

# Project Administration Manual

Project Number: 50024-002  
Grant Number: GXXXX  
October 2017

Kyrgyz Republic: Skills for Inclusive Growth Sector  
Development Program

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
AVE	–	Agency for Vocational Education
COE	–	center of excellence
DMF	–	design and monitoring framework
EMIS	–	education management information system
MOES	–	Ministry of Education and Science
PAM	–	project administration manual
PVET	–	primary vocational education and training
RRP	–	report and recommendation of the president
SDP	–	sector development program
SVET	–	secondary vocational education and training,
TVET	–	technical and vocational education and training
VET	–	vocational education and training

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Education and Science (MOES) is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by MOES of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At grant negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the grant agreement. Such agreement shall be reflected in the minutes of the grant negotiations. In the event of any discrepancy or contradiction between the PAM and the grant agreement, the provisions of the grant agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.



## I. PROGRAM DESCRIPTION

1. 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 industry cooperation and entrepreneurship.<sup>1</sup>

### A. Rationale

2. **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 of \$1,133 in 2015, and an estimated 32% percent of the population lives below the poverty line. A diagnostic study financed by ADB has identified a shortage of skilled labor as one of the four major binding constraints to inclusive economic growth.<sup>2</sup> The National Sustainable Development Strategy (NSDS) 2013–2017, and the upcoming strategy being prepared by the government of the Kyrgyz Republic (the government), give high importance to skills development as an integral part of economic development.

3. The Kyrgyz Republic's past economic development has led to the concentration of resources in Bishkek and surrounding areas, while other regions see fewer economic growth opportunities. To address regional disparities, the new Regional Policy of the Kyrgyz Republic 2018–2022, promotes region-specific development paths.<sup>3</sup> The policy stresses the importance of effective development and utilization of human resources that meet the economic priorities in the regions, and specifies modernization of professional education and development of applied qualifications as means to achieve it. The national Education Development Strategy (EDS) 2013–2020, acknowledges that the TVET system does not meet the requirements for adequate skills training. The upcoming long term strategy for education, which the Ministry of Education and Science (MOES) is preparing, will address this shortfall and pursue a comprehensive reform and alignment of TVET with key economic priorities in the country and its regions.

4. **Challenges facing skills development.** The government's spending on education as a share of gross domestic product was 5.6% in 2015, is projected to be 5.7% in 2017, and to remain at around 5.3% for 2017–2019.<sup>4</sup> This still is above the Organisation for Economic Co-operation and Development (OECD) average of 5.2%. In the current decade, the average expenditure on education as a percentage of total government expenditure has remained considerably above the OECD average of 11.3%,<sup>5</sup> and is projected to be 18.6% for 2017. In the period 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

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<sup>1</sup> The Asian Development Bank (ADB) provided project preparatory technical assistance: Skilling and Entrepreneurship for Inclusive Growth Sector Development Program (TA 9212-KGZ, \$750,000, approved on 22 October 2016).

<sup>2</sup> ADB. 2014. *The Kyrgyz Republic Strategic Assessment of the Economy*. Manila.

<sup>3</sup> According to the NSDS 2013–2017, key sectors include: agriculture and food processing, energy, transport, ICT, 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>4</sup> Analysis on Education Finance in the Kyrgyz Republic. A study conducted in 2017 by the ADB-financed Strengthening Education System Development Program (Grants 0407 and 0408-KGZ).

<sup>5</sup> Latest available OECD average (2013): 11.3%. OECD. 2016. *Education at a Glance 2016: OECD Indicators*. Latest available average for all countries in the world (2013): 14.1%. World Bank, <http://data.worldbank.org>.

market demand. Thirty-three percent of firms in the country identify an inadequately educated workforce as a major constraint to business development—well above the regional average of 22%.<sup>6</sup> The share of the skilled workforce should increase from its current level of about 20% of the total workforce, and should better reflect the needs of key economic sectors.<sup>7</sup> For instance, while most construction activity is in Chui oblast, there are no TVET programs in the oblast to train construction workers or technicians. Moreover, the low women's labor force participation rate of 53% must be addressed to increase the inclusiveness of economic growth.

5. **Lack of student pathways in TVET.** In the Kyrgyz Republic, lyceums provide primary TVET to develop skilled workers and colleges provide secondary TVET to develop middle level specialists. The requirement for students who wish to enter in primary TVET or secondary TVET is completion of grade 9. There are currently no pathways for students between these two levels so that secondary TVET does not follow on from primary TVET. About one-third of the 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.

6. **Poor quality of teaching and learning.** There are large numbers of skills occupations (434) and specializations (243), but only a fraction of them are taught. The narrow diversity in training programs<sup>8</sup> makes TVET less attractive and skewed gender distribution: students in lyceums are largely male and they are largely female in colleges.<sup>9</sup> While there has been a significant increase in secondary TVET college enrolments,<sup>10</sup> teaching in colleges remains highly theoretical and does not adequately equip youth with the practical skills that are needed in the labor market. Many new teachers have no or insufficient 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.

7. **Limited youth participation and employability.** The findings of a recent country-wide study<sup>11</sup> are revealing: (i) very low rates of TVET participation (only 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 (so-called NEET youth), while 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 become NEET youth without any skills training. In addition to enrollment challenges, the quality and relevance of TVET also need attention. Skills standards and accreditation mechanisms are absent. The skills profile of TVET graduates does not correspond to regional economic priorities – on average the skills profile of graduates differs from the regional labor force profile by 75%.

8. **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

<sup>6</sup> World Bank. 2014. *The Skills Road: Skills for Employability in the Kyrgyz Republic*. Washington, DC.

<sup>7</sup> ADB. Forthcoming. *Good Jobs for Inclusive Growth – Background Paper on Employment and Labor Market Policy in the Kyrgyz Republic*. Manila.

<sup>8</sup> For each 100,000 of youth aged 15–24 only 16 programs are offered in TVET lyceums and 26 programs in TVET colleges, i.e. overall 42 programs.

<sup>9</sup> 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.

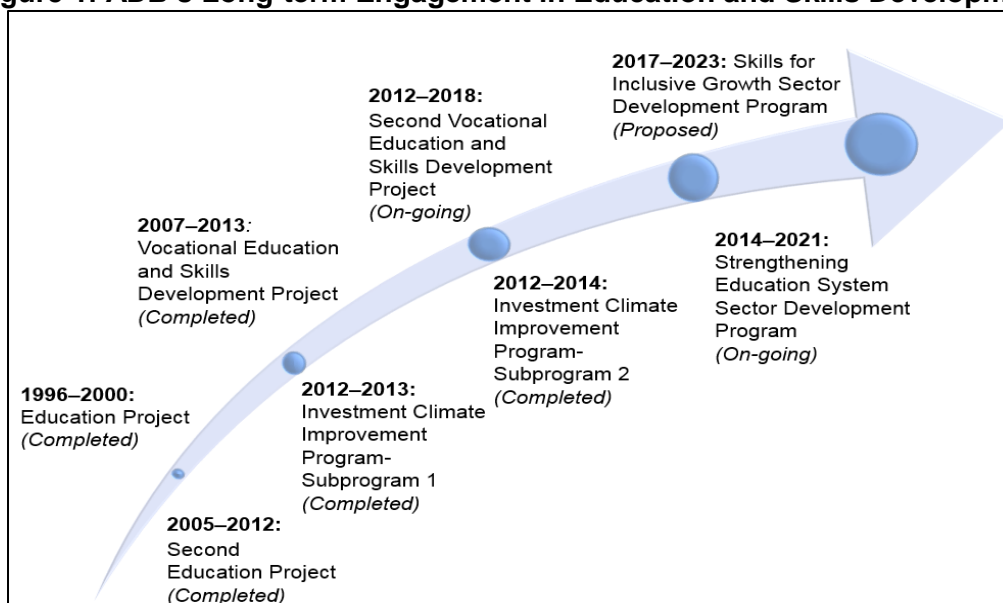
<sup>10</sup> In the last 15 years, the number of secondary TVET colleges doubled while enrolments more than tripled.

<sup>11</sup> Technical and Vocational Education and Training - System Rationalization: Strategies and Implementation Plans. A Study conducted by the Second Vocational Education and Skills Development Project (Grant 0307/Loan 2902-KGZ).



will end in 2018.<sup>12</sup> ADB has also provided support to skills training through a component in Investment Climate Improvement Program of the Ministry of Economy.

**Figure 1: ADB's Long-term Engagement in Education and Skills Development**



Source: Asian Development Bank

9. The two TVET projects have supported mostly primary TVET and covered about 75% of all 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 which helps the private sector to purchase skills training. While this assistance has improved the performance of primary TVET, it has not been possible with the conventional project modality to generate the comprehensive reform, and particularly the enabling policy environment, required for the TVET to meet the country's evolving labor market needs.<sup>13</sup>

10. **Sector development program approach.** The proposed new program will help the government to take key reform steps toward a more coherent TVET policy and system that is necessary for improving the quality, relevance and efficiency of skills development corresponding with national and regional economic priorities in the country. A sector development program modality is proposed to help (i) MOES develop an enabling policy environment for the comprehensive TVET reform, (ii) finance the cost of reforms, and (iii) implement the reforms. The proposed program will build on the 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>12</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors: proposed Grant to the Kyrgyz Republic for the Vocational Education and Skills Development Project*. Manila; and ADB. 2012. *Report and Recommendation of the President to the Board of Directors: proposed Loan and Grant to the Kyrgyz Republic for the Second Vocational Education and Skills Development Project*. Manila.

<sup>13</sup> More information on lessons learned is in sector assessment (accessible from the list of linked documents in Appendix 2).

11. ADB also will support the restructuring of the TVET system, including the potential merger of primary and secondary TVET into a system that is better able to respond effectively to labor market priorities and provide effective skill 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 to adopt entrepreneurial activities that can increase institutional revenues. The program design also takes on board lessons learned from earlier projects, including recognizing the need for enabling policy reform as discussed above, and reducing implementation delays mainly caused by having large numbers of small contracts. The program is integral of ADB's Country Partnership Strategy 2013–2017 for the Kyrgyz Republic, which is, and the new strategy under preparation will be, closely aligned with national priorities, including the increasing emphasis on skills development.

12. **Development coordination.** Development partner coordination in education in the Kyrgyz Republic is well established and recognized as one of the most effective. Development partners formulate and promote joint positions on a range of issues. ADB and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are the key development partners in the TVET sector, with GIZ mainly focuses 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 the MOES to improve donor coordination.<sup>14</sup>

## **B. Impact and Outcome**

13. The impact of the program is aligned with government's strategies to achieve inclusive growth through improved workforce skills and productivity in the country's key economic sectors. The outcome of the program will be a market-responsive, entrepreneurial, and inclusive TVET system established.

