurenge_SACCOs_strategy_February09.pdf

International Public Sector Accounting Standards (IPSAS). Budget programs and sub-programs have been mapped to the Classification of Functions of Government (COFOG) standards[59]. The Financial statements accounting policies note that the financial statements are prepared on a "modified cash basis" whilst the budget is prepared on cash basis.

27. A complete set of financial statements includes the following components: (a) Statement of financial position; (b) Statement of financial performance; (c) Statement of changes in net assets/equity [consolidated fund]; (d) Cash flow statement; and (e) Accounting policies and notes to the financial statements. Each implementing entities report monthly to the MINECOFIN (15th) but some challenges remain at WDA in term of quality of reporting and respect of the deadline (budget allocation missing and delayed submission of the report due to the need to consolidate IPRC and Polytechnic).

28. **To maintain accounting records and prepare the financial statements, the SmartFMS is operational in all implementing entities.** The SmartFMS currently has four core modules in active use namely: Planning, General Ledger; Accounts Payable; and Revenue management. In 2016/2017, the carryforward of the previous year balance has been delayed due to inaccuracy in the financial information carried forward which delayed the first Quarter financial report preparation. The issue has been solved but will require close follow up and monitoring by MINECOFIN.

29. **The IFMIS is not tracking the NEP' expenditures as separate program but expenditures are tracked at each implementing entities level.** This renders difficult the retrieving of the program expenditures (budget allocation and execution) per year without manual retreatment and thus, increasing the risk of unreliability. The IFMIS should be upgraded to extract automatically the NEP expenditures comprehensively not only at each implementing entities.

8. Internal controls (including internal audit)

Internal Controls

30. **The Organic Law on State Finances and Property and the Ministerial Order require the Chief Budget Manager "to establish and maintain effective, efficient and transparent systems of internal controls and risk management".** The government manual lay out the processes and procedures to be followed by the budget agencies to ensure that there is adequate monitoring and safeguard of assets. Cabinet approved the new administrative guide for Government assets while the new accounting guide included in the Government accounting manual is still awaiting cabinet approval. Meanwhile starting with 2016/17, the annual financial report of MDAs shall include a template to report the number and status of assets owned. The implementing entities are well staffed in term of accountants. Some accountants are qualified accountants or pursuing the ACCA or CPA. Some internal control weaknesses were identified in internal and external audit reports. Continued fiduciary staff capacity building, strengthening of the internal audit structure with the approval of the new internal audit structure and the development of the PFM learning and development strategy would contribute to the improvement to the internal control framework.

Internal Audit (IA)

31. **The Internal audit framework in place is acceptable since the capacity and independence of the internal audit function is critical in ascertaining the efficacy of internal controls that are crucial in determining the effective and efficient use of public funds.** To discharge its functions effectively,

[59] OBL Article 33 "Expenditure estimates of each public entity shall be organized in a programmatic, economic and functional classification, in line with international accepted classification standards of expenditures".

internal audit units must possess the key twin attributes of professionalism and independence. The Government Chief Internal Auditor, the Office of the Chief the Internal Audit (OCIA) supports Ministries, Districts and Agencies (MDAs) make informed decisions, use resources effectively and efficiently, and satisfy their respective statutory and fiduciary responsibilities. To this regard, the OCIA provides support to various MDAs to ensure efficient, effective and accountable use of public resources by providing analysis, assessments and recommendations about the performance of activities and systems reviewed. Internal Auditors report quarterly to Audit Committees including status of implementation of audit recommendations (external and internal) and the Internal Audit Department in MINECOFIN consolidates and reports to the Prime Minister's Office who then reports to Cabinet.

32. **The Internal audit plays an important monitoring role in evaluating the effectiveness of the internal control systems within the Government's operations in meeting its strategic objectives.** In performing this role, Internal Audit should not be involved in maintaining the controls it is supposed to evaluate. Internal Audit should be risk-based audit using the COSO[60] framework and concentrating on systemic issues covering the Enterprise Risk Management (ERM) objectives of ensuring (a) conformity to the Government's strategy; (b) effectiveness and efficiency of operations; (c) reliability of financial reporting; and (d) compliance with applicable laws and regulations. The effectiveness of internal audit further depends on how management reacts to its reports.

33. **The public sector internal audit capability model (IA-CM[61]) an internationally accepted benchmark developed by the Institute of Internal auditors (IIA) prescribes six key elements of the internal audit activity for determining the capability level.** Starting from a level of between 1-2 in 2010, the Office of the GCIA targets to achieve level 4 by 2017. At this level, internal auditors in various government entities will have fully complied with the internal audit regulations and implemented the International Standards for the Professional Practice of Internal Auditing (IPPF[62]) and will be a driver of change in Government. Through the PFM Basket Fund, internal audit has improved and the recent self-assessment concluded that the function is slightly above level 3 of the IA-CM and hopes to be at level 4 by 2017. Despite the advanced level attained according to the self –assessment, the realism of the audit work program is still a challenge especially in ensuring strong linkage with risks identified. Allocation of adequate resources in quantity and quality to effectively implement the internal audit work program needs to be enhanced.

34. **But areas of weaknesses exist. The current internal audit structure does not specify a Head of Unit which poses a challenge in terms of leadership of the internal audit function at the MDA level.** At the UR, many internal audit positions are still vacant and impact negatively the effectiveness of the function. At WDA, only one position out of two is filled. Turnover is also frequent at implementing entities level. The internal audit training program has been in place and internal auditors are enrolled both in ACCA, CPA Rwanda and in CIA. There have also been many courses for special audit skills (IT, PFM, risk-based audit, procurement, payroll, and so on). But these initiatives need to be strengthened and the recruitment process to fill vacant position should be a matter of priority.

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[60] Committee of Sponsoring Organizations of the Treadway Commission (COSO) has established a common definition of internal controls, standards, and criteria against which companies and organizations can assess their control systems.

[61] IA-CM capability elements: (a) Services and Role of Internal Auditing; (b) People Management; (c) Professional Practices; (d) Performance Management and Accountability; (e) Organizational Relationships and Culture; (f) Governance Structures; and (g) Use of Information Technology.

[62] The components of the IPPF are: the definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practices of Internal Auditing (Standards), Position Papers, Practice Advisories, and Practice Guides.

35. Overall, the Development of a recruitment, retention and career development strategy for internal auditors may help address the issue that is at the core of the quality of the internal control.

Audit Committee

36. **The Internal Audit Committee at implementing entities level exists and meets on Quarterly basis.** In July 2012, MINECOFIN published a model Audit Committee Charter followed by a Handbook in 2012 that provides broad guidelines that can be used by Audit Committees in Ministries, Districts, Agencies and Government Businesses. The purpose and authority of Audit Committee in Ministries, Districts and other Government Agencies (MDAs) is stipulated under Chapter V: Audit Committees of the Ministerial Order N° 002/09/10/GPIA of 12/02/2009 setting out Regulations for Internal Control and Internal Audit in Government and Ministerial Instruction N° 004/09/10/MIN of 01/10/2009 for the establishment of the audit committees in public entities, local government entities, autonomous and semi - autonomous public entities (as may be amended). Audit Committees are set up in government entities to provide oversight on the public financial management systems. They shall assist the Board of Directors, District Councils and Top Management in fulfilling their responsibilities for the financial reporting process, the Internal Control System, risk management, the internal and external audit process, and the government entity's process for monitoring compliance with laws and regulations.

37. **The OCIA is in charge of capacity building of audit committees and is planning to organise induction training for the newly elected Audit Committee members.** For the Audit Committees started working in March, six months have elapsed now without induction training. As result, it is recommended to maintain regular capacity building initiatives to improve the effectiveness of the Audit Committee. Appropriate performance evaluation framework for Audit Committee is also needed as well as timely replacement of Audit Committee members which in some entities, perform more than the prescribed number of term without being replaced.

9. Program External Audit

38. **In the exercise of his mandates, the Auditor-General must be impartial and must exercise the powers and perform the functions of office without fear, favor or prejudice in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) International Standards of Supreme Audit Institutions (ISSA) and its Code of Ethics for auditors in the public sector.** The SAI's audit objectives of legality, regularity, economy, efficiency and effectiveness of financial management in the public sector are achieved by the Auditor General reporting directly to Parliament.

39. **Under the Rwanda Constitution, the Auditor General of state finances has the mandate to audit all public expenditures under Law N° 79/2013 of 11/9/2013 determining the mission, organization and functioning of the OAG of State finances.** This Law also governs procedures for auditing state finances. Reports prepared by the Auditor General are submitted to the Parliament and considered by the Committee in charge of public accounts. The Auditor General and Deputy Auditor General are appointed by a Presidential Order and tenure of office is secured by the Auditor General and Deputy Auditor General being appointed for a five (5)-year term renewable only once.

40. **According to the Auditor General report for the year ended June 2015, 82 percent of the reported Government Expenditure was audited (this is up from 60 percent in 2007) and coverage for Provinces, Ministries and Districts was 100 percent.** The previous audit covered 157 entities among 294 entities consolidated in the state consolidated financial statements. The audit coverage represents the percentage of expenditure incurred by the entities audited when compared to the total national expenditure for the financial year, as presented in State consolidated financial statements.

41. **Reports prepared by the Auditor General are submitted to the Parliament and considered by the Committee in charge of public accounts.** The Committee collaborates with the Auditor General of State Finances to consider reports and other documents, conducts hearing and writes reports on all matters connected with State finances and property or finances managed by any public entity. The PAC conducts public hearings on the audit reports[63] and this oversight includes the audit reports for the District Councils (RAB management was subject to hearing on 2016 given adverse audit opinion in 2015-2016 audit report).

