



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

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Project Number: 50024-002  
October 2017

## Proposed Grants Kyrgyz Republic: Skills for Inclusive Growth Sector Development Program

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 10 October 2017)

Currency unit	–	som (Som)
Som1.00	=	\$0.014
\$1.00	=	Som68.399

## ABBREVIATIONS

ADB	–	Asian Development Bank
COE	–	center of excellence
EMIS	–	education management information system
GDP	–	gross domestic product
GIZ	–	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
MOES	–	Ministry of Education and Science
O&M	–	operation and maintenance
OECD	–	Organisation for Economic Co-operation and Development
TVET	–	technical and vocational education and training

## NOTE

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

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## PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 50024-002</b>	
<b>Project Name</b>	Skills for Inclusive Growth Sector Development Program	<b>Department /Division</b>	CWRD/CWSS
<b>Country Borrower</b>	Kyrgyz Republic Government of Kyrgyz Republic	<b>Executing Agency</b>	Ministry of Education and Science
<b>2. Sector</b>		<b>Subsector(s)</b>	
✓ <b>Education</b>	Technical and vocational education and training		<b>ADB Financing (\$ million)</b>
		<b>Total</b>	<b>30.00</b>
<b>3. Strategic Agenda</b>		<b>Subcomponents</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)		<b>Climate Change Information</b>
		Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>		<b>Components</b>	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy Organizational development		<b>Gender Equity and Mainstreaming</b>
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities Pilot-testing innovation and learning		Gender equity (GEN) ✓
Partnerships (PAR)	Civil society organizations Implementation Private Sector		
<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	SDG4, SDG8, SDG9		
<b>6. Risk Categorization:</b>		Low	
<b>7. Safeguard Categorization</b>		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>30.00</b>	
Sovereign SDP - Program grant: Asian Development Fund		12.00	
Sovereign SDP - Project grant: Asian Development Fund		18.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>3.60</b>	
Government		3.60	
<b>Total</b>		<b>33.60</b>	

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based grant, and (ii) a proposed project grant, both to the Kyrgyz Republic for the Skills for Inclusive Growth Sector Development Program.<sup>1</sup>

2. The policy-based grant will support key policy reforms to strengthen technical and vocational education and training (TVET) in the Kyrgyz Republic. The proposed project grant will finance investments that directly link to and support the effective delivery of those reforms. Complementary policy-based and project components will strengthen TVET governance and finance, improve teaching quality and learning environments, and increase cooperation with industry and develop entrepreneurship skills.<sup>2</sup>

## II. THE PROGRAM

### A. Rationale

3. **Country development strategy and constraints.** The Kyrgyz Republic is one of the poorest economies in Central Asia. The country had a per capita gross domestic product (GDP) of \$1,133 in 2015, and an estimated 32% of the population lives below the poverty line. A diagnostic study financed by the Asian Development Bank (ADB) has identified a shortage of skilled labor as one of the four major binding constraints to inclusive economic growth.<sup>3</sup> The National Sustainable Development Strategy 2013–2017, and the upcoming strategy being prepared by the Government of the Kyrgyz Republic, place a high importance on skills development as an integral part of economic development.

4. Economic development in the Kyrgyz Republic has been concentrated in Bishkek and surrounding areas, with fewer economic growth opportunities in other regions. The government's new regional policy addresses regional disparities by promoting region-specific development paths;<sup>4</sup> it stresses the importance of effectively developing and using human resources to meet each regions' economic priorities, and seeks to achieve this by modernizing professional education and developing applied qualifications. The national education strategy acknowledges that the TVET system does not meet the requirements for adequate skills training. The long-term strategy for education under preparation by the Ministry of Education and Science (MOES) will address this shortfall and pursue comprehensive TVET reform, and its alignment with key national and regional economic priorities.<sup>5</sup>

5. **Challenges facing skills development.** Government education spending equaled 5.6% of GDP in 2015, is projected to be 5.7% in 2017, and to remain at about 5.3% for 2017–2019,<sup>6</sup> above the Organisation for Economic Co-operation and Development (OECD) average of 5.2%.

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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: ADB. Kyrgyz Republic. [Skilling and Entrepreneurship for Inclusive Growth Sector Development Program](#) (TA 9212-KGZ, for \$750,000, approved 22 October 2016).

<sup>3</sup> ADB. 2014. *The Kyrgyz Republic Strategic Assessment of the Economy*. Manila.

<sup>4</sup> Key sectors named in the National Sustainable Development Strategy 2013–2017 include: agriculture and food processing, energy, transport, information and communication technology, tourism and services, and manufacturing and logistics. The new regional economic policy stresses construction, medicine, and education as regional and additional priorities. Regional Policy of the Kyrgyz Republic 2018–2022, approved by Government Resolution #194, 31 March 2017. <http://www.gov.kg/?p=92280&lang=ru>.

<sup>5</sup> Ministry of Education and Science. 2011. *Education Development Strategy of the Kyrgyz Republic 2012-2020*. Bishkek.

<sup>6</sup> *Analysis of Education Finance in the Kyrgyz Republic* (study conducted in 2017 by ADB. Kyrgyz Republic. [Strengthening Education System Development Program](#)).

Since 2000, the average expenditure on education as a percentage of total government expenditure has remained considerably above the OECD average of 11.3%,<sup>7</sup> and is projected to be 18.6% for 2017. In 2015–2017, total expenditure on education grew by 16%, while the growth rate of expenditure on TVET was only 10%. Challenges remain in improving the quality and relevance of skills in response to labor market demand. Inadequate education of the workforce was cited as a major constraint to business development by 33% of the country's firms, well above the regional average of 22%.<sup>8</sup> The proportion of the workforce that is skilled (currently about 20%) should increase, with skills that better meet needs in key economic sectors.<sup>9</sup> For example, while most construction activity is in Chui oblast, the oblast has no TVET programs to train construction workers or technicians. In addition, labor force participation among women (currently at 53%) must be increased to make economic growth more inclusive.

**6. Fragmented technical and vocational education and training system.** In the Kyrgyz Republic, lyceums provide primary TVET to develop skilled workers, while colleges provide secondary TVET to develop middle-level specialists. Students who wish to enter primary or secondary TVET must complete grade 9. There are no pathways for students between these two levels—thus secondary TVET does not follow on from primary TVET. About one-third of colleges providing secondary TVET are affiliated with higher education institutions. When entering higher education, graduates of these colleges are given credit for their previous education.

**7. Limited youth participation and employability.** A recent national study indicates (i) TVET participation rates are very low (just 10.6% of youth aged 15–24 are in TVET, 2.3% in primary TVET and 8.3% in secondary TVET); (ii) a large proportion of youth (27.9%) are not in education, employment, or training, and in some regions this proportion exceeds 30%; (iii) among school graduates (grades 9, 10, and 11), 27.9% enroll in TVET, while 21% enter higher education, and over 51% enter the labor market or join the pool of those who are not in education, employment, or training, and lack any skills training.<sup>10</sup> The skills profile of TVET graduates does not correspond to regional economic priorities. On average, the skills profile of graduates differs from the sectoral profile of the regional labor forces by 75%.

