



Periodic Financing Request Report

Project Number: 42466-017
MFF Number: 0081
October 2019

People's Republic of Bangladesh: Skills for Employment Investment Program (Tranche 3)

Distribution of this document is restricted until it has been approved by Management. Following such approval, ADB will disclose the document to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 10 September 2019)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.01183
\$1.00	=	Tk84.525

ABBREVIATIONS

ADB	–	Asian Development Bank
BACI	–	Bangladesh Association of Construction Industry
BB-SME	–	Bangladesh Bank-Small and Medium Enterprises
BITAC	–	Bangladesh Industrial Technical Assistance Center
FAM	–	facility administration manual
FinMan	–	financial management system
MFF	–	multitranche financing facility
NHRDF	–	National Human Resource Development Fund
NSDA	–	National Skills Development Authority
NSDP	–	National Skills Development Policy
PKSF	–	Palli Karma-Sahayak Foundation
SDCMU	–	Skills Development Coordination and Monitoring Unit
SDR	–	special drawing right
SEIP	–	Skills for Employment Investment Program
SSS	–	single source selection
TMS	–	training management system

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 30 June 2019.
- (ii) In this report, “\$” refers to United States dollars.

Vice-President	Shixin Chen, Operations 1
Director General	Hun Kim, South Asia Department (SARD)
Director	Sungsup Ra, Human and Social Development Division, SARD
Team leaders	Sunhwa Lee, Principal Social Sector Specialist, SARD Zhigang Li, Social Sector Specialist, SARD
Team members	Fook Yen Chong, Social Sector Specialist, SARD Farhat Jahan Chowdhury, Senior Project Officer (Environment), SARD Taniya Fardus, Project Analyst, SARD Alfredo Garcia, Senior Operations Assistant, SARD Ryotaro Hayashi, Social Sector Economist, SARD Seong-Ryong Lee, Social Sector Specialist, SARD Roshan Ouseph, Counsel, Office of the General Counsel C. Janyana Rhor, Principal Procurement Specialist, Procurement, Portfolio and Financial Management Department Yukiko Sakurai, Senior Financial Management Specialist, SARD Frances Larla Savella, Associate Project Officer, SARD Nasheeba Selim, Senior Social Development Officer (Gender), SARD Unika Shrestha, Young Professional, SARD
Peer reviewer	Shanti Jagannathan, Principal Education Specialist, Sustainable Development and Climate Change Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
TRANCHE AT A GLANCE	
I. BACKGROUND	1
II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION	2
III. PERIODIC FINANCING REQUEST	4
A. Impact and Outcome	4
B. Outputs	4
C. Summary Cost Estimates and Financing Plan	5
D. Implementation Arrangements	6
E. Project Readiness	8
IV. DUE DILIGENCE	8
A. Technical	8
B. Economic and Financial	8
C. Governance	8
D. Poverty, Social, and Gender	9
E. Safeguards	9
F. Summary of Risk Assessment and Risk Management Plan	10
V. ASSURANCES	10
VI. THE PRESIDENT'S DECISION	10
 APPENDIXES	
1. Design and Monitoring Framework for Project 3	
2. Loan Agreement	
3. Updated Facility Administration Manual	
4. Updated Contribution to the ADB Results Framework	
5. Economic and Financial Analyses for Project 3	
6. Updated Summary of Poverty Reduction and Social Strategy	
7. Safeguard Report – Initial Environmental Examination	
8. Safeguard Report – Small Ethnic Community Peoples Plan	
9. Gender Action Plan for Project 3	
10. Updated Risk Assessment and Risk Management Plan	
 SUPPLEMENTARY APPENDIXES	
1. Financial Management Assessment Report	
2. Project Procurement Risk Assessment Report	

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 42466-017	
Project Name	Skills for Employment Investment Program - Tranche 3	Department/Division	SARD/SAHS
Country	Bangladesh	Executing Agency	Ministry of Finance
Borrower	People's Republic of Bangladesh		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=42466-017-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=42466-017-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Technical and vocational education and training		150.00
		Total	150.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	Low
✓ Accelerating progress in gender equality			
✓ Strengthening governance and institutional capacity			
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.4		Gender Equity (GEN)	✓
SDG 4.3, 4.4			
SDG 5.c			
SDG 8.6			
4. Risk Categorization: Low		Poverty Targeting	
		General Intervention on Poverty	✓
5. Safeguard Categorization Environment: B Involuntary Resettlement: C Indigenous Peoples: B			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB			150.00
Sovereign MFF-Tranche (Concessional Loan): Ordinary capital resources			150.00
Cofinancing			0.00
None			0.00
Counterpart			41.00
Government			37.50
Others			3.50
Total			191.00
Currency of ADB Financing: US Dollar			

I. BACKGROUND

1. **Multitranche financing facility.** On 19 May 2014, the Asian Development Bank (ADB) approved a multitranche financing facility (MFF) of \$350 million to the People's Republic of Bangladesh for the Skills for Employment Investment Program (SEIP).¹ The MFF is funded from ADB's concessional ordinary capital resources. The framework financing agreement was signed on 30 March 2014 for the MFF availability period of 7 years. The investment program aims to enhance the employability and productivity of the growing young workforce with industry-relevant skills training for the country's priority sectors. By initiating large-scale private sector involvement in training, the SEIP helps scale up skilling of new entrants and up-skilling of existing workers to meet emerging labor market demands and accelerate economic growth. The Finance Division in the Ministry of Finance is the executing agency.

