



Report Number : ICRR0021102

1. Project Data

Project ID P104015	Project Name NP: Enhanced Vocational Educ & Trng		
Country Nepal	Practice Area(Lead) Education	Additional Financing P162405,P162405	
L/C/TF Number(s) IDA-49240,IDA-H6730	Closing Date (Original) 30-Oct-2015	Total Project Cost (USD) 60,900,000.00	
Bank Approval Date 21-Apr-2011	Closing Date (Actual) 30-Jun-2017		
	IBRD/IDA (USD)	Grants (USD)	
Original Commitment	50,000,000.00	0.00	
Revised Commitment	39,629,881.01	0.00	
Actual	36,568,263.45	0.00	
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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD, page 7) and the Financing Agreement (page 4), the project objective was as follows:

- To expand the supply of skilled and employable labor by increasing access to quality training programs, and by strengthening the technical and vocational education and training (TVET) system in Nepal.



b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

(Note: Component costs reported below are for the IDA portion of financing, not *total* project cost.)

1 . Strengthening TVET Regulatory Activities and Capacity Building (Appraisal: US\$ 6.4 million; Actual: US\$ 2.7 million): This component aimed to strengthen the Council for Technical Education and Vocational Training's (CTEVT) capacity to oversee the sub-sector, including quality assurance and skills certification. Activities included: training of lead and assistant TVET instructors in updated curricula and pedagogy; training of assessors and skills test managers to handle the increased number of youth taking skills certification tests; strengthening of an affiliation system for training providers including setting of service standards and requirements; establishment of a computerized examination system; and installation of a training management information system. This component utilized seven Disbursement-Linked Indicators (DLIs) corresponding to the planned activities.

2 . Strengthening Technical Education (Appraisal: US\$ 17.5 million; Actual: US\$ 8.96 million): This component aimed to strengthen TVET training provided at the Certificate and Diploma levels (two to three year programs), including making access to the training more equitable and improving quality and relevance of the content. Activities included: provision of stipends to attend training for students from disadvantaged groups such as girls, Dalits, and Janajatis; and provision of formula-based and performance grants to public and private training providers for the areas of institutional management, instructor training, facilities upgrading, and teaching equipment. Grant recipient institutions were to be selected according to seat utilization rate, examination pass rates, geographic location, and level of functionality of the job placement office, among others. At least 40% of institutions awarded grants were to come from the disadvantaged Mid-West and Far-West regions.

3 . Support for Short-Term Training and Recognition of Prior Learning (Appraisal: US\$ 22.8 million; Actual: US\$ 22.9 million): This component aimed to stimulate demand for short-term training (three month programs) to prepare youth for domestic and international labor markets. Activities included: provision of vouchers to youth, particularly from disadvantaged groups, to enroll in a short-term training course (public or private); results-based financing to training providers (based on performance in number of training graduates and placement in employment, with higher reimbursement levels for enrollment of disadvantaged groups); and support to the Recognition of Prior Learning system to certify workers who have acquired skills informally.

4 . Project Management and Monitoring and Evaluation (Appraisal: US\$ 3.4 million; Actual: US\$ 2.0 million): This component was to support project management functions; M&E activities including impact



evaluations; and establishment of a labor market information system.

During the two project restructurings, there were no significant changes made to the project components; however:

- There was a change made in reimbursement conditions (pricing and dates) for DLIs 1, 2, 3, and 4, in order to strengthen national incentives for achieving critical inputs. Also, DLIs 5, 6, and 7 were changed to traditional reimbursement conditions, as there were significant delays in initiating these activities and thus there would be limited results that could be tracked to trigger disbursements.
- IDA project funds were reallocated among categories to correspond with the partial cancellation of funds (see below) and upward revisions to output targets.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost

- The estimated total project cost was reduced from US\$ 60.9 (SDR 38.90) million to US\$ 50.4 (SDR 32.20) million. US\$ 10.5 million was cancelled from the project, given that the cost estimates for Components 2 and 3 were lower than originally envisioned and a favorable exchange rate led to an increased availability of funds. Grants under Component 2 were also underutilized due to the low capacity of institutions to raise matching funds.
- The ICR does not report the actual project cost (Bank financing plus Borrower funds).