## **C. Outputs**

14. 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. 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.

15. **Output 1: TVET governance and finance strengthened.** Policy actions under this output will enable the government to align skills development reform with the NSDS 2013–2017, economic and labor market policy, key industries and priority occupations, including the development of a national qualifications framework as part of the upcoming national long term education sector strategy. Policy actions also will help improve TVET governance, boost up the number of trainees under the fund from 600 to 5,000, institutionalize the skills development fund, and allow the implementation of TVET rationalization plan. In addition, policy actions will support

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<sup>14</sup> The support provided to TVET by other development partners has involved technical assistance and has been smaller in scope and scale in comparison to ADB support. These partners include Deutsche Gesellschaft für Internationale Zusammenarbeit, International Labour Organisation, United Nations Development Program, and European Training Foundation. More information on external assistance is provided in the development coordination linked document (accessible from the list of linked documents in Appendix 2).

the development of an integrated EMIS that will promote (i) efficient sector governance, management, quality assurance, and monitoring; (ii) improved effectiveness of TVET by linking with supply and demand models relevant to regional labor markets in the country; and (iii) establishment of coherent pathways and improved transitions for students' progression in TVET and the labor market.

16. 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 above development areas. The activities also will include studies to help guide the alignment of skills development to regional labor market needs, pilots of 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 graduate employment outcomes.

17. **Output 2: Teaching quality and learning environments improved.** Policy actions under this output 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 will help students benefit from on-the-job training. The policy on CEOs 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 the pedagogical and technical needs of TVET.

18. Program activities will support the establishment of up to five COEs and provide capacity development to help them offer training of a total of 4,000 students in occupations that reflect regional labor market priorities. Implementation of consultative and technical workshops will help the respective business associations to specify the requirements for skills training at the COEs, and plan arrangements for students for work-based learning in companies. Technical support will be provided for reform of TVET standards and curricula, materials for teachers, and for the preparation of a training program for new and existing TVET teachers. A total of 1,000 primary TVET and 2,000 secondary TVET teachers will be trained under new training program. Activities also will include workshops, and study tours for expert groups and industry working groups.

19. **Output 3: Cooperation with industry increased and entrepreneurship skills developed.** Policy actions under this output will enable (i) the introduction of entrepreneurship education in secondary TVET and piloting of it in COEs; and (ii) promotion of partnerships between TVET and industry. The program will provide technical support to develop entrepreneurship education in TVET, train teachers and prepare materials. Technical support and guidance will be provided to COEs for the planning and implementation of partnerships with industry. Details of the policy actions are provided in the development policy letter (Appendix 3) and policy matrix (Appendix 4) of the RRP.

## II. IMPLEMENTATION PLANS

20. Implementation plans have been prepared and agreed to cover (i) project readiness activities and (ii) overall implementation plan. The overall plan will be adjusted at the time of grant effectiveness, then reviewed and updated on annual basis during the program implementation period. These plans are set out below.

## A. Project Readiness Activities

**Table 1: Program Readiness Activities**

Indicative Activity	2017						2018					Responsibility
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
Advance Actions												MOES/TRTA/ADB
Retroactive Financing												
Establish Program Implementation Arrangements												MOES/ADB
Board Approval												ADB
Grant Signing												ADB/MOES
Government Legal Opinion												MOJ/MOES
Government budget inclusion												MOF
Grant Effectiveness												ADB

Asian Development Bank=ADB, MOF=Ministry of Finance, MOJ=Ministry of Justice, MOES=Ministry of Education and Science, TRTA=transaction technical assistance.

Source: Asian Development Bank Estimates.

**Table 2: Advance Actions**

No.	Proposed Advance Actions	Timeline (Estimated Dates)	Responsible Parties
<b>Recruitment of Consultants</b>			
1	Development of draft TORs for the grant consultants - Grant implementation consultants through a consulting firm	August 2017 (done)	ADB/TRTA consultants
2	<b>Consulting firm for project implementation (QCBS)</b> (The entire process takes about 7-9 months until contract signing.) - Prepare draft Request for Proposals (RFP) - Place advertisement for Expression of Interests (EOI) on CMS - Evaluate submitted EOIs - Invite shortlisted firm to submit proposals - Submission of proposals - Evaluation of proposals - Selection of consulting firm - Contract negotiation and contract Award - Commencement of services	August 2017 (done)  October 2017  November 2017 November 2017  December 2017 January 2018 January 2018 February 2018  February 2018	MOES/Start-up international consultant
<b>Establishment of Project Implementation Unit</b>			
3	Recruitment of PIU staff - Advertise for EOIs - Selection and contract award	Q4 2017 Q4 2017	MOES/Start up consultant
4	Procurement of PIU office equipment, vehicle, furniture	Q4 2017	MOES





[illegible]













Output / Activity	2017				2018				2019				2020				2021				2022				2023			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
3.5.4 Gender and social inclusion incorporated in blended teaching arrangements for IT																												
3.5.5 Gender and social inclusion incorporated in entrepreneurship curricula and courses																												
3.5.6 Gender and social inclusion introduced for all project policies and activities																												
3.5.7 Gender and social inclusion incorporated in PRESETT and INSETT																												

<sup>a</sup> Annex 6: Centers of Excellence: Concept Note and Selection Methodology.

COE = center of excellence, EMIS = education management information system, ES-EDU = entrepreneurship education, INSETT = in-service teacher training, MOES = Ministry of Education and Science, NQF = national qualifications framework, NQS = national qualifications system, PIU = project implementation unit, PRESETT = preservice teacher training, PVET = primary vocational education and training, SDF = skills development fund, SVET = secondary vocational education and training, TTQF = , TVET = technical and vocational education and training, VET = vocational education and training, WBL = work-based learning.

### III. PROGRAM MANAGEMENT ARRANGEMENTS

#### A. Program Implementation Organizations: Roles and Responsibilities

**Table 3: Roles and Responsibilities**

Program Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> <li>• <b>Program Steering Committee (PSC)</b></li> </ul>	<p>Inter-ministerial Program Steering Committee (PSC) will be established, which will comprise representatives of Ministry of Education and Science (MOES), Ministry of Finance, Ministry of Economy, Ministry of Labor and Social Protection, and representatives of other relevant bodies and organizations. Deputy Prime Minister for Economy and Investments is the Chair of the committee. PSC will be responsible for: (i) guidance in policy development and overall program implementation; (ii) guidance in identification of investment activities based on prioritized targets; (iii) ensure coordination with relevant government agencies and stakeholders; and (iv) monitor the program achievement of outcomes.</p>
<ul style="list-style-type: none"> <li>• <b>Executing Agency (EA)</b></li> </ul>	<p>Ministry of Education and Science (MOES) will be the executing agency of the program and responsible for overall management and coordination of the program including: (i) setting up the Program Implementation Unit (PIU); (ii) oversight supervision and monitoring of all program activities; and (iii) coordination and liaison with Asian Development Bank (ADB) and other stakeholders.</p>
<ul style="list-style-type: none"> <li>• <b>Program Implementation Unit (PIU)</b></li> </ul>	<p>A PIU will be established will be responsible for day to day implementation of the program including:</p> <ul style="list-style-type: none"> <li>• preparation of master plan, detailed annual project and program implementation plans, annual disbursement and procurement plans, annual financial and accounting plans and schedules;</li> <li>• procurement of goods and services for all project components;</li> <li>• recruitment of consulting services including program implementation consulting firm;</li> <li>• establishment and management of the imprest account;</li> <li>• preparation of withdrawal applications and replenishment of the imprest account;</li> <li>• management and disbursement of counterpart funds;</li> <li>• management and organization of the program office and human resources;</li> <li>• coordination and liaison with ADB, other relevant government agencies and implementation partners and stakeholders;</li> <li>• establishment and implementation of the project performance management system (PPMS) and monitoring, evaluation and reporting on program implementation progress;</li> <li>• organization of surveys for collection of baseline data, mid-term data, end of period information;</li> <li>• preparation of quarterly and annual progress reports, mid-term report and program completion report;</li> <li>• recruitment of firm for annual audit of program accounts;</li> <li>• preparation of annual forecast of contract awards and disbursements;</li> <li>• organization and management of training programs, including workshops; and</li> </ul>

	<ul style="list-style-type: none"> <li>insurance that the program is implemented in conformity with relevant ADB and government procedures and regulations, and good governance.</li> </ul>
<b>ADB</b>	<p>ADB will be responsible for:</p> <ul style="list-style-type: none"> <li>provision of funds for a project based lending and a project grant from Asian Development Fund resources;</li> <li>oversee implementation of the program;</li> <li>ensure compliance with grant agreement and the project administration manual;</li> <li>monitor implementation arrangements, disbursement, procurement, consultant selection, and reporting;</li> <li>monitor schedules of activities, including funds flow;</li> <li>review compliance with agreed procurement procedures;</li> <li>review compliance with grant covenants;</li> <li>ensure effectiveness of the program to achieve its expected outputs and outcomes, safeguards, and anti-corruption measures;</li> <li>approve procurement activities and withdrawal applications;</li> <li>disburse funds for allowable expenditures;</li> <li>analyze the outcome of the capacity building and training programs;</li> <li>monitor conformity with ADB anti-corruption policies;</li> <li>undertake an inception mission and periodic review missions; and</li> <li>undertake a joint mid-term review and program completion review mission with the government.</li> </ul>

Source: Asian Development Bank.