2. Bangladesh's economy has achieved robust growth of more than 6% annually since 2010, driven largely by the booming garment sector and increasing remittance inflows. However, to place the country into a sustained growth path with diversified economic bases, inadequate education and skills of its workforce pose a binding constraint.² More than half of the labor force have only primary education or less; and less than 4% of the working-age population (aged 15–59) had received any technical or vocational training.³ The working-age population is expanding fast, from 87 million in 2011 to 119 million by 2026, with 2 million potential new entrants to the labor force every year. In the early 2010s, technical and vocational training institutes trained fewer than 500,000 people annually; and poor quality of training resulted in only 25%–40% of graduates finding jobs. Recognizing the challenge, the government has embarked on major educational and training reforms since 2010 to build a strong workforce that will ensure the demographic dividend for a dynamic economy. Significant investments by the government and development partners have underpinned sharp increases in primary and secondary school enrollments.⁴ For technical and vocational skills training, the National Skills Development Policy (NSDP) in 2011 has steered major institutional and policy reforms to create a highly skilled workforce across diverse industrial sectors.⁵

3. Anchored in the NSDP, the SEIP has adopted the MFF modality to assist the government's strategic road map that intends to transform its skills development system both quantitatively and qualitatively. The roadmap envisages to equip the growing young population with industry relevant, job-ready skills to enhance their employability, productivity, and income. The MFF supports the government's ambitious skilling agenda in phases for the following areas. First, it expands the national training capacity by mobilizing the private sector (i.e., industry associations) and revitalizing public training institutes to scale up the provision of job-ready skills training. The expanded provision will assure that women and socially disadvantaged groups can access the training. Second, the MFF aligns quality and contents of training with specific industrial demands by fostering direct involvement from industries. Quality assurance is enhanced through improved training infrastructure, trainers' qualifications, and assessment and certification procedures. Finally, the MFF supports key institutional reforms: the establishment of the National Skills

¹ ADB. 2014. [*Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to the People's Republic of Bangladesh for the Skills for Employment Investment Program*](#). Manila.

² Government of Bangladesh, Planning Commission. 2012. *Perspective Plan of Bangladesh 2010–2021*. Dhaka.

³ Government of Bangladesh, Bangladesh Bureau of Statistics. 2015. *Bangladesh Labor Force Survey 2013*. Dhaka.

⁴ ADB has been supporting primary and secondary education in Bangladesh since 2004. The latest investments are the following: ADB. 2018. [*Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan People's Republic of Bangladesh for Supporting Fourth Primary Education Development Program*](#). Manila; ADB. 2018. [*Periodic Financing Request Report: People's Republic of Bangladesh for Secondary Education Sector Investment Program \(Tranche 3\)*](#). Manila.

⁵ Government of Bangladesh, Ministry of Education. 2011. *National Skills Development Policy 2011*. Dhaka.

Development Authority (NSDA) to coordinate fragmented training systems in the public and private sectors; and the creation of the National Human Resource Development Fund (NHRDF) to serve as a unified financing mechanism to sustain nationwide skilling initiatives.

4. **Tranches.** The MFF consists of three tranches that are implemented in phases, with two tranches overlapping for 2–3 years. Project 1 was approved on 3 June 2014 for SDR 64.71 million (equivalent to \$100 million at loan negotiations and currently equivalent to \$90.4 million) and Project 2 was approved on 24 November 2016 for \$100 million.⁶ The MFF availability period was extended from 7 to 10 years at the time of Project 2 approval, which ends on 18 May 2024. Project 1 (2014–2019) created large-scale partnerships with public, private, and nongovernmental training providers to impart entry-level skills training in six industry sectors. Project 2 (2017–2021) has expanded the sector coverage of training into nine sectors, while strengthening the evolving skills system through ongoing partnerships. It also introduced industry-specific middle management training in collaboration with universities. The proposed Project 3 (2020–2023) aims to further harness and institutionalize ongoing partnerships for industry-relevant entry- and mid-level skills training. It also intends to build a pathway for sector-related skills acquisition by incorporating advanced courses to meet emerging Industry 4.0 skills requirements. Project 3 will support the operationalization of NSDA and NHRDF to sustain the SEIP's efforts in building a strong skilled workforce. ADB received the government's periodic financing request for Tranche 3 on 23 June 2019 for \$150 million. Project 3 is listed in ADB's country operations business plan for Bangladesh, 2020–2022.⁷

II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION

5. **Progress on road map.** Based on the NSDP, the road map for the investment program was articulated to expand the national training capacity and to improve the quality of industry-relevant skills training. The strategic directions of the road map continue to be relevant to the government's agenda of building a skilled workforce to boost the country's economic competitiveness.⁸ Since 2014, the investment program has initiated a large network of training partnerships, engaging 13 industry associations, more than 40 public institutes across four ministries, Palli Karma-Sahayak Foundation (PKSF), and Bangladesh Bank-Small and Medium Enterprises (BB-SME) Department to deliver skills training for nine priority sectors.⁹ A skills gap analysis conducted in 2016 confirmed the skills requirements across the priority sectors.¹⁰