42. **The number of entities getting unqualified audit opinions is increasing over the years: 37 reports (28 percent) in 2012; 47 reports (34 percent) in 2013; 57 reports (36 percent) in 2014 and 77 reports (52.8 percent) reports in 2016.** In FY14/15, at Program level, UR, REB and WDA audit reports opinions were adverse or qualified on financial statement and qualified on compliance for MINEDUC, and unqualified for the CESB (ex NCBS). The necessity to strengthen the oversight and monitoring of the implementation of the action plan to address the audit findings is recommended. Delay is noted in the audit reports issuing at the WDA (2014-15 report is still not finalized), the UR and the HEC (last report is for FY12/13). The OAG shall improve the planning of audit intervention to ensure that the audit reports are finalized timely and covered all auditable entities. This will require additional resources to be allocated to the OAG via its annual budget by the GoR.

10. Governance and Anti-corruption (GAC) Considerations

43. **The assessment also covered the capacity of the governance systems and arrangements to handle risks of F&C at implementing entities.** The assessment also covered key oversight institutions for F&C, including the Office of the Ombudsman, the National Public Prosecution Authority and the OAG.

44. **There are relatively strong institutions of accountability, integrity and oversight, including the Public Accounts Committee (PAC) of Parliament, the Office of the Ombudsman (OM) and the OAG who hold public institutions, including MINAGRI and other program implementers to account.** There is division of responsibilities between the Offices of the Ombudsman (OM) which deal with cases of corruption and the Criminal Investigation Department (CID), which deals with cases of fraud, while the National Public Prosecution Authority (NPPA) prosecutes cases on F&C after investigations. The NPPA has 12 prosecutors dedicated to the prosecution of F&C and each one prosecutor for each of the 30 districts. The prevention directorate of the OM assists both public and private organizations and non-profit organizations in reviewing their business processes to identify and address gaps that might create opportunities for corruption. It also has the mandate to proactively intervene in organizations to suggest corruption prevention measures. There seem to be good working relationships and understanding among the agencies with a common purpose of minimizing opportunities for F&C and dealing decisively with it when it occurs through investigation and prosecution.

45. **The legal provisions for investigation, prosecution and prevention of fraud corruption and enforcement are quite strong.** Corruption is comprehensively defined in Article 633 of Organic Law No. 01/2012/OL of the Penal Code and there are several other laws to help fight, prevent, investigate and punish F&C[ii]. The Law establishing the Office of the Ombudsman was amended in 2013 (Law No. 76/2013) to enable the OM to prosecute cases of corruption to speed up the process of prosecution. Also, a Whistle Blowers' Protection Act was passed in 2013 to give reasonable assurance and incentives to report cases of F&C. One key innovation for deterrence is a naming and shaming policy for persons convicted of corruption whose names and offences are published in newspapers and on the website of the Office of the Ombudsman (http://www.ombudsman.gov.rw). Overall, the legal and institutional frameworks give reasonable assurance of the capacity to deal with cases on F&C in the PforR program. However, staffing capacity in

[63] Members of Parliament applaud public funds management- http://www.newtimes.co.rw/news/index.php?i=15401&a=68177

investigation in OM is a concern as there were vacancies yet to be filled at the time of the assessment. It may also require more investigators beyond the current establishment level to cover the entire country.

46. **The independence of the Office of the Ombudsman is key for effectiveness.** The OM has operational independence; the Chief Ombudsman is appointed for a five year term, renewable once, and two deputies are appointed for four year term each, renewable once. The OM reports to Parliament and the Office of the President and has independence in its operations.

47. **The Auditor General's report provides pointers to potential cases of F&C, in addition to the public providing information through hot lines and other media.** The OAG produces an annual report on the use of public funds in Governmental organs and institutions. This Report is sent to Parliament (Public Accounts Committee) and a copy is provided to the Prosecutor-General as provided for by Article 184 of the Rwandan Constitution as revised to date. The NPPA then appoints a team to analyze the Report and investigate persons suspected of complicity in mismanagement of public funds in general, where necessary. However, the law does not require a copy of the report to be provided to the Office of the Ombudsman which is responsible for investigation of cases of corruption. With the amendment of the law to enable the OM to prosecute cases of corruption, it would be important to officially require a copy of the report of the Auditor General to be sent to the OM.

48. **There are multiple channels of making and recording complaints on F&C, including on procurement.** There is a reasonably good citizen's engagement and complaints handling mechanism for F&C. Both the OM and NPPA have regular press conferences aimed at sensitizing the public at large on corruption to prevent the public from engaging in this and related crimes since persons found guilty are harshly punished. Chief Prosecutors at all Prosecution levels are duty bound to receive complaints from the public every day on allegations of fraud in any government agency, including MINEDUC, WDA, UR, RED, CESB, and HEC. This enables issues to be handled in a timely manner and prevents complainants from seeking to use corrupt means to solve their concerns. The Chief Prosecutors write monthly reports to the Prosecutor-General informing him of all complaints received and how they were resolved. Prosecutors also have timelines within which they must have taken a decision on each case, failure of which reasonable cause must be given. A similar process is used in the OM to handle complaints. The NPPA has a free hotline (3677) that enables anyone with information on corruption or has a complaint can easily communicate to NPPA. The OM also has multiple sources of receiving complaints, including hotlines, secure complaints boxes in most public organizations and in each of the 30 districts, via email and letters. The assessment suggests that these complaint mechanisms work reasonably well.

49. **Procedures related to complaints on public procurement are stipulated in the procurement law and can come from bidders who have seven days to lodge a complaint or request a review.** The reporting system for procurement complaints is adequate for this program. There is also an appeal mechanism for bidders to appeal if not satisfied. There are both National and District Level Independent Review Panels that review decisions made on procurement complaints. Complaints related to suspected cases of F&C in procurement are referred to the OM and NPPA by the NPA for investigation and possible prosecution. Complaints from citizens on suspected cases of F&C are also lodged with the RPPA or directly to the OM or NPPA.

50. **The assessment also examined the capacity to implement the World Bank's ACGs.** One area of concern is on the use of the World Bank's list of debarred and suspended firms. The Rwanda law does not automatically debar firms on the World Bank's list from participating in public procurement. The RPPA has its list of debarred firms. However, the overall responsibility of ensuring compliance will have to rest with the Rwanda Public Procurement Agency and MINEDUC. The RPPA shall send out a circular with reference to the link World Bank debarred firms. The World Bank's list of debarred and suspended firms

and individuals are made public in the RPPA website and shall be included in the ToRs of the OAG to ensure compliance to the list in the annual PforR program audit.

51. **The Auditor General's report has noted some lapses in procurement, in some cases including noncompliance to procurement law in full.** Specific examples include non-publication of contracts in appropriate media and thus weaken transparency and openness, and poor records management for procurement trail and auditing. These lapses are vulnerable to risks of corruption if not addressed comprehensively.

52. **In conclusion, F&C risks for implementing the PforR program is moderate in the program areas selected.** Rwanda has the institutional and organizational capacity to handle issues of F&C in the program but will have to take action to address the risks areas identified, including adequate staffing in investigations and PFM at districts level. Otherwise, the ex-post detection and ex-ante prevention of corruption are quite sound and give reasonable assurance that issues of F&C will be handled

11. Key Weaknesses, Risks, Mitigating Measures and Program Action Plan

53. **The overall fiduciary risk is moderate (combination of moderate financial risk and moderate procurement risk).** The fiduciary framework is sound and operate reasonably well. Nevertheless, some weaknesses are identified in the budget and procurement planning, in the staffing (FM, IA and procurement staff turnover, qualification and retention), value for money in procurement, adverse audit opinion at WDA and, REB and UR. The details are in table 5.3 with proposed mitigating measures. The action plan (see below tables) to address issues (PFM learning and Development strategy and eProcurement) identified are being implemented through the PforR operation on Public Sector Governance.

Table 5.3. Identified Key Weaknesses, Risks, Mitigating Measures being addressed under the Public Sector Governance PforR (P149095)

Risk Sources	Actions Required to Address Weaknesses that will Support Attainment of Program Objectives	PAP	Risk Level	Responsible MDA	Deadline
1. **Planning and Budgeting** - Overall FM element objective - the program budget is realistic, prepared with due regard to government policy, and implemented in an orderly and predictable manner.			Substantial	MINECOFIN/MINEDUC	June 30, 2018
Linkage between GoR priorities and Budget allocation for the program exists but shall be strengthened as risk of	Strong mechanisms to enhance consultations during the planning process among MDAs but also DPs as well as	Design a feasibility studies for all investments in the program and a sound procurement plan			

Risk Sources	Actions Required to Address Weaknesses that will Support Attainment of Program Objectives	PAP	Risk Level	Responsible MDA	Deadline
significant deviation in the budget execution was noticed at some implementing entities level (MINEDUC, WDA, CESB, REB, HEC)	improvements in the PIM design Implement the Result Based mechanism recently developed				
2. **Accounting and financial reporting -** Overall FM objective: adequate program records are maintained and financial reports produced and disseminated for decision-making, management, and program reporting.					
Risk of inaccurate and non-comprehensive program expenditures reporting due to manual retreatment Risk of delay in reporting the program expenditures Delay in producing the monthly financial report (REB)	Upgrade the IFMIS to report expenditures not only at entities level but at NEP level Appoint staff to report on program expenditures		Substantial	Accountant General's Department	June 30, 2018
3. **Treasury Management and funds flow -** Overall FM objective: adequate and timely funds are available to finance program implementation.					
No material risk identified			Low		

Risk Sources	Actions Required to Address Weaknesses that will Support Attainment of Program Objectives	PAP	Risk Level	Responsible MDA	Deadline
4. **Internal control (including internal audit) -** Overall FM element objective: there are satisfactory arrangements to (a) monitor, evaluate, and validate program results; and (b) exercise control and stewardship of program funds.					
The current Internal Audit structure does not provide clear leadership at the MDA level. There are still weaknesses in complying with IIA principles by MDAs. Lack of qualified FM staff and turnover due to absence of career development and retention strategy Lack of independence of the Audit Committee	Create an Internal Audit Cadre to establish the right staff number for internal auditors at each of the public sector institutions in the country with clear progression path and commensurate compensation package. Proper monitoring mechanisms to ensure full adherence including capacity building initiatives for both internal auditors and audit committee members	Develop and implement a PFM learning and retention strategy (PforR Governance is addressing this PAP	Moderate	MINECOFIN (OGCIA)	June 30, 2018 June 30, 2018

Risk Sources	Actions Required to Address Weaknesses that will Support Attainment of Program Objectives	PAP	Risk Level	Responsible MDA	Deadline
member mainly at Districts level	Develop PFM learning and retention strategy The Audit Committee member independence should be enhanced by ensuring that they comply with a chart of independence that will contains provisions preventing for conflict of interest or any relationship that can impede objectivity and independence				
5. **External audit -** Overall FM element objective: adequate independent audit and verification arrangements are in place, considering the country context and the nature and overall risk assessment of the program.					