## B. Key Persons Involved in Implementation

<b>Executing Agency</b>		
Agency Name	Officer's Name Position Telephone Office address	Minister Gulmira Kudaiberdieva Minister of Education and Science (996) 312 662442 257 Tynystanova St. Bishkek, Kyrgyz Republic
<b>Asian Development Bank</b>		
Social Sector	Staff Name Position Telephone No. Email address	Rie Hiraoka Director +632 632 4458 <a href="mailto:rhiraoka@adb.org">rhiraoka@adb.org</a>
Mission Leader	Staff Name Position Telephone No. Email address	Jouko Sarvi Lead Education Specialist +632 632 5009 <a href="mailto:jsarvi@adb.org">jsarvi@adb.org</a>

### **C. Project Organization Structure**

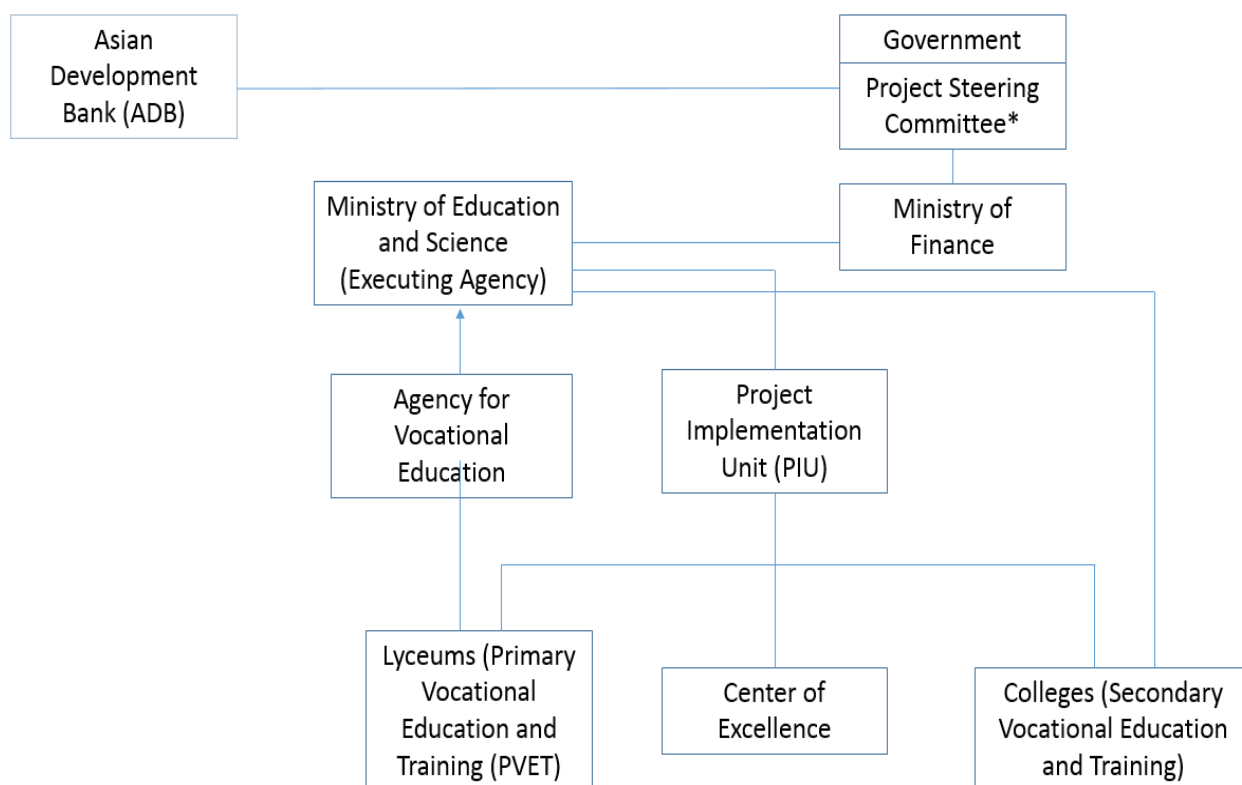
21. MOES will be the executing agency (EA) for the proposed program and will have the overall responsibility for program coordination and implementation. The government will establish a program steering committee (PSC) to: (i) provide guidance in policy development and program implementation; (ii) provide guidance in identification of proposed investment activities based on prioritized targets; (iii) ensure coordination with relevant government agencies and stakeholders; (iv) monitor the program achievement of outcomes; and (v) review and approve plans, project activities, budgets and reports on program implementation. The PSC will meet twice a year or as needed and will be chaired by Deputy Prime Minister for Economy and Investment. The PSC may include representatives from the MOES, Ministry of Finance (MOF), Ministry of Economy, Ministry of Labor and Social Development, and others, as may be required. MOF will be responsible for management and monitoring of funds under the policy-based grant..

22. MOES will establish a PIU to oversee the day-to-day implementation of the program. The PIU will assist the PSC and MOES in the management and implementation of the project grant, assist in monitoring policy development, and assess the achievement of development objectives in primary and secondary TVET. It will also be responsible for the recruitment of consultants and procurement of all goods and services related to the program, establishment and operation of a project performance monitoring system (PPMS), planning and budgeting of all program activities, and opening and managing the imprest account for the project grant. The PIU will consist of a full-time director, a deputy director, and a financial assistant cum chief accountant. Specialists for administration, finance, monitoring and evaluation (M&E), procurement, instructional materials, and staff development will assist the PIU Director. The PIU will also include administrative staff consisting of secretaries, translators, finance officer, and other support staff. Activities related to teacher training and other sub-outputs will be supported by MOES and other relevant government agencies. Exact titles of PIU positions, their number, and their terms of references will continue to be reviewed as may be needed prior to the recruitment of PIU staff.

23. The PIU will be responsible for overall management of program activities, including: (i) development of a master plan, detailed annual program and project implementation plans, and annual disbursement and procurement plans; (ii) procurement and contract management for all goods and services contracts and consulting services, in accordance with government and ADB requirements and procedures; (iii) establishment and management of an imprest account and preparation of withdrawal applications and refurbishment of imprest account as well as management and disbursement of counterpart funds in accordance with the law and ADB regulations; (iv) management and organization of program office and human resources; (v) coordination and liaison with ADB, other relevant government agencies, and implementation partners and stakeholders; (vi) establishment and implementation of a PPMS, M&E, and reporting on program implementation progress; (vii) organization of surveys for collection of baseline data, mid-term data, end of project information; (viii) preparation of quarterly and annual program progress reports, mid-term report, and program completion report (PCR); (ix) recruitment of audit firm and ensuring annual audit of program accounts in conformity with ADB and government requirements; (x) organization and management of training programs, including workshops; and (xi) ensuring that the program is implemented in conformity with relevant ADB and government procedures and regulations and good governance.



**Figure 1. Overall Organization Structure of the Program**



\*Deputy Prime Minister for Economy and Investments is the Chair of the committee.

#### IV. COSTS AND FINANCING

24. **Overall program investment plan.** The Skills for Inclusive Growth Sector Development Program consists of activities designed to support and deliver key policy reforms to strengthen technical vocational education and training in Kyrgyz Republic. The program is comprised of two grants, a policy-based grant of \$12 million and a project grant of \$18 million, both to be obtained from ADB's Asian Development Fund (ADF), and a government counterpart fund of \$3.6 million to be sourced from the government's national budget. The overall program financing plan is presented in Table 4.

**Table 4: Overall program investment plan**

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

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

Source: Asian Development Bank estimates.

25. The proposed financing plan for the ADB project grant of \$18 million and the government's counterpart fund of \$3.6 million is summarized in Table 5.

**Table 5: Project Investment Plan (\$ million)**

<b>Item</b>	<b>Total Cost<sup>b</sup></b>
<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>Sub-total (A)</b>	<b>19.96</b>
<b>B. Contingencies<sup>d</sup></b>	
1. Physical	0.84
2. Price	0.80
<b>Sub-total (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 project grant are provided in Project Administration Manual.

<sup>b</sup> Taxes and duties and in kind contribution (see footnote a of Table 4) to be financed by the government.

<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 fluctuation estimated for Kyrgyz Republic. Price contingencies on local currency are calculated at 5.0% in 2018 and 4.0% for each year from 2019-2021.

Source: Asian Development Bank estimates.

## A. Cost Estimates Preparation and Revisions

26. Cost estimates for the project component were prepared by ADB staff and the PPTA team, in close dialogue with MOE counterparts. In the early phases of implementation cost review will be conducted by the PIU and project implementation consulting firm.

## B. Key Assumptions

27. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: KGS 66.66 = \$ 1.00 (June 2017)
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

**Table 6: Escalation Rates for Price Contingency Calculation**

Item	2018	2019	2020	2021	2022	Average
Foreign rate of price inflation	2.5%	2.5%	2.3%	2.3%	2.3%	2.4%
Domestic rate of price inflation	5.0%	4.0%	4.0%	4.0%	4.0%	4.2%

Sources: Asian Development Bank and IMF estimates.

## C. Detailed Cost Estimates by Expenditure Category

**Table 7: Detailed Costs by Expenditure Category – Overall Project**

Item	Total Cost	Percent of total	Percent of base
<b>A. Investment Cost<sup>a</sup></b>			
1. Training			
1.1 Training and Seminars	2.50	11.6%	12.5%
1.2 Skills Development Fund	0.50	2.3%	2.5%
1.3 Teaching Materials	0.90	4.2%	4.5%
1.4 Study tours	0.40	1.9%	2.0%
1.5 Awareness and Communications Campaign	0.30	1.4%	1.5%
2. Civil works	3.42	15.8%	17.1%
3. Furniture	0.77	3.6%	3.9%
4. Equipment	4.05	18.8%	20.3%
5. Consulting Services	2.57	11.9%	12.9%
6. Operational and Management Cost	0.95	4.4%	4.8%
7. In-kind contribution	0.54	2.5%	2.7%
8. Taxes and duties	3.06	14.2%	15.3%
<b>Sub-total (A)</b>	<b>19.96</b>	<b>92.4%</b>	<b>100.0%</b>
<b>B. Contingencies</b>			
9. Physical	0.84	3.9%	4.2%
10. Price	0.80	3.7%	4.0%
<b>Sub-total (B)</b>	<b>1.64</b>	<b>7.6%</b>	<b>8.2%</b>
<b>Total Project Cost (A+B)</b>	<b>21.60</b>	<b>100.0%</b>	<b>108.2%</b>

<sup>a</sup> The costs include the cost of the audit of project financial statements.

Note: Totals may not add up due to rounding errors.

Source: ADB estimates.

**D. Allocation and Withdrawal of Grant Proceeds****Table 8: Allocation and Withdrawal of Grant Proceeds**

<b>Item</b>	<b>Total amount allocated for ADB Financing<sup>a</sup> (\$ '000s)</b>	<b>Basis for withdrawal from the Grant Account</b>
1. Project Related Expenses (Works, Goods, Consulting Services, Training, and Operational and Management Costs)	16.36	100% of total expenditure claimed <sup>a</sup>
2. Unallocated	1.64	
<b>Total</b>	<b>18.00</b>	

<sup>a</sup> Exclusive of taxes and duties imposed within the territory of the Recipient.

Source: Asian Development Bank estimates.