6. **Improvements in policy framework.** The government made significant progress with its reform agenda as envisaged in the NSDP. The Cabinet approved the creation of NHRDF in 2016 under the auspices of the Finance Division, enabling sustainable financing of large-scale skills

⁶ ADB. 2016. [*Periodic Financing Request Report: People's Republic of Bangladesh for Skills for Employment Investment Program \(Tranche 2\) and Minor Change to the Facility*](#). Manila. For Project 1, the Swiss Agency for Development and Cooperation provided a \$10 million grant, which was administered by ADB.

⁷ ADB. 2019. [*Country Operations Business Plan, 2020–2022: Bangladesh*](#). Manila.

⁸ Government of Bangladesh, Planning Commission. 2015. [*Seventh Five-Year Plan FY2016–FY2020*](#). Dhaka.

⁹ The industry association partners for Projects 1 and 2 are: Bangladesh Garment Manufacturers and Exporters Association; Bangladesh Knitwear Manufacturers and Exporters Association; Bangladesh Textile Mills Association; Leather Goods and Footwear Manufacturers & Exporters Association of Bangladesh; Bangladesh Association of Construction Industry; Bangladesh Engineering Industry Owners' Association; Bangladesh Association of Software and Information Services; Bangladesh Association of Call Center & Outsourcing; Association of Export Oriented Shipbuilding Industries of Bangladesh; Bangladesh Women Chamber of Commerce and Industry; Bangladesh Agro-Processor's Association; and Industry Skills Council for Tourism and Hospitality. The government agencies partnering for SEIP training include the Ministry of Education, Ministry of Expatriate Welfare and Overseas Employment, Ministry of Industries, and Ministry of Youth and Sports.

¹⁰ Bangladesh Institute of Development Studies. 2017. *Labor Market and Skills Gap in Bangladesh*. Dhaka.

training in the public and private sectors. The government has so far provided a corpus fund of Tk1 billion annually for a total of Tk3 billion (\$35 million equivalent). Parliament approved the establishment of the NSDA in September 2018 under the Prime Minister's Office. The NSDA will review and revise the NSDP and strategies and coordinate all skilling initiatives in the country. The industry skills councils are in operation for several sectors, which help identify the skills gap in each industry and assess the quality of training provided.

7. **Progress of Project 1 (2014–2019).** Project 1 has implemented skills training for six priority sectors (garments and textiles, leather goods and footwear, information technology, construction, light engineering, and shipbuilding) by partnering with 11 industry associations, 34 public training institutes under three ministries, BB-SME, and PKSf.¹¹ Since 2018, Project 1 has implemented motor driving training with basic maintenance, which has become a national priority for road safety as well as for job opportunities. Against the target of training 260,000 men and women, Project 1 has trained more than 255,000 people (including 30% women) as of May 2019; certified 226,000 people; and placed 168,000 people in jobs (a placement rate of 65%). The industry associations organize training courses to serve the needs of their own respective industries, which are delivered in their own training institutes, training centers attached to companies, or outsourced training centers. For quality improvement, national competency standards have been adopted or new standards have been developed according to national guidelines. Nearly 90 standards have been developed. About 900 trainers underwent pedagogic and technical skills training, and occupational health and safety training; 200 trainers participated in advanced training overseas; and 150 administrators completed leadership and management training. Project 1 carried out a tracer study during 2018–2019 that confirmed the effectiveness of SEIP training, wherein majority of employed SEIP graduates continue to hold jobs with improved earnings. The completion date of Project 1 was extended from December 2017 to December 2019 because of the time taken initially to set up management units across implementing partners and subsequent delays in starting training programs.

8. With ADB's support, Project 1 built a solid platform to forge unique partnerships with the private sector and deliver market-responsive skills training. The use of performance-based contracts has been integral to this partnership. Milestone payments are tied to training performance and result: (i) enrollment; (ii) assessment and certification; and (iii) at least 60% job placement after training.¹² The main implementing agency—the Skills Development Coordination and Monitoring Unit (SDCMU)—developed a customized performance-based contract with ADB assistance, which ADB approved in December 2014. The contract includes a business plan that details target trainees, training courses, and monitoring and implementation plans. ADB also supported SDCMU to develop an online training management system (TMS) to track and monitor trainees' real-time progress by requiring inputs from training providers. The TMS records go through verification procedures before disbursements by SDCMU and a monitoring and evaluation team.

¹¹ The industry associations selected under SEIP are globally known entities unique to the sectors (or subsectors) and are registered as not-for-profit trade organizations under the Trade Organization Act, 1961 (as amended). Their main objective is to serve the interests of its member enterprises for increased growth and competitiveness, of which human resource development is a common priority. Based on their sectoral representation and capacity for training arrangements, the project engaged the selected industry associations through single source selection for training implementation.

