



# Report and Recommendation of the President to the Board of Directors

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Project Number: 48431-003  
November 2016

## Proposed Loan Republic of the Union of Myanmar: Equipping Youth for Employment Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 12 October 2016)

Currency unit	–	kyat/s (MK)
MK1.00	=	\$0.00080
\$1.00	=	MK1,254.47

## ABBREVIATIONS

ADB	–	Asian Development Bank
CBMSC	–	competency-based modular short course
CESR	–	comprehensive education sector review
DPO	–	development partner organization
EYE	–	Equipping Youth for Employment Project
LSE	–	lower secondary education
MOE	–	Ministry of Education
MOI	–	Ministry of Industry
NESP	–	national education strategic plan
SES	–	secondary education subsector
TA	–	technical assistance
TVET	–	technical and vocational education and training
USE	–	upper secondary education

## NOTES

- (i) The fiscal year (FY) of the Government of Myanmar begins on 1 April and ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year starts, e.g., FY2016 begins on 1 April 2016 and ends on 31 March 2017.
- (ii) The school year (SY) in Myanmar starts in June and ends in March of the following year, e.g., SY2016/17 starts in June 2016 and ends in March 2017.
- (iii) In this report, "\$" refers to US dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 48431-003</b>	
<b>Project Name</b>	Equipping Youth for Employment Project	<b>Department /Division</b>	SERD/MYRM
<b>Country Borrower</b>	Republic of the Union of Myanmar Republic of the Union of Myanmar	<b>Executing Agency</b>	Ministry of Education
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ <b>Education</b>	<b>Subsector(s)</b>		
	Education sector development		6.00
	Secondary		63.09
	Secondary - social protection initiatives		2.40
	Technical and vocational education and training		27.00
	<b>Total</b>		<b>98.49</b>
<b>3. Strategic Agenda</b>		<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>		<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development	Gender equity (GEN)	✓
Knowledge solutions (KNS)	Institutional systems and political economy Application and use of new knowledge solutions in key operational areas Knowledge sharing activities		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG1, SDG4, SDG8, SDG10		
<b>6. Risk Categorization:</b>		Complex	
<b>7. Safeguard Categorization</b>		Environment: B Involuntary Resettlement: C Indigenous Peoples: B	
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>98.49</b>	
Sovereign Project loan: Asian Development Fund		98.49	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>6.51</b>	
Government		6.51	
<b>Total</b>		<b>105.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Republic of the Union of Myanmar for the Equipping Youth for Employment Project (EYE).<sup>1</sup>

2. Supporting Myanmar's transition toward a modern, market-based economy, the project will strengthen the country's education and skills base, promoting inclusive growth and job creation. In particular, it will advance national reforms to realign the secondary education subsector (SES) and technical and vocational education and training (TVET) to Myanmar's evolving workforce needs. EYE will principally be national in scope, supporting enhanced policies and institutional capacity for cohesive SES and TVET reforms, as well as implementation of SES and TVET curriculum reforms. It will also provide investments to expand SES and TVET access for underserved populations in areas lying on economic corridors.<sup>2</sup>

## II. THE PROJECT

### A. Rationale

3. **Myanmar's human capital challenge.** Weak human capital poses a critical obstacle for Myanmar's development, threatening to trap the economy in a low value-added model based on cheap unskilled labor and natural resource exploitation while obstructing national poverty reduction and inclusive growth goals.<sup>3</sup> Many young entrants to the workforce are poorly educated and lack the skills needed for employment in a modern economy. In recent surveys, employers consistently cite human capital as a leading barrier to business.<sup>4</sup> More than 80% of domestic and foreign-invested enterprises complain that the education system fails to provide the needed soft skills (e.g., critical thinking, problem solving, and communication) and hard skills (e.g., construction or mechanical skills). Only 9% of firms train their workers, often citing workforce entrants as un-trainable because of a lack of foundational skills.<sup>5</sup> Such challenges also contribute to youth under-employment and undermine private sector development, as well as Myanmar's ability to integrate into and compete in regional and global markets.

4. SES and TVET are at the epicenter of this human capital challenge and undermine prospects for balanced and inclusive growth. With progress made toward universalizing primary education—where government and development partner organization (DPO) resources have been concentrated—SES and TVET now pose a critical choke point for the education sector and the flow of skills into the workplace.<sup>6</sup> Decades of isolation and under-investment in SES and TVET have let Myanmar slip increasingly behind regional and international good practice. System-building and quality-related reforms are urgently needed to align SES and TVET to meet evolving skill needs, while addressing subsector-specific gaps.

5. **Disjoints between secondary education subsector, technical and vocational education and training, and skill needs.** Despite rising education budgets since 2011,

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<sup>1</sup> The design and monitoring framework is in Appendix 1.

<sup>2</sup> The Asian Development Bank (ADB) provided project preparatory technical assistance (TA) for Preparing Youth for the Workplace Sector Development Program.

<sup>3</sup> S. D'Amico, C. Spohr, and S. Tanaka. 2015. Myanmar Human Capital Development, Employment, and Labor Markets. *ADB Economics Working Paper Series*. No. 469. Manila: ADB.

<sup>4</sup> Myanmar's Indicative Private Sector Development Framework and Action Plan identifies human capital as a core priority: [http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/psd\\_framework\\_final\\_01\\_apr\\_english.pdf](http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/psd_framework_final_01_apr_english.pdf)

<sup>5</sup> Based on ADB analysis of World Bank Myanmar Enterprise Survey data and dialogue with industry representatives.