## E. Detailed Cost Estimates by Financier

**Table 9: Detailed Cost Estimates by Financiers (\$ million)**

	ADB project grant		Government counterpart funds		Total cost	
	Amount	% Cost category	Amount	% Cost category	Amount	Taxes and Duties
<b>A Investment Cost<sup>a</sup></b>						
1. Training						
1.1 Training and Seminars	2.50	78.6%	0.68	21.4%	3.18	0.68
1.2 Skills Development Fund	0.50	78.1%	0.14	21.9%	0.64	0.14
1.3 Teaching Materials	0.90	86.5%	0.14	13.5%	1.04	0.14
1.4 Study tours	0.40	100.0%	0.00	0.0%	0.40	0.00
1.5 Awareness and Communications Campaign	0.30	93.8%	0.02	6.3%	0.32	0.02
2. Civil works	3.42	87.0%	0.51	13.0%	3.93	0.51
3. Furniture	0.77	86.5%	0.12	13.5%	0.89	0.12
4. Equipment	4.05	86.9%	0.61	13.1%	4.66	0.61
5. Consulting Services	2.57	83.4%	0.51	16.6%	3.08	0.51
6. Operational and Management Cost	0.95	74.2%	0.33	25.8%	1.28	0.33
7. In-kind contribution	0.00	0.0%	0.54	100.0%	0.54	0.00
<b>Sub-total (A)</b>	<b>16.36</b>	<b>82.0%</b>	<b>3.60</b>	<b>18.0%</b>	<b>19.96</b>	<b>3.06</b>
<b>B. Contingencies</b>						
1. Physical	0.84	100.0%	0.00	0.0%	0.84	0
2. Price	0.80	100.0%	0.00	0.0%	0.80	0
<b>Sub-total (B)</b>	<b>1.64</b>	<b>100.0%</b>	<b>0.00</b>	<b>0.0%</b>	<b>1.64</b>	<b>0</b>
<b>Total Project Cost (A+B)</b>	<b>18.00</b>	<b>83.3%</b>	<b>3.60</b>	<b>16.7%</b>	<b>21.60</b>	<b>3.06</b>

ADB = Asian Development Bank.

Note: Totals may not add up due to rounding errors.

Source: Asian Development Bank estimates.

## F. Detailed Cost Estimates by Output

**Table 10: Detailed Cost Estimates by Output (\$ million)**

Item	Total Costs	Output 1		Output 2		Output 3	
		Amount	% Cost category	Amount	% Cost category	Amount	% Cost category
<b>A. Investment Cost</b>							
1. Training							
1.1 Training and Seminars	2.50	0.25	10%	1.75	70%	0.50	20%
1.2 Skills Development Fund	0.50	0.05	10%	0.35	70%	0.10	20%
1.3 Teaching Materials	0.90	0.09	10%	0.63	70%	0.18	20%
1.4 Study tours	0.40	0.08	20%	0.20	50%	0.12	30%
1.5 Awareness and Communications Campaign	0.30	0.06	20%	0.15	50%	0.09	30%
2. Civil works	3.42	0.00	0%	2.57	75%	0.86	25%
3. Furniture	0.77	0.00	0%	0.58	75%	0.19	25%
4. Equipment	4.05	0.00	0%	2.43	60%	1.62	40%
5. Consulting Services	2.57	0.77	30%	1.03	40%	0.77	30%
6. Operational and Management Cost	0.95	0.29	31%	0.38	40%	0.29	31%
7. In-kind contribution	0.54	0.11	20%	0.27	50%	0.16	30%
8. Taxes and duties	3.06	0.15	5%	2.30	75%	0.61	20%
<b>Sub-total (A)</b>	<b>19.96</b>	<b>1.85</b>	<b>9%</b>	<b>12.64</b>	<b>63%</b>	<b>5.49</b>	<b>28%</b>
<b>B. Contingencies</b>							
1. Physical	0.84	0.00	0%	0.68	81%	0.16	19%
2. Price	0.80	0.04	5%	0.59	74%	0.17	21%
<b>Sub-total (B)</b>	<b>1.64</b>	<b>0.04</b>	<b>2%</b>	<b>1.27</b>	<b>77%</b>	<b>0.33</b>	<b>20%</b>
<b>Total Project Cost (A+B)</b>	<b>21.60</b>	<b>1.89</b>	<b>9%</b>	<b>13.91</b>	<b>64%</b>	<b>5.82</b>	<b>27%</b>

<sup>a</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 under a purchasing power parity model. Price contingencies on local currency are calculated at 5% in 2018, 4% in 2019, 4.0% in 2020, 4.0% in 2021, and 4.0% thereafter.

Note: Totals may not add up due to rounding errors.

Source: Asian Development Bank estimates.

## G. Detailed Cost Estimates by Year

**Table 11: Detailed Cost Estimates by Year (\$ million)**

Item	Total Cost	2018	2019	2020	2021	2022
<b>A. Investment Cost</b>						
1. Training						
1.1 Training and Seminars	2.50	0.14	0.76	0.85	0.41	0.34
1.2 Skills Development Fund	0.50	0.19	0.24	0.07	0.00	0.00
1.3 Teaching Materials	0.90	0.02	0.16	0.55	0.08	0.09
1.4 Study tours	0.40	0.08	0.10	0.10	0.07	0.05
1.5 Awareness and Communications Campaign	0.30	0.06	0.09	0.08	0.03	0.04
2. Civil works	3.42	0.12	1.18	1.32	0.22	0.57
3. Furniture	0.77	0.00	0.20	0.50	0.07	0.00
4. Equipment	4.05	0.00	0.55	2.23	1.11	0.16
5. Consulting Services	2.57	0.58	0.60	0.70	0.38	0.31
6. Operational and Management Cost	0.95	0.11	0.21	0.21	0.21	0.21
7. In-kind contribution	0.54	0.11	0.11	0.11	0.11	0.11
8. Taxes and duties	3.06	0.20	0.69	1.62	0.30	0.25
<b>Sub-total (A)</b>	<b>19.96</b>	<b>1.61</b>	<b>4.89</b>	<b>8.34</b>	<b>2.99</b>	<b>2.13</b>
<b>B. Contingencies</b>						
1. Physical	0.84	0.09	0.25	0.23	0.16	0.11
2. Price	0.80	0.04	0.2	0.2	0.2	0.13
<b>Sub-total (B)</b>	<b>1.64</b>	<b>0.13</b>	<b>0.47</b>	<b>0.46</b>	<b>0.34</b>	<b>0.24</b>
<b>Total Project Cost (A+B)</b>	<b>21.60</b>	<b>1.74</b>	<b>5.36</b>	<b>8.80</b>	<b>3.33</b>	<b>2.37</b>
<b>% Total costs</b>	<b>100.00%</b>	<b>8.06%</b>	<b>24.81%</b>	<b>40.74%</b>	<b>15.42%</b>	<b>10.97%</b>

## H. Contract and Disbursement S-Curve

28. Table 12 and Figure 2 show the quarterly contract awards and disbursement projections over the life of the project. The S-curve is only for ADB financing, which will be recorded in ADB's systems and reported through e-Ops. Counterpart funds are excluded. The projection for contract awards should include contingencies and unallocated amounts, but excludes front-end fees, service charges, and interest during construction.

**Table 12: Contract Award and Disbursement Projections**

<b>Contract Awards</b> (\$ million)					
<b>Year</b>	<b>QTR 1</b>	<b>QTR 2</b>	<b>QTR 3</b>	<b>QTR 4</b>	<b>Total</b>
2018	0.00	0.00	1.07	0.54	1.61
2019	0.36	0.95	1.67	0.91	3.89
2020	1.08	1.54	1.80	2.11	6.53
2021	0.56	1.05	1.94	0.29	3.84
2022	0.42	1.06	0.34	0.31	2.13
2023	0.00	0.00	0.00	0.00	0.00
<b>Total</b>					<b>18.00</b>

Source: Asian Development Bank estimates.

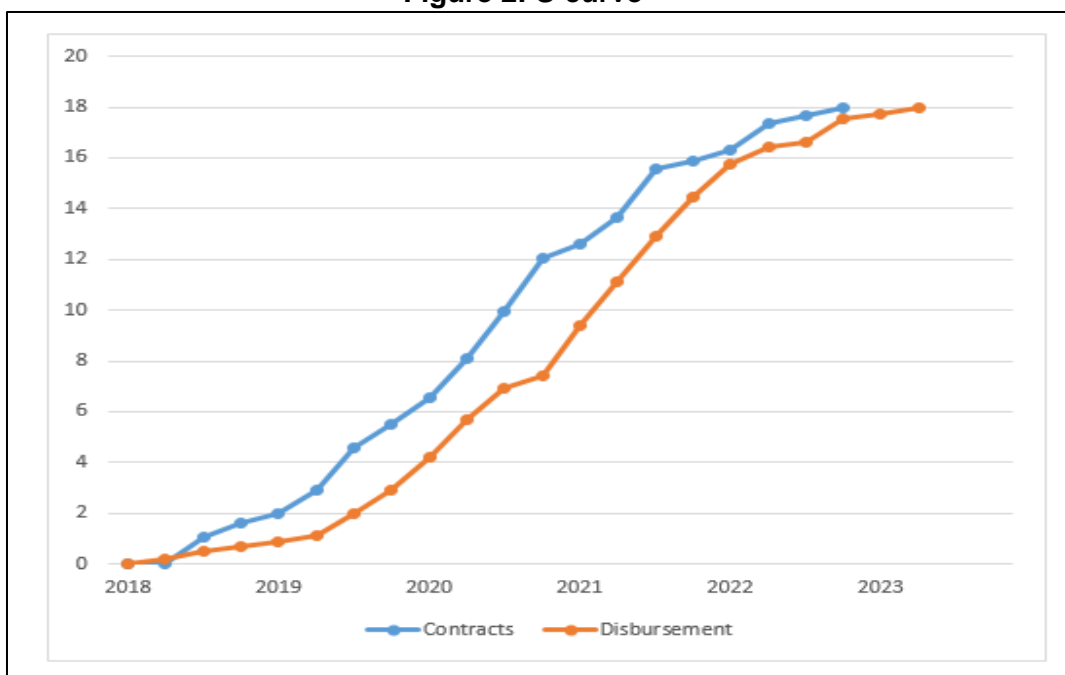
<b>Disbursements</b> (\$ million)					
<b>Year</b>	<b>QTR 1</b>	<b>QTR 2</b>	<b>QTR 3</b>	<b>QTR 4</b>	<b>Total</b>
2018	0.00	4.20 <sup>a</sup>	0.30	0.19	4.69
2019	0.18	0.23	0.91	0.89	2.21
2020	1.32	1.49	1.19	0.50	4.50
2021	2.01	1.72	1.77	9.55 <sup>b</sup>	15.05
2022	1.33	0.62	0.21	0.90	3.06
2023	0.24	0.25	0.00	0.00	0.49
<b>Total</b>					<b>30.00</b>

<sup>a</sup> Budget support of \$4 million (Tranche 1) under policy-based grant included.

<sup>b</sup> Budget support of \$8 million (Tranche 2) under policy-based grant included.