**8. Insufficient quality and options for training.** Only a fraction of the many skilled occupations (434) and specializations (243) are taught; the lack of diversity in training programs makes TVET less attractive and skews the gender distribution, with mostly male TVET students in lyceums, and female TVET students in colleges.<sup>11</sup> While secondary TVET college enrollments have increased significantly,<sup>12</sup> teaching in colleges remains highly theoretical, and does not adequately equip youth with the practical skills they need in the labor market. Many new teachers lack pre-service training, and in-service training opportunities for existing teachers are limited. These weaknesses are reinforced by a shortage of sophisticated training materials and equipment.

<sup>7</sup> The latest available OECD average (2014) was 11.3%. OECD. 2016. *Education at a Glance 2016: OECD Indicators*. Paris: OECD Publishing. The latest available global average (2013) was 14.1%. World Bank. <http://data.worldbank.org> (accessed 6. October 2017).

<sup>8</sup> World Bank. 2014. *The Skills Road: Skills for Employability in the Kyrgyz Republic*. Washington, DC.

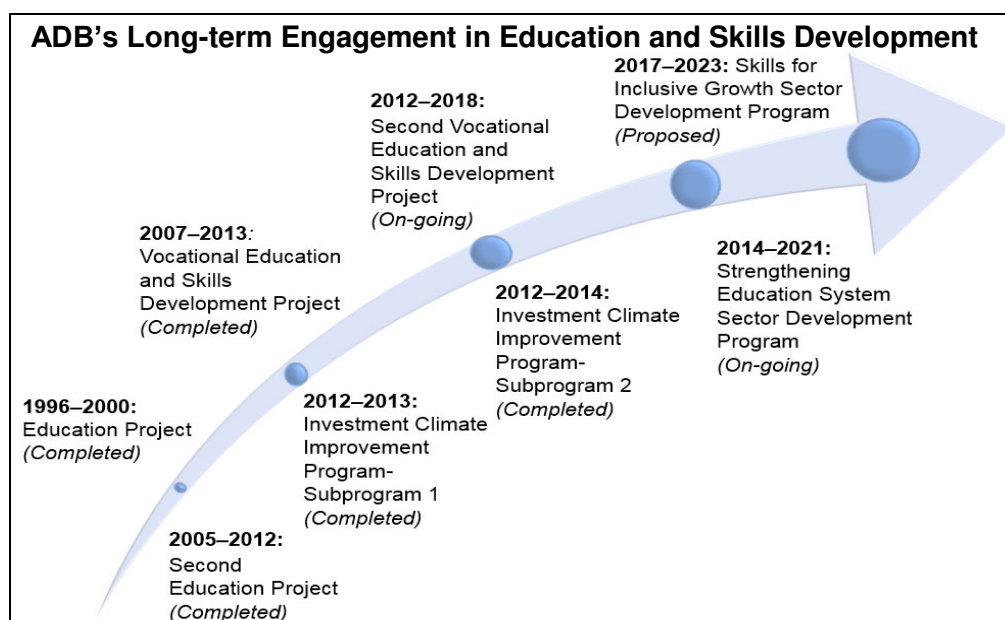
<sup>9</sup> ADB. *Good Jobs for Inclusive Growth – Background Paper on Employment and Labor Market Policy in the Kyrgyz Republic*. Manila (forthcoming).

<sup>10</sup> *Technical and Vocational Education and Training - System Rationalization: Strategies and Implementation Plans*. (study conducted by ADB. Kyrgyz Republic. [Second Vocational Education and Skills Development Project](#) (Grant 0307-KGZ and Loan 2902-KGZ).

<sup>11</sup> For each 100,000 youth aged 15–24, only 16 programs are offered in TVET lyceums and 26 programs in TVET colleges, i.e., overall 42 programs. In 2016, there were 30,492 students (21,340 male and 9,152 female) in primary TVET, and 90,585 students (39,506 male and 51,079 female) in secondary TVET.

<sup>12</sup> Since 2000, the number of secondary TVET colleges doubled, while enrollments more than tripled.

9. **ADB support.** ADB has been a key development partner of MOES since 1996 with three completed projects, including a first TVET project that ended in 2012. The second TVET project will end in 2018.<sup>13</sup> ADB has also provided support to skills training through a component in Investment Climate Improvement Program of the Ministry of Economy.



Source: Asian Development Bank.

10. The two TVET projects have for the most part supported primary TVET, covering about 75% of primary TVET lyceums in the country. The projects have focused on improving quality, facilities and equipment, and skills development leading to immediate employment. They have helped to introduce key elements of a labor-market focused TVET system, including (i) development of occupational standards through sector skills councils, (ii) competency-based training, (iii) teachers' in-service training, and (iv) an innovative skills development fund that helps the private sector purchase skills training. While this assistance has improved primary TVET performance, the conventional project modality has not supported the comprehensive reforms—particularly creation of an enabling policy environment—required if TVET is to meet the country's evolving labor market needs.<sup>14</sup>

11. **Sector development program approach.** The proposed new program will help the government take key reform steps to create a more coherent TVET policy and system, which is necessary to improve the quality, relevance, and efficiency of skills development corresponding with the country's national and regional economic priorities. A sector development program modality is proposed to help (i) MOES develop an enabling policy environment for comprehensive TVET reform, and (ii) finance the cost of and implement the reforms. The program will build on achievements, and represents a logical progression in ADB support by institutionalizing the skills development fund, providing more extensive support to secondary TVET, fostering closer collaboration between TVET and employers, and introducing entrepreneurship education.

<sup>13</sup> ADB. Kyrgyz Republic. 2007. *Vocational Education and Skills Development Project*; and ADB. 2012. Kyrgyz Republic. *Second Vocational Education and Skills Development Project*.

<sup>14</sup> More information on lessons is in the Sector Assessment (Summary): Education (accessible from the list of linked documents in Appendix 2).

12. ADB will also support the restructuring of the TVET system, including the potential merger of primary and secondary TVET into a system that can respond more effectively to labor market priorities and provide effective skills pathways for students. To achieve this, pilots of innovative centers of excellence (COEs) will be supported to (i) link skills training with regional priorities in the country; (ii) align curricula and create student pathways between primary and secondary TVET; (iii) ensure close collaboration with industry; and (iv) provide entrepreneurship development modules to help students pursue self-employment, and help leaders of TVET institutes adopt entrepreneurial activities that can increase institutional revenues. The program design reflects lessons from prior projects, including the need for enabling policy reform, and reducing implementation delays (these were caused mainly by having many small procurement contracts). The program is integral to the ADB country partnership strategy, 2013–2017 for the Kyrgyz Republic; both it and the new strategy under preparation are closely aligned with national priorities, including an increasing emphasis on skills development.<sup>15</sup>

13. **Development coordination.** Development partner coordination in education in the Kyrgyz Republic is well established and effective. Development partners formulate and promote joint positions on a range of issues. ADB and German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are key development partners in the TVET sector, with GIZ mainly focusing on (i) establishing a system of independent industry assessment, (ii) improving the labor market information system, and (iii) matching jobs with job-seekers. The comprehensive reform to be supported by the proposed new ADB-financed program will also serve as a framework for MOES to improve donor coordination.<sup>16</sup>

## B. Impact and Outcome

14. The program is aligned with the following impact: government strategies to achieve inclusive growth through improved workforce skills and productivity in the country's key economic sectors, specifically the National Sustainable Development Strategy, 2013–2017; and Education Development Strategy, 2012–2020.<sup>17</sup> The program will have the following outcome: an established market-responsive, entrepreneurial, and inclusive TVET system.