¹² The MFF initially targeted a job placement rate of 70% as a key performance indicator in the design and monitoring framework (DMF). This was modified during the midterm review of Project 1 in May 2017 because the 70% requirement tied to the third milestone payment caused significant financial strains to training providers and hence delays in successive training programs. The original target in DMF has been modified into two indicators: (i) 60% of newly trained labor force entrants employed or self-employed within 6 months after completion, and (ii) 90% of upskilled workers continue to be employed or self-employed for at least 6 months.

9. **Progress of Project 2 (2017–2021).** Project 2 reinforces the established partnerships to impart training to 240,000 people, while emphasizing improvements in training quality and monitoring. Project 2 increases the sectoral coverage of training from six to nine sectors, with the addition of agro-processing, hospitality and tourism, and caregiving and nursing. Project 2 also includes training courses affiliated with international certification agencies (e.g., City & Guilds, DNV-GL for welding) to promote overseas employment. New industry-specific middle management training has been introduced to address the “middle management gap” in four priority sectors (garments, knitwear, textiles, and leather goods); the program has been custom designed for each industry in close collaboration between industries and universities. Project 2 continues to upgrade the capacity of trainers, assessors, and managers in order to improve overall training quality. As of May 2019, 63,000 trainees have enrolled; 45,000 received a certificate; and 28,600 were placed in jobs.

10. As of 15 June 2019, MFF performance was rated *on track* for both tranches. For Project 1, \$78.6 million (87% of the loan) had been contracted and \$72.0 million (80%) had been disbursed. For Project 2, contract awards reached \$67.2 million (67% of the loan) and disbursements reached \$21.5 million (22%). Disbursements have been relatively slow for Project 2 in part because most training programs started in 2018. The delayed submission of payment claims by implementing partners has been another reason, due to their limited capacity to fulfill rigorous financial and reporting requirements. Given the nascent nature of using performance-based contracts and increasingly large numbers of trainees, there is a need to strengthen management capacity, especially financial management capacity, among implementing partners. The proposed Project 3 has taken this aspect into consideration during preparation.

11. Project 3 is the final tranche of the investment program. The key target under the original MFF was to train 1.25 million people in three tranches. Based on the experience from Projects 1 and 2, the government has proposed to revise the overall target of trainees to about 820,000 (including 320,000 for Project 3) to more realistically reflect the capacity of training providers. Project 3 places great emphasis on building the capacity of implementing partners and training providers, as well as improving training quality. These are essential to ensure the sustainability of quality training and training providers supported by the SEIP.

12. **Compliance with undertakings and loan covenants.** The government has complied with loan covenants under Tranches 1 and 2, and undertakings in the framework financing agreement. The details of compliance status are shown in the facility administration manual (FAM).

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

13. Project 3 is aligned with the following impact: income and productivity of the working population aged 15 and over increased.¹³ Project 3 will have the following outcome: inclusive access to basic, mid-level, and advanced skills training for priority sectors increased.¹⁴

B. Outputs

14. **Output 1: Market-responsive inclusive skills training delivered.** Project 3 will continue to support sector-focused job-ready skills training through the existing partnerships with public

¹³ Government of Bangladesh, Ministry of Education. 2011. *National Skills Development Policy 2011*. Dhaka.

¹⁴ The DMF is in Appendix 1.

institutes across different ministries, industry associations, BB-SME, and PKSf. In addition to the nine priority sectors, Project 3 will support training courses related to the renewable energy subsector. Project 3 will continue middle management training through ongoing partnerships with four universities and one research institute. For each of the sector-related trainings, Project 3 will introduce selected advanced courses to adopt and adapt emerging Industry 4.0 skill requirements, and help industries move up the value chain.¹⁵ By establishing a skills path in each sector-related training, SEIP helps enhance the employability of trainees according to evolving market demands. Project 3 will also support new training that specifically targets socially disadvantaged groups (including people with disabilities and small ethnic communities) and women entrepreneurs to ensure inclusive skilling efforts. Motor driving training with basic maintenance, started in 2018, will continue. Overall, Project 3 will train about 320,000 people, 30% of whom will be women.

15. Output 2: Quality assurance system strengthened. This output supports the continued efforts to improve the quality assurance mechanisms by developing 40 additional competency standards and by upgrading trainers' pedagogic and technical skills. Master trainers being formed under Projects 1 and 2 will be deployed to train trainers. To upskill the knowledge and skills of trainers, especially for advanced technology-based skills programs, the project will support trade-specific intensive overseas training in selected areas.

16. Output 3: Institutions strengthened. This output will support the reform initiatives related to NHRDF and NSDA, specifically the operationalization of both NSDA and NHRDF. For both, operational guidelines and functional structures are being developed and expected to be completed prior to 2022. The operation of NSDA and NHRDF will ensure the sustainability of skills training initiated under SEIP. To strengthen the institutional capacity for advanced skills training, the project will help renovate and transform the Bangladesh Industrial Technical Assistance Center (BITAC) in Dhaka under the Ministry of Industries. The renovated BITAC facilities will offer advanced-level, job-ready training courses (e.g., precision engineering, mechatronics) and focus on R&D for innovation and entrepreneurship in cooperation with the light engineering industry. Output 3 will also build new training facilities for the Bangladesh Association of Construction Industry (BACI) to enable the industry to respond to increasing demand for skilled workers arising from expanding infrastructure investments.