<sup>6</sup> Sector Assessment Summary: Education (accessible from the list of linked documents in Appendix 2).

prolonged under-investment and policy-level gaps have left SES and TVET unable to respond to evolving skill needs. SES and TVET have been supply-driven and have operated in silos, lacking strategic alignment to ensure they collectively meet industry skill demands. SES supplies the largest share (half) of entrants into nonagricultural formal wage labor but remains focused on preparation for higher education rather than the provision of soft skills needed for employment.<sup>7</sup> TVET has very low participation (accounting for 1% of workforce entrants), and many programs are supply driven and largely theoretical (lacking engagement with industry to ensure programs deliver the needed hard skills), with mixed results for trainee employment. There is an urgent need for cohesive reforms and institutional strengthening to strategically align SES and TVET to provide the skills and competencies required in a modern economy.

**6. Low secondary education subsector completion rates and underlying quality challenges.** Poor SES quality and low completion rates combine to leave workforce entrants from SES unprepared for work. More than 80% of youth complete primary schooling (grades 1–5). However, Myanmar’s primary–secondary transition is the lowest rate in Southeast Asia, and the dropout rate within lower secondary education (LSE; grades 6–9) is among the highest. As a result, only 44% of girls and boys complete LSE, leaving the majority with bleak prospects for modern sector employment.<sup>8</sup> Upper secondary education (USE) also suffers from high dropout and failure rates. Two-thirds of grade 11 students fail the matriculation exam used to assess USE completion, and eligibility for higher education and many TVET programs. Of the about 1.1 million new entrants to grade 1 each year, only 10% complete USE 11 years later, leaving a “missing million” youth without access to many forms of employment, TVET, or higher education. Low USE completion is the main barrier to entering higher education, which absorbs more than 90% of USE graduates. Disparities across geographic, ethnic group, and socioeconomic dimensions expand in LSE and USE. Only 37% of rural youth finish LSE, versus 64% of urban youth. Despite relative gender parity on aggregate—with females comprising roughly 55% of grade 11 students and 60% of matriculation exam passers in SY2015/16—girls in poor households face particular challenges, especially in more remote areas.

7. Low SES completion largely reflects quality-related challenges. Curricular contents, teaching, and student assessment are outdated and undermine learning and workforce outcomes. Weak education quality and relevance to employment underlie the two leading causes cited for SES dropout: (i) lack of interest; and (ii) cost burdens, which rise markedly in SES. USE costs more per student than higher education, principally because of private tutoring fees, which account for half of household spending on USE and are a byproduct of rote-based curriculum and assessment. The urban concentration of SES schools offering complete LSE and/or USE grades, lack of dorms in SES schools, and high costs of private boarding force many poor rural youth to drop out after 1 or more years of substandard education in poorly equipped and incomplete SES schools. At the same time, among the minority of youth reaching grade 11, the two-thirds matriculation exam failure rate points to weak subject mastery, and successful graduates lack soft skills needed for employment. Finally, forthcoming reforms (to be supported by EYE) to extend USE through grade 12 will help Myanmar meet the international norm of 12 years of primary and secondary schooling.

**8. Narrow and weak technical and vocational education and training programs.** TVET participation is extremely low, particularly among poor, rural, and/or ethnic group youth and

<sup>7</sup> Figures herein draw on (i) analysis in 12 ADB-supported reports under Myanmar’s Comprehensive Education Sector Review ([www.cesrmm.org](http://www.cesrmm.org)); and (ii) ADB analysis of data from the 2014 census.

<sup>8</sup> For evidence on LSE’s impact on employment outcomes, see C. Spohr. 2003. Formal Schooling and Workforce Participation in a Rapidly Developing Economy: Evidence from “Compulsory” Junior High School in [Taipei,China]. *Journal of Development Economics*. 70(2).

workers. Only 1 in 60 youth aged 16–19 enroll in any form of training (versus 1 in 9 enrolled in higher education), and just 0.8% of males and 0.3% of females aged 20–25 complete training in construction or industrial skills.<sup>9</sup> Such figures largely reflect supply-side and structural issues. The “missing million” (and disadvantaged youth in particular) have been largely barred from TVET. Publicly provided TVET has focused on multiyear programs for USE graduates and provision of diplomas for entry into higher education. There is a need to expand newly pilot-tested short course programs providing basic skills to disadvantaged youth, and to introduce targeted stipends and/or other support to attract rural youth to TVET schools. Private TVET provision is extremely limited and concentrated in affluent urban markets, and there is a lack of policies to equitably expand private TVET in the medium term.

9. Low TVET participation also reflects the low quality and relevance of TVET programs, which also depresses TVET demand and trainee employability. TVET has lacked engagement with industry to identify evolving skill needs, recruit workers into TVET, and promote trainee employment. Programs are often academic, with outdated curricula focused on theory and paper-based exams rather than on mastery of applied competencies. Underlying factors include (i) the lack of clear, cohesive policies for demand-driven TVET; (ii) persistent underfunding and a dearth of modern facilities and equipment; (iii) teachers’ weak practical and pedagogical skills; and (iv) gaps in Myanmar’s nascent skill standard system.