## C. Outputs

15. The program includes three outputs: (i) TVET governance and finance strengthened, (ii) teaching quality and learning environments improved, and (iii) cooperation with industry increased and entrepreneurship skills developed.<sup>18</sup> The program includes 10 policy actions for the first tranche and 16 policy actions for the second tranche. All policy actions for the first tranche have been completed.

16. **Output 1: Technical and vocational education and training governance and finance strengthened.** Output 1 policy actions will enable the government to align skills development reform with the National Sustainable Development Strategy, 2013–2017; economic and labor market policy; key industries; and priority occupations; and include development of a national

<sup>15</sup> ADB. 2013. *Country Partnership Strategy: Kyrgyz Republic, 2013–2017*. Manila.

<sup>16</sup> TVET support provided by other development partners—including include German development cooperation through GIZ, the International Labour Organisation, the United Nations Development Program, and the European Training Foundation—has involved technical assistance and been smaller in scope and scale than ADB support. Information on external assistance is in Development Coordination (accessible from the list of linked documents in Appendix 2).

<sup>17</sup> President's Office. *National Sustainable Development Strategy of the Kyrgyz Republic (2013–2017)*. Bishkek; and MOES. 2011. *Education Development Strategy of the Kyrgyz Republic 2012–2020*. Bishkek.

<sup>18</sup> Details of the policy actions are in the Development Policy Letter (Appendix 3) and Policy Matrix (Appendix 4).



qualifications system as part of the upcoming national long-term education sector strategy. Policy actions will (i) improve TVET governance, increase the number of trainees under the skills development fund from 600 to 5,000, institutionalize the fund, and allow implementation of the TVET rationalization plan; and (ii) support development of an integrated education management information system (EMIS) to (a) promote efficient sector governance, management, quality assurance, and monitoring; (b) improve TVET effectiveness by linking to supply and demand models relevant to Kyrgyz Republic's regional labor markets; and (c) establish coherent pathways and improve transitions for students to progress in TVET and the labor market.

17. Program activities are closely aligned with the policy targets. Under output 1, the program will help facilitate the work of interministerial and regional working groups and implement workshops in the various development areas. Activities will include studies to help guide the alignment of skills development to regional labor market needs, piloting the recognition of prior learning in skills programs, technical support to ensure seamless integration of TVET in the EMIS, and tracer studies of graduates to track employment outcomes.

18. **Output 2: Teaching quality and learning environments improved.** Output 2 policy actions will foster the development of competency-based education standards, and learning outcomes-based curricula in TVET. The policy on COEs and work-based learning will help align curricula and develop student pathways between primary and secondary TVET, increase opportunities for students to acquire and demonstrate practical skills, and help students benefit from on-the-job training. The policy on COEs will allow per capita financing in secondary TVET and pilot it in COEs. The new policy on teacher development will help ensure coordination and coherence between pre-service training of new teachers and in-service training of existing teachers, and will help meet TVET pedagogical and technical needs.

19. Program activities will support the establishment of up to five COEs and provide capacity development to help them offer training for a total of 4,000 students in occupations that reflect regional labor market priorities. Consultative and technical workshops will help the respective business associations specify skills training requirements at the COEs, and plan arrangements for students for work-based learning in companies. Technical support will be provided for (i) reform of TVET standards and curricula, and materials for teachers; and (ii) preparation of a training program for new and existing TVET teachers, which will train 1,000 primary TVET and 2,000 secondary TVET teachers.

20. **Output 3: Cooperation with industry increased and entrepreneurship skills developed.** Policy actions under this output will enable (i) promotion of TVET–industry partnerships; and (ii) the introduction of entrepreneurship education in secondary TVET, and its piloting in COEs. The program will provide technical support to develop entrepreneurship education in TVET, train teachers, and prepare materials for teachers and students. Technical support and guidance will be provided to COEs for the planning and implementation of partnerships that will respond to labor market priorities and strengthen sustainability of COE operations.

#### **D. Development Financing Needs**

21. The government has requested a policy-based grant of \$12 million and a project grant of \$18 million, not exceeding \$30 million in total from ADB Special Funds resources to finance the program. The amounts were determined based on (i) the government's development expenditures and financing needs,<sup>19</sup> and (ii) the relative importance given to education sector development in

<sup>19</sup> The development-related financing gap is about \$320.7 million for 2017, and is expected to remain for several years

national development strategies. The policy-based grant will be disbursed in two tranches upon fulfillment of policy actions expected to be accomplished in 2017 (tranche 1, \$4.0 million) and 2021 (tranche 2, \$8.0 million). The government contribution is estimated at 10.7% of the program cost (Table 1).

22. The project investment plan, which totals \$21.6 million, is in Table 2.

**Table 1: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (policy-based grant)	12.0	35.7
Special Funds resources (project grant)	18.0	53.6
Government of the Kyrgyz Republic <sup>a</sup>	3.6	10.7
<b>Total</b>	<b>33.6</b>	<b>100.0</b>

<sup>a</sup> Government counterpart funding covers taxes and duties of \$3.06 million and an in-kind contribution of \$0.54 million (counterpart staff, project implementation office).

Source: Asian Development Bank estimates.

**Table 2: Project Investment Plan<sup>a</sup>**  
(\$ million)

Item	Total Cost <sup>b</sup>
<b>A. Base Costs<sup>c</sup></b>	
1. TVET governance and finance strengthened	1.57
2. Teaching quality and learning environments improved	10.07
3. Cooperation with industry increased and entrepreneurship skills developed	4.72
4. Government contribution (taxes and duties and in-kind contribution)	3.60
<b>Subtotal (A)</b>	<b>19.96</b>
<b>B. Contingencies<sup>d</sup></b>	
1. Physical	0.84
2. Price	0.80
<b>Subtotal (B)</b>	<b>1.64</b>
<b>Total (A+B)</b>	<b>21.60</b>

TVET = technical and vocational education and training

<sup>a</sup> Detailed cost estimates of the project grant are in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

<sup>b</sup> Taxes and duties and in-kind contribution to be financed by the government (footnote a, Table 1).

<sup>c</sup> In mid-2017 prices.