Risk Sources	Actions Required to Address Weaknesses that will Support Attainment of Program Objectives	PAP	Risk Level	Responsible MDA	Deadline
Delay in submission of the audit report Adverse or qualified audit opinion	OAG to plan adequately the field intervention. Develop action plan and ensure effective monitoring by Management, IA and Audit Committee Allocate additional resources to the OAG to cover all auditable entities and for the DLIs verification		Substantial	OAG/MINEDUC/MINECOFIN	April, 2018 Annual Annual
F&C Risk of F&C on the program not identified as related to the program	Report cases on F&C related to the all program financed by DPs and GoRs using the template agreed		Moderate		June 30, 2018

Table 5.4. Procurement Risks Mitigation

Procurement Risk	Description	Proposed mitigation Measures
World Bank Debarred firms may participate on procurement of the program.	The implementing agencies are not aware of list of firms debarred by the World Bank and as a result, World Bank debarred firms may be allowed to participate on procurement of the program.	RPPA to issue circular to all implementing agencies with reference to the Link to Bank debarred firms on RPPA website. MINEDUC take responsibility to communicate with RPPA and get it done. OAG to verify the implementation.
Inadequate number of Procurement staff to manage program procurement.	Number of procurement staff of some of the implementing agencies, namely MINEDUC, CESB are not adequate. However, given the procurement unit structure for CESB	MINEDUC should hire one additional procurement officer and CESB should fill the position according to the newly approved structure for the effective management of the procurement of the program.

Procurement Risk	Description	Proposed mitigation Measures
	is upgraded the unit is adequate to manage additional program.	
Lack of capacity to implement procurement of consultancy services and specialized procurements of Goods/Equipment.	The existing procurement staffs of all the implementing agencies have no experience on procurement of high value consultancy services, Works and Goods. Same is true with procurement of specialized items.	MINEDUC to coordinate with RPPA to provide trainings on Consultancy services and high value Goods, to procurement staff of all IAs, at the effectiveness of the program and on annual basis for the program life.
Procurement non-compliances can lead to qualified audit report.	The weaknesses in areas such as negotiating on prices, delays in bid evaluation, contract award and records keeping can negatively affect the program result.	MINEDUC to coordinate with RPPA to organize training to procurement staff of all IAs, at the effectiveness of the program and on annual basis for the program life
Overall Fiduciary Risk Rate		**Moderate**

Annex 6: Summary Environmental and Social Systems Assessment

1. **The Environment and Social Systems Assessment (ESSA) for the priority skills for growth PforR has been undertaken to ensure consistency with six "core principles," outlined in the World Bank's Operational Policy 9.00 – Program-for-Results Financing – to effectively manage environmental or social effects so as to strengthen the performance of the program.** The ESSA has been undertaken by Environmental and Social Specialists of the World Bank and examines existing legal, regulatory, and institutional framework guiding the program's environmental and social management systems. It also defines measures to strengthen the systems and integrates these measures into the overall program.

2. **The ESSA is crucial to ensure that PforR operations are designed and implemented in a manner that maximizes potential environmental and social benefits.** ESSA assesses the borrower's authority and organizational capacity and performance to date, to achieve the social and environmental objectives associated with the Program and stipulates supplementary actions as necessary.

3. **According to the requirement of the World Bank's Operational Policy/World Bank Procedure (OP/BP) 9.00 an ESSA was undertaken by the World Bank team.** The ESSA was prepared in collaboration with relevant officials and technical staff members of Priority Skills for Growth (PSG) implementing agencies.

4. The preparation of the ESSA has been carried out in a participatory manner involving feedback and inputs from a number of key stakeholders, including national and county government.

5. **The assessment was carried out through a comprehensive review of relevant government policies, legislations, institutional roles, program procedures and an analysis of the extent these are consistent with World Bank's OP/ BP 9.00.** Field reviews and consultations with key informants from relevant national and local government authorities also formed a key part of the methodology for undertaking the assessment.

Rwanda's Environmental Management Systems

Environmental Assessment and Management

6. **This ESSA documents that Rwanda's legal, policy, institutional and regulatory framework and existing national level systems for managing environmental impacts are relatively robust, and that the existing systems for screening projects, ensuring that adequate environmental and social assessment are conducted for projects, for holding public consultations on projects and their impacts, and gathering feedback and complaints are fairly well developed.** The EIA regulations also compare well with international best practice in terms of process allowing for stakeholder consultation and grievance redress across the different stages.

7. **The ESSA also found that the responsible national government agencies, for example, Rwanda Development Board (RDB) and Rwanda Environment Management Authority (REMA), already have significant capacity to manage these risks appropriately.** The existing RDB's system for screening is quite robust, even at the county level. If an EIA is required, proponents must by law contract a certified firm to conduct an EIA study, which is then reviewed by RDB.

8. The management and protection of the environment is under the ambit of REMA but has been effectively decentralized to the local governments through the Local Government Act, which requires local governments to recruit environmental and social officers to ensure environmental protection.

Conservation of Natural Habitats

9. Rwanda has established policies, legal and regulatory framework as well as institutions, which protect natural habitats from degradation and conversion, including Organic Law on Environment, Local Government Act and Land Act.

Workers and Public Health and Safety

10. **Rwanda's Labor Code protects workers and public from occupational related hazards by requiring developers to safeguard the health and safety of workers and the public in the places of work.** According to the Labor Code, an employer is responsible to maintain health and safety of the workers at workplace. Employer is required to keep the workplace in a common state of cleanliness and presentation of hygiene and safety necessary for the health and safety of workers. The Directorate of Labour and Employment (MIFOTRA), which has the mandate of ensuring worker's health and safety needs to be supported to fully implement its mandate, The PSG will have limited and minor civil works aimed at rehabilitating the tertiary institutions. Labor will be required for such works but on a very limited scope.

Public Participation

11. **The EIA regulations provide for public consultation during the EIA process and requires that while seeking the views of the people, the developer shall; publicize the intended project, its anticipated effects and benefits through the media in a language that the affected communities understand hold meetings with the affected communities to explain the project and its effects in places convenient to the affected people and agreed by the local leaders.** Public participation is also critical at the scoping process to ensure that issues concerning the community are addressed in EIA.

12. **The Expropriation Law governs the specifics of land acquisition.** The law provides for public dissemination on the importance of the project to be established and the need for expropriation. In addition to dissemination, the Expropriation Law requires prior consultative meetings and examination of the project proposal involving expropriation, with a view to avoid eventual prejudice on the person or entity subject to expropriation. Normally, a consultative meeting is held within 30 days after receipt of the application for expropriation. Based on these consultations, the relevant Land Commission or Committee (from the Cell level to the National level) takes a decision to approve the project within a period of 15 days.

Rwanda's Social Systems

Citizen Engagement

13. **Participatory decision making, transparency and stakeholder involvement are major aspects of the program.** There is participation and consultation in decision making within the program this should be maintained for the program. For training institutions, key stakeholders are represented and involved through boards of training institutions.

Gender

14. **Rwanda has robust policy on gender equity and the mainstreaming of the same in all the sectors.** These will be applicable for the program, women and girls will be encouraged to benefit from the trainings and student loans.

Land Acquisition

15. **The policy, legal and institutional framework in Rwanda governing land acquisition and resettlement is strong and compares well with the World Bank ESSA core principles.** They all address impacts associated with involuntary resettlement and provide for compensation for loss of assets based on replacement cost approach.

16. **The Constitution of Rwanda also protects the rights of individuals to property ownership and only advocates for land acquisition when projects are for the public good.** Livelihood restoration as a result of land acquisition is addressed by the Land policy.

17. **The Expropriation Law Article 26 provides complaints procedures for individuals dissatisfied with the value of their compensation.** The Law stipulates that the dissatisfied person has a period of 30 days after the project approval decision has been taken to appeal (Article 19).

Affirmative Action

18. **Rwanda has different sets of laws, policies, guidelines, and administrative practices intended to end and correct the effects of discrimination on gender and marginalized groups**. Law N° 22/99 of 12/11/1999 related to matrimonial regimes, liberalities and successions, giving to women the same rights of succession as men; - Land Organic Law N°08/2005: Equal access to land for both men and women.

Grievance Mechanism and Dispute Resolution

19. **The institutions have an active grievance mechanism for teachers and students.** This will be included in the program, strengthened and documented.

Indigenous Peoples

20. **The GoR does not consider any group of Rwandans as distinct from others. In Rwanda, all people are treated equally.** The Rwandan national constitution of June 2003 provides for higher levels of representation to previously marginalized groups such as women, youth and people living with disability. This constitutional framework provides quotas (at least 30 percent) for women in decision making which have resulted in an unprecedented number of women being elected or appointed to decision making positions at all levels. The constitution reinforces the principles of gender equality and elimination of all forms of discrimination against women and provides a very strong platform for gender mainstreaming in all sectors.

Environmental and Social Risks and Recommendations

Environment and Social Risks

21. **The PSG does not pose significant environmental and social impacts due to its scope, which is focused on capacity building by specifically improving skills for job opportunities.** The operations will focus on developing skills within three priority economic sectors (energy; transport and logistics, manufacturing- agro-processing and garments). There will be limited civil works aimed at rehabilitating and/ or renovating the targeted training facilities. These minor civil works would have low environmental and social impacts, which can be mitigated through the existing country systems.