10. **Government reform agenda.** The government recognizes that human capital is a prerequisite for sustained, balanced, and inclusive economic growth and poverty reduction.<sup>10</sup> Following prolonged under-investment, the government has redoubled efforts to strengthen the education sector, quadrupling the annual education budget from FY2011 to FY2016. To diagnose sector challenges and guide evidence-based planning, the Ministry of Education (MOE) completed a comprehensive education sector review (CESR)—the first rigorous analysis of the sector since 1992—with support from ADB and other DPOs. Based on CESR results, Myanmar’s National Education Strategic Plan, 2016–2021 (NESP) provides a road map for reforms and a framework for increased government and DPO investments in the sector.<sup>11</sup> Importantly, NESP emphasizes SES and TVET reforms to support inclusive growth and poverty reduction and to equip the economy to modernize and shift toward higher value-added goods and services. The 2015 National Education Law provides a legislative basis for sector restructuring (including the 1-year extension of USE), other NESP reforms, and the drafting of laws for TVET and other subsectors. To better align education to soft and hard skill needs, the government has enhanced interagency coordination and established foundations for SES and TVET reforms. These include (i) MOE approval of a basic education curriculum framework, (ii) MOE and Ministry of Industry (MOI) pilot testing of competency-based modular short courses (CBMSCs) as a TVET modality to equip disadvantaged youth and workers with urgently needed skills, and (iii) progress in developing a national skill standard system.

11. **Development partner organization coordination.** The education sector is widely viewed as among the best examples of coordinated DPO support for government-led reforms in Myanmar, reflected in the CESR and planned support to the NESP. A joint education sector working group and technical groups support government–DPO dialogue and DPO coordination. Most DPO support focuses on primary, pre-primary, and nonformal education. ADB is the main

<sup>9</sup> Based on ADB analysis of household survey data, summarized in the Sector Assessment Summary: Education (accessible from the list of linked documents in Appendix 2). Females are overrepresented in training in areas such as computers but underrepresented in others such as industrial skills.

<sup>10</sup> Government of Myanmar. 2016. *Economic Policy of the Union of Myanmar*. Nay Pyi Taw.

<sup>11</sup> Government of Myanmar, MOE. 2016. *National Education Strategic Plan (2016–2021) Policy and Programme Framework*. Nay Pyi Taw.

DPO supporting SES, and ADB and German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) coordinate a DPO group on TVET.

12. **ADB's experience and value-added.** Since 2012, ADB has served as the main DPO supporting SES and a key DPO supporting TVET. Drawing on ADB's experience supporting SES and TVET reforms regionally, a sequenced scale-up of ADB technical assistance (TA) has supported Myanmar's CESR, capacity development, policy dialogue, and NESP formulation.<sup>12</sup> ADB has also supported government preparations for NESP implementation (para. 10) including (i) formulation of the basic education curriculum framework and preparation of forthcoming SES curriculum reforms, in coordination with Japanese support for primary education curriculum reforms; (ii) pilot testing of CBMSCs; and (iii) development of skill standards, in cooperation with Germany, Switzerland, and other DPOs.

13. **Alignment.** EYE directly and cohesively supports the government's implementation of SES and TVET reforms laid out in the NESP, including transformational shifts to improve quality and workforce outcomes and adopt international good practice. It has been formulated in close dialogue with other DPOs and industry and civil society organizations. EYE will serve as the main DPO project support to SES under the NESP and will complement other DPO support for TVET. It is also aligned with ADB's interim country partnership strategy, 2012–2014 (extended to 2016) and the proposed country partnership strategy, 2017–2021.<sup>13</sup> The project is included in ADB's country operations business plan for 2016–2018.<sup>14</sup> Its flexible design and focus on fundamental reforms aimed at system-building, strategic realignment of SES and TVET, and improved quality and relevance will also lay a foundation for continued ADB support as Myanmar's development context evolves. ADB's 2017 assistance pipeline includes project preparatory TA for a second phase of EYE (with possible DPO cofinancing) aimed at deepening and broadening foundational reforms, expanding access, and advancing follow-on innovations.

## B. Impact and Outcome

14. The impact will be education and skills base for inclusive growth enhanced. The outcome will be secondary education and TVET realigned to evolving labor force needs and equitably expanded. The project will advance national reforms laid out in the NESP, with selected access-related initiatives (e.g., civil works) targeting areas with large poor and underserved populations, particularly those along economic corridors.

## C. Outputs

15. **Output 1: Policy frameworks and capacities for cohesive, workforce-responsive secondary education subsector and technical and vocational education and training enhanced.** The project will advance crosscutting reforms and institutional capacity building to link SES and TVET in meeting evolving skill needs. Policy, analytical, and capacity-building support will build on sequenced ADB TA support for the CESR and formulation of the NESP, and will anchor subsector-specific support under outputs 2 and 3. As a first focus, the project

<sup>12</sup> The first of these TA projects has been closed and was rated *highly successful*: (i) ADB. 2012. *Technical Assistance to the Republic of the Union of Myanmar for Support for Education Sector Planning*. Manila; (ii) ADB. 2013. *Technical Assistance to the Republic of the Union of Myanmar for Support for Post-Primary Education Development*. Manila; (iii) ADB. 2014. *Technical Assistance to the Republic of the Union of Myanmar for Support for Skills Development for Inclusive Growth*. Manila; and (iv) ongoing project preparatory TA, cited in footnote 2.

<sup>13</sup> ADB. 2012. *Interim Country Partnership Strategy: Myanmar, 2012–2014*. Manila. This strategy was extended through 2016 in ADB. 2014. *Country Operations Business Plan: Myanmar, 2015–2017*. Manila.

<sup>14</sup> ADB. 2015. *Country Operations Business Plan: Myanmar, 2016–2018*. Manila.

will support MOE; MOI; and the Ministry of Labor, Immigration, and Population to establish mechanisms to better link education and training to skill demands by (i) consolidating and using data on skills and employment, including consideration of gender dimensions; (ii) engaging with industry to assess and address evolving labor market skill demands; and (iii) introducing new initiatives such as career counseling for youth.