Financing

- The total IDA contribution was reduced from US\$ 50.0 million (SDR 31.90 million) to US\$ 39.6 million (SDR 25.2 million), of which SDR 3.99 million was cancelled from the IDA Credit and SDR 2.7 million was cancelled from the IDA Grant. The actual IDA contribution was US\$ 36.6 million.

Borrower Contribution

- The appraised Borrower contribution was US\$ 5.5 million. The ICR does not report an actual amount for Borrower contribution.

Dates

- *December 2013*: The project was restructured such that there was a partial cancellation of IDA funds



to better align project resources with achievable targets within the remaining project period. The wording of key project outcome indicators was clarified (though not materially changed), with the target for one (percentage of graduates gainfully employed six months after completion of training) revised downward from 80% to 70%.

- *September 2015*: The project was restructured such that the project closing date was extended from October 2015 to June 2017, in order to enable full utilization of the remaining funds, particularly with regards to the short-term training of workers in light of the country's post-earthquake reconstruction needs. Output targets were also revised upwards for several activities (short-term training, training of instructors, provision of stipends), in line with a clearer understanding of market demand.

3. Relevance of Objectives

Rationale

Nepal is a predominately agrarian economy marked by low labor productivity, including among migrant workers who provide a significant source of income via remittances but have limited access to higher-wage labor markets. Although access to primary education has improved nationwide, with net primary enrollment rates surpassing 93%, high drop-out rates and low quality of the overall education sector contribute to continued low labor productivity. The country's overall development plan (Three-Year Interim Plan for 2010/11-2012/13) underscored the lack of a well-trained and equipped work force as a key challenge to economic growth. Improving the quality of the technical education and vocational training (TVET) system is therefore a critical step to enhancing worker productivity and global competitiveness.

The TVET sub-sector in Nepal is in its early stages of development, with little coordination across the systems and institutions. Recent government policies have moved the sub-sector towards increased coordination and modernization, and improved governance and accountability. The project objective is consistent with the Bank's Country Partnership Strategy for FY2014-18, under the strategic pillar of increasing inclusive growth and opportunities for shared prosperity. Under this pillar, a key outcome is increasing equitable access to skills development, in response to market needs.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To expand the supply of skilled and employable labor by increasing access to quality training programs, and



by strengthening the technical and vocational education and training system (ORIGINAL targets).

Rationale

The theory of change and subsequent project design were overall sound, as the project components aimed to increase both demand for technical and vocational training (for example, by way of vouchers and stipends especially among disadvantaged groups) and the supply of long-term (2-3 year) and short-term (three-month) training programs (for example, by way of capacity building and facilities improvement for training providers). Quality of the training provided was also a key consideration, which was addressed through strengthening monitoring of training.

While the project objective remained unchanged throughout the project period, wording and targets for several key indicators were revised during two project restructurings. During the first restructuring in 2013, the wording of indicators was clarified (without any material change) and of these, one target was revised downward. During the second restructuring in 2015, several output targets were revised upward. Therefore, this review undertakes a split evaluation only as pertains to the first restructuring.

