



Validation Report

Reference Number: PVR—220
Project Number: 23229
Loan Number: 1750 and 1751
December 2012

Philippines: Technical Education and Skills Development Project and Fund for Technical Education and Skills Development

Independent Evaluation Department
Asian Development Bank

ABBREVIATIONS

ADB	—	Asian Development Bank
BIME	—	benefit impact monitoring and evaluation
CBT	—	competency-based training
Danida	—	Danish International Development Agency
DBP	—	Development Bank of the Philippines
LGU	—	local government units
NGO	—	nongovernment organization
PCR	—	project completion report
TA	—	technical assistance
TESD	—	technical education and skills development
TESDA	—	Technical Education and Skills Development Authority

NOTE

In this report, “\$” refers to US dollars.

Key Words

adb, competency-based training, independent evaluation department, local government units, national qualifications framework, nongovernment organization, philippines, project completion validation report, technical education and skills development, skills development fund

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PROJECT BASIC DATA

Project Number:	23229	PCR Circulation Date:	27 Nov 2009	
Loan Numbers:	1750 and 1751	PCR Validation Date:	Dec 2012	
Project Name:	Technical Education and Skills Development Project and Fund for Technical Education and Skills Development			
Country:	Philippines		Approved (\$ million)	Actual (\$ million)
Sector:	Education	Total Project Costs: Loan 1750 Loan 1751	70.00 20.00	47.65 8.61
ADB Financing: (\$ million)	ADF: 0.00	Loan: Loan 1750 Loan 1751	25.00 20.00	19.09 8.29
	OCR: 45.00	Borrower:	20.00	14.47
Cofinanciers:	OFID NDF Danida	Total Cofinancing:	25.00	14.47
Approval Date:	24 Aug 2000	Effectiveness Date:	14 Feb 2001	9 Jan 2001
Signing Date:	16 Nov 2000	Closing Date: Loan 1750 Loan 1751	31 Dec 2006 9 Jan 2006	30 Jun 2009 23 Mar 2007
Project Officers:	S. Kerr S. Durrani-Jamal B. Lochmann W. Duncan A. Inagaki T. Moenjak	Location:	ADB headquarters ADB headquarters ADB headquarters ADB headquarters ADB headquarters ADB headquarters	
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Quality Reviewer:	C. Kim, Principal Evaluation Specialist, IED2	Director:	W. Kolkma, IED1	

ADB = Asian Development Bank, ADF = Asian Development Fund, Danida = Danish International Development Agency, IED1/2 = Independent Evaluation Department (Division 1/2), NDF = Nordic Development Fund, OCR = ordinary capital resources, OFID = Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development, PCR = project completion report.

I. PROJECT DESCRIPTION

A. Rationale

1. The Philippine's Medium-Term Philippine Development Plan, 1999–2004,¹ emphasized “economic growth with social equity” and the importance of the private sector in “enhancing industrial competitiveness” in the global economy. Among others, such strategy would require a continuing supply of highly skilled workforce that could contribute to the competitiveness of the economy in global markets. The technical education and skills development (TESD) system of the country, which is the main source of technicians and skilled workers suffered from a number of weaknesses including outdated curricula, poor facilities, and inadequate teaching equipment.

¹ Government of the Philippines, National Economic Development Authority. 1999. *Medium-Term Philippine Development Plan 1999–2004*. Manila.

The system's generally supply-driven orientation adversely affected the quality and relevance of its programs. Equitable access to training opportunities and employment support services especially by the poor in the rural areas, were a problem.

2. The technical education and skills development subsector analysis identified the following key issues in the TESD system prevailing at appraisal: (i) the need to revisit and rationalize TESDA's role and responsibilities and strengthen its management capacity; (ii) the need to improve the quality and relevance of the training programs as reflected in the low employment rate of graduates; (iii) the need to remove the constraints faced by private providers, which enroll about 80% of the TESD students; and (iv) the need to enhance access to training opportunities particularly among the poor and those living in remote villages.