16. A second focus will be to rationalize SES and TVET by (i) defining and mapping out core SES and TVET competencies; (ii) supporting finalization of the draft national qualifications framework; (iii) developing and operationalizing a policy on learning pathways between academic education and TVET; and (iv) using geospatial mapping to prioritize underserved areas for SES and TVET school network expansion. A third focus will be to strengthen government capacity to implement cross-cutting reforms and adjust strategies to respond to an evolving context by providing (i) flexible policy and capacity development support, including through policy briefs, forums, and technical and managerial capacity building for 120 central- and state-level MOE; MOI; and Ministry of Labor, Immigration, and Population officers; (ii) project management support, including capacity building for MOE and the project management unit on procurement and financial management; and (iii) monitoring and evaluation support.

17. **Output 2: New secondary education subsector curriculum delivered and access expanded.** EYE will support NESP programs aimed at improving SES quality and relevance, completion rates, and broader learning outcomes. Building on ADB's support for MOE's formulation of a basic education curriculum framework and its planning and technical inputs to forthcoming SES reforms, output 2 will principally support national reforms of SES curriculum, pedagogy, and assessment. These reforms will refocus SES on cognitive and non-cognitive skills needed in a modern economy and society, and will extend SES through grade 12. EYE support for these reforms (to be phased during SY2019/20–SY2022/23) will include (i) capacity development for MOE curriculum development teams; (ii) development, printing, and nationwide distribution of new LSE and USE textbooks and teacher guides that are sensitive to gender, ethnic, and other dimensions; (iii) annual teacher training linked to the phase in of the new curricula, covering a total of 90,000 teachers (prioritizing female and ethnic group teachers); (iv) student assessment reforms to shift from rote-based exams and introduce modern formative and summative assessment methods; and (v) support to align pre-service teacher training to the new SES curriculum and strengthen teacher deployment.

18. Output 2 will also focus on supply- and demand-side constraints to accessing quality education. To enhance equity across gender, ethnic, and other dimensions, it will support the development of (i) a policy on introducing SES dorms—which do not yet exist in public SES schools—to allow youth from remote villages to continue schooling, (ii) a strategy for upgrading incomplete SES schools to promote equity and completion of quality education, and (iii) national communication and social marketing campaigns. In addition, EYE will provide targeted support to increase completion rates in 48 underserved rural townships with large poor populations and high incidence of dropout in LSE and USE. The project will upgrade 48 incomplete SES schools, providing (i) 264 new classrooms (including laboratory and multi-use rooms); (ii) sex-segregated onsite dorms; (iii) sanitary facilities; and (iv) laboratory, library, and teaching equipment and resources. A randomized control trial study will evaluate the impact of these interventions on enrolment, retention, and other education indicators in targeted townships. Finally, output 2 will strengthen SES policy and management through (i) capacity building for SES head teachers; (ii) training for subnational MOE offices to support SES reforms; and (iii) policy development for and pilot testing of effective, low-cost, and equity-enhancing information and communication technology to support improved teaching and learning (e.g., by integrating mobile phone-based materials in teacher continuing professional development). More generally,

output 2 will complement MOE's primary and secondary student stipend program (supported by the World Bank and the Government of Australia), including by helping to lower the two largest household spending components for education (private tutoring and boarding).

**19. Output 3: New technical and vocational education and training programs introduced and access expanded.** In coordination with other DPO support, EYE will support TVET reforms laid out in the draft TVET law and NESP, and will directly support MOE and MOI implementation of a priority NESP TVET program focused on expanding CBMSCs. Building on pilot testing involving 5 TVET schools and 8 skill areas, EYE will expand CBMSCs to 15 TVET schools and 30 programs spanning an array of skills urgently needed in construction, other high growth industries, and mechanized agriculture. At least 41,000 youth and workers will attain job-ready skills via CBMSC training, with at least 85% expected to be employed in related skill areas within 3 months of training. Support to develop and roll-out CBMSCs will include: (i) development of skill standards, competency-based curricula, and skill assessment instruments, in dialogue with industry representatives; (ii) related capacity building for teachers and school managers, prioritizing females; and (iii) provision of new workshop facilities, equipment, and materials, as well as dorms and toilets. To promote a broader shift toward competency-based TVET in Myanmar, EYE will support formulation of a new policy on establishing TVET curriculum development centers of excellence in public and/or private TVET schools.

20. EYE will also address supply- and demand-side constraints. This will include support for (i) operationalizing the forthcoming TVET law, including via new legislation that systematically covers public and private financing for TVET and a policy framework for public-private partnerships in TVET; (ii) social marketing, including employer outreach to support female employment in male-dominated skill areas; and (iii) establishing a policy on stipends and other new measures to promote equitable access to TVET, prioritizing female and ethnic group youth. As part of the rollout of CBMSCs at 15 TVET schools, EYE will pilot test a needs-based stipend scheme covering 17,000 particularly disadvantaged trainees, allocating at least 50% of stipends to females and 80% to ethnic group trainees from remote areas. Finally, EYE will enhance TVET management and promote a shift toward demand-driven approaches by supporting (i) the establishment of a new TVET council structure that includes industry representation, (ii) new industry engagement mechanisms including job matching and trainee placement, and (iii) enhanced capacity in local MOE and MOI offices to align TVET to local industry demands.