Source: Asian Development Bank estimates.

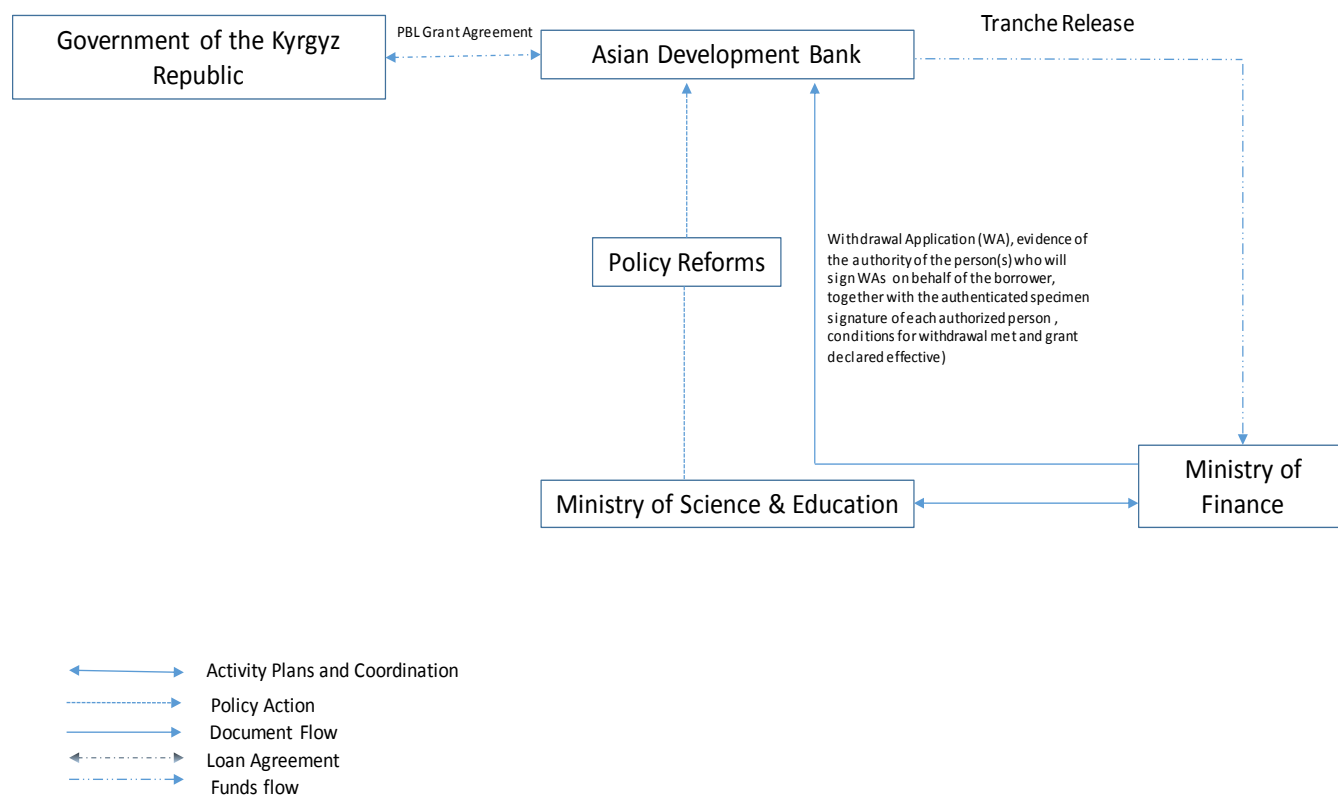


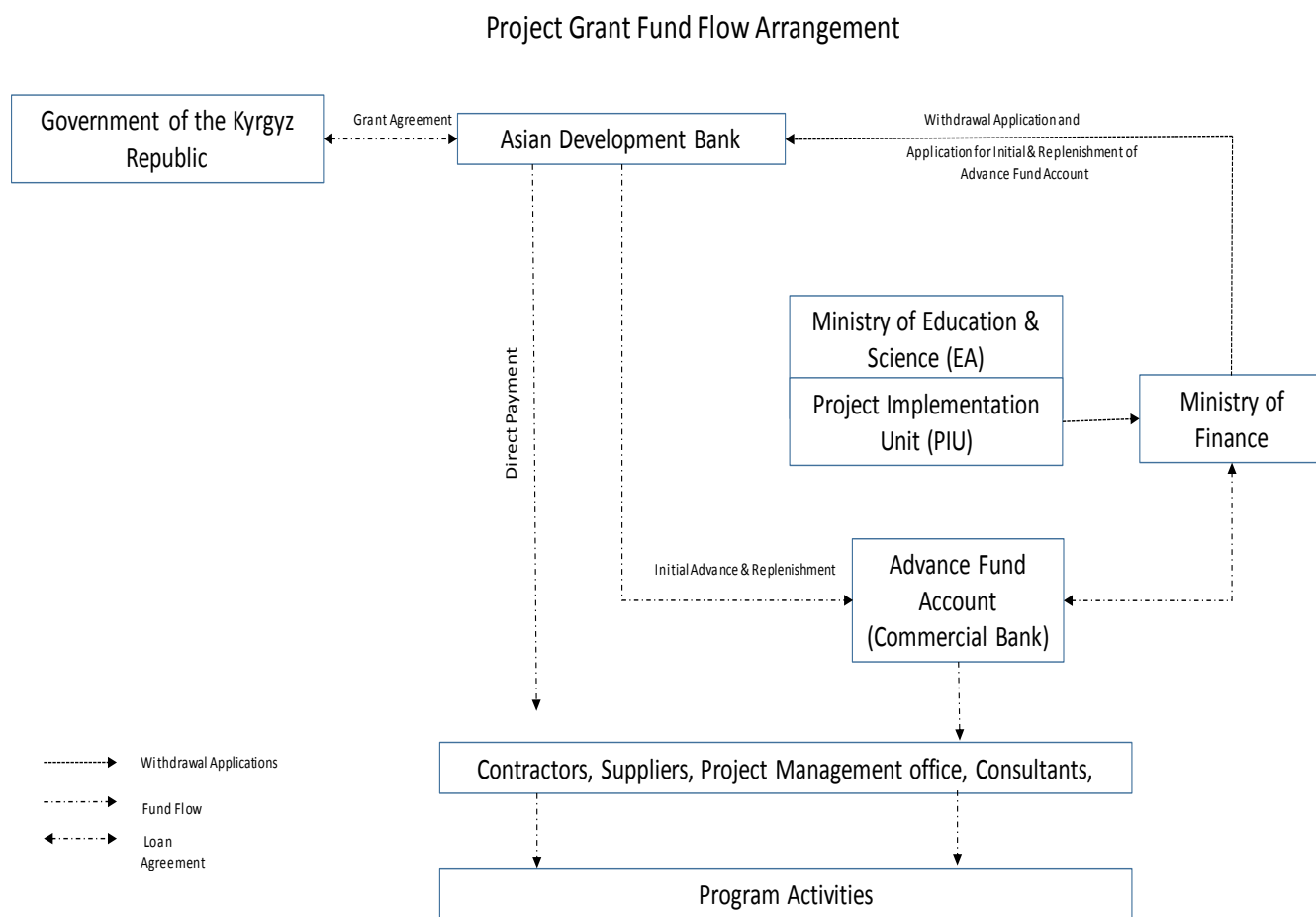
**Figure 2: S-curve<sup>a</sup>**

<sup>a</sup> Budget support of \$12 million not included.

## I. Fund Flow Diagrams

**Figure 3: Policy-based Grant Fund Flow Arrangement**



**Figure 4: Project Grant Fund Flow Arrangement**

## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

29. To assess financial management capacity and fiduciary risks at country level, the development partners for the Kyrgyz Republic have conducted several studies. One of very comprehensive analysis was done in 2015 by the World Bank-funded technical assistant program, which is the Public Expenditure and Financial Accountability Assessment (PEFA) Report for Kyrgyz Republic<sup>15</sup> This PEFA assessment shows a considerable improvement of the financial management system as compared with 2009. The assessment judged the country governance risk as relatively substantial. Specific assessment ratings for the financial management include: (i) Effectiveness of the control of non-salaries (C+); (ii) Effectiveness of internal audits (C); (iii) Quality and timeliness of annual financial reports (C+); (iv) Effectiveness of internal audits (C+); (v) Effectiveness of external audits (C); (vi) Legislative scrutiny of the audit reports (C+); and (vii) the controls of payroll (D+).

30. According to the report, the financial management areas which are lagging behind in improvements and are having a high or substantial risk indication, are: (i) control of the payrolls, effectiveness of the non-salary controls, effectiveness of the internal audits, the quality and timeliness of annual financial statements, effectiveness of external audit, and legislative scrutiny of the audit reports; (ii) internal financial controls still require substantial further strengthening; (iii) apart from "protected" expenditure, such as salaries, debt interest, transfers to the Social Fund and social benefits, the program administration units still have no assurance of the availability of cash for other expenditures beyond the horizon of the monthly allocations from the Ministry of Finance; (iv) financial reports cover revenue and expenditure on a cash basis; expenditure is covered only at the payment stage, with no information about commitments; and (v) financial reports are in a form promulgated by the Ministry of Finance and are consistent from one year to the next, but do not conform to International Public-Sector Accounting Standards (IPSAS).

31. The program specific FMA was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and Financial Due Diligence for the MOES, the executing agency (EA) for the program. Project Implementing Unit (PIU) staff will be further recruited and is not appointed yet. However, it is agreed that MOES will set out a very similar implementation organizational arrangement as in the ongoing ADB-funded "Second Vocational Education and Skills Development Project (SVESDP)". In this regard, the FMA was conducted for MOES including aspects of PIU of SVESDP as a sample assessment. Capacity was assessed in the areas of funds flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements.

32. MOES has acquired significant experience of ADB's procedures to manage funds flows and related operational procedures on procurement of goods and services in the last ten years. Currently two ADB project implementing units are hosted at MOES. Capacity was assessed in the areas of funds flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. The risk rating for each criterion is as follows: (i) TVET financial management (Low); (ii) Fund flow arrangements (Moderate); (iii) Staffing (Moderate); (iv) Accounting policies and procedures (Low); (v) Budgeting primary and secondary vocational education and training. Major risks and mitigation measures

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<sup>15</sup> World-bank managed Capacity Building for Public Finance Management Project. 2015. *Kyrgyz Republic Public Expenditure and Financial Accountability Assessment Report*. Bishkek.

are summarized in Table 13. MOES has the capacity to use advance fund as described and SOE procedure without limit.