22. **The project does not envisage any form of land take during the civil works because all the planned works are expected to occur within the land already owned by the tertiary institutions.**

However, in the event that any form of land take is encountered during the implementation, the existing country systems for land acquisition is adequate to ensure the same.

23. However, the ESSA found a low risk that the PSG project could cause significant environmental or social impacts because of its focus on skills development with the proposed minor civil works not expected to adversely affect the environment and very likely to be managed through the existing environmental and social systems of the country.

Addressing Capacity Constraints

24. **Facilitate REMA to support any civil works under the project.** Where feasible, training and awareness of the importance of environmental and social sustainability will be included in the technical and vocational courses for longer term sustainability.

Programmatic Approach

25. The design of the project in education institutions is an opportunity to produce graduates who are trained in social and environment sustainability for projects and enhance the recognition of social, environment, health and safety, and long-term sustainability aspects in training institutions and programs at the technical, vocational and the university levels.

26. In this context, the broad social and environmental goals of the ESSA would be to mainstream environmental and social due diligence and awareness into the program, through inclusion of environmental sensitivity and management into the formal curricula and to train teachers in its content.

27. The program also offers the possibility of improved skills and capacity along with increased coordination among various ministries, agencies and donor partners on environmental and social aspects.

28. **The Rwanda Priority Skills for Growth Program will finance minor civil works related to upgrading and improving infrastructural conditions of the educational facilities confined to existing premises and within the boundaries of the existing facilities.** The anticipated adverse environmental and social effects are not expected to be very significant. It has been determined that the Environment and Social Impact Management Process defined by the Rwanda Environment Management Authority will be sufficient to manage any risk during construction. However, the supervision of the ESMP will require some strengthening of capacity and technical enhancement.

29. **The ESSA concluded that the existing environmental and social management procedures are adequate for use under the Priority Skills for Growth (PSG).** There are adequate legal, policy and institutional frameworks within the country to minimize any adverse environmental and social impacts associated with the PSG project.

30. However, if there are any changes to the current scope or if the PforR program is expanded to include constructions and/or upgrades and physical/civil works and/or usage or acquisition of new land, then the ESSA will need to be revised to ensure that all impacts are well assessed and appropriate measures are incorporated to mitigate the higher risks that may arise.

Citizen Engagement and Grievance Redress Mechanism

31. **Decision making that takes into consideration the active involvement of all relevant actors at the training institutions is the current practice and should be maintained.** This will require sustained planning and outreach. Participatory decision making and stakeholder involvement are major aspects of the

program. Accountability and transparency of institutions would be essential to ensure that the program support is used in a productive manner to reach as many training providers and trainees as possible who are eligible for the program. Dissemination and awareness raising activities for environmental and social due diligence measures will be built into PforR program.

32. **Grievance redressal mechanism has been discussed with stakeholders and laid out in the ESSA.** At the national level, there is a government portal available for registering complaints. The Operational Manual will need to review the existing system and provide timelines and a monitoring mechanism for the Grievance redress mechanism (GRM). The GRM will also need to be widely disseminated to all stakeholders.

Annex 7: Systematic Operations Risk Rating (SORT)

RWANDA: Priority Skills for Growth

Stage: Appraisal

Systematic Operations Risk-Rating Tool (SORT)		
Risk Category		**Rating (H, S, M, L)**
1.	Political and Governance	Low
2.	Macroeconomic	Low
3.	Sector Strategies and Policies	Moderate
4.	Technical Design of Project or Program	Substantial
5.	Institutional Capacity for Implementation and Sustainability	Substantial
6.	Fiduciary	Moderate
7.	Environment and Social	Low
8.	Stakeholders	Moderate
OVERALL		**Substantial**

Annex 8: Program Action Plan

Issue	Action	Target Institution	Timing
Implementation Capacity			
General Capacity Gaps			
Limited change management processes could prevent the restructuring of institutions, vital to achieving the results	Provision of advice on change management to heads of the institutions that will undergo restructuring	Heads of all stakeholder units undergoing restructuring	January 2018
Limited expertise in Project Management and Project Management Systems could result in delays, deadlines being missed and results not being achieved	Train a cadre of project management staff to better understand best practice, procedures and systems	Single Project Implementation Units	June 2018
Specific Institutional Capacity Gaps			
Support required for the management of Rwanda University, and relevant ICT systems to aid management as well as develop a competency based curriculum	Technical expertise to be engaged in the areas of curriculum, pedagogy, assessment, ICT and management	UR	September 2018
Implementation and quality assurance functions to be split. Each to grow in line with increased enrolment at TVET institutions	Upgrade the quality and number of instructors at TVET level	RP	August 2018
	Increased capacity required in quality assurance and regulation of institutions	Workforce Development Agency	August 2018
Development of an apex institution for skills and employment services to provide technical analysis and advise government	Partner with an international apex institution to understand the role of an apex body	CESB	June 2018
Effective and efficient tracking of current student loans and administering of new loans required	Development and operation of a student loan MIS	BRD	June 2018
M&E			
Multiple implementing agencies all enhance the complexity of the M&E	Development of a M&E system to be undertaken considering multiple agencies	CESB	August 2018
Inspection and monitoring of institutions is required to ensure high quality higher education is maintained across the country	Strengthen inspection and monitoring of tertiary institutions	HEC	August 2018

Annex 9: Implementation Support Plan

Table 9.1. Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	(a) Technical support for setup of SSC (b) Technical support for design of SDF and student loans mechanism (c) Capacity enhancement for data collection at national and institutional level (d) Capacity enhancement for apex bodies, regulatory bodies and flagship institutions (e) Support for implementation monitoring	Technical (data systems, results-based financing mechanisms, regulatory practices, set up of coordination mechanisms), fiduciary, M&E, and environmental	3 implementation support visits by technical specialists focused on design and implementation of system-level reforms to create an enabling environment for skills development 3 implementation support visits by fiduciary, environmental and M&E specialists focused on capacity building for program implementation and monitoring	n/a
12–36 months	(a) Technical support for results-based planning and management at institution/ firm level (b) Technical support for implementation of SDF and student loans mechanisms (c) Capacity enhancement for apex bodies, regulatory bodies and flagship institutions (d) Support for implementation monitoring, including mid-term review	Technical, fiduciary, M&E, and environmental	2 implementation support visits focused on revision of results-based financing mechanisms 3 implementation support visits by fiduciary, environmental and M&E specialists focused on capacity building for program implementation and monitoring, including mid-term review	n/a
Other				

Table 9.2. Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Program management (TTL)	10 weeks x 1 staff	2	Region based
Program implementation support	6 weeks x 2 staff	2	HQ/Country based
Skills Development Fund Specialist	2 weeks	1	International
Student loan specialist	2 weeks	1	International
Specialist on design/implementation of national/sector coordination mechanisms	4 weeks	2	International
M&E/Results based financing specialist	4 weeks	2	International
FM Specialist	4 weeks	2	Country based

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Procurement specialist	2 weeks	1	Country based
Environmental specialist	2 weeks	2	Country based
Social specialist	2 weeks	2	Country based
Administrative support	10 weeks	0	Country based

Annex 10. Labor Market Analysis

Country Context

1. **Rwanda is aspiring to become a middle-income export-oriented, knowledge based-economy by 2020 as outlined in Rwanda Vision 2020.** The Vision 2020 rests on six pillars, including good governance and capable state, human resource based development and knowledge based economy, private sector led development, infrastructure development, productive and market oriented agriculture, and regional and international economic integration. The Vision also stresses the importance of fostering export-oriented employment generating industries, such as agro-processing, as well as back-bone sectors which ensure growth and efficient functioning of overall economy, such as energy, transport and logistics, and infrastructure development. To support the economic and social development of Rwanda, the Vision 2020 also recognizes the importance of human capital development by putting an emphasis on developing skills across the continuum of education and training with focus on technology, engineering, and management in technical and vocational education. Finally, drawing on comparative advantage of Rwanda's geographical position, the Vision 2020 envisages the country positioning itself as an information and telecommunication technology (ICT) and logistics and services hub serving the Great Lakes and Eastern Africa Region.

2. **The long term aspirations of the Vision 2020 are translated into the medium-term objectives as described in the EDPRS II 2013-2018.** The EDPRS II sets out four thematic areas with specific priorities to achieve the Vision 2020:

- **Economic transformation.** increasing domestic and external connectivity of Rwanda, transforming private sector through investments into the priority areas, facilitating urbanization and the development of secondary cities, and pursuing "green economy" approach.

- **Rural development.** increasing productivity in agriculture, connecting rural communities with economic opportunities and reducing extreme poverty.

- **Productivity and youth employment.** developing skills, promoting technology, stimulating entrepreneurship, and improving efficiency of labor markets

- **Accountable governance.** strengthening citizenship participation and demand for accountability, and improving services delivery.

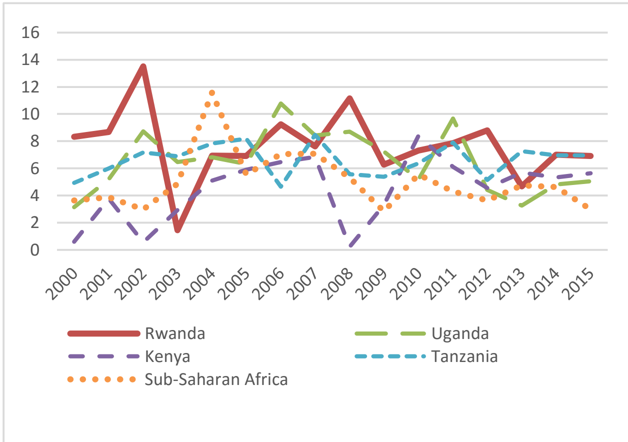
3. Capitalizing on achievements and lessons of the Vision 2020, the GoR is working on the development of Rwanda Vision 2050 and EDPRS III to advance further the agenda of transforming Rwanda into the knowledge-based economy and improve quality of life for all Rwandans.