Outputs

- Training of 2,109 lead and assistant TVET instructors in modern curricula and pedagogy (original target: 1,500; revised target: 1,900).
- Provision of training vouchers to 73,392 youth (original target: 10,000; revised target: 70,000) and direct reimbursement of training providers based on milestones achieved.
- Training of National Skills Test Board (NSTB) assessors, such that the number of qualified assessors increased from 740 to 5,844 (original target: 5,700; revised target: 5,740).
- Training of NSTB skills test managers, such that the number of qualified managers increased from 40 to 449 (original target: 350; revised target: 440).
- Provision of formula-based grants to 60 Certificate/Diploma training institutions (original target: 38; revised target: 60). These grants were used to implement institutional improvement plans, which focused on seven areas for expenditures: minor civil works, modernization of equipment and machinery, development/procurement of teaching and learning materials, instructional improvement and staff training, quality enhancement, management and instructional improvement, and exposure visits for students and experts.
- Provision of stipends (scholarships) to 4,883 students from disadvantaged groups and lagging regions (original target: 4000; revised target: 4500).
- Support for affiliation system (for training providers) and for Recognition of Prior Learning system (for youth with informal employment experience).
- Conducting of seven communications campaigns to recruit youth for training programs.
- Conducting of eight tracer studies and impact evaluations.
- The planned labor market information system activity was dropped due to significant delays in initiating the activity.



Intermediate Outcomes

Increased Access

- 73,392 youth enrolled in short-term training, surpassing the target of 70,000. Of these, 71,486 youth *completed* the training, surpassing the target of 65,500, with 82% passing the NSTB skills test.
- The ICR did not report information on overall enrollment in Certificate/Diploma courses. However, enrollment by specific subgroups (girls, Dalits, and marginalized Janajatis) increased from 46.4% to 55.1%, surpassing the target of 50%. Disaggregated results were as follows: enrollment of girls increased from 26.4% to 40.8% (target: 33.0%); enrollment of Dalits increased from 5.4% to 7.1% (target: 9.0%); and enrollment of marginalized Janajatis increased from 14.7% to 17.7% (target: 19%). The ICR (page 19) suggests that lower-than-targeted enrollment among Dalits and Janajatis could be attributed to the decrease in enrollment among these two groups in secondary education due to the 2015 earthquakes, as completion of Grade 10 and successfully passing the TVET entrance exams are the entry requirements for both Certificate and Diploma programs. Between 2015 and 2016, the Dalit and marginalized Janajatis' enrollment in the secondary level decreased by 8.2 percent and 12.1 percent respectively, which means the pool of potential Dalit and marginalized Janajati students for the Certificate/Diploma programs also decreased.
- 25,548 youth were assessed under the "Recognition of Prior Learning" system, surpassing the target of 23,000. Of these, 16,400 passed the test and received certifications (target: 15,000).

Strengthened Technical and Vocational Education and Training System

- The planned online system for affiliation of training providers was only partially functional by project closing.
- The planned computerized system for examination evaluation was functional for Diploma examinations but only partially functional for Certificate examinations by project closing.
- The planned training management information system was functional for Diploma programs but only partially functional for Certificate programs by project closing.
- The ICR (page 20) suggests that the project contributed to the shift in the system's focus from inputs, to outputs/outcomes, through the introduction of DLIs and results-based release of grants, thus improving the performance and accountability of training institutions and other implementing partners.

Outcome:

Expand the supply of skilled and employable labor

- 70.3% of youth who received the short-term training were gainfully employed after six months, falling short of the *original* target of 80.0%. (Note: baseline figure was not relevant due to the revised wording of the indicator.) According to the project's tracer study, which tracked graduates 3 to 18 months after completion of training, 87% of the graduates were employed, compared to 67% of youth who did not



receive the training. The average monthly earnings increased from 2000 rupees to 6527 rupees (original target: 2500; revised target: 5000). The project's impact evaluation also reported that the probability of employment increased by 20.1 percentage points for graduates of the training compared to the control group. The increase in probability was higher for females (21.7 percentage points) compared to males (19.7 percentage points).

Rating Modest

Objective 1 Revision 1

Revised Objective

To expand the supply of skilled and employable labor by increasing access to quality training programs, and by strengthening the technical and vocational education and training system in Nepal (REVISED targets).

Revised Rationale

Outputs

See outputs reported above.

Outcomes

- 70.3% of youth who received the short-term training were gainfully employed after six months, achieving the *revised* target of 70.0%.
- See also intermediate outcomes reported above on enrollment by disadvantaged groups and Recognition of Prior Learning certifications, and strengthened technical and vocational education system.