3. The Technical Education and Skills Development Project² and the Fund for Technical Education and Skills Development (TESD fund) aimed to: (i) help upgrade the quality and relevance of TESD programs in the public and private sectors, (ii) provide financial support through scholarships and loans to the poor to enable them to acquire employable skills and assist them in finding jobs, and (iii) strengthen the management capacity of the Technical Education and Skills Development Authority (TESDA) as the central authority of the TESD system.

B. Expected Impact

4. The main impact of the project was to be enhanced competitiveness of the Philippine economy through the improved quality and relevance of its TESD system. The project was to enable TESDA to perform its function more effectively as an oversight agency to respond better to market demand for highly skilled workers. The secondary outcome was to help reduce poverty through enhanced equity to TESD programs for the poor, by providing financial support and services to help poor acquire skills leading to gainful employment.

C. Objectives or Expected Outcomes

5. The project has four expected outcomes:

- (i) TESDA is strengthened as the central training authority.
- (ii) Training functions are devolved to local government units (LGUs), nongovernment organizations (NGOs), and other partner institutions.
- (iii) Constraints on private skills training are removed.
- (iv) Equity in skills acquisition among disadvantaged groups is enhanced.

D. Components and Outputs

6. The project components and outputs were as follows:

7. **Component 1: Strengthening the Technical Education and Skills Development Authority.** This component comprised two main outputs: "institutionalized quality assurance programs" and "strengthened role and capacity of TESDA". Institutionalizing the quality assurance programs involved the following: (i) expansion of the registration and accreditation of TESD institutions nationwide with initial target of 240 private institutions and 25 public

² ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant to the Republic of the Philippines and the Development Bank of the Philippines for the Technical Education and Skills Development Project and Fund for Technical Education and Skills Development*. Manila.

institutions; and (ii) development of additional skills standards and a qualification framework and establishment of 50 skills assessment centers within existing TESD institutions throughout the country. In addition, an equivalency and certification system was to be implemented and expanded in the designated skills assessment centers to provide qualifying credits and recognition of prior learning and thus open up opportunities for further studies.

8. **Component 2: Devolving Training Functions to Local Government Units and Nongovernment Organizations.** This component comprised three main outputs: (i) strengthening management and staff of local institutions; (ii) development of training facilities developed; and (iii) supporting institutional and devolution plan. The project supported the training of management and staff of local organizations to prepare them to accept and handle the additional responsibilities that will ensue from the devolution of the 58 technical, vocational, and agricultural schools, and 45 provincial training centers. Facilities of certain institutions were upgraded so that they can be financially independent partly as an incentive to accept the devolution process. Devolution framework and guidelines were prepared and approved by the TESDA board and subsequently incorporated in a Devolution Manual.

9. **Component 3: Strengthening the Capacity of Private Technical Education Skills Development Providers.** Considering the fact that private providers accounted for about 80% of total enrollment in TESD courses, the project intended to support this group by providing access to credit through the TESD fund. Administered by the Development Bank of the Philippines (DBP), the TESD fund was open to private institutions offering post-secondary, non-degree TESD programs to upgrade their facilities and staff and learning materials.

10. **Component 4: Enhancing Equity in Skills Acquisition.** The project intended to enhance equitable access to training opportunity through the (i) Scholarship Fund, (ii) Student Loan Fund,³ and (iii) equivalency and certification system. With an allocation of \$6.5 million, the scholarship fund intended to provide 20,000 person-years of scholarships with equal share between male and female students.