4. Furthermore, to support the Vision and the EDPRS, sectoral strategies have been recently completed or are being drafted with respective sectoral plans on moving forward to achieve the overall objective of the Vision, for example, Domestic Market Restructuring Strategy and Made in Rwanda, National Science, Technology, and Innovation Policy, Education Strategic Sector Plan, Strategic Skills Development Program 2013-2018, and others.

5. **Rwanda, a small landlocked economy with population of 11.6 million and current GDP per capita of US$697 in 2015, has been experiencing a fast growth over the past decade.** Between 2000 and 2015 Rwanda grew on average at 7.7 percent annually outperforming its neighbors (figure 10.1). The fast paced economic growth resulted in doubling the GDP per capita from US$800 in 2000 to 1,600 in 2015

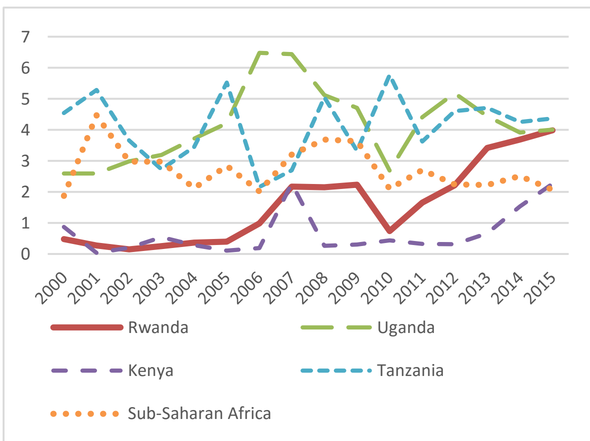
in constant 2011 PPP prices. Political stability, prudent macroeconomic policies, promotion of good governance and favorable investment climate contributed to the fast growth and low inflation. Growth has been driven primarily by services - 58 percent contribution to overall growth, followed by agriculture – 24 percent, and industry – 18 percent (Bundervoet et al. 2015[64]). As a result, Rwandan economy has been shifting away from agriculture toward services and manufacturing. While agriculture value added as a share of GDP declined from 37 to 33 percent between 2000 and 2014, manufacturing share increased from 13.6 to 14.3 percent and services increased from 49.2 to 52.5 percent.

Figure 10.1. Annual GDP Growth, Percent



Source: World Development Indicators, 2016

Figure 10.2. Annual Foreign Direct Investment (Net) Inflows, Percent of GDP



Source: World Development Indicators, 2016

6. **The fast growth was accompanied by substantial poverty reduction.** The share of the population living below the national poverty line decreased from 59 percent in 2001 to 45 percent in 2011 and has mainly been driven by increases in agricultural production and productivity and progressive diversification toward non-farm activities (Bundervoet et al. 2015). The inequality, as measured by Gini coefficient, declined from 0.52 in 2006 to 0.49 in 2011.

[64] Bundervoet, Tom; Handjiski, Borko; Merotto, Dino Leonardo; Paci, Pierella; Ranzani, Marco; Blankespoor, Brian; Ishihara, Yoichiro; Nishiuchi, Toru. 2015. *Rwanda - Employment and jobs study*. Washington, D.C. : World Bank Group. http://documents.worldbank.org/curated/en/153581467991044283/Rwanda-Employment-and-jobs-study

7. **The flows of foreign direct investments (FDI) have been rising steadily from almost non-existent in 2000 to 4 percent of GDP in 2015 (figure 10.2).** The largest inflow of FDIs went into mining US$136.2 million, ICT – US$116.1 million, followed by tourism - US$71.8 million, and finance and insurance - US$68.8 million. The major sources of FDI inflows were Mauritius, Switzerland, US, Luxembourg and India totaling 81.6 percent of total inflows in 2014 (National Bank of Rwanda, 2015[65]). The foreign owned investments created opportunities for 37,000 people (90 percent Rwandans), out of which 24,000 unskilled workers, 8,000 skilled, and the rest managerial and administrative.

8. **Public investments have been increasing over time, but they are mostly financed by foreign aid.** The share of investment increased from 16 percent in 2006 to 25 percent in 2013, mainly due to investment in construction, whereas investment in capital goods increased only marginally. Public investments financed by foreign aid accounted for more than 50 percent of total investment. Net official development assistance (ODA) as a share of GDP remained high at 20 percent in 2011 or 93 percent of gross fixed capital formation, though it declined from over 150 percent in the early 2000s. The studies show that Rwanda used its foreign aid effectively, topping international ranking on aid-effectiveness.[66]

9. **Rwanda faces the challenge of deteriorating trade balance.** The trade balance has deteriorated from US$190 million (11 percent of GDP) in 2000 to US$1,270 million (16 percent of GDP) in 2014. Concerned about this trend, the GoR developed the Domestic Market Restructuring Strategy aiming to promote import substitution and exports. As the result of this strategy, the country embarked on Made in Rwanda campaign which promotes domestic manufacturing, including agro-processing and garments. The share of exports as percentage of GDP increased from 6 to 14 percent between 2000 and 2015. But, there has been little progress toward export diversification. Traditional products (coffee, tea, and extractives) accounted for about 70 percent of exports in 2014 (National Bank of Rwanda, 2015).

Labor Markets

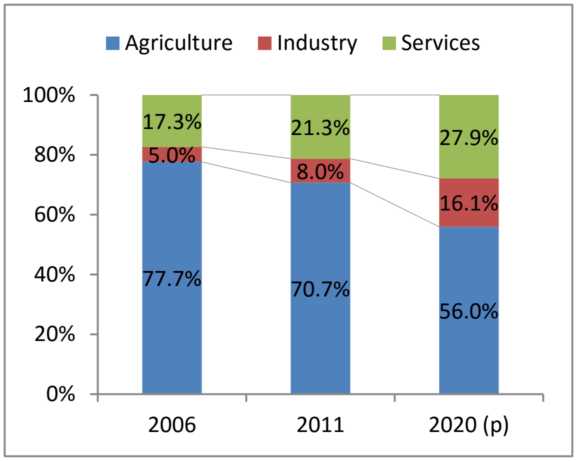
10. **The rapid economic growth was also accompanied by job creation**. Between 2006 and 2011 employment rose 15.4 percent adding 630,000 new jobs to the economy, 73 percent of them in non-agricultural sector. Furthermore, 70 percent of non-farm employment was in wage sector. The sectoral composition of non-farm employment shows that most of jobs were created in construction, followed by public sector, and domestic services (figure 10.4). Bundervoet et al. 2015 show that employment growth between 2006 and 2011 was most responsive to growth in industry. For example, a one percent increase in industry output growth was associated with 1.6 percent increase in industry employment, compared to 0.8 percent increase in services employment and 0.2 percent in agriculture in response to the respective sector output growth. Within industry, employment response was the highest in mining and utilities, and manufacturing.

11. **While Rwanda is still largely an agrarian society, the share of those employed in the agriculture has been declining.** Employment in agriculture declined from 90 percent in 2001 to 78 percent in 2006 to 71 percent in 2011, and is projected to decline even further to 56 percent by 2020. Employment in services accounted for 21 percent of total employment and in industry - for 8 percent in 2011 (figure 10.3). The share of employment in industry is expected to double between 2011 and 2016 driven by growth in mining and construction.

[65] National Bank of Rwanda.2015. "Foreign Private Capital in Rwanda 2015"

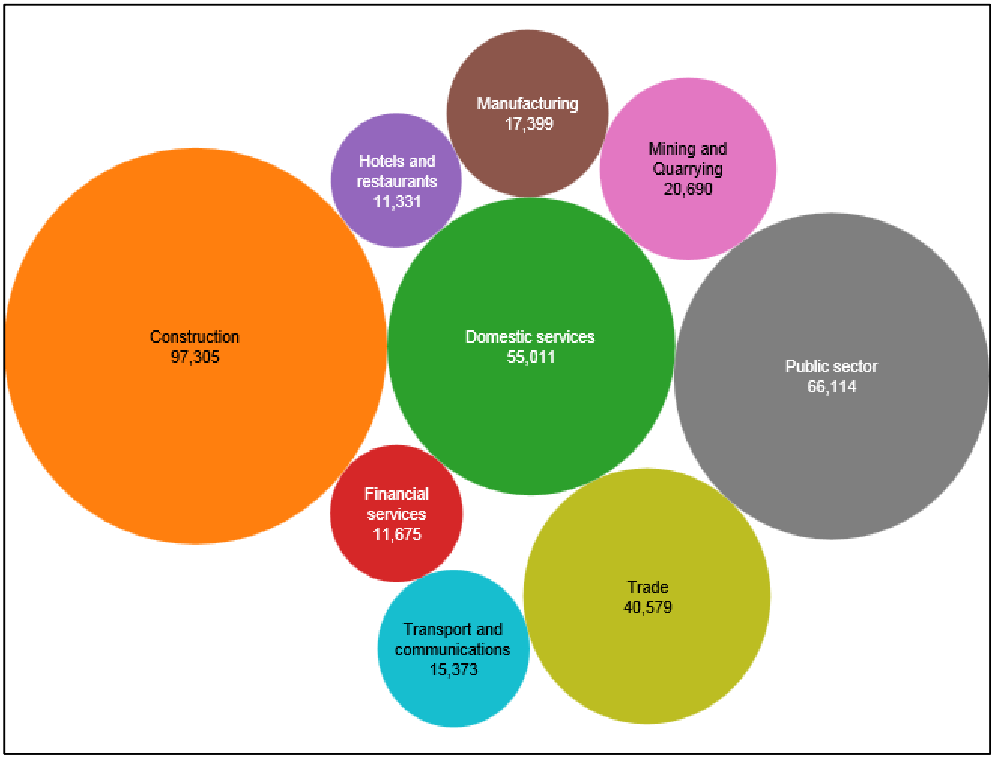
[66] Rwanda's performance on aid effectiveness is the best among 77 participating countries in Yoichiro Ishihara, "Identifying Aid Effectiveness Challenges in Fragile and Conflict-Affected States" (World Bank Policy Research Working Paper No.6037, 2012).