Revised Rating Substantial

Rationale

Under the original targets, Efficacy is rated Modest due to shortcomings in achieving the target for employability for graduates of the training programs.

Under the revised targets, Efficacy is rated Substantial due to meeting of the revised target for employability of graduates of the training programs. There was also evidence of increased access to training programs (enrollment in and completion of the training), especially when compared to youth not participating in training programs. Equity of access also increased, particularly among disadvantaged groups. However, there remained minor shortcomings in completing outputs for TVET sector management systems.



Overall Efficacy Rating

Substantial

5. Efficiency

The PAD (Annex 6) provides a cost-benefit analysis of activities in Components 2 (Strengthening Technical Education) and 3 (Short-term Vocational Training and Recognition of Prior Learning), which comprised 79.1% of total project cost. Costs are calculated as project costs, and benefits are derived from employment rates and incremental higher wages. A range of different scenarios is presented, according to number of beneficiaries, employment rate, wage rate, and discount rate. Internal rates of return across these scenarios range from 0% to 35% for Component 2 and -1% to 58% for Component 3.

The ICR (Annex 4) provides an updated cost-benefit analysis of Component 3 (short-term training), which comprises approximately US\$ 23.0 million (63%) of IDA financing. Costs are calculated as the actual project cost for Component 3 activities and opportunity costs to enrollees, namely foregone income during training (which the ICR estimates at NPR 17,346 per trainee for a three-month session). The benefits from the short-term training activities are calculated according to data on higher employment rate of graduates (compared to youth who did not participate in the training), although there is no statistically significant difference in earnings. Benefits from the Recognition of Prior Learning outcomes could not be quantified, as the project monitored only the number of youth receiving certifications but not employment outcomes. The cost-benefit analysis for the short-term training activities results in an internal rate of return of 23.1% and a net present value of US\$ 60.5 million.

In addition to the above, other factors point to efficiency in the use of project resources. The project achieved its outcome targets, in several cases surpassing the output targets within a lower project financing envelope. According to the ICR (page 16), this was in part due to greater than expected competition among short-term training providers, which led to lower unit costs (US\$ 511/trainee estimated at appraisal, US\$ 386/trainee actual). The ICR (page 20) also notes "improved efficiency in internal processes," although it does not provide specific details.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	23.00	63.00 <input type="checkbox"/> Not Applicable



* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Project outcome rating under original targets - Moderately Unsatisfactory

Relevance of the project objective is rated Substantial. Achievement of the objective to expand the supply of skilled and employable labor by increasing access to quality training programs and by strengthening the technical and vocational education and training system is rated Modest due to shortcomings in achieving the target for employability for graduates of the training programs. Efficiency in the use of project resources is rated Substantial, based on the estimated Internal Rate of Return of 23.1% (covering 63% of project financing) and on other indications of efficient use of project resources.

Project outcome rating under revised targets - Satisfactory

Same as above, except achievement of the project objective is rated Substantial as the project achieved the revised target for the key outcome indicator on employability of graduates.

Overall outcome rating - Satisfactory

According to harmonized IEG/OPCS guidelines, the overall outcome rating of a restructured project is determined by weighting the amount of Bank financing that disbursed before and after the restructuring. At the time of the first restructuring, US\$ 6.8 million out of US\$ 36.6 million, or 18.6%, had disbursed.

MU Outcome under the original outcome targets: $3 * .186 = .558$

S Outcome under the revised outcome targets: $5 * .814 = 4.07$

The weighted overall Outcome is therefore $.558 + 4.07 = 4.628$, which rounds to 5, for an overall Outcome rating of Satisfactory, indicative of minor shortcomings in the project's preparation and implementation.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

A follow-up Bank project (Enhanced Vocational Education and Training Project II (P163018)) was approved in September 2017 and will ensure continuation of most key activities, including institutional grants, instructor and assessor training, and scholarships for disadvantaged groups. There are indications of increasing government commitment to improving the TVET system, as reflected by the establishment of an institutional mechanism -- the Policy Coordination Committee led by the Minister of Education and involving relevant stakeholders -- to oversee the sub-sector. However, there remains some uncertainty given the country's ongoing transition to a federal structure, such that roles and responsibilities of the central vs. local government are not yet clearly defined.