<sup>d</sup> Physical contingencies computed at 4.2%. Price contingencies computed at 2.5% in 2018, 2.5% in 2019, 2.3% in 2020, 2.3% in 2021, and 2.3% thereafter on foreign exchange costs, assuming exchange rate fluctuations as estimated for the Kyrgyz Republic. Price contingencies on local currency are calculated at 5.0% in 2018, and 4.0% for each year from 2019 to 2021.

Source: Asian Development Bank estimates.

(Government of the Kyrgyz Republic, Ministry of Finance. 2016. *Budget Law*. Bishkek). The fiscal deficit is projected at 4.7% of GDP in 2017. The gap is to be met mainly from long-term loans from foreign sources (projected at \$110 million) and anticipated budget support of about \$120 million in total from ADB, the International Monetary Fund, the Russian Federation, the European Union, and other development partners. The remaining gap is expected to be met from revenues from proposed privatization (\$2 million) and issuance of government bonds (\$151.3 million). The program component will help narrow the financing gap. Budget support is necessary to finance part of the development financing needs, covering the period from the introduction of reforms to the realization of fiscal benefits.

## E. Implementation Arrangements

23. MOES will be the program executing agency. The implementation arrangements are summarized in Table 3.

**Table 3: Implementation Arrangements<sup>a</sup>**

Aspects	Arrangements		
Implementation period	For policy-based grant: May 2018–December 2021 For project grant: May 2018–May 2023		
Estimated completion date	For policy-based grant: December 2021 For project grant: November 2022 (physical completion date); May 2023 (loan closing date)		
Oversight body	Interministerial steering committee. Chair: Vice Prime Minister for Economy and Investments. Members: MOES, MOF, MOECON, MOLSD		
Executing agency	MOES		
Implementation unit	Project implementation unit under MOES		
Procurement	International competitive bidding	8 contracts	\$4.00 million
	National competitive bidding	14 contracts	\$4.55 million
	Shopping	4 contracts	\$0.09 million
Consulting services	Individual consultant selection	7 contracts	\$0.63 million
	Individual consultant selection (PIU) staff	21 contracts	\$0.74 million
	Quality- and cost-based selection Quality cost ratio: 90:10 <sup>b</sup>	1 contract	\$1.67 million
	Consultant qualification selection	1 contract	\$0.25 million
	Least cost selection	1 contract	\$0.03 million
Retroactive financing and/or advance contracting	Advance contracting <sup>c</sup> has been requested to (i) recruit PIU staff; (ii) recruit an international project implementation firm; (iii) procure a PIU vehicle and office equipment and furniture, and (iv) recruit a national technical and vocational education and training policy reform coordinator. Retroactive financing has been requested to cover the salaries of PIU staff. Retroactive financing in total will not exceed 20% of the project grant amount.		
Disbursement	The project grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. <sup>d</sup> The \$12 million policy-based grant will be disbursed in two tranches once relevant policy actions have been completed to ADB's satisfaction by the government: Tranche 1: \$4.0 million (planned for 2017); Tranche 2: \$8.0 million (planned for 2021).		

ADB = Asian Development Bank, MOF = Ministry of Finance, MOECON = Ministry of Economy, MOES = Ministry of Education and Science, MOLSD = Ministry of Labor and Social Development, PIU = project implementation unit.

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

<sup>b</sup> The priority on quality is needed, because the impact of the consultant's assignment will be significant.

<sup>c</sup> The government has been advised that approval of advance contracting will not commit ADB to subsequently approving financing for the project.

<sup>d</sup> Grant proceeds will be used to finance the cost (excluding local taxes and duties) of items produced and procured in ADB member countries, excluding ineligible items and imports financed under other sources.

Source: Asian Development Bank estimates.

## III. DUE DILIGENCE

### A. Technical

24. The program will build on the achievements of the two previous ADB-financed investment projects (footnote 13). The design of the program reflects the lessons stressing the importance of strengthening sustainability and system efficiency through comprehensive skills reform,

empowered by enabling policy actions and supported by project activities closely aligned with the policy actions. The establishment of pathways for students, the development of competency-based standards and learning outcomes-based curricula, and the increased emphasis on work-based learning are all necessary reform measures to enhance the skills and employability of graduates.<sup>20</sup> Support for entrepreneurship education is needed to foster self-employment by graduates, while closer partnerships with industry will help match skills with labor market priorities. The policy actions for industry partnerships will support the sustainable operation and maintenance (O&M) of training facilities.

## **B. Economic and Financial**

25. The program's direct economic benefits stem from the benefits to economic growth from increased quality and relevance of skills. Improved skills will also help people access better-paid jobs and earn higher incomes. The program will help increase the number of skilled workers in the country, and thus support expansion of key economic sectors. Investments in human capital through education can lead to per capita GDP growth of up to 1.7% per year. For the Kyrgyz Republic, estimated growth is around 1.6%. Support for comprehensive skills reform is likely to increase the economic growth rate in the long term.

26. The program benefits are estimated over 25 years.<sup>21</sup> The program is assessed as economically viable, with an estimated economic internal rate of return of 16.1%. The analysis incorporates two benefit streams: (i) the employment rate, which is estimated to increase from 70% to 91% because of the program; and (ii) an increased wage premium of 3% from the results of skills training that is more relevant to labor market needs. Sensitivity analysis confirms that the economic return remains robust under adverse conditions—switching value analysis indicates that the economic internal rate of return will be 11.8% under the following scenario: O&M costs increased by 20%, benefits reduced by 20%, and operation delayed by 1 year.

27. The fiscal impact analysis confirms the government has adequate budgetary resources to fulfill its financial obligations under the program.<sup>22</sup> Total program costs will be significantly less than 0.5% of total annual government expenditures. The financial sustainability analysis indicates that the government has sufficient capacity to cover annual O&M costs beyond the program implementation period—estimated O&M costs are low (0.019% to 0.022% of total government spending).

## **C. Governance**

28. MOES has successfully managed several ADB-funded projects. The program's financial management assessment rates the capacity of MOES as satisfactory and the overall pre-mitigation financial management risk as moderate. The procurement capacity of MOES was assessed, and the pre-mitigation procurement management risk deemed moderate. The risk assessment and risk management plan will mitigate risks through (i) advance action for early recruitment of consulting services to build capacity in procurement and good governance, (ii) recruitment of qualified staff

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<sup>20</sup> The program will include tracer studies of graduates. Employability is typically assessed using an index that combines results of tracer studies in occupational fields, technical and social competences, and workplace satisfaction. P. Sunardi and E. Sutadji. 2016. *Employability Skills Measurement Models of Vocational Student* <http://aip.scitation.org/doi/abs/10.1063/1.4965777>; H. Mohd Yusof, et al. 2012. *Measurement Model of Employability Skills Using Confirmatory Factor Analysis*. *Procedia - Social and Behavioral Sciences* 56 (2012), pp. 348–356; and L. Harvey. 2001. Defining and Measuring Employability. *Quality in Higher Education*. Vol. 7, pp. 97–109.

<sup>21</sup> Economic analysis (accessible from the list of linked documents in Appendix 2).