17. Output 4: Monitoring and management for skills development enhanced. This output will support information, monitoring, and management systems of training performance, which include TMS, social marketing activities, monitoring and evaluation activities, a third-phase tracer study, and in-depth labor market analysis to support sector planning and skills programs. The project will continue to emphasize the implementation of fiduciary risk management plans for effective governance of skills development systems. Project 3 will roll out extensive capacity building support for financial management to improve the SEIP's performance and accountability, which will involve an online financial management system (FinMan) and training all financial management staffs in public and private training providers.

C. Summary Cost Estimates and Financing Plan

18. Project 3 is estimated to cost \$191 million (Table 1).¹⁶ Detailed cost estimates by expenditure category and by financier are included in the updated FAM (Appendix 3).

¹⁵ Examples of advanced technical skills courses include training on big data analytics, computer-aided design for knitwear designs, computer-aided design for leather goods, programmable logic controller for engineering, wet processing technology, and mechatronics. Internationally recognized online courses will also be offered.

¹⁶ ADB financing will cover taxes, duties, and other charges for Project 3. ADB will finance taxes and duties that (i) are within the reasonable threshold identified during the country partnership strategy preparation; (ii) do not represent

19. The government has requested a concessional loan of \$150 million from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, and an interest rate of 2% per year during the grace period and thereafter (the interest and other charges during construction to be capitalized in the loan), and such other terms and conditions as set forth in the draft loan agreement.

Table 1: Summary Cost Estimates (\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1: Market-responsive inclusive skills training delivered	119.5
2. Output 2: Quality assurance system strengthened	6.0
3. Output 3: Institutions strengthened	32.3
4. Output 4: Monitoring and management for skills development enhanced	16.4
Subtotal (A)	174.2
B. Contingencies^c	10.4
C. Financial Charges During Implementation	6.3
Total (A+B+C)	191.0

Note: Numbers may not sum precisely due to rounding.

^a Includes taxes and duties of \$8.6 million. Such amount does not represent an excessive share of the project cost, of which \$6.9 million is to be financed by ADB loan and \$1.6 million by the government.

^b In mid-2019 prices as of 15 May 2019.

^c Physical contingencies computed at 6.0% for civil works and equipment. Price contingencies are computed at average of 1.5% on foreign exchange costs and 6.1% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

20. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to civil works, equipment, training grants, consulting services, contingencies, and financing charges during implementation. The government will provide \$37.5 million equivalent. Industry associations will also provide \$3.5 million in in-kind and cash contributions.

Table 2: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (concessional loan)	150.0	78.5
Government	37.5	19.7
Private sector (industry associations)	3.5	1.8
Total	191.0	100.0

Source: Asian Development Bank estimates.

D. Implementation Arrangements

21. Project 3 will follow the implementation arrangements that were established under Projects 1 and 2. The Finance Division under the Ministry of Finance will be the executing agency. The SDCMU in the Finance Division will serve as the program management unit to facilitate, coordinate, and monitor all project activities. The implementation arrangements are summarized in Table 3 and described in detail in the updated FAM (Appendix 3).

22. Project 3 will continue the training partnerships already established with public, private, and nongovernment organizations, following the modality and procedures of Projects 1 and 2.

an excessive share of the investment plan (4.6% of the loan); (iii) apply only to ADB-financed expenditures; and (iv) are considered relevant to the success of Project 3.

The four government ministries will continue to serve as implementing agencies for their respective training institutes. Project 3 will engage one new implementing agency—the Ministry of Power, Energy, and Mineral Resources (for the Sustainable and Renewable Energy Development Authority)—to deliver sector-related skills training. All others—13 industry associations, BB-SME, and PKSF—which were engaged as implementing partners through single source selection (SSS) under Projects 1 and 2 will continue. These implementing partners will be re-engaged through SSS for new trainee targets and an updated set of training courses for Project 3. The Trust Technical Training Institute will be newly engaged through SSS for motor driving training. For all training partners, the same performance-based contracts will be used along with an updated business plan template. Four universities and one research institute will also continue as implementing partners; they will be re-engaged through SSS for a new set of trainees for middle management training programs. All public training partners, universities, and research institutes will sign memorandums of understanding, following the same procedure as in training grants with business plans. To provide the continuity in technical services and analytical support for the project, three consulting firms and one research agency will be re-engaged through SSS under Project 3.¹⁷