8. Assessment of Bank Performance

a. Quality-at-Entry

The project was prepared in close coordination with other donors active in the TVET sector, particularly the Asian Development Bank and the Swiss Development Corporation, the latter of which helped to draw upon synergies in developing a joint monitoring system. The project design was marked by a strong M&E sub-component, with a monitoring system to track intermediate outcomes (such as number of youth completing training), impact studies to assess employability results, and M&E training for the multiple service providers. Key outcome indicators needed clarification during project restructuring, but were overall relevant and monitorable.

The risk assessment appropriately identified project implementation risk as High due to ongoing political transition and high fragmentation of the TVET sector. These were to be partially mitigated by the active involvement of all relevant ministries and stakeholders in the planning as well as the implementation phases, to ensure consistency and coherence in TVET activities. The project team noted that the perceived fragmentation of the sector did not strongly impact project implementation as ultimately the project achieved or overachieved its targets. The initial delays from the Project Secretariat (PS) reflected its own learning curve given that the results-based nature of the project was a new mode of implementation, but the PS eventually developed adequate capacity. Despite this, risks of capacity constraints among the many implementing partners were not adequately mitigated. In particular, the lack of capacity of the long-term training institutions led to limited uptake of matching grants, and lack of experience among the project secretariat contributed to initial implementation delays. However, given the project's achievement of output targets, this is considered to be a minor shortcoming.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Supervision ratings were candid, with Implementation Progress ratings in the unsatisfactory range during the early part of the project period due to very slow progress. The project team was effective in addressing these initial implementation delays, although there was a subsequent project extension of two years. Project restructurings were well used to better align results framework with activities, and to implement mid-course corrections drawn from lessons on implementation progress. The ICR notes the positive effect of a single task leadership team for the duration of the project period, as well as the benefits of its field-based location. M&E was well implemented and utilized. Fiduciary and safeguards compliance were also satisfactory, with no major problems reported.



Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework and project indicators were overall sound. The key outcome indicators were monitorable and directly relevant to the key activities, measuring results in both access and quality. A Joint Monitoring Team (JMT) with active participation of other donors was also created. The ICR (page 27) notes that this unique arrangement became one of the key factors behind successful implementation, as the presence of an external member in the JMT helped make it credible and more objective. As monitoring arrangements involved multiple entities (training providers) tracking and reporting data, the M&E design included M&E training for service providers. A third party source (Vijaya Development Resource Center) was contracted to provide further monitoring and verification of results, as well as several impact evaluations and tracer studies.

b. M&E Implementation

At the time of the first project restructuring, the wording of key outcome indicators was revised for clarity. The first indicator - on employment rate of training graduates - was revised to include the focus on "gainful" employment. The second indicator - on enrollment in Certificate/Diploma courses - was revised to include the focus on enrollment by marginalized groups. The third indicator - on certification of informally trained youth - was revised to better reflect actual project activities. The target for the first indicator was also revised downward from 80% to 70%; the ICR (page 11) reports that this downward revision was based on actual results from the first round of training, which indicated lower than expected outcomes, although the threshold for wages signifying "gainful" employment was raised. At the time of the second project restructuring, several output targets were revised upward due to a higher-than-expected level of implementation.

M&E arrangements were effectively implemented. A decentralized web-based management information system was developed that enabled the project team to collect data and track implementation progress regularly. The ICR reports that three- and six-month employment verification on a sample basis was carried out by the JMT. After the final round of grant /scholarship awards, a six-month gainful employment rate among short-term training recipients was also assessed. These tracer studies, along with an impact evaluation of the voucher program, provided data to verify the impact of training programs.



c. M&E Utilization

According to the ICR (page 28), M&E data was utilized as follows: identifying potential implementation bottlenecks; designing a special women's window to provide short-term training exclusively to women in nontraditional trades; and documenting lessons learned, which informed the design of a follow-up Bank project. In addition, economic analysis of the actual project performance was made feasible due to the robust data generated by the M&E system.