<sup>22</sup> Financial analysis (accessible from the list of linked documents in Appendix 2).

for a project implementation unit (PIU), (iii) development of a financial management manual, and (iv) training of MOES and PIU staff. Risks will further be mitigated by the government's ongoing centralized electronic procurement system initiative. The ADB Anticorruption Policy (1998, as amended to date) was explained to, and discussed with, the government and MOES. MOES adopted an anticorruption action plan in 2014.<sup>23</sup>

#### **D. Poverty and Social**

29. The program will disproportionately benefit the poor and socially disadvantaged groups,<sup>24</sup> who will benefit directly from the inclusive approach and quality improvements in COEs; outreach to rural areas will be a key strategy to inform them about opportunities to access improved TVET. Most COEs will be established in second-tier cities, which will increase access for vulnerable groups. The program's focus on regional economies will help improve overall well-being in the selected regions. The skills development fund will prioritize vulnerable beneficiaries. The program is categorized as gender equity.<sup>25</sup> Key issues to be addressed include (i) stereotypes associated with the traditional role of females in society, which cause dropouts in TVET due to early marriage; and (ii) cultural barriers that prevent girls from choosing professions with higher pay and demand. Female students currently represent only about one-third of primary TVET students, and most are studying tailoring, services, and catering. Although female students outnumber males in secondary TVET, these proportions do not translate to the labor market. About 400 professions are still prohibited for female students. The program will seek to increase female participation in priority courses and improve the employability of both male and female graduates. Program support to the EMIS will allow collection and analysis of gender-disaggregated data. The program will support gender-balanced management teams in TVET institutes, dormitories for girls, gender-mainstreamed teaching and learning materials, qualified teachers in nontraditional fields, and a gender-sensitive assessment system that allows for gender-disaggregated analysis and feedback.

#### **E. Safeguards**

30. In accordance with ADB's Safeguard Policy Statement (2009), the program is classified as category C for involuntary resettlement, environment, and impact on indigenous peoples. Civil works will be carried out for the rehabilitation of classrooms in lyceums and colleges as part of the piloting of COE arrangements. Civil works-related impacts are localized, short-term, and can be effectively mitigated through the application of good civil works practices. An environmental management checklist will be prepared for use in civil works during program implementation. Program activities will require neither land acquisition nor resettlement, and program activities will not adversely affect indigenous peoples. The improved quality of skills development resulting from the program will benefit all students, including indigenous peoples.

#### **F. Risks and Mitigating Measures**

31. Risks associated with the program are reviewed based on the risk analysis matrix. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.<sup>26</sup>

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<sup>23</sup> The specific Anticorruption Policy (1998, as amended to date) requirements and supplementary measures are described in the Project Administration Manual (accessible from the list of linked documents in Appendix 2). The manual also includes details of the integrated grievance redress mechanism.

<sup>24</sup> Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

<sup>25</sup> Gender Action Plan (accessible from the list of linked documents in Appendix 2).

<sup>26</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
<b>Weak financial management.</b> Financial management systems are weak. Noncompetitive salary makes it difficult to attract qualified financial management experts and accountants for the executing and implementing agencies.	National financial management system has been improved. With development partner support, several mitigation actions, including introduction of electronic funds transfer and streamlined tax operations, have been taken. MOES will recruit qualified PIU financial management experts with ADB or World Bank project experience. A detailed financial management manual will be prepared, and training will be conducted for relevant PIU and MOES staff.
<b>Limited procurement capacity.</b> Weak internal regulations and practices in public procurement. Capacity of procurement staff of executing and implementing agencies is limited.	The government has introduced the e-procurement system. Based on lessons from education projects in the country, the number of procurement packages is substantially lower under the new program. ADB will participate as an observer in the selection of PIU staff to help the executing agency recruit qualified, English-speaking procurement experts. The program includes funding for capacity development for project implementation.

ADB = Asian Development Bank, MOES = Ministry of Education and Science, PIU = program implementation unit.  
Source: Asian Development Bank.

#### **IV. ASSURANCES**

32. The government has assured ADB that implementation of the program 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 grant documents. The government has agreed with ADB on certain covenants for the program, which are set forth in the grant agreements. The policy grant will be disbursed as follows: (i) \$4.0 million upon completion of all first tranche policy actions to ADB's satisfaction, and (ii) \$8.0 million upon completion of all second tranche policy actions to ADB's satisfaction. Policy actions for first tranche will be completed prior to ADB Board of Directors consideration of the program on 20 November 2017, and by 2021 for the second tranche. Prior to program effectiveness, a program steering committee will be established and project director appointed. The grant agreements will need to become effective simultaneously as the effectiveness of policy-based grant agreement is conditional upon the effectiveness of the project grant, and vice versa.

#### **V. RECOMMENDATION**

33. I am satisfied that the proposed grants would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the policy-based grant not exceeding \$12,000,000 to the Kyrgyz Republic from ADB's Special Funds resources (Asian Development Fund) for the Skills for Inclusive Growth Sector Development Program, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board; and
- (ii) the project grant not exceeding \$18,000,000 to the Kyrgyz Republic from ADB's Special Funds resources (Asian Development Fund) for the Skills for Inclusive Growth Sector Development Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board.

Takehiko Nakao  
President

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Program is Aligned with</b>			
Government's strategies to achieve inclusive growth through improved workforce skills and productivity in the country's key economic sectors (National Sustainable Development Strategy, 2013–2017, and Education Development Strategy 2012–2020) <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> A market-responsive, entrepreneurial, and inclusive TVET system established	By 2023: a. Employability of graduates in priority occupations increased by 30% in supported COEs (including 5% self-employment), of which at least 30% are female and 60% come from secondary cities (2018 baseline: To be established) b. Number of graduates in priority occupations increased by 30%, of which at least 30% are female (2018 baseline: To be established) c. Employer satisfaction with TVET graduates increased by 5% (2014 baseline: 33%)	a. MOES tracer studies and employability measurement approach b. MOES graduation statistics c. Surveys of employers	Slow job creation in the country
<b>Outputs</b> 1. TVET governance and finance strengthened	<b>Program:</b> 1a. Skills development forms integral part of both the country's long-term approved and implemented development strategy and the corresponding education strategy by 2021 (2017 baseline: Not applicable) 1b. National qualifications system (including national qualifications framework) developed and agreed between line ministries and stakeholders by 2021 (2017 baseline: Not applicable) 1c. At least 5,000 trainees trained under the Skills Development Fund, of which 30% are women (2016 baseline: 600) <b>Project:</b> 1d. EMIS implemented for evidence-based policymaking in all primary TVET institutes and in 50% of secondary TVET institutes by 2021 (2017 baseline: 75% in primary TVET, 19% in secondary TVET, including gender disaggregated data collection) 1e. At least five local industry mapping studies finalized by COEs using MOES- and MOLSD-approved methodology (2018 baseline: 0) and each supported COE introduces at least one new or revised occupation or specialization each academic year, starting in 2019, based on results of industry mapping studies (2018 baseline: 0) 1f. Recognition of prior learning in at least 10 priority occupations or specializations from primary TVET to secondary TVET; with pilot starting in 2019 (2018 baseline: 0)	1a.–f. National and education strategies, guidelines, handbook, government gazette, training plans, charter, organigram of MOES, decree, regulations, sublegal acts, enrollment statistics, and EMIS reports	Insufficient education budget