Table 3: Implementation Arrangements for Project 3

Aspects		Arrangements	
Implementation period	November 2019–November 2023		
Estimated completion date	18 November 2023		
Estimated loan closing date	18 May 2024		
Management			
(i) Oversight body	Interministerial Project Steering Committee chaired by the Secretary of the Finance Division		
(ii) Executing agency	Finance Division, Ministry of Finance		
(iii) Key implementing agencies	SDCMU; Ministry of Education; Ministry of Expatriate Welfare and Overseas Employment; Ministry of Industries; Ministry of Youth and Sport; and Ministry of Power, Energy, and Mineral Resources (for SREDA)		
(iv) Implementation unit	SDCMU		
Procurement	National competitive bidding	2 contracts (works) 5 contracts (goods)	\$10.50 million \$7.50 million
Consulting services	Quality- and cost-based selection	4 contracts	\$3.95 million
	Fixed budget selection	1 contract	\$0.20 million
	Individual	Several (TBD)	\$3.92 million
	Single source selection (continuing consulting services)	3 contracts	\$1.95 million
	Single source selection (training grants contracts)	23 contracts	\$83.43 million
Retroactive financing and advance contracting	Retroactive financing and advance contracting are applicable for civil works, equipment and materials, and consulting services, following ADB policies and procedures. Retroactive financing will be up to 20% of eligible expenditures incurred prior to loan effectiveness but not earlier than 12 months before the loan signing.		
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, SDCMU = Skills Development Coordination and Monitoring Unit, SREDA = Sustainable and Renewable Energy Development Authority, TBD = to be determined.

Source: Asian Development Bank.

¹⁷ These are (i) the Bangladesh Institute of Development Studies for in-depth analysis of sector-related training needs; (ii) Tappware Solutions to refine and strengthen the online TMS for training-related information management; and (iii) Training & Technology Transfer Ltd to continuously organize overseas study visits and training programs based on lessons from Projects 1 and 2.

E. Project Readiness

23. For new training courses under Project 3, business plans are under preparation. The SDCMU is taking advance actions following the established procedure. For construction of new training facilities at BITAC and BACI, a feasibility study was conducted and detailed design works are being finalized for bid document preparation.

IV. DUE DILIGENCE

A. Technical

24. Training facilities at BACI and BITAC have been designed based on trade-specific requirements including equipment specifications, with support from technical training and facility development specialists. Inputs from technical experts will continue during construction to ensure that the new training facilities meet the required building certification and expected standards for advanced quality training. The amount for climate mitigation and adaptation financing will be estimated as building designs are finalized.

B. Economic and Financial

25. The economic internal rate of return is estimated at 14.5%. The main benefits considered in the analysis are wages earned after completing training under SEIP. The main costs are direct project costs; private costs of the trainees (i.e., training costs and opportunity costs); and costs shared by training institutions. Sensitivity analysis was carried out with a 10% cost overrun (capital and recurrent costs) and a 10% lower wage increase. In all cases, the economic internal rate of return exceeds the required rate of 6.0%, suggesting that Project 3 is a sound investment.

26. Fiscal sustainability will depend on (i) the government's ability to allocate budget or mobilize resources, (ii) the priority assigned to skills development, and (iii) the partial recovery of costs from trainees and employers through improved earnings and revenues. The government's commitment to skills development remains high, as shown by the continuing high budget allocation across the key ministries. Importantly, the operationalization of NHRDF will mobilize additional funds for skilling efforts, and NSDA will coordinate skilling activities in the public and private sectors. Both institutions are expected to be operational by 2022, which will ensure the sustainability of training initiated by SEIP. Over time, enhanced employability and higher wages of youth will also expand the tax base for government revenues.

C. Governance

27. For Project 3, the financial management assessments have been conducted for all existing and new implementing agencies and partners, as well as for SDCMU. These update the previous assessments undertaken for Projects 1 and 2. During the implementation of Projects 1 and 2, the SDCMU and the implementing agencies and partners have gained the experience and understanding of ADB's financial management requirements. Agreed action plans have been executed, and the financial management process has been improving with the lessons learned. The SDCMU has developed financial management manuals, separately for government agencies and private (and nongovernment organization) implementing partners, to guide financial management and reporting requirements related to all project activities. However, given the complexity of the project involving multiple partnerships, there is further room for improvement. The financial management risk is *substantial*, mainly because of still weak internal audit functions and limited capacity of financial management staff in industry associations. To mitigate the risks, a financial management action plan has been updated for Project 3, which SDCMU will continue

to implement. The business plan template in performance-based contracts is also being updated to improve transparency and accountability of management staff in implementing partners. In addition, SDCMU will carry out comprehensive financial management capacity building for more than 200 financial management staff in all public and private training providers, as well as for industry associations. ADB will continue independent fiduciary and post-procurement reviews to assess compliance with the financial management and procurement action plan. For all implementing agencies and partners, procurement capacity assessments have been conducted for Project 3. The risk rating ranges from *low* to *substantial* depending on the specific agency or partner. Recommended measures include the appointment of a dedicated personnel for contract management in SDCMU given the increasing volume of contracts, and the provision of training on the government's electronic procurement system. These are included in the action plan.

28. ADB's Anticorruption Policy (1998, as amended to date) was explained and discussed with the government and the Finance Division of the Ministry of Finance. The specific policy requirements and supplementary measures are described in the updated FAM (Appendix 3).