#### D. Investment and Financing Plans

21. The project is estimated to cost \$105 million equivalent (Table 1).

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Policy frameworks and capacities for cohesive, workforce-responsive SES and TVET enhanced	6.0
2. New SES curriculum delivered and access expanded	57.9
3. New TVET programs introduced and access expanded	24.4
<b>Subtotal (A)</b>	<b>88.3</b>
<b>B. Contingencies<sup>c</sup></b>	<b>13.7</b>
<b>C. Interest During Implementation<sup>d</sup></b>	<b>3.0</b>
<b>Total (A+B+C)</b>	<b>105.0</b>

SES = secondary education subsector, TVET = technical and vocational education and training.

<sup>a</sup> Includes taxes and duties financed by the government and the Asian Development Bank (ADB). Loan financing of

\$2.5 million in taxes on ADB-financed expenditures comprises a small share of the total cost and is material and relevant to project success.

<sup>b</sup> In mid-2016 prices.

<sup>c</sup> Physical contingencies computed at 10.0% for all items. Price contingencies computed at 1.4% in 2017 and 1.5% annually in 2018–2022 for foreign currency costs, and 8.5% in 2017 and 7.0% annually in 2018–2022 for local currency costs, with provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>d</sup> Interest during implementation calculated at 1%.

Source: ADB estimates.

22. The government has requested a loan in various currencies equivalent to SDR70,802,000 from ADB's Special Funds resources (Asian Development Fund) to help finance the project, including agreed taxes, duties, and recurrent costs. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft loan agreement.

23. The financing plan is in Table 2. In addition, ADB will continue to provide capacity building to support project implementation via project preparatory TA (through March 2017), as well as policy-level and technical support through ongoing TA projects (footnote 12).

**Table 2: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (ADF loan)	98.49	93.8
Government <sup>a</sup>	6.51	6.2
<b>Total</b>	<b>105.00</b>	<b>100.0</b>

ADF = Asian Development Fund

<sup>a</sup> Includes provision and preparation of land, office accommodation (including utilities) for the project management unit and consultants, seconded staff, and waiver of taxes and duties on textbooks and other agreed items.

Source: Asian Development Bank staff estimates.

## E. Implementation Arrangements

24. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.<sup>15</sup>

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	February 2017–December 2022		
Completion date	31 December 2022 (Loan closing date: 30 June 2023)		
Management			
(i) Oversight body	MOE Executive Committee chaired by the minister and including heads of all MOE departments		
(ii) Executing agency	MOE		
(iii) Implementing agency and units	MOE Department of Education Research, Planning, and Training acts as implementing agency; 5 MOE units, MOI-DIC, and MOLIP-DOL act as technical leads for specific initiatives; local education offices provide local oversight.		
(iv) Management unit	MOE, 4 government and 5 contractual staff		
Procurement	ICB	6 contracts	\$39,637,000
	NCB	16 contracts	\$8,063,000

<sup>15</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2). Additional financing may be considered if the project performs well. Related project preparatory TA is in ADB's 2017 pipeline.

Aspects	Arrangements		
	Shopping	34 contracts	\$1,083,000
Consulting services	QCBS	1,229 person-months	\$10,858,000
	ICS	540 person-months	\$2,248,000
	FBS	3 studies	\$194,000
Retroactive financing or advance contracting	No retroactive financing is proposed. Advance contracting is proposed for consultants and initial (2017) civil works, equipment, and supplies for output 3.		
Disbursement	Loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank; FBS = fixed-budget selection; ICB = international competitive bidding; ICS = individual consultant selection; MOE = Ministry of Education; MOI-DIC = Ministry of Industry Directorate of Industrial Collaboration; MOLIP-DOL = Ministry of Labor, Immigration, and Population Department of Labor; NCB = national competitive bidding; QCBS = quality- and cost-based selection.

Source: ADB.

### III. DUE DILIGENCE

#### A. Economic and Financial

25. In developing economies, high-quality secondary education and TVET are vital to support economic modernization and make growth more inclusive.<sup>16</sup> They often yield particularly high returns for girls and disadvantaged groups, opening access to higher-paying formal sector jobs, lowering fertility rates, and increasing investment in children's human capital. In Myanmar, businesses consistently identify weak human capital as a leading constraint to growth. Weaknesses in SES and TVET obstruct Myanmar's transition from an economic model based on natural resource exploitation and cheap, unskilled labor to a balanced growth path with progress into higher value-added goods and services.<sup>17</sup> Using available data, ADB estimates that the wage returns to education peak in SES: completion of LSE and USE are associated with rises in earnings of 24% and 18%. Reforms to improve SES quality and relevance are expected to increase such returns while addressing the dearth of soft skills faced by employers, particularly in modern service sectors. CBMSC programs providing industry-demanded skills will improve disadvantaged youths' employability: initial tracer study results from the ADB-supported pilot test show that trainees were rapidly hired, found more regular employment, and roughly doubled their monthly income (from \$49 to \$102 on average). The programs will also help address employers' unmet demands for hard skills in rapid-growth sectors such as construction and manufacturing, and help fill a gap in social protection programs.

26. In terms of fiscal burden, the project-associated incremental costs (investment and recurrent) have a peak value of 1.0% of the total education budget mid project and fall below 0.2% post project, which is deemed modest and sustainable. Moreover, costs may be largely offset by sizeable efficiency gains from increased LSE and USE completion rates (since dropout constitutes a major wastage of state investments) as well as low-cost, efficient, and evidence-based models for future investments in priority areas including dorms, TVET stipends, and low-cost forms of information and communication technology to support teaching and learning.