Results Chain	Performance Indicators with Targets and Baselines <sup>b</sup>	Data Sources and Reporting	Risks
2. Teaching quality and learning environments improved	<p><b>Program:</b></p> <p>2a. MOES-approved TVET teacher development program (2018 baseline: Not approved)</p> <p>2b. Learning outcome-based methodology for education standards and curricula development in supported COEs approved by MOES by 2019 (2017 baseline: 0)</p> <p>2c. Curricula and training materials developed based on job profiles and validated by industry representatives for 15 occupations or specializations in at least five supported COEs (2017 baseline: Not applicable)</p> <p><b>Project:</b></p> <p>2d. Five colleges upgraded to COEs by 2021 (three in secondary cities) (2017 baseline: 0)</p> <p>2e. 1,000 primary TVET and 2,000 secondary TVET teachers, of which are 30% female, report improved skills in pedagogic and technical areas by 2020</p> <p>2f. 4,000 students (both self- and state-financed) trained in priority occupations or specializations in supported COEs and 750 students in aligned primary TVET lyceums by 2022 (30% female, 2017 baseline: 0)</p> <p>2g. WBL concept piloted in 15 priority occupations or specializations by 2020 (4,000 students by 2022; of which are 30% female; 2017 baseline: 0)</p>	<p>2a. Project procurement records of works and goods</p> <p>2b.–g. MOES approval documents, standards, curricula, and training materials</p>	Limited procurement capacity
3. Cooperation with industry increased and entrepreneurship skills developed	<p><b>Program:</b></p> <p>3a. Supported COEs have established at least 15 formal industry partnerships by 2022 (2017 baseline: 0)</p> <p>3b. Entrepreneurship training makes up at least 10% of hours taught in all supported COEs across all subjects, and makes up at least 5% of hours taught in each individual subject (2017 baseline: 0)</p> <p><b>Project:</b></p> <p>3c. Expert groups, with at least 20% female membership, for industry partnerships established and operational in each supported COE by 2019 (2017 baseline: 0 expert groups)</p> <p>3d. Gender-sensitive multimedia and social media campaign on industry partnerships developed in 2018 and has reached at least 1 million people by 2022 (2017 baseline: 0)</p>	<p>3a.–d. Expert council mandate and cooperation agreements, memorandums of understanding, business plans, syllabi, and media items</p>	Limited collaboration between the government and industry



## Key Activities with Milestones

### 1. TVET governance and finance strengthened

- 1.1 Advertise request for proposals for consulting firm (Q4 2017).
- 1.2 Hire project implementation unit staff, and equip office space (Q4 2017–Q12018).
- 1.3 Conduct baseline studies (2018).
- 1.4 Hold high-level consultation events to include skills development in relevant strategies (2017, 2018).
- 1.5 Establish interministerial working group for national qualifications system and national qualifications framework development, and build capacity in MOES on quality assurance and monitoring and evaluation (2017, 2022).
- 1.6 Analyze regulatory framework for TVET by expert-led interministerial working group, conduct yearly workshops for each COE, and hold yearly peer-learning events (2018–2022).
- 1.7 Pilot improved regulatory framework for entrepreneurship activities of COEs (2020).
- 1.8 Refine the Skills Development Fund manual and charter, and develop cofinancing mechanism (2017, 2021).
- 1.9 Establish regional working groups to align primary TVET curricula to COE specializations, and analyze regional labor market needs (2018–2022).
- 1.10 Conduct EMIS capacity building at MOES and education institutions on quality of data introduction and data analysis and triangulation for evidence-based policy making (2017, 2021).
- 1.11 Conduct yearly tracer studies and develop employability index (2018–2022).

### 2. Teaching quality and learning environments improved

- 2.1 Complete COE selection (2018).
- 2.2 Tender procurement packages for COEs, primary TVET lyceums, and teacher training institutions (Q4 2018, 2020).
- 2.3 Develop technical and didactical in-service and pre-service teacher training curricula by expert working group: conduct yearly trainings and provide internships for teachers (2018–2022).
- 2.4 Establish expert working group for curricula and learning material development (2018).
- 2.5 Conduct series of workshops for the development of each education standard, curriculum, and training material (2018–2022).
- 2.6 Develop and pilot WBL concept and curriculum in industry workshops; conduct biannual review workshops (2019–2022).
- 2.7 Conduct study trips for COE establishment and management (2018, 2020).
- 2.8 Ensure female participation in technical specializations through professional orientation (2019–2022).

### 3. Cooperation with industry increased and entrepreneurship skills developed

- 3.1 Establish twinning partnership with international COEs (2019).
- 3.2 Establish expert groups for industry partnership at COEs (2019).
- 3.3 Establish industry partnerships mechanisms for equipment of COEs, WBL, entrepreneurship training, and small-scale production and provision of expert services (2020).
- 3.4 Pilot curricula for entrepreneurship training and WBL in COEs, train teachers, conduct yearly peer-learning workshops, provide yearly individual coaching days, and conduct study tours on entrepreneurship training (2018, 2020).
- 3.5 Develop and conduct gender-sensitive industry partnership campaign (2018–2022).

### Inputs

Asian Development Bank: \$30,000,000 (Asian Development Fund grants)

Government of the Kyrgyz Republic: \$3,600,000

### Assumptions for Partner Financing

Not applicable

COE = center of excellence, EMIS = education management information system, MOES = Ministry of Education and Science, MOLSD = Ministry of Labor and Social Development, Q = quarter, TVET = technical and vocational education and training, WBL = work-based learning.

<sup>a</sup> President's Office. *National Sustainable Development Strategy of the Kyrgyz Republic (2013–2017)*. Bishkek; and MOES. *Education Development Strategy of the Kyrgyz Republic (2012–2020)*. Bishkek.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=50024-002-2>

1. Program Grant Agreement
2. Project Grant Agreement
3. Sector Assessment (Summary): Education
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Financial Analysis
8. Economic Analysis
9. Country Economic Indicators
10. International Monetary Fund Assessment Letter
11. Summary Poverty Reduction and Social Strategy
12. Gender Action Plan
13. Risk Assessment and Risk Management Plan
14. List of Ineligible Items

**DEVELOPMENT POLICY LETTER**

КЫРГЫЗ  
РЕСПУБЛИКАСЫНЫН  
ПРЕМЬЕР-МИНИСТРИ



ПРЕМЬЕР-МИНИСТР  
КЫРГЫЗСКОЙ  
РЕСПУБЛИКИ

«10» 10 2017

№ 21-38602

**Dear Mr. Takehiko Nakao,**

I would like to express my gratitude to you personally and, in your person, to the Asian Development Bank for continuous support to social and economic reforms in our country.