D. Poverty, Social, and Gender

29. The SEIP imparts skills training for the working-age population to increase employment and earnings opportunities, which would alleviate potential poverty. Project 3 will implement programs that are specifically targeted at socially disadvantaged groups, including small ethnic minorities and people with disabilities. Project 3 will continue to provide special stipends for the poor and disadvantaged groups to encourage their training participation. Social marketing have been carried out under Projects 1 and 2 for outreach activities in the rural areas to increase awareness on skills training and its benefits among young people and their parents. Project 3 will continue the activities. Project 3 is categorized with *gender equity theme* to ensure women's benefits from the nationwide skilling efforts. It will support special training to promote women entrepreneurs (about 3,500 women). It also includes gender-specific targets for the share of women in trainees (30%), trainers (13%), and recipients of special stipends (40%). The proposed activities and targets are included in the gender action plan (Appendix 9).

E. Safeguards

30. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.¹⁸

31. **Environment (category B).** For civil works at BACI and BITAC, potential environmental impacts will be site-specific, reversible, and occur mostly during construction. Initial environmental examination reports, including environmental management plans, were prepared for each of the project sites and disclosed on the ADB website. The implementation of environmental management plans will be monitored and reported to ADB semiannually.

32. **Involuntary resettlement (category C).** No land acquisition or resettlement impacts are expected. All civil works will take place within the existing premises.

33. **Indigenous peoples (category B).** The project will not have any negative impacts on small ethnic communities but will generate positive impacts through increased skilling opportunities and targeted financial support. The small ethnic community peoples plan has been prepared to ensure the benefits from the project.

¹⁸ ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>.

F. Summary of Risk Assessment and Risk Management Plan

34. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan (Appendix 10).

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Job placement targets for new entrants (60%) are not fully achieved for some trades and/or training institutions.	Implementing partners will (i) design training courses closely aligned with industry needs based on outcomes from Projects 1 and 2; (ii) promote customized training based on demands from companies; (iii) carefully screen trainees for strong job orientation; (iv) appoint job placement officers to match trainees with job openings and organize job fairs; and (v) promote SEIP training to employers through social marketing.
Weak capacity of some training providers and trainers constrains the delivery of quality training programs.	SDCMU will (i) ensure the availability of competency standards for all courses and training of trainers for delivery of quality training; (ii) provide training to management staff of training providers for timely delivery of training programs; (iii) monitor and improve the quality of training through SDCMU quality assurance officers; and (iv) guide course planning, training content, and training delivery.
Limited financial management and accounting capacities among some training partners may raise fiduciary risks.	SDCMU will (i) ensure the appointment of qualified financial management specialists in implementing partners, the use of FMM by training partners, and the consistency in maintaining books of accounts; (ii) implement new software (FinMan) for use by all training providers to improve monitoring and management of funds used; and (iii) implement financial management capacity building programs for all financial officers in public and private training providers. ADB will carry out independent fiduciary reviews; SDCMU and ADB will update FMPAP periodically.
Limited internal audit functions in industry associations and public training partners may raise risks.	(i) SDCMU will recruit additional internal audit specialists; (ii) SDCMU's financial management and audit specialists will monitor and support the financial management and internal audit functions of industry associations; and (iii) SEIP's FMM will be implemented and capacity building is continuously provided.

FMM = financial management manual, FMPAP = financial management and procurement action plan, SDCMU = Skills Development Coordination and Monitoring Unit, SEIP = Skill for Employment Investment Program.

Source: Asian Development Bank.

V. ASSURANCES

35. The government and the Ministry of Finance have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the updated facility administration manual and loan documents.

36. The government and the Ministry of Finance have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement.

VI. THE PRESIDENT'S DECISION

37. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranches financing facility in an aggregate principal amount not exceeding \$350,000,000 to the People's Republic of Bangladesh for the Skills for Employment Investment Program, the President has approved the tranche as described in para. 19 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement.

DESIGN AND MONITORING FRAMEWORK FOR PROJECT 3

Impact of the Program is aligned with: Income and productivity of the working population aged 15 and over increased (National Skills Development Policy, 2011) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources	Risks
Outcome Inclusive access to basic, mid-level, and advanced skills training for priority sectors increased	By 2024: a. About 320,000 new entrants and existing workforce trained in 10 priority sectors (30% female in the target) (2019 baseline: not applicable) ^b b. About 25% of target trainees completed mid-level skills courses (30% female in the target) (2019 baseline: not applicable) c. At least 25 new advanced courses introduced for seven priority sectors (2019 baseline: not applicable) d. At least 2,000 participants completed industry-specific middle-management training (15% female in the target) (2019 baseline: not applicable)	a–d. TMS, executing agency progress reports	Weak capacity of some training providers and trainers may constrain the delivery of quality training programs
Outputs 1. Market-responsive inclusive skills training delivered	By 2023: 1a. At least 60% of male and female trainees (new labor force entrants) employed or self-employed within 6 months of training completion (2019 baseline: not applicable) 1b. At least 3,000 people enrolled in new skills programs targeted at socially disadvantaged groups (e.g., people with disabilities) (2019 baseline: not applicable) 1c. At least 3,500 women completed special targeted training courses, including entrepreneurship support (2019 baseline: not applicable) 1d. At least 10,000 poor and disadvantaged people, including small ethnic communities, receive special stipends for training participation (40% female in the target) (2019 baseline: not applicable)	1a–1d. TMS, tracer studies, executing agency progress reports	Meeting job placement targets may be challenging for some trades and/or training institutions
2. Quality assurance system strengthened	By 2023: 2a. 40 additional competency-based training standards (and assessment		