Figure 10.3. Sectoral Share of Employment, 2006, 2011, 2020 (Projected)



Source: Bundervoet et al. 2015

Figure 10.4. New Jobs Created in Non-farm Jobs between 2006 and 2011



Source: Bundervoet et al. 2015

12. **A salient feature of Rwandan economy is that it is largely informal,[67] dominated by micro firms.** According to Rwanda's definitions of formality, 95 percent of all firms operating in Rwanda are informal. This number rises to 97 percent among the micro firms (1-3 employees). While share of informal firms declines with the size, it is still substantial across the board – 68 percent of small firms (4-30 employees), 39 percent of medium firms (31-100 employees), and 28 percent of large firms (>=101

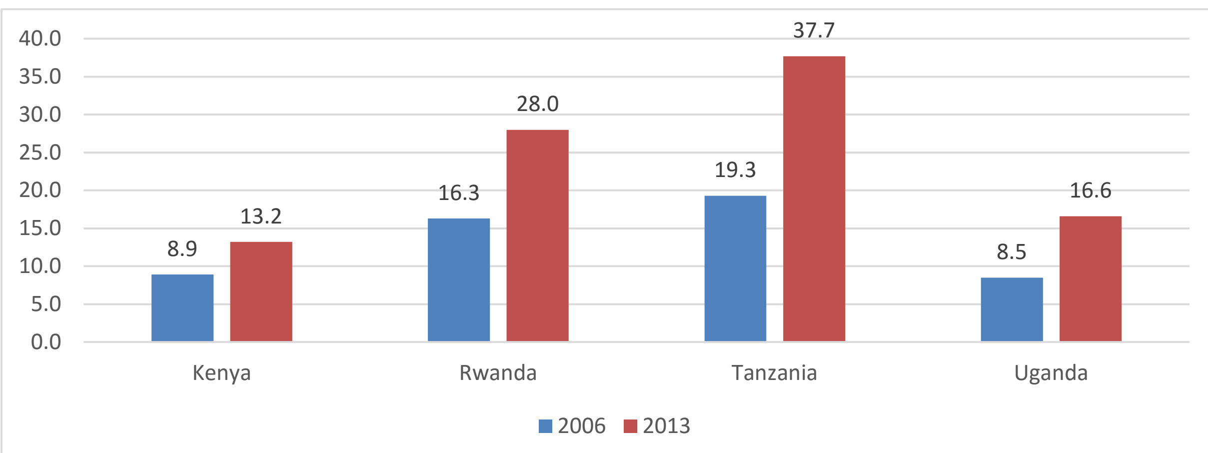
[67] According to Rwanda's establishment census, to be classified as "formal", an establishment must: (a) be registered with Rwanda Revenue Authority (RRA) and, for smaller companies with fewer than five employees, maintain regular operational accounts.

employees). Furthermore, more than 90 percent of non-farm firms are micro firms, that is, employ 1-3 workers. Micro firms are responsible for 53 percent of non-farm employment.

13. **Labor market in Rwanda is characterized by low unemployment rate, high underemployment and informality, and low earnings.** The labor force participation[68] in Rwanda has been historically high and accounted for 85.7 percent of working age population in 2014. This number is higher than the Sub-Saharan average of 70 percent and trails only below Tanzania (89 percent) among the neighboring countries. The formal unemployment rate,[69] similarly to other low income countries, is low. The unemployment rate went down from 4.6 percent in 2006 to 2.4 percent in 2011 (Bundervoet et al. 2015), it was higher in urban areas (8.8 percent vs 1.2 percent in rural areas) and among the youth (3.5 percent vs 1.4 percent for 30+). The low unemployment rate is a characteristic of a low-income agrarian society where most people cannot afford to be unemployed. However, this is accompanied by high underemployment,[70] 36 percent, with a median worker working less than 26 hours a week in all jobs in 2011, and high informality, with almost 80 percent of workers employed. Consequently, the informal and agricultural employment results in low earnings – the median monthly earnings from all jobs amounted to PPP US$56 and less than 6 percent of employed Rwandans earn US$300 PPP terms monthly in 2011 (Bundervoet et al. 2015).

14. **Rwanda, the highest densely populated country in Africa, is facing acute demographic pressures.** The average annual population growth rate in Rwanda over the past ten years has been 2.6 percent which placed Rwanda on 23rd place in terms of population growth in 2013. According to UNESCO 2015 report, there were approximately 34.6 births/1 000 inhabitants while the death rate is 9.18 deaths/1 000 inhabitants in 2015. Rwandan age dependency ratio (percentage of 0-14 year olds in total population) was high at 41 percent in 2015, but comparable with neighboring countries. The projections estimate that this will translate into annual increase of working age population by 220,000 between 2015 and 2020 (Bundervoet et al. 2015).

Figure 10.5. Share of Manufacturing Firms Identifying Inadequately Educated Workforce as a Major Constraint, percent



Source: World Bank Enterprise Surveys, http://www.enterprisesurveys.org/
Note: Rwanda Enterprise Survey was done in 2011 not in 2013, Kenya in 2007 not in 2016

[68] There is a gender parity in the labor force participation with 86 percent of men and 85 percent of women participating in the labor force (WDI 2015).
[69] An individual is considered unemployed if she is available for work and actively looking for employment.
[70] A person is considered underemployed if she is working less than 35 hours a week in all jobs and is willing to work more.

15. **Doing Business Indicators[71] reveal high potential for doing business, but lack of skilled labor force, both quantitative and qualitative, constrains business growth and development in Rwanda.** The country was ranked as 56 among 190 countries in 2017 by Doing Business Indicators. The indicators reveal that while dealing with construction permits (the ranking went down from 110 to 158 between 2016 and 2017), paying taxes (the ranking went down from 48 to 59 between 2016 and 2017), electricity (the ranking of 117) and protecting minority investors (the ranking of 102) represent a challenge, the country is doing very good on access to credit (the ranking of 2 two years in a row), registering property (the ranking improved from 12 to 4 between 2016 and 2017), and has improved its ranking in starting business (from 109 to 76), enforcing contracts (from 117 to 95) and trading across borders (from 131 to 87). Lack of workers with adequate skills constrain firms' growth and development in Rwanda - 28 percent of the manufacturing firms identified skills as a major constraint in 2011 representing an increase from 16 percent in 2006 (figure 10.5). Larger share of Rwandan firms complain about inadequacy of educated workforce compared to the neighboring countries, except for Tanzania.

16. **Acute demand for skilled labor is reflected in high returns to higher education.** Rwanda is among top countries with the highest returns to education (table 10.1). Returns to education in Rwanda have been increasing over the past few decades, and are particularly high at the tertiary education level (figure 10.6)

Table 10.1. Returns to Education are Particularly High in Africa Region and for Tertiary Education and Rwanda is Among the Highest in East Africa

Regions	Return to a Year of Education (%)				Average Years of Schooling
	Primary	Secondary	Tertiary	Average	
East Asia	13.6	5.3	14.8	9.4	10.4
Europe/Central Asia	13.9	4.7	10.3	7.4	12.4
Latin America	7.8	5.4	15.9	9.2	10.1
Middle East/North Africa	16.0	4.5	10.5	7.3	9.4
South Asia	6.0	5.0	17.3	7.7	6.5
Sub-Saharan Africa	14.4	10.6	21.0	12.4	8.0
All economies	11.5	6.8	14.6	9.7	10.4
East African Countries					
Rwanda (2005)	16.9	17.8	35.3	17.5	
Kenya (2005)	17.6	15.9	22.4	16.9	
Tanzania (2006)	27.9	13.3	16.7	15.0	
Uganda (2005)	19.7	15.0	23.4	16.9	

Source: Montenegro and Patrinos (2014) [72]

17. **Higher skilled workers are more valued at the formal labor market, while informal labor market demands workers with lower skills.** For the formal sector jobs, general secondary education and higher education have sizeable returns while primary education and TVET have only insignificant effects on wages. For informal sector jobs, on the other hand, primary education, vocational education and general secondary education yield considerably high economic returns (Lassibille and Tan, 2005). These trends most likely reflect the nature and the quality of jobs in both sectors as well as severe shortage of skills in Rwanda. The mid-level skills are valued by employers in the informal private industries who are the driving force of employment creation. However, the informal firms typically do not produce sophisticated products.

[71] World Bank. 2017. *Doing Business Indicators*. Washington, DC: World Bank http://www.doingbusiness.org/data/exploreeconomies/rwanda

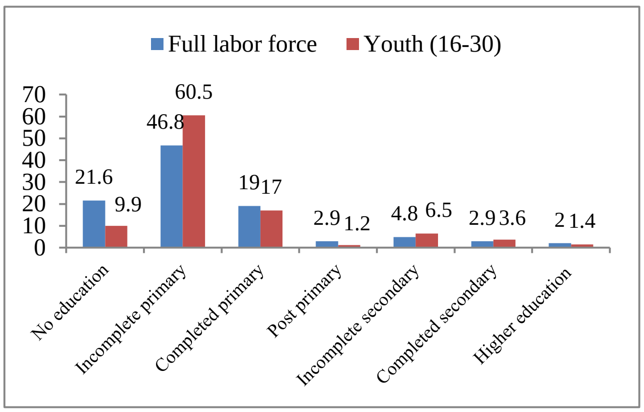
[72] Montenegro, C.E. and H.A. Patrinos. 2014. "Comparable estimates of returns to schooling around the world", World Bank Policy Research Working Paper No. 7020, Washington, DC: World Bank

Higher education is most highly valued in the formal sector industries, which need more skilled labor for their production.