The Kyrgyz Republic accords high priority to development of the human capital base, in which the key role is assigned to the education system. The new program of the Government of the Kyrgyz Republic, Jany Doorgo Kyrk Kadam 2018-2023 (Forty Steps Towards Prosperity), also recognizes that the sphere of education remains one of the top development priorities of our country, and the quality of education at all levels, including technical and vocational education and training (TVET), is one of the most reliable indicators of economic growth and, in general, of reaching the Sustainable Development Goals.

There are important tasks before the vocational education system primarily aimed at education and training of specialists in accordance with the needs of the labor market in the Kyrgyz Republic. In the coming years, it is planned to develop and introduce a National Qualifications System that will provide recognition of training, institutional mechanisms, quality, assessment and the processes of acquiring and recognizing professional skills. Our development partners have issued a joint statement indicating mutual agreement with the Government's education reforms.

The above matters, including the professional development of teachers as key figures in education reforms, will remain a high priority also in the next long term national strategy for education of the Ministry of Education and Science of the Kyrgyz Republic.

**Mr. Takehiko Nakao**  
**President**  
**Asian Development Bank**  
**Manila**

I wish to take this opportunity to note the importance of ADB's support of the efforts of the Government of the Kyrgyz Republic received under Vocational Education and Skills Development Project (approved in 2007) and Second Vocational Education and Skills Development Project (approved in 2012) supported by ADB.

In this letter, I would like to apprise you of the next phase of policy reforms in TVET, for which our Government has sought ADB's assistance under the proposed Skilling for Inclusive Growth Sector Development Program. The policy framework reflected in the accompanying policy matrix carries forward crucial reforms assisting the Government to operationalize further its ongoing TVET reform agenda.

The Government of the Kyrgyz Republic agrees to implement the Policy Program as is indicated in the Policy Matrix annexed to this Development Policy Letter.

Attachment 1. Reform Focus of the Skills for Inclusive Growth Sector Development Program.

Attachment 2. Policy Matrix for Skills for Inclusive Growth Sector Development Program.

Yours sincerely

Sapar Isakov



**Attachment 1, Development Policy Letter****REFORM FOCUS OF THE SKILLS FOR INCLUSIVE GROWTH  
SECTOR DEVELOPMENT PROGRAM****1. Strengthened TVET governance and finance**

Improved management and policy-making capacity of the Ministry of Education and Science (MOES) for the governance and financing of technical and vocational education and training (TVET) will increase coherence in skills development strategies and the relevance of skills to the needs of the labor market. The policy for the development of a national qualifications system (NQS) is a key building block. The actions for first tranche targets in this area include inclusion of the development of NQS in the action plan for implementation of the Education Strategy in 2018-2020, and Government decrees that facilitate the establishment and work of inter-ministerial and sector working groups for the development of the NQS concept and plan. By the time of the second tranche, the NQS will be developed in all aspects, including approval of the necessary normative legal acts. In addition, the policy actions for this output area under the second tranche will help consolidate and fully incorporate skills development reform into long term national and sectoral strategies and promote equal opportunities for males and females in skills development. A key part of this is linking TVET policy reform closely with the country's key industries and priority occupations.

To react quickly and flexibly to dynamic labor market needs and to reduce underemployment, a skills development fund (SDF) was established under the current ADB-financed project. The policy actions under the proposed new program will help to institutionalize the SDF and make its financing sustainable. With the support of the new program, comprehensive financial and economic analysis of options for the institutionalization will be prepared and by the time of the second tranche the SDF will be institutionalized and funded from non-ADB sources.

An education management information system (EMIS) will be established at the MOES to support governance, management and evidenced-based and labor market oriented policy making in TVET, and the implementation of a quality assurance system and an integrated monitoring and evaluation mechanism. Action for the first tranche include a Government decree for the development of the EMIS. By the time of the second tranche, EMIS will be implemented nationwide in all in TVET lyceums and TVET colleges, and it will provide sex-disaggregated data.

The policy actions also will help improve the effectiveness of TVET delivery and responsiveness to labor market demands, thus reducing mismatches. TVET institutions will be helped to orient their profiles more towards the priority needs of provincial labor markets in the country. For the first tranche, a rationalization program and action plan for TVET will be approved by the Government. By the time of the second tranche, a methodology for analyzing supply and demand in the regional labor markets, that includes also a gender analysis of occupations, will be developed for TVET in collaboration with industry associations and approved by the Government, and the rationalization plan will be implemented in accordance with the approved Government policy for regional development.

The policy actions will help establish pathways for students in TVET. Improved student transitions, facilitated by pathways, will allow students to progress in their education and professional careers. By the time of the second tranche release, respective changes will be made to the regulatory legal framework to provide educational pathways within the TVET system and from TVET to tertiary education. This will include recognition of prior learning outcomes, which also address occupational gender stereotyping.

**Attachment 1, Development Policy Letter****2. Improved teaching quality and learning environments**

To help improve teaching quality and learning environments policy actions will support the development of a national methodology for competence-based standards and learning outcomes-based curricula in TVET. This will help define the participation and role of social partners for a coherent pedagogic approach starting with occupational profiles, transited into professional requirements, education standards and curricula, and resulting in aligned teaching and learning materials and assessment of learning outcomes against professional requirements. For the first tranche, the Government will issue an order that secondary TVET model of curricula should maintain not less than 45% professional hours in curricula. By the time of the second tranche, State Educational Standards for TVET will be developed and approved by the Government for priority occupations and specialties, which also address occupational gender stereotyping.

In addition, a policy of work-based learning and Centers of Excellence will be approved as the Government recognizes that, besides improved pedagogic teaching in better equipped learning environments, on the job training is important to (i) allow students to acquire skills under real conditions, (ii) showcase their skills, and (iii) form relationships with future employers. In this area, for the first tranche, a methodology for selection of Centers of Excellence will be developed and agreed by the Government. By the time of the second tranche, the concept of work-based learning will be developed taking into account the principles of gender equality. This development will be approved by Decree of the Ministry of Education and Science. The concept of work-based learning will be piloted in Centers of Excellence in priority occupations and specializations. The policy will allow COEs to use at least 10% of the total number of training hours for work-based learning.

Furthermore, the MOES will develop a coherent policy for teacher training in TVET that will ensure that teachers and instructors can update and upgrade their skills regularly, both pedagogically and technically. For the first tranche, a concept note for the enhancement of pre-service and in-service teacher education system for TVET will be developed and approved by the Government. By the time of second tranche, a gender-inclusive teacher development program, that is relevant for TVET requirements, will be developed and approved, and the structure for its financing and the basis for implementing it, including in the regions, will be determined.

