

AIDE MEMOIRE
46064-CAM: SECOND STRENGTHENING TECHNICAL AND VOCATIONAL
EDUCATION AND TRAINING PROJECT
Pre-Reconnaissance Mission, 24-28 September 2012

I. Introduction

1. The Asian Development Bank (ADB) and Ministry of Economy and Finance (MEF) jointly signed the Country Programming Mission Memorandum of Understanding on 25 June 2012 that states that both the MEF and the Ministry of Labor and Vocational Training (MoLVT) recognize the potential for introducing public private partnerships in the vocational training area to rapidly and effectively respond to the increasing skill needs of industry. The MoU also states that the Government stressed the importance of having a firm follow-on project to the Strengthening Technical Vocational Education and Training Project (STVET) in 2013 to better prepare the workforce and respond to the needs for skilled labor by the private sector.

2. An ADB Pre-Reconnaissance Mission¹ took place in Cambodia during 24-28 September 2012. The purpose of the Mission was to determine the scope of ADB assistance that is complimentary to ongoing progress under STVET and further supports a demand-driven formal TVET system through key mechanisms such as public private partnerships for skills development in Cambodia. The Mission conducted meetings with MoLVT, MEF, Ministry of Tourism (MoT), Ministry of Education Youth and Sport (MoEYS), development partners, private technical vocational training institutions, and private companies in key sectors such as garments, construction, mechanics, and business services. The Mission also visited the National Polytechnic Institute of Cambodia, Center Krom Ngoy, Don Bosco and Phnom Penh Special Economic Zone. This Aide Memoire confirms the rationale for further ADB support to technical and vocational education and training (TVET) in Cambodia and outlines directions for ADB support.

1. Rationale for further ADB support

3. Cambodia has continued to benefit from sustained economic growth. However, the economy and employment face major challenges. The economic base depends on a narrow range of sectors: garments, tourism, and construction. Forty-four percent of the labor force (45% female) is employed in low skilled agricultural jobs². While unemployment in 2010 was reported at .3%, underemployment is high signifying a mismatch between the supply of skills and demand in the labor market³. Eighty-three percent of the labor force (53% female) is employed in the informal sector experiencing unproductive, uncertain, and unregulated underemployment.⁴ The economy needs to diversify and expand. Productivity of the labor force needs to be accelerated through a market responsive formal TVET system.⁵ However, Cambodia's public formal TVET system remains in its infancy and gaps in access, quality and

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² Cambodia Socio-economic Survey 2010.

³ According to labor force surveys conducted by Ministry of Planning, underemployment increased from 28% in 2000 to 38% in 2001.

⁴ Cambodia Socio-economic Survey 2010.

⁵ Formal TVET system refers to publically offered long term training courses (more than 1 year) at the certificate, diploma, and degree levels, managed by Ministry of Labor and Vocational Training (MOLVT).

institutional capacity constrain poverty reduction and Cambodia's participation in the global economy and progress toward other national goals.

ii. Skills Development Aligned to Government's Strategy for Foreign Direct Investment

4. Discussions with MEF focused on the need for expanding Cambodia's economic base through foreign direct investment. It was mentioned that strong labor force skills are among the key factors that would attract and retain foreign investors. There is an urgency for Cambodia to remain competitive. Strengthening the quality of its labor force to meet the demands of new investment that is of high value is a key factor in expanding Cambodia's economic base. MEF mentioned that this strategy for skills development is aligned with its upcoming industrial policy.

5. MEF foresees that ADB's assistance will support skills development to meet the needs of incoming foreign investors, particularly in the manufacturing industry, who are entering the Special Economic Zones (SEZ). Public private partnerships are foreseen to be a modality enabling cost sharing. Potential partners include: government, foreign investors, public and private training providers, and worker associations. MEF favored collaboration with SEZs to develop technical institutes on or near the SEZs that directly provided skills development aligned with the needs of emerging industries. MEF did not favor further support to the tourism and garment sectors given their level of maturity and ongoing government support.

6. MEF identified MoLVT as the authority for ensuring skills development to meet emerging labor market needs in relation to incoming foreign investors.

iii. Proposed ADB Support to Skills Development and TVET Sector

7. **Multitranche Financing Facility (MFF).** The Mission proposes an MFF to support skills development and TVET sector. An MFF is a financing modality to support the Government's medium- to long-term investment program or plan. In the case of TVET, an MFF will support Government to (i) immediately meet labor market needs in new sectors and in relation to incoming investment through various modes of public private partnership (sub-project 1); and (ii) continue strengthening the formal TVET system based on achievements and lessons learned under STVET and through experiences with public private partnerships (sub-project 2). The sub-projects financed under the MFF will be separate loans (tranches). Financing terms and conditions can differ between tranches. The overall amount of the MFF is not recorded as a legally binding financial commitment on the part of either ADB or Government; only the loan amounts are recorded as committed, if and when approved.

8. The Mission discussed the following proposed sub-projects with MoLVT. This proposal is subject to revisions at the time of Reconnaissance Mission to enable more efficient and effective ways to work with incoming foreign investors in relation to their skill needs.

Proposed Sub-Projects under MFF

A. Sub-project 1: Skills Development for Employment (SDE)

9. **Output 1: Increased access to formal technical and vocational education and training (TVET) programs.** SDE will improve progression from secondary education to formal TVET through the introduction of Skills Development Fund for grade 9 and 12 graduates

nationwide. The Skills Development Fund will be a voucher program exclusively for enrollment in certificate and diploma courses in areas of skill shortage at selected public and private institutions. To date, a number of institutions have been identified as potential voucher institutions: National Polytechnic Institute of Cambodia, Don Bosco, Center Kram Ngoy, Cambodian Federation of Employers and Business Association (CAMFEBA), and the Society of Human Resource Management & Productivity (SHRMP). An assessment will take place during project preparation to determine eligibility of these institutes.