M&E Quality Rating

High

10. Other Issues

a. Safeguards

The project was classified as Environmental Category "B" due to minor civil works under Component 2. An Environmental and Social Management Framework was prepared for implementing partners; however, the ICR (page 28) reports that various civil works activities were initiated by the implementing institutions without proper screening and thus without a proper Environmental Management Plan. In response, the project team hired an environmental specialist to conduct screenings and identify any potential non-compliance issues.

In addition, the safeguard policy on Indigenous Peoples (OP/BP 4.10) was triggered, and a Vulnerable Community Development Framework was developed. An independent review of safeguard compliance, commissioned by the project team, found that safeguard compliance with minor civil works was satisfactory. Social safeguards supervision also was rated satisfactory by the Bank team.

b. Fiduciary Compliance

Financial management: According to the ICR (page 29), accounting and financial management reporting were satisfactory, albeit with delayed submission of some audit reports. Moderately Satisfactory ratings for financial management during the initial project period were due to: (a) inaccurate budget formulation; (b) delays in recruitment of project staff; (c) an unauthorized transfer from the designated account to the Treasury; and (d) slow disbursement. The first three concerns were corrected upon identification.

Procurement: The ICR (page 29) also reports that procurement performance at the central level was satisfactory, noting the following steps taken by the project team to ensure proper procurement: (a) the preparation of procurement management guidelines; (b) a workshop on procurement management; and (c) on-site technical support to the institutions.

c. Unintended impacts (Positive or Negative)



None reported.

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Quality of M&E	Substantial	High	Based on information provided in the ICR, the design and implementation of M&E in this project effectively enabled assessment of achievement of the project objectives. Strengths included the measurement and tracking of outcomes, use of tracer studies, the Joint Monitoring Team, a decentralized Management Information System, third-party verification of disbursement-linked indicators, and impact evaluations. The ICR also presented convincing evidence of meaningful use of M&E information by key stakeholders.
Quality of ICR		Substantial	---

12. Lessons

Lessons drawn from the ICR, adapted by IEG:

- The multiplicity of key institutions involved in a sub-sector project can be effectively counterbalanced by strong design and implementation support. In the case of this project, given the perceived fragmentation of the TVET sub-sector, the Bank team adopted a participatory approach to project preparation, involving different government agencies and donors active in the sector. The active participation of the multiple



stakeholders both at design and during implementation helped to ensure coherence in the sector's activities, and a strong project implementation team was a key contributing factor to project achievements despite the lack of a single lead agency.

- Active participation of key stakeholders at the project design stage can lead to continued collaboration in project monitoring. In the case of this project, the unexpected development of a Joint Monitoring Team with donors contributed to greater rigor in data collection and credibility of the results generated

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The quality of evidence presented in the ICR was strong, given the availability of intermediate and overall outcome data to verify achievement of objectives. This included consideration of the counter-factual (in this case, data comparison with a control group). The ICR highlighted the robust M&E design and effective M&E implementation. Lessons were well drawn to inform similar operations in the nascent TVET sector.

There were some minor shortcomings in the ICR. The relevance of objectives section lacked sufficient information on country conditions, as an additional aspect of relevance. Also, while the ICR was not incorrect in providing a split rating for this restructured project, a split rating is required only in cases of *downward* revision of *key outcome indicator* targets (not in cases of revision of targets for intermediate outcomes or outputs). Also, it is important to note that ICR guidelines require that a project is rated against both sets of objectives/targets for the *entire* duration of a project, not just the period for which each of the objectives/targets was in effect.

a. Quality of ICR Rating

Substantial