**3. Increased cooperation with industry and development of entrepreneurship skills**

This development area is important for the success of a comprehensive TVET reform. To support the development of this area, the policy actions will allow introduction of entrepreneurship education in TVET. An entrepreneurial mindset is important to increase employability of graduates. For the first tranche, the number of credits for entrepreneurship education for inclusion in the secondary TVET State Education Standards for piloting in centers of excellence will be approved by the Board of secondary TVET Directors. By the time of second tranche, gender-inclusive modules for entrepreneurship education will be developed and teachers trained in the use of the modules. The modules will be introduced in COEs for piloting.

Similarly, it will be important to pursue policy actions that allow institutionalization of education partnerships with industry. Industry cooperation needs the involvement of employers from the design stage of this intervention. This allows TVET institutes to run in an industry training fashion as employers' associations are partnering with TVET institutes to equip and orient them according to their needs. For the first tranche, a memorandum of understanding model on partnership with business associations for increasing TVET capacities will be developed. By the time of second tranche, guidelines on partnership between education institutions and industry will be approved by the Government, and they will reflect deeper financial and managerial autonomy

**Attachment 1, Development Policy Letter**

of Centers of Excellence as well as include provisions that open up male-dominated occupations to female TVET graduates. Projects of partnerships of industry and TVET will be developed and implemented. Representatives of the economic sectors will be included in the National Qualifications Council and expert groups for industrial partnership will be established.

Alongside the specific policy actions noted above, the Government of the Kyrgyz Republic is committed to promoting gender equality and equity in all of these reform areas, as part of the sustained efforts to promote inclusive education that responds to the needs of girls, disadvantaged groups, and ethnic minority children. The Gender Action Plan developed for the proposed program is fully consistent with the Government's National Sustainable Development Strategy and other policy directions. Reflecting the Government's strong commitment to gender equality and equity, a high priority will be placed on implementing the plan initiatives during the course of the program.

## POLICY MATRIX

Outputs	Policy Actions Rationale	1 <sup>st</sup> tranche release after grant/loan effectiveness	2 <sup>nd</sup> tranche release by 2021
		Policy Actions accomplished by 2017	Policy Actions accomplished by 2021
<b>Output 1:</b> TVET governance and finance strengthened	<b>1.Skills development forms part of approved country development strategy, economic and labor market policy, and education strategy.</b>	1. The development of NQS included in Action Plan for implementing the Education Strategy 2018–2020.	1.The strategic document on long-term education development, that includes priorities for skills development that promote equal opportunities for males and females, and which are in alignment with the country's socio-economic priorities, developed and approved by MOES. 2.Skills development integrated in the approved long-term development strategy of the country.
	<b>2.Primary and secondary TVET governance improved.</b>	2. By a MOES's order an inter-ministerial working group established, consisting of representatives of stakeholders, to develop NQS.  3. By an order of MOES, a working group of stakeholders established to determine the priorities of PVET and SVET primary and secondary TVET to improve governance.	3.Model for a NQS and concept of National Qualification Council developed and agreed between all key ministries & stakeholders, and normative legal acts on NQS for PVET and SVET developed by MOES and approved by the Government of the Kyrgyz Republic.
	<b>3.Skills development fund institutionalized.</b>		4.Skills development fund has obtained legal status and registration, such that it is eligible and can receive funding from sources other than ADB.
	<b>4.EMIS established to govern and manage PVET and SVET.</b>	4. An order issued by MOES for development of EMIS	5.Sex-disaggregated EMIS in the form of an automated education management system implemented in PVET lyceums and SVET colleges for evidence-based and labor market oriented policy making.



Outputs	Policy Actions Rationale	1 <sup>st</sup> tranche release after grant/loan effectiveness	2 <sup>nd</sup> tranche release by 2021
		Policy Actions accomplished by 2017	Policy Actions accomplished by 2021
	<b>5.Effectiveness of PVET and SVET provision improved.</b>	5. Rationalization and action plan for PVET and SVET approved by MOES's order.	6.Methodology for analyzing supply and demand in the regional labor markets, that includes a gender analysis of occupations, approved by MOES and used by supported COEs. 7. Rationalization plan implemented in accordance with the approved policy for regional development.
	<b>6.Pathways within professional education established.</b>		8. Respective changes to the regulatory legal framework to provide educational pathways from PVET to SVET, and from SVET to professional tertiary education (including recognition of prior learning outcomes, which also address occupational gender stereotyping) made.
<b>Output 2:</b> Teaching quality and learning environments improved	<b>7.National methodology for competency based education standards and learning outcomes based curricula developed.</b>	6.An order instructing that SVET model should maintain not less than 45% professional hours in curricula, issued by MOES.	9.State Educational Standards for PVET and SVET developed and approved by MOES for the priority occupations and specialties which also address occupational gender stereotyping.
	<b>8.Policy of WBL and COEs approved.</b>	7.The methodology for selection of COEs agreed by MOES.	10. The concept of WBL taking into account the principles of gender equality developed, and approved by MOES Decree, and piloted in COEs in priority occupations and specialties. At least 10% of the total number of hours is used for WBL in priority occupations and specialties 11. Per capita financing formula developed for SVET in the context of specialty groups, and approved by MOES and MOF, and tested in pilot COEs.

Outputs	Policy Actions Rationale	1 <sup>st</sup> tranche release after grant/loan effectiveness	2 <sup>nd</sup> tranche release by 2021
		Policy Actions accomplished by 2017	Policy Actions accomplished by 2021
	<b>9. A Teacher Development Program for PVET and SVET developed.</b>	8. Concept note for the enhancement of PRESETT and INSETT teacher training for PVET and SVET, based on the analysis of the national and international experience and systems, developed and approved by MOES.	12. A gender-inclusive Teacher Development Program for PVET and SVET teachers, and plan for implementation across the country, developed and approved by MOES.
<b>Output 3:</b> Cooperation with industry increased and entrepreneurship skills developed	<b>10. Entrepreneurship education introduced in COEs</b>	9. The number of credits for entrepreneurship education for inclusion in the SVET State Education Standards for piloting in COEs approved by Board of SVET Directors.	13. Gender-inclusive entrepreneurship education modules introduced in the curricula of COEs for piloting (not less than 10% of total hours intersubjectively, not less than 5% as stand-alone subjects).
	<b>11. Education partnerships with industry institutionalized</b>	10. MOU model on partnership with business associations for increasing PVET and SVET capacities developed.	14. Guidelines on partnership between education institutions and industry that reflect deeper financial and managerial autonomy of COEs are approved by MOES and necessary regulatory changes are developed to open up male-dominated occupations to female TVET graduates. 15. Projects of partnerships of industry and TVET developed and implemented (minimum 1 partnership per COE, minimum requirement signed MOU). 16. Representatives of the sectors are members in the National Qualification Council, and expert groups for industrial partnership, as part of COE arrangements, established.

ADB = Asian Development Bank, COE = center of excellence, EMIS = education management information system, INSETT = in-service teacher training, MOES = Ministry of Education and Science, MOF = Ministry of Finance, MOU = memorandum of understanding, NQS = national qualifications system, PRESETT = preservice teacher training, PVET = primary vocational education and training, SVET = secondary vocational education and training, TVET = technical and vocational education and training, WBL = work-based learning.