E. Provision of Inputs

11. The total project cost estimated at appraisal was \$70 million, of which ADB provided \$25 million as loan, other cofinanciers provided \$25 million, and the government provided \$20 million. Co-financing included \$10 million from Danish International Development Agency (Danida), \$8 million from Nordic Development Fund, and \$7 million from the OPEC Fund for International Development (OFID). The Danida funding did not materialize. However, ADB approached the Organization of the Petroleum Exporting Countries (OPEC) and successfully secured alternate funds (up to \$15 million additional loan), and a funding commitment from the Government of Spain. ADB provided a parallel loan of ¥2,166.70 million (approximately \$20 million) for the establishment of the TESD fund. Actual project cost at completion was \$47.65 million or 68% of the appraisal estimate. Actual utilization of the TESD fund was ¥942.07 million or 43.5% of the loan amount. The balance was subsequently canceled.

12. The project provided an advisory technical assistance (TA) to carry out three major tasks: (i) strengthening TESDA management capacity at the central, regional, and provincial levels, in the institutions managed by TESDA, and in related LGUs; (ii) improving the quality of

³ The project completion report (PCR) included the Scholarship Fund and the Student Loan Fund (replaced by the Jobs-Directed Scholarship Program) under component 3 but logically by their nature should be under component 4 as in the report and recommendation of the President (RRP).

TESD programs through the development and implementation of systems for accreditation, skill testing and certification, equivalency, quality assurance, dual training and apprenticeships; and (iii) enhancing the employment opportunities of TESD graduates through career guidance and counseling services, industry–institution links, and entrepreneurship development programs in TESD institutions. The slow project start during the first 3 years turned out to be beneficial in the sense that it gave time for the outputs of the advisory TA to be completed before the fielding of the loan consultants. Among the outputs of the TA considered most significant was the consensus arrived at within TESDA as to the desired TESD system and the delineation of TESDA's core functions. The TESD system should ideally be competency-based, demand-driven, and quality-assured with active participation of industry, government, learners, and communities. TESDA's role, on the other hand, is to provide national leadership in creating and sustaining such a system. Outputs of the TA were considered highly satisfactory to TESDA.

13. The project provided 176 person-months of consulting services of which 65 person-months were international and 111 person-months domestic. The corresponding consultant inputs actually used during implementation were slightly lower—62 person-months for international consultants and 84 person-months for domestic consultants—but with no significant impact on output. The reduction in input of domestic consultants was due to the death of the benefit impact monitoring and evaluation (BIME) specialist. The project did not encounter major problems in the recruitment of consultants although there were some delays.

F. Implementation Arrangements

14. The implementation arrangements were adequate. TESDA was the executing agency for the project. The project management structure was embedded in the administrative structure of TESDA. A project management office was established within TESDA to manage day-to-day activities at the central level. The team at the central level comprised the director general as project director, supported by a deputy director general as deputy project director and an executive director as coordinator and 16 focal persons responsible for managing specific subcomponents. In addition, regional directors and focal persons were designated to manage project activities at the regional and local levels. The project management structure created a strong sense of ownership and, therefore, of sustainability. Team members who were regular staff, initially encountered coordination problems and pressures from existing workloads, but these were subsequently addressed adequately. The DBP managed the TESD fund, which also put up a project management team to handle implementation.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

15. The project completion report (PCR)⁴ assessed the project as *highly relevant*. The program was consistent, aligned with the national development priorities and ADB's country strategy at appraisal, and remained so till completion as the government and ADB continued to pursue the same human resource development thrusts. The project addressed the key issues of the TESD subsector in terms of relevance and quality of training programs and other services, and equitable access by beneficiaries who need such programs and services most. The different project components have been integrated and/or added into TESDA's core activities,

⁴ ADB. 2009. *Completion Report: Technical Education and Skills Development Project and Fund for Technical Education and Skills Development in the Philippines*. Manila.

strengthening TESDA's capacity as manager, regulator, enabler, and promoter of the TESD system. TESDA has thus become more relevant from the standpoint of the TESD industry and its target beneficiaries. The TESD fund component, on the other hand, added more relevance to the project by responding to the needs of private providers for financial resources to upgrade quality and expand their capacity to deliver services.