**Table 13: Financial Risk Assessment and Proposed Mitigation Measures**

	Risk	Brief Description of Risk	Activities to Mitigation Risk
1	Weak financial management	FMA systems are weak. Non-competitive salary makes it difficult to attract qualified financial management expert/accountants for the EA/IA	National financial management system has been improved. With development partners' support, several mitigation actions including introduction of electric fund transfer, streamlining of tax operations have been taken. MOES will recruit qualified PIU financial management experts with ADB or World Bank experience. A detailed, user-friendly financial management manual will be prepared, and training conducted for relevant PIU/MOES staff.
2	Delay in start-up and procurement	Appointment of PIU staff may be slow and subsequently program will face start-up delay	Advance contracting will be made for major procurement packages including PIU staff consultants, the loan implementation firm, and equipment for PIU. Draft QCBS documents have been prepared during the TRTA. Draft RFP was prepared by TRTA consultants and ADB to avoid delays in project start-up. International procurement consultant will be recruited separately from QCBS package for grant implementation and fielded at program start-up. The consultant will provide hand-on training to the EA/IA.
3	Unexpected delays in the allocation of counterpart funds.	Unexpected delays in the allocation of counterpart funds from the government for the project. On average, the delay is 2 to 3 months.	Unexpected delays of the allocation of counterpart-funds are exceeding a duration of more than 2 months. Written commitments will be obtained from the government at the time of concluding the grant arrangements .
4	Low disbursement	Limited understanding of ADB disbursement procedures may cause delay in submission of withdrawal application and payments to the contractors.	PIU will prepare realistic payment documents to be submitted to the Ministry of Finance/treasury in timely manner. Training on financial management including disbursement will be provided from time to time.

## **B. Disbursement**

### **1. Disbursement Arrangements for ADB Funds**

33. **Policy-based grant.** The \$12 million policy-based grant will be disbursed in two tranches once relevant conditions have been met by the government: The first tranche of \$4.0 million will be disbursed upon effectiveness and the second tranche of \$8.0 million is envisaged to be released in 2021.

34. **Project grant.** The grant proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time)<sup>16</sup>, and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available<sup>17</sup>. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control. A combination of direct payment by ADB, reimbursement, and advance fund procedures will be used for disbursement of the grant.

35. **Advance fund procedure.** The MOF will establish an advance account promptly after grant effectiveness at a commercial bank acceptable to ADB. The advance account is to be used exclusively for the ADB's share of eligible expenditures. The currency of the advance account is USD. The MOF, who established the advance account in its name, is accountable and responsible for proper use of advances to the advance account. MOES will be responsible for (i) collecting and retaining supporting documents, and (ii) preparing and sending withdrawal applications to ADB via MOF. The advance account will be established, managed, and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed by the Government and ADB. ADB's Loan Disbursement Handbook describes which supporting documents should be submitted to ADB and which should be retained by the government for liquidation and replenishment of an advance account.

36. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The MOF may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet<sup>18</sup> setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the borrower in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

37. **Statement of expenditure procedure.**<sup>19</sup> The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

38. Before the submission of the first withdrawal application (WA), MOF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per WA is stipulated in the Loan Disbursement Handbook (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the EA/IA and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower should ensure sufficient category

<sup>16</sup> The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>)

<sup>17</sup> Disbursement eLearning. [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

<sup>18</sup> ADB. 2017. "Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),

<sup>19</sup> SOE forms are available in Appendix 7B of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

and contract balances before requesting disbursements. The “Use of ADB’s Client Portal for Disbursements (CPD)”<sup>20</sup> system is encouraged for submission of withdrawal applications to ADB”.

## **2. Disbursement Arrangements for Counterpart Fund**

39. The government will provide funds of \$3.6 million equivalent (20% of total cost of the project ) sourced from the central budget. The counterpart fund will be used for (i) project implementation support activities such as salaries for counterpart staff, project implementation unit’s (PIU) office, utilities and project implementation monitoring; and (ii) duties and taxes for equipment, furniture and other items procured for the project, local taxes for the consultants (individual and firm) and PIU staff. The government will finance duties and taxes via exemptions.

### **C. Accounting**

40. The MOES will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following International Public Sector Accounting Standard (IPSAS) for cash-based accounting. The MOES will prepare consolidated project financial statements in accordance with the government’s accounting laws and regulations which are consistent with the international accounting principles and practices.

### **D. Auditing and Public Disclosure**

41. The MOES will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing, by an independent auditor acceptable to ADB. MOES will submit the audited project financial statements together with the auditor’s opinion in the English language to ADB within 6 months from the end of the fiscal year.

42. The audit report for the project financial statements will include a management letter and auditor’s opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the grant were used only for the purpose of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

43. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

44. The government and the executing agency have been made aware of ADB’s approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>21</sup> ADB reserves the right to require a change in the auditor (in a

<sup>20</sup> The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

<sup>21</sup> ADB’s approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a)

manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

45. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.<sup>22</sup> After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>23</sup>

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

46. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval. The borrower has been advised that approval of advance contracting does not commit ADB to finance the project.

47. **Advance contracting.** Advance contracting will be undertaken for the recruitment of PIU staff, procurement of PIU office equipment, furniture, and vehicles; a national TVET policy reform coordinator to be engaged on an individual basis and the project implementation firm. The following steps will be concluded in advance: (i) preparation of request for proposals, (ii) advertisement for Expression of Interest for the project implementation firm and individual start up consultants, (iii) shortlisting, evaluation and recommendations.

48. **Retroactive financing.** To ensure effective implementation of the project, the government requested ADB to finance project expenditures incurred on the recruitment of PIU staff. This will cover the salaries of the PIU staff.

### B. Procurement of Goods, Works, and Consulting Services

49. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time)

50. At project preparation stage request for proposals (RFP) has been prepared as part of the 10-point procurement reform action plan. An international procurement consultant will be hired to help PIU procurement staff and the EA with advertisement of invitations for bids, issuance of bid documents, bid evaluation and contract awards. The PIU staff will be trained in procurement and disbursement procedures.

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inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.

(iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

<sup>22</sup> Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>23</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).



51. The project will provide workshop equipment, tools and instruments for conducting training programs in selected occupations, teaching equipment using computers, printing and reproduction equipment for teaching materials, workshop and dormitory furniture, along with civil works for the rehabilitation of 5 Center of Excellence including heating and sanitary facilities.

- (i) International competitive bidding (ICB) procedures will be used for the procurement of specialized workshop equipment, tools and instruments for priority occupations and other related goods with each contract estimated to cost \$1,000,000 and above.
- (ii) (National competitive bidding (NCB) will be undertaken for civil works below \$3 million and supply and goods contracts estimated to cost less than ICB threshold values, but more than \$100,000 for goods and works. The NCB contracts will involve rehabilitation of 5 Center of Excellence including existing workshops, classrooms, dormitories, heating and sanitary facilities and procurement of furniture for dormitories and classrooms.
- (iii) Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines (2015, as amended from time to time) in the conduct of NCB.
- (iv) (Shopping will be used for procurement of off-the-shelf tools, equipment and minor civil works of small value worth \$99,999 and less. Shopping is a procurement method based on comparing price quotations from several suppliers with a minimum of three to assure competitive prices. Requests for quotations shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery (or completion) time and place. The evaluation of quotations shall follow the same principles as of open bidding. The terms of the accepted offer shall be incorporated in a purchase order or brief contract.

52. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

53. All individual consultants and firms will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).<sup>24</sup> The terms of reference for all consulting services are detailed in Section D.

54. An estimated 420 person-months (86 international and 334 national) of consulting services will be required to: (i) facilitate project management and implementation, and (ii) strengthen the institutional and operational capacity of the executing agency. The international project implementation firm will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality–cost ratio of 90:10<sup>25</sup>. Full technical proposal will be used for hiring the firm. Individual consultants will be recruited using individual consultant selection method. Consultant's qualification selection (CQS) for hiring an entrepreneurship firm with an estimated contract value

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<sup>24</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

<sup>25</sup> Greater priority for quality is needed and the impact of the consultant's assignment will be major.

of \$250,000. The least cost selection (LCS) will be used for the engagement of an audit firm with a contract amount of less than \$100,000.

### C. Procurement Plan

<b>Project Name:</b> Skills for Inclusive Growth Sector Development Program	
<b>Project Number:</b> 50024-002	<b>Approval Number:</b>
<b>Country:</b> Kyrgyz Republic	<b>Executing Agency:</b> Ministry of Education and Science
<b>Project Procurement Classification:</b> Category B	<b>Implementing Agency:</b> N/A
<b>Project Procurement Risk:</b> Substantial	
<b>Project Financing Amount:</b> US\$ 21,600,000 <b>ADB Financing:</b> US\$ 18,000,000 <b>Cofinancing (ADB Administered):</b> <b>Non-ADB Financing:</b> US\$ 3,600,000	<b>Project Closing Date:</b> 30 May 2023
<b>Date of First Procurement Plan:</b> 30 August 2017	<b>Date of this Procurement Plan:</b> 10 October 2017

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$3,000,000	
International Competitive Bidding for Goods	\$1,000,000	
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works	
National Competitive Bidding for Goods <sup>2</sup>	Beneath that stated for ICB, Goods	
Shopping for Goods	Below \$100,000	

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	
Least-Cost Selection (LCS)	
Consultant's Qualification Selection (CQS)	
Individual Consultant Selection (ICS)	

#### 1. Goods and Works Contracts Estimated to Cost \$1 Million or More

55. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number <sup>a</sup>	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
CW1	Rehabilitation of 4 Centers of Excellence and 1 Teacher Training Institution Lot 1 - \$0.40 m Lot 2 - \$0.40 m Lot 3 - \$0.40 m Lot 4 - \$0.40 m Lot 5 - \$0.40 m	\$2,000,000	NCB	Prior	1S1E	Q4 2018	Multiple lots Small Works bid docs  5 lots/contracts (max)
CW2	Rehabilitation of 1 Center of excellence and	\$1,400,000	NCB	Prior	1S1E	Q4 2018	Multiple lots Small Works bid docs

	2 Teacher Training Institutions Lot 1 - \$0.467 m Lot 2 - \$0.467 m Lot 3 - \$0.467 m						3 lots/contracts (max)
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## 2. Consulting Services Contracts Estimated to Cost \$100,000 or More

56. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
CS1	Project Implementation Firm	\$1,670,000	QCBS	Prior	Q4 2017	FTP	Advance Contracting  International firm (57 pm international and 190 pm national)  90:10 ratio
CS2	Procurement Specialist	\$108,000	ICS	Prior	Q1 2018		5 person-months International
CS3	TVET Policy Reform Coordinator and Curricula Expert	\$215,000	ICS	Prior	Q3 2018		10 person-months International
CS6	Entrepreneurship Education Expert	\$172,000	ICS	Prior	Q3 2018		8 person-months International
CS9	PIU support consultants (PIU staff)	\$741,000	ICS	Prior	Q4 2017		741 person months National (21 contracts)  Advance contracting and retroactive financing for PIU staff
CS10	Entrepreneurship Firm	\$250,000	CQS	Prior	Q2 2018		International firm (6 person-months international)

							and 48 national)
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**3. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)**

57. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

<b>Goods and Works</b>								
<b>Package Number<sup>5</sup></b>	<b>General Description</b>	<b>Estimated Value</b>	<b>Number of Contracts</b>	<b>Procurement Method</b>	<b>Review Prior / Post/Post (Sampling)</b>	<b>Bidding Procedure</b>	<b>Advertise ment Date (quarter/ year)</b>	<b>Comments</b>
CS4	TVET Policy Reform Coordinator and Curricula Expert	\$62,000	1	ICS	prior		Q3 2018	48 person-months National  Advance Contracting
CS5	Education Management Information System Expert (EMIS)	\$31,000	1	ICS	prior		Q3 2018	24 person-months National
CS7	Civil Works / Environmental Supervision	\$16,000	1	ICS	prior		Q2 2018	12 person-months National
CS8	Architect-Engineer	\$16,000	1	ICS	prior		Q1 2018	12 person-months National
G1	PIU office equipment	\$20,000	1	Shopping	prior		Q4 2017	Advance contracting
G2	PIU furniture	\$15,000	1	Shopping	post		Q4 2017	Advance contracting
G3	Rehabilitation of PIU office	\$15,000	1	Shopping	post		Q4 2017	Advance contracting
G4	PIU office vehicle	\$25,000	1	Shopping	post		Q4 2017	Advance contracting

<b>Consulting Services</b>								
<b>Package Number</b>	<b>General Description</b>	<b>Estimated Value</b>	<b>Number of Contracts</b>	<b>Recruitment Method</b>	<b>Review (Prior / Post)</b>	<b>Advertise ment Date (quarter/ year)</b>	<b>Type of Proposal</b>	<b>Comments</b>
CS11	Audit Firm	\$30,000	1	LCS	Prior	Q2 2018	Biodata	For 5 years

## B. Indicative List of Packages Required Under the Project

58. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number <sup>5</sup>	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sampling)]	Bidding Procedure	Comments
G5	Workshop equipment for 4 Centers of Excellence, basic equipment for 6 PVET institutions and 1 Teacher Training Institution Lot 1 - \$0.50 m Lot 2 - \$0.50 m Lot 3 - \$0.50 m Lot 4 - \$0.50 m Lot 5 - \$0.50 m	\$2,500,000	5	ICB	Prior	1S1E	5 contracts (max)
G6	Workshop equipment for 1 Center of Excellence, basic equipment for 2 PVET institutions, and 2 Teacher Training Institutions Lot 1 - \$0.50 m Lot 2 - \$0.50 m Lot 3 - \$0.50 m	\$1,500,000	3	ICB	Prior	1S1E	3 contracts (max)
G7	Furniture for 5 Centers of Excellence (classrooms and dormitories) Lot 1 - \$0.375 Lot 2 - \$0.375	\$750,000	1	NCB	Prior	1S1E	To be purchased in 2019, 2020  2 contracts (max)
G8	Training and printing materials Lot 1 - \$100,000 Lot 2 - \$100,000 Lot 3 - \$100,000 Lot 4 - \$100,000	\$400,000	1	NCB	Prior	1S1E	To be purchased in 2019, 2020, 2021, 2022  4 contracts (max)

## **E. National Competitive Bidding**

### **1. General**

59. The procedures to be followed for national competitive bidding shall be for tendering with unlimited participation and the two-stage tendering set forth in Law of the Kyrgyz Republic on Public Procurement of Goods, Works and Services effective on April 2004 with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.

### **2. Eligibility**

60. ADB: The eligibility of bidders shall be as defined under section I of ADB's Procurement Guidelines published by ADB in April 2010, as amended from time to time; accordingly, no bidder or potential bidder should be declared ineligible to ADB-financed contracts for other reasons than the ones provided by section I of ADB's Guidelines. Bidders must be nationals of member countries of ADB, and offered goods, works and services must be produced in and supplied from member countries of ADB.

### **3. Prequalification**

61. Normally, post-qualification shall be used unless explicitly provided for in the grant agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

### **4. Registration and Licensing**

- (i) Bidding shall not be restricted to pre-registered/licensed firms.
- (ii) Where registration or licensing is required, bidders (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (iii) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license.

### **5. Bidding Period**

62. The minimum bidding period is twenty-eight (28) days prior to the deadline for the submission of bids.

### **6. Bidding Documents**

63. Procuring entities should use standard bidding documents for the procurement of goods, works and services acceptable to ADB.

### **7. Preferences**

64. No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

## **8. Advertising**

65. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids.

66. Bidding of NCB contracts estimated at US\$500,000 equivalent or more for goods and related services or US\$1,000,000 equivalent or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.

## **9. Bid Security**

67. Where required, bid security shall be in the form of a bank guarantee from a reputable bank.

## **10. Bid Opening and Bid Evaluation**

- (i) Bids shall be opened in public.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Bank's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bidder that offers the lowest evaluated price and who meets the qualifying requirements set out in the bidding documents.
- (vi) No negotiations shall be permitted.
- (vii) Price verification shall not be applied.

## **11. Rejection of All Bids and Rebidding**

Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

## **12. Participation by Government-owned enterprises**

68. Government-owned enterprises in Kyrgyz Republic shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

## **13. Right to Inspect/Audit**

69. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

## **14. Fraud and corruption**

- (i) The Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt,

fraudulent, collusive, or coercive practices in competing for the contract in question.

- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, an ADB-financed contract.

#### **15. National Sanctions List**

- 70. National sanctions lists may be applied only with prior approval of ADB.



## D. Consultant's Terms of Reference

**Table 14: Consulting Services Indicative Terms of Reference**

Position Titles	Int/ Ntl	No.	PM	Key Tasks and Outputs
<b>I. Individual consultants</b>				
<b>A. TVET Policy Reform Coordinator and Curricula Expert</b>	Intl	1	10	Advise to the national high level policy reform coordinator; conduct assessments of good practices in TVET policy and curricula for tailor-made concepts; development and establishment of a National Qualification System (including a national qualifications framework); Lead ToT curricula development for teaching and learning material and for subject curricula development; further customize CBT approach for COEs and in combination with education standards
	Ntl	1	48	As high level policy reform coordinator ensure efficient implementation of the reform agenda (Policy Matrix) and sustainability of the reform initiatives introduced under the project; ensure timely approval of legislatures, legal documents, decrees, and related administrative orders; act as a focal point to provide support to MOES, AVE, and inter-ministerial working group
<b>B. Education Management Information System Expert</b>	Ntl	1	24	Capacity building at MOES for EMIS on quality of data entry, data triangulation, and customizing reporting tools; build capacity on analysis of reports and developing key indicators for evidenced-based policy making; support interfaces to general education EMIS; ensure smooth data integration between PVET and SVET EMIS systems and general education EMIS in general; act as a focal point to provide support to MOES.
<b>C. Entrepreneurship Education Expert</b>	Intl	1	8	Develops detailed strategic and sequenced concept of ES-EDU and TOR for consulting firm; guide and advises the work of the consulting firm on ES-EDU; provide international good practices and linkages to ES-EDU models; develop a national concept of ES-EDU with a methodological and student centered mix of teaching methods including inter-subjective integration of ES-EDU and as explicit subject(s)
<b>D. Procurement Expert</b>	Intl	1	5	Assist PIU to update and improve the procurement plan and procurement documents; provide training on procurement; provide technical advice to PIU and ADB's regulations on procurement; develop maintenance manuals for the facilities and equipment; assist in ICB technical specifications, bidding documents, and bid evaluation reports; develop a reverse-clock for planning of procurement activities
<b>E. Architect Engineer</b>	Ntl	1	12	Support industry representatives in formulating specific and balanced technical specifications for rehabilitation of workshops; define bill of defects for existing classrooms, dormitories, and COE buildings; assist the PIU in the tendering of the rehabilitation works; turnover to the national works engineer the program of work for each contract and the records of discussions with contractors on the final implementation program
<b>F. Civil Works/ Environmental Supervisor</b>	Ntl	1	12	Secure the final program of work for the rehabilitation contracts for COEs; lead the final implementation program and the program of inspection and reporting for each project; supervise the implementation of the works including the checking of compliance with the conditions of contracts on the workmanship, core labor standards, delivery and installation of equipment and/or furniture, and recommending any contract variation; accept the completed project upon authority and subject to approved procedures by PIU; supervise that environmental safeguards are strictly observed
<b>Subtotal (I)</b>	<b>Intl</b>	<b>3</b>	<b>23</b>	

Position Titles	Int/ Ntl	No.	PM	Key Tasks and Outputs
	Ntl	4	96	
<b>II. Consulting Firms</b>				
<b>II.I. Project Implementation Firm</b>				
<b>G. Labor Market and Industry partnership Expert (Team Leader, Deputy Team Leader)</b>	Intl	1	26	Coordinate the establishment of CoEs as industry training centers; facilitate definition of technical specifications of industry for CoE workshop equipment; co-lead an inter-ministerial working group to develop regulatory framework and accountability mechanisms to enable COEs and TVET institutions to assume more responsibilities; develop a strategy paper, supporting legal documents, operational manual, and implementation plan to establish a structure and mechanisms to incentivize industry cooperation in TVET Assist PIU to develop overall program implementation plan and action plans; develop work plan for consultants; support consultants; provide advice to PIU; provide training on policy reform, labor market analysis and forecasting, and industry partnerships
	Ntl	1	60	Same tasks and outputs as international expert plus: develop methodology for and coordinate regional labor market surveys of COEs; provide respective coaching to COEs; conceptualize job and education fairs; establish industry partnership units as part of expert groups in COEs
<b>H. Work Based Learning and Teacher Training Expert</b>	Intl	1	14	Conceptualize and operationalize a WBL concept for COEs (both for students and teachers to update their technical skills) and in close cooperation with industry partnership experts; conceptualize and operationalize a national didactic and technical TVET teacher training program with a focus on COEs but including PVET and SVET institutions; conduct ToT teacher trainings, peer-learning exchange, and ToT coaching
	Ntl	1	42	Same tasks and outputs as international expert; no subordination of national to international consultant
<b>I. TVET System Management Expert</b>	Intl	1	14	Develop a strategy and implementation plan and mechanism to introduce pathways for TVET; Review existing legal, administrative and institutional arrangements of the TVET system, and earlier drafts on the introduction of per capita financing and on the consolidation and rationalization of the TVET system; advise on further institutionalization of SDF and cost-share with industry;
	Ntl	1	52	Same tasks and outputs as international expert; no subordination of national to international consultant
<b>J. Legal and Entrepreneurship Expert</b>	Ntl	1	24	Analyze legal implications of establishing COEs including introducing new subjects into curricula and improving WBL; support COEs to improve their entrepreneurial activities and attitude; provide legal advice for small scale production and advisory services to the industry; draft legal acts to improve institutional entrepreneurship of COEs; develop business plans with COEs, SVET, and PVET institutions; support international expert on issues of introducing and researching ES-EDU
<b>K. Gender and Poverty Expert</b>	Intl	1	3	Review current education policies of the government relating to gender and vulnerable groups; update government and international organizations' reports on gender and poverty issues; implement, monitor, and revise gender action plan; develop materials for community awareness raising related to gender; cooperating with education development consultants to reflect gender and poverty aspects into training materials; develop indicators to monitor and evaluate the gender activities of the program