Figure 10.6. Returns to Education in Rwanda are Increasing and Particularly High for Tertiary Level

Source: Montenegro and Patrinos (2014)

Figure 10.7. The Labor Force is Largely Unskilled (Proportion of Labor Force Participants by Education Level, 2011)

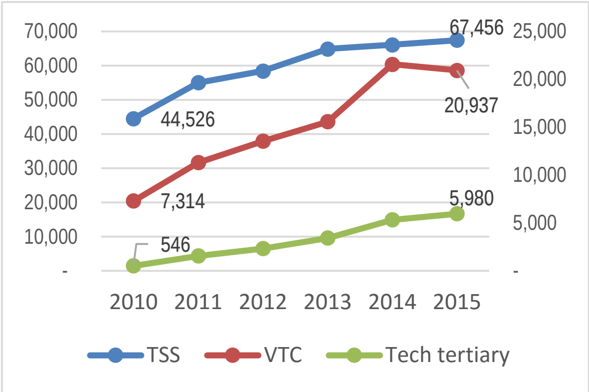


Source: Bundervoet et al. 2015.

The TVET System in Rwanda

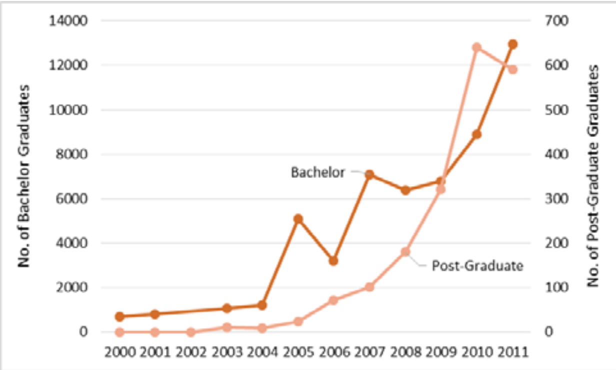
18. **The TVET system in Rwanda has been expanding recently mostly due to the GoRs efforts to close skills gap.** As a result, the number of VTCs, for instance, grew from only 61 in 2010 to 174 in 2014 – a growth of nearly 300 percent over four years – while TTS institutions increased from 77 to 179 and tertiary TVET institutions from just two to 12 over the same period. The number of students trained in the VTCs increased by nearly 300 percent from around 7,300 to 21,500 students between 2010 and 2014 (figure 10.8). Students in the technical stream of upper secondary education (TSS) have also increased rapidly from around 44,500 in 2010 to 66,100 in 2014. The tertiary level TVET enrollment was negligible in 2010 with only around 500 students in two polytechnics. By 2014, the number of students studying at the tertiary TVET institutions exceeded 5,000 students.

Figure 10.8. Enrollment in TVET Substantially Increased Over the Past 5 Years



Source: MINEDUC, Education Statistical Yearbook 2014 and 2015

Figure 10.9. Number of Higher Education Graduates has Been Expanding over the Past 10 Years



Source: HEC, Higher Education Statistical Yearbook 2011

Higher Education

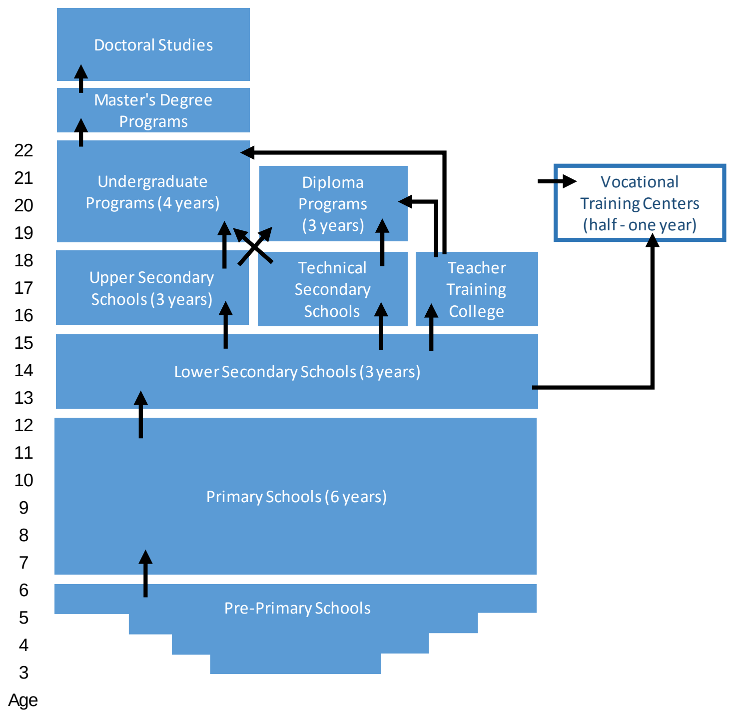
19. **Rwanda's higher education system has been also expanding over the past 10 years.** In 2000, the country produced only 701 bachelor degree holders and zero post-graduate degree holders. By 2011, the number of bachelor degree graduates reached around 13,000, and that of post-graduate degree graduates skyrocketed to over 600 (figure 10.9). Such massive expansion and catch-up have been supported by foreign academic staff who still account for around 15 percent of the total teaching force, and 32 percent of PhD holding teaching staff.

Landscape of the Education and Training System

20. **Rwanda's formal education system is represented by four main levels: (a) pre-primary, (b) primary, (c) secondary, and (d) tertiary education (figure 10.10).** Preprimary education has been recently introduced in Rwanda and is quickly expanding. It spans 3 years and covers children of three to six years of age. Compulsory education spans the twelve years from age 7 to age 18, covering primary and secondary education, and is commonly known as Twelve Years Basic Education (12YBE). Primary education start at the age of seven for all children and is offered free of charge to students. At the end of primary education, students have to sit for the national examination, the result of which determines the eligibility for lower secondary education. Lower secondary education normally starts at the age of 13 years and is also free of fees to students. Upon completion of lower secondary, students enter different fields of study such as sciences, humanities, languages, teacher training or Technical and Vocational Education and Training. Upper secondary education begins officially at the age of 16, and currently levies tuition fees for service. Both lower and upper secondary education culminate with national examinations which determine

eligibility for further education. TVET is offered by TSSs, VTCs and Polytechnics (awarding Diploma and Advanced Diploma). Higher Learning Education is based on a credit accumulation and modular scheme (CAMS) system and has 7 levels of exit awards: Certificate of education; Diploma in higher education; Advanced Diploma in higher education; Ordinary Degree; Bachelor's Degree with Honors; Maters Degree and Doctorate.

Figure 10.10. National Education System in Rwanda



Source: World Bank, 2016[73]

21. Table 10.2 presents institutional capacity of education and training system in Rwanda. It is noteworthy that the number of pre-primary institutions in Rwanda is almost equivalent to the number of primary education institutions. However, the number of institutions goes down by almost two times moving from primary to general secondary level. This corroborates the abovementioned fact that access to secondary education is low. Furthermore, even fewer students progress further up the education ladder.

Table 10.2. Current Capacity of Education and Training System by Education Level in 2015

Level	Students	Staff	Institutions
Pre-primary	183,658	5,386	2,618
Primary	2,450,705	42,005	2,752
General secondary	476,480	23,873	1,359
TVET (TSS+VTC)	88,393	5,685	370
HLIs	80,335	5,756	31
TVET (IPRCs)	5,980	1,035	13
Adult literacy centers	95,829	5,240	4,313

Source: Rwanda Education Statistical Yearbook, 2015

[73] World Bank. 2016. "Rwanda Public Expenditure Assessment for Technical and Vocational Education and Training (TVET) and Higher Education"

Justification of Focusing on Selected Economic Sectors

22. This PforR will focus on selected sectors, specifically energy, transport and logistics, and light manufacturing. These sectors were identified in consultations with the government as well as by Rwanda Vision-2020 since they are export-oriented employment generating industries, such as agro-processing, or they promote domestic production (import substitution), for example, Made in Rwanda, or they are back-bone sectors which ensure growth and efficient functioning of overall economy, such as energy, transport and logistics, and infrastructure development.

23. **Energy sector.** EPDRS-2 recognizes that a reliable energy supply is essential for business development to help drive the country's economic growth. Based on other countries' experiences, Rwanda would require by 2030 a projected total power generating capacity of about 1,400 to 2,000 MW to grow the GDP at, respectively, 8.3 and 11.5 percent a year.[74] These projections represent a significant increase over the country's installed capacity of 204 MW in 2016, of which 42 percent is generated by hydropower and 47 percent by thermal power.[75]

24. **EPDRS-2 also envisages expanding access to affordable energy, mainly solar, to most of the population.** Access to electricity has risen from 6 percent of households in 2009 to 24 percent by 2016, mostly in urban areas. EPDRS's goal is to achieve 100 percent access by 2020, with on-grid access reaching 37 percent of the households (870,000). Most rural households will remain off-grid, however, because of difficult terrain, low demand for electricity, and poverty.

25. **To assess the skills needs required to meet the EDPRS-2 goals, the NCST led a comprehensive review of the workforce skills that Rwanda will require to boost its power generation capacity.** [76] The assessment was based on well-defined current and future pipeline projects in the portfolio of the government and private investors.[77] The NCST's projections of future skilled employment are based on investments to develop five energy sources of greatest relevance to Rwanda: hydropower, geothermal methane, peat and solar (on-grid).[78] All the projects in these sub-sectors proceed in phases with distinct staffing needs that differ by type of energy source: [79]

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[74] Energy Skills Assessment Report, pp 83.

[75] World Bank (2017), Project Appraisal Document for the Rwanda Renewable Energy Fund Project (P160699), pp. 9. The available capacity is 180 MW and the peak demand is about 160 MW).

[76] The reports were prepared by NCST with support from Epsilon Innovation Group, a US-based consulting firm with expertise in the energy sector. The reports are based on extensive consultation with key stakeholders, including: government ministries, authorities or agencies in the energy sector (Rwanda Ministry of Infrastructure, the Rwanda Energy, Water, Sanitation Authority, the Rwanda Bureau of Standards, the Rwanda Development Board, and the Rwanda Environmental Management Board); educational institutions (University of Rwanda College of Science and Technology; the IPRCs, and the WDA), and key energy companies in Rwanda (Kivu Watt Project, Rwanda Investment Group, and Gigawatt Solar Project).