16. The project was designed within the framework of the Medium-Term Development Plan, 1999–2004, which enunciated a policy of achieving growth with equity and underscored the role of the private sector as the main engine of economic growth that will reduce poverty. TESDA's 1999 National Technical Education and Skills Development Plan, which translated the Medium-Term Development Plan's skills development policy thrusts into strategies to rationalize the skills development system provided even firmer anchor in the design. The design directly addressed these issues. The advisory TA included in the design proved to be beneficial not only in assisting the implementation process but also in providing opportunities to make design changes, e.g., in the approach to development of training regulations, further enhancing the project's relevance.

17. However, there were some design shortcomings. The project's complexity, diversity, and mainstreamed implementation approach made it challenging to implement. The design underestimated the time and resources required to introduce a competency-based training (CBT) and assessment system, and underestimated the support required to develop and implement activities that were outside TESDA's existing expertise (e.g., distance education). The educational management information system had a technical design issue that was subsequently replaced by a network-based system (PCR paras. 16, 17). In addition, TESDA's capacity to implement a project that was mainstreamed (PCR para. 48) was overestimated. This validation downgrades the PCR rating from *highly relevant* to *relevant*, in light of these project design shortcomings.

B. Effectiveness in Achieving Project Outcomes

18. The PCR rated the project *effective*. This validation concurs with the rating. In general, the desired outcome is the transformation of the TESD system into one that is demand-driven, quality-assured, and responsive to the needs of industry and the communities. Toward this end, a key task is the strengthening of TESDA as the central authority of the TESD system. The project assisted TESDA in clarifying its vision and core functions and rationalizing its organization structure, developing guidelines and procedures for its core functions specifically on training regulations, program registration and accreditation, assessment and certification, and installing internal management systems such as corporate quality assurance and management information system, and staff development. Targets in these areas were substantially achieved.

19. To ensure that TESDA can focus on its core responsibilities, another task for it was to divest its direct training functions by relinquishing management of the training institutions under its supervision to LGUs and NGOs. While the upgrading of these public institutions has been carried out, progress in devolving them has been slow but ongoing. Another related task in transforming the TESD system was strengthening the private providers, which comprise the main training delivery system. The project's success in this regard has been limited as only few availed of the loan facility under the TESD fund. Finally, in responding to the needs of the disadvantaged, the project exceeded its targets and has developed an effective mechanism in enhancing equitable access to quality training opportunities.

C. Efficiency of Resource Use in Achieving Outputs and Outcomes

20. The PCR rated the project *less efficient* and this validation concurs with the rating. One year after its inception, only a few activities had been implemented because there was no budget appropriation in 2001 and the project management office was not fully established. Delays were experienced in contracting civil works due to changes in internal TESDA approval procedures. Moreover, the recruitment of the TESDA management and devolution consultant was deferred, and the fielding of the contextual learning consultant was also delayed, resulting in a delay in the introduction of contextual learning. There were also delays in finalizing the list of teaching and assessment equipment. The economic internal rate of return was not estimated at appraisal and therefore no comparison at completion could be done. Initially, there were substantial implementation delays beyond the control of the implementing agency. At the midterm review in September 2004 (after 65% of the loan period had elapsed), only 24% of contract awards, and 29% of disbursements had been made. There were significant delays resulting in a 2-year extension of the implementation period partly due to inefficiencies in the process although the main underlying cause was the lack of budgetary appropriation from the national government in 2001–2004, a factor largely beyond the control of the project.

D. Preliminary Assessment of Sustainability

21. The PCR rated this project as *sustainable*. This validation concurs with the assessment. The main source of sustainability is the fact that the key activities supported have been mainstreamed into TESDA's regular activities, specifically the development of training regulations, the CBT approach, program registration and accreditation, testing and certifications, system of equivalency, corporate quality assurance, and staff development, among others. The demand for TESDA's services is expected to increase over the years as industries need to be globally competitive.