#### B. Governance

27. EYE is ADB's first lending to Myanmar's education sector, but the government has a strong track record in implementing TA projects (para. 12), demonstrating cross-agency

<sup>16</sup> Economic and Financial Analysis (accessible from the list of linked documents in Appendix 2).

<sup>17</sup> ADB. 2014. *Country Diagnostic Study: Myanmar—Unlocking the Potential*. Manila.

coordination and commitment to policy dialogue, transparency, and adherence to ADB rules. Financial management and procurement capacity assessments identified important gaps, principally antiquated (albeit accurate) systems and limited staff capacity and familiarity with ADB procedures. Project preparatory TA will continue procurement and financial management capacity building through March 2017, and the project will provide further support throughout implementation. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOE. The specific policy requirements and supplementary measures are described in the project administration manual.<sup>18</sup>

### C. Poverty and Social

28. **Poverty.** Low human capital represents a poverty trap in Myanmar. Poor youth are much less likely to complete secondary education or TVET, confining them to low-paying unskilled labor.<sup>19</sup> Reforms supported by all three outputs will particularly benefit the poor, e.g., curriculum and policy reforms to introduce free dorms are expected to reduce private tutoring and boarding costs, which account for five-sixths of household spending on USE. Nationwide and geographically focused interventions directly or indirectly promote equity.<sup>20</sup> These will (i) introduce school network mapping to target resources to poor and underserved areas; (ii) upgrade incomplete rural secondary schools and pilot test free dorms, prioritizing use by poor girls and ethnic group students; (iii) introduce TVET short courses for disadvantaged youth, with needs-targeted stipends and free boarding for the poorest trainees, prioritizing female and ethnic group youth; (iv) reform SES and TVET curriculum, teaching, and exams to promote equitable learning and workforce outcomes; and (v) provide textbooks free of charge.

29. **Gender.** Despite gender equity on aggregate, analysis points to important issues and linkages between gender and socioeconomic dimensions. For example, LSE and TVET completion rates are lowest for girls from poor households (though girls outperform boys in USE).<sup>21</sup> Quality-related reforms also need to address gender issues. SES textbooks reinforce gender norms, while weak SES and TVET relevance to labor force skill needs undermines male and especially female workforce outcomes; only 25% of females aged 20 to 30 are formally employed versus 45% of males. Remedial measures in the gender action plan include ensuring (i) skill needs analysis and industry engagement support strategies increase female participation in formal employment, (ii) new SES and TVET curriculum materials are gender-sensitive, (iii) females comprise at least 70% of SES teachers trained and 50% of TVET teachers trained, (iv) new SES and TVET dorms reserve at least 50% of slots for females, and (v) females constitute at least 40% of all CBMSC trainees and 50% of CBMSC stipend beneficiaries.

### D. Safeguards

30. Following ADB's Safeguard Policy Statement (2009), the project is classified as category C for involuntary settlement, as it will not entail involuntary resettlement. The project is classified as category B for environment and indigenous peoples (termed "ethnic groups" in Myanmar). Civil works will be minor in scope and restricted to existing school sites, and will have minor environmental impacts, primarily modest health and safety risks to students during classroom

<sup>18</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

<sup>19</sup> Summary Poverty Reduction and Social Strategy, Gender Action Plan, and Indigenous Peoples Plan: Ethnic Group Plan (accessible from the list of linked documents in Appendix 2).

<sup>20</sup> Geographic Information System Analysis and Targeting of Geographically Focused Initiatives (accessible from the list of linked documents in Appendix 2).

<sup>21</sup> ADB, United Nations Development Programme, United Nations Population Fund, and United Nations Women. 2016. *Gender Equality and Women's Rights in Myanmar: A Situation Analysis*. Manila.

construction. An initial environmental examination sets out mitigation and monitoring measures.<sup>22</sup> Improved access, learning, and employment outcomes are expected to particularly benefit ethnic group youth. The ethnic group plan ensures that (i) institutional capacity development, school network mapping, and monitoring and evaluation include ethnic group dimensions; (ii) the new national SES curriculum and SES and TVET learning materials are sensitive to ethnic group dimensions; (iii) ethnic group teachers receive preferential access to in-service training; and (iv) 80% of TVET stipends are reserved for disadvantaged ethnic group youth, who will also be prioritized for SES and TVET dorm support.

## **E. Risks and Mitigating Measures**

31. The overall project risk is assessed as medium, and integrated benefits and impacts are expected to outweigh the costs. Potential risks relate to (i) faltering government reform commitment or coordination across agencies and with industry; (ii) non-responsiveness of demand for secondary education and TVET to enhanced quality and relevance and to other measures; and (iii) gaps in national procurement and financial management systems and related staff capacity, weak mechanisms for deterring corruption, and firms' low familiarity with bidding requirements.<sup>23</sup> These will be mitigated through (i) the project's direct support to the NESP and reinforcement of NESP coordination structures; (ii) communication and social marketing initiatives; and (iii) support from dedicated consultants in a project management unit responsible for procurement and financial management, which will use ADB procedures.

## **IV. ASSURANCES AND CONDITIONS**

32. The government has 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 project administration manual and loan documents.

33. The government has agreed with ADB on certain covenants for the project, which are set forth in the loan agreement. Additionally, no project disbursement shall be made prior to MOE staff completion of training on ADB disbursement procedures, and no disbursement for trainee stipends (para. 20) shall be made prior to MOE approval of guidelines for this program.