10. Social marketing strategies will be developed in conjunction with key industry organizations such as CAMFEBA to increase awareness about TVET, career and soft skills development, and employment opportunities, particularly to encourage female participation.

11. **Output 2: Strengthened sector-based skills development.** SDE will support the establishment of new training centers and strengthening of existing training centers to cater to the needs of emerging industries. To date, training in the area of manufacturing is identified as a need. Labor market analysis and assessment of new industries represented in the SEZs will be conducted to further detail this area of the project.

12. **Output 3: Strengthened governance and management of public private partnerships in TVET strategy and delivery.** The project will support capacity development of the MoLVT's to implement public private partnerships for skill development, including preparing program selection and operational guidelines and developing program manuals, service agreements for participating institutes, performance indicators, and program management and payment processes. The project will also support MoLVT to engage in a study for establishing a levy-grant system.

B. Sub-project 2: Second Technical Vocational Education and Training Project (STVET II)

13. **Output 1: Increased access to nonformal TVET.** The project will address the issue of out-of-school youth and those with less than grade 9 education through modification and scale-up of the skills bridging program under the JFPR-financed Post-Harvest and Skills Bridging Project. The skills bridging program will be implemented by MOLVT through contracting arrangements with potential institutions such as Don Bosco and Pour Un Sourire d'Enfant (PSE). An assessment will take place during project preparation to determine eligibility of these institutes.

14. **Output 2: Enhanced quality and relevance of formal TVET system.** STVET II will build on the model for increasing relevance to industry developed under STVET I by establishing opportunities for on-the-job training and apprenticeships for emerging sectors identified during project design. The model includes establishment of Industry Advisory Groups (IAGs) composed of employers. The IAGs, with the National Training Board, will be supported to guide the development of the following system elements: (i) competency standards; (ii) curricula and training materials aligned to competency standards; (iii) assessment procedures; and (iv) capacity building of lead teachers from specialist institutes, trainers from National Technical Training Institute (NTTI), assessors, and senior officers of DGTVET. The Project will make provision of industry-relevant equipment for new curricula. The Project will build on initiatives under STVET I to strengthen the capacity of NTTI to produce trainers with industry experience. Multimedia will be explored to enrich training instructor preparation. Initiatives under STVET I for entrepreneurship instructor training will be advanced through the development of an entrepreneurship program, with particular focus on women, linked to microfinancing institutions.

15. **Output 3: Increased private sector involvement in formal TVET strategy and delivery.** STVET II will build capacity of existing IAGs to help promote closer collaboration between local industries, communities, and private institutions in order to mobilize resources and support from the private sector for TVET institutions. IAGs representing emerging sectors and new priority skill areas will be established. The Project will strengthen the role of private sector membership on the NTB, particularly in policy formation and implementation. The Project will also consider the following, building from SDE: (i) management of RTC contracted out to qualified private institutions or NGOs that are willing to engage teachers from the TVET institutions and train students on a cost-sharing basis; (ii) assessors contracted from private institutions or NGOs to assess students completing competency-based training modules and to provide inservice training; and (iii) strengthen industry involvement with establishment of on-the-job training and apprenticeship opportunities linked to formal TVET programs. Partnerships with microfinancing institutions will be considered in association with entrepreneurship program.

16. **Output 4: Strengthened governance and management of TVET sub-sector.** STVET II will build on support under STVET I to strengthen governance and management systems to ensure TVET policy objectives are realized. The Project will support the formulation of a national skill development policy aligned with the government's long term vision for economic growth⁶. MOLVT and the NTB will be supported to (i) strengthen the regulatory and financing framework for the TVET system; (ii) improve institutional financing; (iii) establish the scope for public-private partnerships in training provision; and (iv) establish a levy-grant system. The Project will support implementation of: (i) midterm TVET development plan; (ii) midterm expenditure framework; and (iii) annual operational plans. TVET coordination working group will be established to support MOLVT to conduct annual sector performance reviews. Management capacity of MOLVT will be strengthened in system management, supervision and development. Financial management in RTCs and DGTVEET will be strengthened. The Project will build on initiatives under STVET I to further develop the vocational education and training management information system and labor market information system.

III. Agreed Actions and Steps

17. The Mission will conduct a Reconnaissance Mission between 15-26 October 2012 to further detail the project proposal with MoLVT and MEF. The Mission will also seek opportunities for ADB technical assistance for the following studies and assessments to be conducted in parallel to the Reconnaissance Mission: (i) study of level of training quality at private and public institutions; and (ii) labor market analysis of emerging industries and incoming foreign investors.

18. During the Reconnaissance Mission, the Mission will meet with the Council for the Development of Cambodia (CDC), Supreme National Economic Council (SNEC), special economic zones operators and investors in Phnom Penh and key provinces, and key development partners involved in investment, such as JICA, to gain a better understanding for emerging industries and their skill needs.

⁶ Cambodia's long term vision for economic growth (Cambodia Vision 2030) will be finalized before the end of 2012 in order to guide the update of the Rectangular Strategy Phase III, due to be finalized by early 2013.

IV. Conclusion

1. The Mission wishes to thank H.E. Pich Sophoan and the STVET Project Management Unit for the arrangements enabling this Pre-Reconnaissance Mission and the cooperation extended to the Mission.

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