Results Chain	Performance Indicators with Targets and Baselines	Data Sources	Risks
	<p>tools) certified and implemented in alignment with industry requirements (2019 baseline: not applicable)</p> <p>2b. At least 300 trainers (13% female) and 200 assessors (8% female) certified with upgrading training (2019 baseline: not applicable)</p> <p>2c. 450 trainers received training from master trainers (13% female trainers among those being trained) (2019 baseline: not applicable)</p> <p>2d. At least 150 trainers completed intensive domain skills programs overseas (13% female) (2019 baseline: not applicable)</p> <p>2e. At least 100 management staff completed TVET leadership training (10% female) (2019 baseline: not applicable)</p>	2a–2e. Executing agency progress reports	
3. Institutions strengthened	<p>3a. NHRDF operational manual and financing plan approved by 2021; fully operational by 2023 (2019 baseline: not yet approved)</p> <p>3b. NSDA operational guidelines approved and professional staff appointed by 2022 (2019 baseline: not yet approved)</p> <p>3c. BITAC renovation completed and advanced training introduced by 2022 (2019 baseline: not applicable)</p> <p>3d. BACI new construction training center operational for training by 2022 (2019 baseline: not applicable)</p>	3a–3d. Executing agency progress reports	
4. Monitoring and management for skills development enhanced	<p>4a. Third tracer study completed, and results disseminated by 2023 (2019 baseline: not applicable)</p> <p>4b. Updating of financial management and procurement action plans every 6 months based on fiduciary reports maintained (2019 baseline: updated every 6 months)</p> <p>4c. Financial management capacity building activities completed for all training providers and new FinMan implemented by 2021</p>	4a–4d. Tracer studies, executing agency progress reports, M&E reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources	Risks
	(2019 baseline: not applicable) 4d. By 2023, system audits for TMS conducted periodically and sex-disaggregated training data produced for quarter progress reports (2019 baseline: not applicable)		
Key Activities with Milestones Output 1: Market-responsive inclusive skills training delivered 1.1 Finalize business plans and sign contracts with new training partners and for new training programs under Tranche 3 (Q4 2019). 1.2 Procure all required new equipment for Tranche 3 training programs (Q1–Q2 2020). 1.3 Commence the implementation of Tranche 3 new programs (Q1 2020). 1.4 Finalize business plans and sign contracts with the rest of existing implementing partners (Q3 2020). Output 2: Quality assurance system strengthened 2.1 Commence the recruitment of a consulting firm for development of additional competency-based training standards (Q1–Q2 2020). 2.2 Develop additional 40 competency-based training standards with assessment tools (Q3 2020–Q4 2021). 2.3 Assess capacity development needs for trainers and prepare training plans for different groups trainers with timelines for in-country and overseas training programs (Q1–Q2 2020). 2.4 Implement in-country and overseas teacher training programs (Q3 2020–Q4 2021). Output 3: Institutions strengthened 3.1 Issue bid documents for BITAC upgrading and BACI training center construction works (Q4 2019). 3.2 Commence construction works for BITAC and BACI training center (Q2 2020). 3.3 Sign the MOU between BITAC and BEIOA (and other industry associations) for industry cooperation (Q3 2020). 3.4 Complete operational manual and financing plan for NHRDF (Q4 2020–Q2 2021). 3.5 Complete NSDA operational guidelines and appoint professional staff for NSDA operationalization (Q1–Q4 2022). Output 4: Monitoring and management for skills development enhanced 4.1 Conduct the third round of tracer studies for graduates and disseminate results (Q3–Q4 2023). 4.2 Conduct system audits of TMS periodically (Q1 2020–Q1 2022). 4.3 Implement financial management capacity building activities including training on FinMan (Q2 2020–Q4 2022). 4.4 Pilot the implementation of FinMan (Q1–Q3 2020). 4.5 Coordinate fiduciary reviews and implement fiduciary risk management plan (Q2 2020–Q4 2023).			
Inputs ADB: \$150.0 million (loan) Government: \$37.5 million Private sector (industry associations): \$3.5 million			
Assumptions for Partner Financing Not applicable.			

ADB = Asian Development Bank, BACI = Bangladesh Association of Construction Industry, BEIOA = Bangladesh Engineering Industries Owners' Association, BITAC = Bangladesh Industrial Technical Assistance Center, FinMan = financial management system, M&E = monitoring and evaluation, MOU = memorandum of understanding, NHRDF = National Human Resources Development Fund, NSDA = National Skills Development Authority, Q = quarter, TMS = training management system, TVET = technical and vocational education and training.

Note: FinMan is a financial software system.

^a Government of Bangladesh, Ministry of Education. 2011. *National Skills Development Policy 2011*. Dhaka.

^b Tranche 3 performance targets are set independently from Tranche 1 and Tranche 2 performance targets, as Tranche 3 will enroll different groups of trainees. Most performance targets are similar across the tranches (e.g., job placement target), while some may be specific to each tranche.

Source: Asian Development Bank.