## **V. RECOMMENDATION**

34. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan in various currencies equivalent to SDR70,802,000 to the Republic of the Union of Myanmar for the Equipping Youth for Employment Project, from ADB's Special Funds resources, with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao  
President

7 November 2016

<sup>22</sup> Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

<sup>23</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is Aligned with</b>			
Education and skills base for inclusive growth enhanced (Economic Policy of the Union of Myanmar) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines<sup>b</sup></b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Secondary education and TVET realigned to evolving labor force needs and equitably expanded	By 2022: a. Myanmar's average ranking in Global Competitiveness Index components related to SES and TVET improved from 127 in 2015 to 122 <sup>c</sup>  b. In SY2022/23, under new curricula, 350,000 males and 350,000 females graduate LSE and 200,000 males and 200,000 females graduate USE (baselines: 278,500 males and 271,650 females for LSE in SY2015/16, and 54,000 males and 81,500 females for USE in SY2014/15)  c. 21,000 male and 14,000 female CBMSC graduates certified and employed in a related skill area within 3 months of completion, including 5,000 females in male-dominated skill areas (baseline in 2015 = 0)	a. Global Competitiveness Report 2020–2021  b. Government progress reports on NESP for 2016–2020; MOE EMIS data  c. NESP progress reports; MOE, DTVET, MOI, and MOLIP data	Government reverses direction on or fails to budget agreed SES and TVET reforms.
<b>Outputs</b> 1. Policy frameworks and capacities for cohesive, workforce-responsive SES and TVET enhanced  2. New SES curriculum delivered and access expanded  3. New TVET programs	1a. By 2019: (i) mapping of workforce-demanded competencies targeted by SES and GTHS curricula approved; and (ii) national qualifications framework and policy on pathways linking academic education and TVET issued, incorporating gender aspects (baseline = NA in 2015)  1b. By 2022: at least 120 central and state or region-level MOE, MOI, and MOLIP officials (including 60 females) complete capacity development programs for reform delivery (baseline = 0)  2a. By 2019: new gender-equitable policies approved on teacher deployment; effective, sustainable, and equitable use of ICT tools; SES student assessment; and SES and GTHS dorms (baseline = NA in 2015)  2b. By 2022: (i) nationwide phase-in of new curriculum completed for all LSE and USE grades, including provision of 45 million new gender-sensitive textbooks and teacher guides; (ii) new examinations and learning assessment systems introduced; (iii) 90,000 SES teachers (including 63,000 females) trained; (iv) 48 formerly incomplete SES schools upgraded, with 264 classrooms and 48 sex-segregated dorms built and equipped, using new disaster-resistant designs; and (v) impact evaluation study disseminated (baseline = 0) <sup>d</sup>  3a. By 2019: (i) TVET law and legislation on TVET financing approved, promoting equal TVET	1a. MOE policy documents  1b. MOE quarterly EYE progress reports; MOE progress reporting on NESP  2a. MOE policy documents  2b. MOE quarterly EYE progress reports; MOE progress reporting on NESP; MOE web-posted final impact evaluation report on dorm provision and school upgrading  3a. MOE policy documents; MOE web-	Coordination across agencies, private industry, and other stakeholders falters and disrupts reforms.  Demand for SES and TVET nonresponsive to improved quality and relevance, stipends, social marketing, and other interventions.

Results Chain	Performance Indicators with Targets and Baselines <sup>b</sup>	Data Sources and Reporting Mechanisms	Risks
introduced and access expanded	<p>access and workforce outcomes for males and females; (ii) TVET council with industrial representation established, and new policy framework on TVET public–private partnerships adopted; (iii) national TVET quality assurance framework approved; (iv) policy on COEs for TVET curriculum development approved and at least 5 public and/or private TVET providers accredited as COEs in various skill areas; (v) policy on promoting access to CBMSCs and GTHS programs promulgated; and (vi) CBMSC stipend program introduced on a pilot basis, and interim evaluation disseminated (baseline = NA in 2015)</p> <p>3b. By 2022: (i) curricula for 22 new CBMSCs developed, evaluated, and refined by MOE and MOI to align with new skill standards; (ii) 60 workshop rooms and 15 dorms built and equipped at 15 TVET school sites, and 75 female and 75 male TVET teachers and managers trained; (iii) 41,000 youth and workers (including at least 16,500 females) complete CBMSC training at 15 TVET schools; and (iv) pilot TVET stipend program assessed effective in benefiting at least 17,000 trainees, of whom at least 50% are female and 80% are ethnic group youth and workers (baseline in 2015 = NA in 2015)</p>	<p>posted interim evaluation of stipend pilot</p> <p>3b. MOE quarterly EYE progress reports; MOE progress reporting on NESP; MOE web-posted (i) final assessment report of stipend pilot and (ii) final report on tracer study of CBMSC trainees</p>	

#### Activities with Milestones

##### Output 1: Policy frameworks and capacities for cohesive, workforce-responsive secondary education subsector and technical and vocational education and training enhanced

- 1.1 Formulate management capacity development program (including labor market analysis and engagement with industry to identify soft and hard skill needs) by March 2017, and implement through 2022.
- 1.2 Commence support for mapping of priority competencies to be delivered by general education and TVET in April 2017, with completion by end 2018.
- 1.3 Provide technical and policy support to develop SES–TVET–higher education pathways during April 2017–March 2019.
- 1.4 Complete SES and TVET school network mapping by May 2017, with action plan for prioritized, underserved areas approved and implemented from July 2017.
- 1.5 Develop TVET MIS integrated within or linked to MOE EMIS by end 2017; complete related capacity-building program by June 2018.
- 1.6 Finalize detailed M&E strategy and comprehensive, multimodal M&E plan by March 2017, with comprehensive baseline data collected by June 2017 and progress reported in quarterly reports.