[77] The Energy Skills Profiling report maps out the required competencies in the occupations in the various energy sub-sectors. Along with Volume 3, the report provides the basis for the NCST's proposed strategy in Volume 1. The strategy recommends preparing a pipeline of specialized and professional skills through a certification-based Energy Workforce Development Training Center as the best way to bridge the gap between academic education and energy sector skills requirement and their quality. For other sectors, the NCST strongly recommends a similar approach, comprising three steps: (a) in-depth project-based sector skills needs assessment; (b) skills profiling; and (c) Sector workforce development strategy

[78] The Energy Report assumes power generation capacity in 2030 to be: 282 MW for hydropower; 300 MW for geothermal power; 354 MW for Methane; 350 MW for Peat; and 119 to 319 MW for solar energy.

[79] See Appendix Figure A1 for an example of the detailed staffing requirements for a 15 MW hydropower plant.

- Project Development (PD), during which new investments are assessed;

- Construction and Installation (C&I), during which the power plant is built and machinery installed; and

- Operations and maintenance (O&M), during which the power plant is operated and maintained as it generates power and the power is distributed to commercial and other consumers.

26. **The Energy Report considers the above phases and makes detailed projections of the number of skilled workers required to implement Rwanda's current and future energy sector projects (table 10.3).**[80] Across all five types of energy technology, more than two-thirds of the staffing needs are Diploma-level technicians; the share is lowest in on-grid solar technology at 45-50 percent. Staffing needs also vary by stage of project development: they are highest at the PD and C&I stages in hydropower and geothermal energy projects; at the C&I and O&M stages in methane-to-energy projects; and just under 50 percent for solar energy.

Table 10.3. Rwanda's Energy Sector Workforce Requirements, 2014 and Projections for 2020 and 2030

Energy Technology	GDP Growth Rate: 8.3% p.a.						GDP Growth Rate 11.5% p.a.					
	2014		2020		2030		2014		2020		2030	
	Total	Diploma	Total	Diploma	Total	Diploma	Total	Diploma	Total	Diploma	Total	Diploma
Hydropower	339	260	518	340	470	292	399	260	584	391	1,292	837
Geothermal	143	75	182	117	400	264	154	82	216	154	502	334
Methane	252	161	554	371	585	426	252	161	420	296	840	595
Peat	788	457	977	712	1,419	1,015	801	462	1,241	886	2,462	1,761
Solar	150	67	92	41	99	48	150	67	197	94	683	340
Total	**1,672**	**1,020**	**2,323**	**1,581**	**2,973**	**2,045**	**1,756**	**1,032**	**2,658**	**1,821**	**5,779**	**3,867**

Source: NCST Energy Skills Assessment Report.

27. **The government's Rural Electrification Strategy, approved in 2016, foresees integration of on-grid and off-grid solutions to universalize access to modern energy services by 2020.** By mid-2018, the Strategy expects to connect 35-38 percent of households (almost one million households) to off-grid systems providing Tier 1 or Tier 2 levels of energy access.[81]. Consumer affordability of electricity services is a major constraint, however. The World Bank-financed Renewable Energy Fund Project (US$48.9 million), currently under preparation, is designed to address this constraint and overcome critical financing challenges. It complements other donor-funded projects to expand off-grid energy solutions to households.

[80] The NSCT's projections includes staffing of the 45 ongoing and planned projects for energy transmission and distribution. A workforce of about 80 engineers and 172 line workers is estimated to be needed for the 25 projects to be implemented during 2014-2018. The report assumes that this workforce can be deployed to new projects in future years to extend the transmission and distribution network, thus minimizing the need to add to their number.

[81] Under the Sustainable Energy for All Multi-Tier Framework, five tiers of energy access is defined, from Tier 1 (no service) to Tier 5 (full service). For electricity, Tier 1 provides a basic service level, such as lighting and cell phone charging. This type of service, for example, can be provided by a small solar lighting kit. Higher tiers imply higher capacity and service duration, allowing households to acquire more domestic appliances and using power for productive purposes.

Expansion of the off-grid market provides important employment opportunities (see table 10.4 for a recent estimate of the potential by level of training of the projected workforce). The majority of jobs associated with an expansion of the off-grid solar energy market will require diploma-level skills.

Table 10.4. Projected Number of Jobs Associated with Off-grid Solar Energy

	Estimated Number of Direct Jobs over 10 Years	Distribution by Type of Jobs (%)		
		Entry Level Jobs	Technician Jobs	Managerial Jobs
Solar lanterns and solar home systems	15,000 – 18,000	28	53	19
Mini-grid solar plants	2,500 – 3,750	4	70	26

Source: MasterCard Foundation and Dalberg (2016).

28. **Transport and logistics.** One of the EDPRS-2 main priorities is to increase the external connectivity of Rwanda's economy and boosting exports. To achieve this, the following three interventions are envisioned:

(a) bringing transformational change to Rwanda's external connectivity by building a new international airport, expanding RwandAir, and finalizing planning for the establishment of a railway connection;

(b) transforming Rwanda's logistics system, with a strategic focus on exports and re-exports to Burundi and Eastern DRC; and

(c) strengthening export promotion, while investing in soft and hard sector-specific infrastructure to accelerate growth in the commodity and tourism sectors, and facilitating the increasing export orientation of firms in Rwanda's manufacturing and agro-processing sectors.

29. These interventions are geared toward strengthening transport and logistics sector (for example, airport, railway, and the logistics hub) and manufacturing sector (for example, light manufacturing and agro-processing).

30. **The main transportation ways in Rwanda are roads and airways, with plans to develop railway connection.** Currently, transport and logistics services account for approximately 1 percent of employment, its size is expected to grow as Rwanda positions itself as logistics hub for the region. The five year skills development program to deliver EDPRS-2 estimated the need for additional 1,047 specialists in air transport and 4,540 in other transportation areas, including roads, railway and transport management. Furthermore, the GoR identified a number of priorities under Strategic Transport Plan under EDPRS-2 which include development of Air transport, strengthening road infrastructure, and transforming Rwanda into a regional logistics hub.

31. **All activities within the road transport sector are managed by the Rwanda Transport Development Agency (RTDA) which operates under the Ministry of Infrastructure (MINIFRA).** Within the legal and institutional framework stated in the National Transport Policy, MINIFRA is responsible for the sector's policies and strategies. Rwanda is dependent on its road transport system for the economic development of the country. All the major towns are connected by the road network. Rwanda is also well connected by the road transport system with the neighboring countries of Uganda, Kenya, Tanzania, Burundi and the Democratic Republic of Congo. The road system plays a very important role in the import and export business of the country. The Rwanda road network has improved through rehabilitation and upgrading during the past years. The total road network covers 2,662 km of paved roads

and 11,346 km unpaved roads, making a total of 14,008 km. Roads are classified into national (2,860 km), District (1,835 km) and gravel roads (3,563 km).

32. **The aviation sector in Rwanda has seen fast growth over the recent years.** The sector is regulated by the Rwanda Civil Aviation Authority (RCAA) which manages all aspects of civil aviation in the country. In the recent past, the institution has undergone legal reforms which have greatly impacted the execution of its operations in ensuring safety, security and infrastructural development. Kigali International Airport (KIA) is the primary airport serving Kigali, and the only international airport in the country. It is the main air gateway for all destinations in the country, and in addition serves as a transit airport for Goma and Bukavu in the eastern Democratic Republic of Congo. To accommodate increasing demand for air transport, Bugesera International Airport is being constructed. The project will cost approximately US$650 million and will be located 25 km southeast of Kigali. The airport will have capacity for three million passengers per year. The first phase of construction will include the runway of 4,200 m, a cargo terminal and a passenger terminal with capacity for 1.8 million passengers per year.

33. **While there is currently no railways system in Rwanda, Rwanda, Burundi, and Tanzania are planning the construction of a standard gauge railway linking Isaka in Tanzania to Kigali and to Gitega in Burundi.** The construction of the railway system, operation, and maintenance will require a substantial number of trained specialists.

34. **Manufacturing makes up a significant share of jobs (17 percent), despite only accounting for 5 percent of firms (Bundervoet et al. 2015).** Almost one third of all jobs in agriculture and manufacturing are in the Western Province, in coffee and tea growing cooperatives and in factories. Rwanda had experienced a persistent external trade deficit over the past several years which contributed to a negative balance of payments in the country. In May 2016, to address the trade deficit problem through promoting production and consumption of locally made products, the GoR introduced a "Domestic Market Recapturing Strategy (DMRS)".

35. **An assessment study for this strategy indicated that potential foreign exchange savings from the DRMS could reach US$450 million per year.** The strategy indicated three key potential sectors to recapture the domestic market. These include construction materials (cement, iron, steel, aluminum products, paints and varnishes) which accounts for US$206 million, light manufacturing (textile and garments, pharmaceuticals, soaps and detergents, reagents, packaging materials), which accounts for US$124 million, and agro-processing (sugar, fertilizer, edible oil, dried fish, maize, rice), which accounts for US$112 million. The development of these sectors is expected to create demand for skilled workers in these areas.

36. **Following the example of NCSTs Energy Skills Needs Assessment Study, the CESB is undertaking assessment in manufacturing sector, as well as 5 other sectors.** These assessments are expected to be completed in 2017. The assessment for the transport and logistics sector is expected to take place from July 2017 and be completed by December 2017.

[i] The laws include Organic Law Nº 61/2008/0L of 10/9/2008 o leadership code of conduct, Organic Law Nº23/2003 of 7/8/2003 Concerning Prevention, Organic Law Nº12/2007 of 27/3/2007 on national procurement; Organic Law Nº12/2013/OL of 12/09/2013 on government property and assets; Organic Law Nº76/2013 of 11/9/2013 which is amended law defining powers and mandate of the ombudsman, including the power to prosecute cases of corruption; Ministerial Order Nº001/08/10/Min of 16 on national procurement.

[ii] The laws include Organic Law Nº 61/2008/0L of 10/9/2008 on leadership code of conduct, Organic Law Nº23/2003 of 7/8/2003 Concerning Prevention, Organic Law Nº12/2007 of 27/3/2007 on national procurement; Organic Law Nº12/2013/OL of 12/09/2013 on government property and assets; Organic Law Nº76/2013 of

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