E. Impact

22. The project contributed toward enhancing the competitiveness of the Philippine economy via the continuing supply of highly trained technicians and skilled workers. This was done by strengthening the capacity of the delivery system comprising the key players, including TESDA as the central authority and the public and private training providers in partnership with industries, LGUs, NGOs, and local communities. The project provided inputs to these key players in varying degrees and forms. A key input is the support in the use of CBT approach based on the training regulations. TESDA's strict enforcement in program registration and accreditation forced the widespread use of CBT by public and private providers. This contributed toward making the program offerings relevant to industry needs and providing better training quality. This also enhanced the attractiveness of the programs to students looking for quality training. The training output in priority areas at completion was 185,677 workers (27% women) compared with the target of 175,000 workers set at appraisal.

23. The project also supported the capacity expansion for testing and certification. An important indicator on the quality of training is the pass rate of workers in skills testing and certification. By the end of the project, 114,726 graduates were assessed; 77,372 or 67% passed and were awarded national skills certificates. This compares well with the target, which was to increase the pass rate from 38% (baseline) to 60%. The impact in this area is quite evident.

24. With better quality training already available in the market, the other concern is ensuring that the disadvantaged share in the opportunities as well. The project provided support in this regard through the Scholarship Fund and the Jobs-Directed Scholarship Program. The target was to increase the share of poor students with family income below the poverty line from 30% to 50%. The estimated proportion of poor students in TESD programs was 44% in 2008, slightly below the target. The gender mix was about equal. Tracer studies indicated that the employment rate of graduates was about 54%. Overall, preliminary indications suggest that impact appears *significant*.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

25. The PCR rated the performance of the borrower and executing agencies (TESDA and DBP) *satisfactory*. This validation considers the performance of the government as borrower to be only partly satisfactory but agrees with PCR that the performance of TESDA and DBP as executing agencies was satisfactory. The borrower's partly satisfactory rating is because it was not able to provide budget appropriation in 2001 and only provided inadequate budget appropriation throughout 2002–2004. This was the main reason underlying the slow start up and progress during the first half of the implementation period. Adequate budget provisions were, however, provided during the second half of implementation. As executing agency, TESDA was able to overcome the delays during the initial years, which were partly due to inadequate funding and to internal organizational problems. That the project was able to substantially catch up with the backlog justifies the satisfactory performance rating. As to the DBP, the efficiency in processing the sub-loans under the TESD fund and the initiatives it took in increasing loan availment (i.e., lowering interest rate, marketing, and increasing the scope of items eligible for funding) although not fully successful, justified the satisfactory performance rating.

26. This report agrees with the PCR that borrower's compliance with the loan covenants was generally satisfactory. Of the 17 covenants, 14 were fully complied with, although with some delays while 3 were only partially complied with. Those that were only partially complied with referred to the educational management information system, the devolution of TESDA training institutions, and the distance education. With regard to the TESD fund, the DBP complied with 9 of the 10 covenants. The covenant not complied with referred to the assessment of the impact of the sub-loans.

B. Performance of the Asian Development Bank

27. The PCR rated ADB's performance *satisfactory*, to which this validation agrees. The 11 review missions were considered adequate in providing guidance and support to the overall project implementation considering that it was able to bring issues to the surface and address them as they arose. The frequent changes of project officers affected the speed of response to queries from the field and/or approval process albeit not to the extent of seriously delaying implementation of particular components. ADB proactively secured funding from other aid agencies (para. 10). ADB also demonstrated flexibility and reasonableness in responding to proposals for changes in certain components (e.g., including BIME, Student Loan Fund, among others), the reallocation of loan proceeds among cost categories, and the requests for loan extensions.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

28. This validation concurs with the PCR's overall rating that the project was *successful* (see table). The design was supportive of the government's development priorities and ADB's country development strategy. It remained relevant after completion although the project design had some shortcomings. It addressed key issues in the TESD system, specifically on quality and relevance of programs to labor market needs, access by the disadvantaged to training opportunities, and operational efficiency of the delivery system as a whole. The targets set at appraisal were substantially achieved albeit falling short with respect to the devolution of TESDA's direct training function, distance education, and the extent of assistance to private providers. The outputs were achieved at a total cost of only about two-thirds of appraisal estimate although a 2-year extension was needed due to significant delays that were mainly due to the lack of budgetary appropriation from the government. The key components are likely to be sustainable as they are mainstreamed into TESDA's core activities. Significant increases in enrollment in TESD programs, pass rate of workers in skills testing and certification, and employment rate of graduates suggest positive indications of impact.

Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Relevant	The project was consistent and aligned with the national development priorities and ADB's country strategy. However, some design shortcomings made the project challenging to implement (para. 17).
Effectiveness in achieving outcome	Effective	Effective	
Efficiency in achieving outcome and outputs	Less efficient	Less than efficient	
Preliminary assessment of sustainability	Sustainable	Likely sustainable	
Overall assessment	Successful	Successful	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Impact	Not rated	Significant	Refer to para. 24.
Quality of PCR		Satisfactory	Refer to para. 32.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, IED views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Source: ADB Independent Evaluation Department.

B. Lessons

29. The list of lessons learned in the PCR are exhaustive and well grounded based on the experiences during implementation. This validation agrees with the lessons that have been identified. One additional lesson is that aid agencies need to make the criteria for their support clear to the government counterpart, while understanding why the government is seeking assistance in the first place. In the case of Danida, they held the funding as they wanted TESDA

to (i) receive an adequate budget allocation, and (ii) seek reimbursement from Danida after spending their own budgetary resources. However, the government had a budget problem. Danida spent 2 years trying to encourage the budget allocation for TESDA, but that did not happen. Danida eventually canceled their portion after 2 years.

C. Recommendations for Follow-Up

30. The recommendations at the project-related and general levels logically flowed from the assessment of implementation performance and the lessons learned. This validation concurs with the recommendations. In addition, it is proposed that the following be considered:

- (i) **Revisit the Devolution Plan.** The devolution plan as currently conceived needs to be revisited. On the one hand, there appears to be resistance on the part of the “giver,” specifically certain members of TESDA’s management staff and, on the other hand, there has so far been an unenthusiastic response on the part of the “receiver”. A deeper look into the reasons for little interest from both sides is needed to devise more attractive incentives that will address their concerns.
- (ii) **Revisit the Relationship between TESDA and the State Universities and Colleges.** While TESDA is supposed to be the central authority on TESD, its jurisdiction remains unclear over the TESD courses being offered in state universities and colleges inasmuch as colleges are governed by their own charter. Thus, such policies as program registration and accreditation may not be enforced over those under the state universities and colleges, undermining the concept of unified quality assurance system. At the same time, they compete with the private sector but are not subject to the same rules and regulations. Clear policy guidelines on this issue would be helpful to bring about better sector-wide coordination.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

31. While a number of performance indicators have been defined in the design and monitoring framework, an effective data collection system to track performance against the indicators was missing. Baseline study at project commencement was not conducted, making it difficult to assess the extent of progress against certain indicators. The BIME system, which was supposed to be in place during the first year of operation was developed and started much later as it was beset by problems, including the death of the original consultant and difficulties encountered in finding a suitable replacement.

B. Comments on Project Completion Report Quality

32. The PCR followed the PCR guidelines (PAI 6.07)⁵ and was internally consistent. Although the PCR made a general assessment of project impacts (positive and negative whether intended or not) generated during project implementation, it did not provide a rating. Lessons and recommendations were sound and derived from the analyses and findings. This validation rates the PCR *satisfactory*.

⁵ ADB. 2009. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07. Manila.

C. Data Sources for Validation

33. Loan review mission reports, PCR, report and recommendation of the President, minutes of the management review meeting on the project, minutes of the Board meeting, and project audit report.

D. Recommendation for Independent Evaluation Department Follow-Up

34. A project performance evaluation report may not be necessary.