##### Output 2: New secondary education subsector curriculum delivered and access expanded

- 2.1 Provide capacity building of curriculum development teams during 2017–2021, with development, printing, and annual distribution of LSE and USE textbooks and teacher guides, and all SES grades completed by SY2022/23.
- 2.2 Complete annual in-service teacher training rounds by May of each year during 2019–2022, with continuing professional development program during 2018–2022.
- 2.3 Equip all targeted schools with teaching and learning resources (e.g., science laboratory equipment and school library materials) to support new curriculum by May 2019.
- 2.4 Provide ongoing support for reform of examinations, including replacement of matriculation exam with interim upper secondary (grade 11) completion exam in SY2017/18, and new completion exam (grade 12) in SY2022/23.
- 2.5 Pilot test sample-based learning assessment (ASLO) for 1 LSE grade and 1 USE grade (indicatively grades 8 and 11) by 2018.
- 2.6 Support reforms of pre-service teacher education curriculum during 2017–2021, with new policy on teacher deployment completed by March 2019.
- 2.7 Develop LSE and USE disaster-resilient model school designs and standards by June 2017, and construct new classroom blocks, dorms, and toilets at all targeted schools by April 2019.

<p>2.8 Conduct impact evaluation baseline study in June 2017, with midterm and final data collection in March 2020 and March 2022.</p> <p>2.9 Launch other demand-promotion initiatives (e.g., social marketing to promote primary–secondary transition and prevent dropouts) in June 2017, for completion by 2022.</p> <p>2.10 Conduct capacity development for SES and school managers—on instructional leadership, career counseling, CPD, school improvement planning, and community engagement—from June 2017 until project completion,.</p> <p>2.11 Draft policy on ICT4ME by end 2017, with elements pilot tested from 2018 and assessed by mid-2019.</p> <p><b>Output 3: New technical and vocational education and training programs introduced and access expanded</b></p> <p>3.1 Develop skill standards, curricula, and assessment mechanisms (in dialogue with employers and other ministries and based on learning pathways) for successive batches of CBMSCs during 2017–2019.</p> <p>3.2 Develop and distribute teaching and learning materials for CBMSCs by end 2019.</p> <p>3.3 Complete classroom workshop civil works at 11 GTHS and 4 ITCs by end 2017, with equipment and supplies for all CBMSC batches provided during 2017–2019.</p> <p>3.4 Provide TVET teachers initial training on CBMSCs in 2017, with periodic follow-on training during 2017–2020.</p> <p>3.5 Launch pilot test of a stipend scheme for selected disadvantaged trainees (roughly 40% of CBMSC students enrolled) in July 2017 for implementation through project end, with biannual assessments informing refinements.</p> <p>3.6 Conduct other demand-promotion initiatives (e.g., gender-sensitive social marketing) during June 2017–end 2022.</p> <p>3.7 Develop trainee counseling and job matching scheme in dialogue with employers for launch by end 2017.</p> <p>3.8 Provide policy-level support on TVET financing, PPP in TVET provision, and strategy for TVET institution–employer engagement during March 2017–June 2019.</p>
<p><b>Project Management Activities</b></p> <p>PMU fully staffed, with capacity development program launched in February 2017.</p>
<p><b>Inputs</b></p> <p>ADB: \$98,490,000 (loan)</p> <p>Government: \$6,510,000</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable.</p>

ADB = Asian Development Bank; ASLO = assessment of student learning outcomes; CBMSC = competency-based modular short course; COE = center of excellence; CPD = continuing professional development; DTVET = Department of Technical and Vocational Education and Training; EMIS = education management information system; EYE = Equipping Youth for Employment Project; GTHS = government technical high school; ICT = information and communication technology; ICT4ME = ICT for Myanmar education; ITC = industrial training center; LSE = lower secondary education; M&E = monitoring and evaluation; MIS = management information system; MOE = Ministry of Education; MOI = Ministry of Industry; MOLIP = Ministry of Labor, Immigration, and Population; NA = not applicable; NESP = National Education Strategic Plan; PMU = project management unit; PPP = public–private partnership; SES = secondary education subsector; TVET = technical and vocational education and training; USE = upper secondary education.

<sup>a</sup> Adapted from the Government of Myanmar. 2016. *Economic Policy of the Union of Myanmar*. Nay Pyi Taw.

<sup>b</sup> Design and monitoring framework contents are based on project design dialogue with MOE. Baselines indicators principally use EMIS data for SY2015/16 and data from the 2014 census.

<sup>c</sup> These component indicators (calculated based on a survey of local businesses) relate to (i) SES gross enrolment rate, (ii) quality of the education system, (iii) quality of math and science education, and (iv) local availability of specialized training services.

<sup>d</sup> The target for classrooms includes standard classrooms (1 per grade level), laboratories, and library or multipurpose rooms but does not count teacher-use rooms. Separate latrines for girls and boys will also be provided.

Source: ADB.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=48431-003-3>

1. Loan Agreement
2. Sector Assessment (Summary): Education
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Economic and Financial Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Gender Action Plan
10. Initial Environmental Examination
11. Indigenous Peoples Plan: Ethnic Group Plan
12. Risk Assessment and Risk Management Plan

### **Supplementary Document**

13. Geographic Information System Analysis and Targeting of Geographically Focused Initiatives