Position Titles	Int/ Ntl	No.	PM	Key Tasks and Outputs
	Ntl	1	12	Same tasks as international expert; no subordination of national to international consultant
Subtotal (II.I)	Intl	4	57	
	Ntl	5	190	
II.II. ES-EDU Implementation Firm				
L. Didactic ES-EDU expert	Intl	1	6	Implement developed models of simulated enterprises suited for national and regional circumstances; analyze and develop subject curricula and integrate ES-EDU intersubjectively and as explicit subject; establish linkages to international networks for entrepreneurship education; coordinate and advise on teaching material development; coordinate and advise on coaching techniques and needs
M. ES-EDU and ToT expert	Ntl	1	24	Develop Trainers of Trainers (ToT) curricula for ES-EDU; develop curricula for student teaching and facilitation; development of teaching material; conduct ToT training modules; provide coaching to ES-EDU teachers on site; develop national certification criteria for ES-EDU ToT
N. Student relations and coaching expert	Ntl	1	24	Setting up of service center for simulated enterprises and provide coaching to the service center; coordinate international training firm participation; organize national ES-EDU fairs; provide coaching to ES-EDU teachers on site; organize and moderate peer learning events
Subtotal (II.II)	Intl	1	6	
	Ntl	2	48	
II.III. Audit Firm				
The firm will provide auditing and accounting reports that adhere to the requirements of ADB and the government, and based on internationally accepted accounting and auditing practices. To perform this task, the firm must be composed of team of registered and certified public accountants, and certified auditors. There are no consulting inputs specified in this contract, which is intended to be lump sum. It is intended that LCS will be used to invite appropriate qualified auditing firms to submit a proposal for the work required and a budget ceiling of \$30,000 will be indicated.				
III. PIU				
O. PIU staff	Ntl	21	741	PIU manager; administrative officer and translator; TVET specialist; finance officer; procurement officer; equipment specialist; CBT coordinator; training coordinator; monitoring and evaluation specialist; SDF coordinator and financing specialist; SDF industry partnership specialist; SDF training coordinators (1 in each region); COE and ES-EDU specialist
TOTAL (I+II.I+II.II+III)	Intl	8	86	
	Ntl	32	1075	

## VII. SAFEGUARDS

71. 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 neither require land acquisition nor resettlement, and no program activities will adversely affect indigenous peoples. The improved quality of skills development resulting from the program will benefit all students, including indigenous peoples.

72. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009).

## VIII. GENDER AND SOCIAL DIMENSIONS

73. Women's labor force participation in Kyrgyz Republic is very low, at only 49% as compared to 77% for men. Gender stereotypes concerning women's roles in the home and society, and gender segregation in the types of courses and occupations that they can enter, continue to limit their options and hinder them from choosing the most profitable occupations. Thus, they fail to take advantage of opportunities provided by the evolving labor market. The project addresses these key issues by opening opportunities for women's increased participation in TVET courses and occupations traditionally dominated by men, as well as improving the quality of TVET service delivery, especially in the priority occupations.

74. Because of the Project's potential in narrowing gender gaps in TVET service delivery, it is categorized as Gender Equity (GEN). Gender specific actions have been integrated in the project design to increase women's participation in TVET, particularly in priority courses and occupations. The project design and monitoring framework provides targets for increased female student enrollment in priority occupations; and improved female graduates' employability, by 2023. Gender indicators are also integrated in the project outputs, including targets for women's participation in the various training courses; female enrollment and graduation in priority occupations; membership in industry partnership expert groups; conduct of gender sensitive multi- and social-media campaign to encourage female participation in the priority courses; and collection of sex-disaggregated data. Gender-relevant policy actions are also in every Output in the Policy Matrix.

75. Both the Gender Action Plan (GAP) and the Policy Matrix were developed to ensure that: (i) gender and social inclusion perspective is integrated in TVET strategy and in all relevant policies, as well as in dormitory and facility rehabilitation; (ii) TVET institutions are capacitated to deliver gender-inclusive services; and to (iii) increase female participation TVET. The GAP provides targets for women's participation in capacity building activities, recruitment and training of female teachers, enrollment, graduation, and employment in 15 priority occupations. These targets are strengthened by measures to encourage and facilitate women's entry into these areas, such as the development and implementation of guidelines on gender-sensitive learning environment; recruitment of more female teachers; gender-sensitivity training for TVET management and faculty; reserving slots and addressing women's needs in the design of dormitories; developing gender-sensitive multi- and social media industry partnership campaign;

conducting community awareness raising campaigns to encourage female enrolment; and introducing women-friendly industry engagement mechanisms; among other actions.

76. The PIU under the MOES is tasked to implement the gender action plan, with the help of the social and gender specialist that will be engaged for the project.

### GENDER ACTION PLAN

Actions	Targets and indicators	Responsibility	Timeframe
<b>Output 1: TVET governance and finance strengthened</b>			
1.1 Review and recommend amendments to the list of PVET occupations and the list of SVET specialties with a social and gender perspective	<ul style="list-style-type: none"> <li>• MOES approved list of gender mainstreamed occupations which are taught in the supported COEs</li> </ul>	PIU, MOES, AVE	2021
1.2 Incorporate a gender and social inclusion perspective in the development of the education strategy	<ul style="list-style-type: none"> <li>• Relevant MOES technical staff and all PIU staff trained on gender and social inclusion</li> <li>• Draft education strategy incorporate gender and social inclusion concerns and actions</li> </ul>	PIU	2021
1.3 Capacitate PVET and SVET institutions in the delivery of social and gender-inclusive PVET and SVET services	<ul style="list-style-type: none"> <li>• Gender-sensitive communication strategy developed</li> <li>• Gender focal points established in 75% of PVET and SVET institutions included in the project</li> <li>• Gender focal points, PVET and SVET teachers and staff trained on social and gender-inclusive delivery of PVET and SVET services</li> <li>• Guidelines on gender-sensitive learning environment are developed and approved</li> </ul>	PIU with gender specialist	2020–2022
1.4 Ensure women's participation in trainings under the SDF	<ul style="list-style-type: none"> <li>• At least 30% women trained under SDF</li> </ul>	PIU	2018-2021
1.5 Institutionalize the conduct of sex-disaggregated tracer studies	<ul style="list-style-type: none"> <li>• Tools for the regular conduct of sex-disaggregated tracer studies developed</li> <li>• PVET and SVET guidelines include the regular conduct of tracer studies</li> <li>• Tracer Studies prepared yearly with gender analysis</li> </ul>	PIU, MOES, AVE PVET and SVET institutions	2018-2022
1.6 Strengthen recruitment and support for female students in priority occupations/ specialties in supported COEs	<ul style="list-style-type: none"> <li>• At least 30% increase in female enrolment in priority occupations/ specialties</li> <li>• At least 20% increase in female graduates in priority occupations/ specialties</li> </ul>	PIU, MOES, PVET and SVET institutions	2018-onwards
<b>Output 2: Teaching quality and learning environments improved</b>			
2.1 Ensure women teachers' participation in the Teacher Development Program	<ul style="list-style-type: none"> <li>• At least 30% women-teachers of supported PVET and SVET institutions trained under the Teacher Development Program</li> </ul>	PIU, MOES, AVE, PVET and SVET institutions	2018-2022

Actions	Targets and indicators	Responsibility	Timeframe
2.2 Strengthen the recruitment of female teachers in the 15 priority occupations/ specialties	<ul style="list-style-type: none"> <li>At least 20% female teachers recruited for the 15 priority occupations/ specialties</li> </ul>	PIU, MOES, AVE, PVET and SVET institutions	2017-onwards
2.3. Ensure female students participation in priority occupations in supported COEs and aligned PVET lyceums	<ul style="list-style-type: none"> <li>At least 30% female students (out of 4,000 students) trained in priority occupations in COEs</li> <li>At least 30% female students (out of 750 students) trained in PVET lyceums aligned with COEs</li> </ul>	PIU, MOES, AVE, PVET and SVET institutions	2018-onwards
2.4 Ensure female participation in the WBL program in the 15 priority occupations/ specialties	<ul style="list-style-type: none"> <li>30% female participation in the WBL program of supported PVET and SVET institutions</li> </ul>	PIU COEs	2018-onwards
2.5. Conduct gender and social sensitivity training to PVET and SVET management and faculty	<ul style="list-style-type: none"> <li>20 trainers trained</li> <li>33% of PVET teachers, 33% of SVET teachers, all school directors and deputy directors of the supported PVET &amp; SVET institutions and rehabilitation centres trained</li> </ul>	PIU MOES AVE	2018-2022
2.6 Incorporate a gender and social inclusive perspective in dormitory and facility rehabilitation of COEs	<ul style="list-style-type: none"> <li>8 Dormitories rehabilitated in accordance with international standards on social inclusion and women's specific needs and safety</li> </ul>	PIU, COEs	2018-2022
<b>Output 3: Cooperation with industry increased and entrepreneurship skills developed</b>			
3.1 Ensure women's participation in industry partnership expert groups	<ul style="list-style-type: none"> <li>At least 25% women participation in industry partnership expert groups</li> </ul>	PIU	2019
3.2 Develop gender-sensitive multi- and social media industry partnership campaign	<ul style="list-style-type: none"> <li>At least 2 industry partnership campaigns conducted, reaching XX potential industry partners</li> </ul>	PIU	2018-2022
3.3 Conduct community awareness raising campaigns in Kyrgyz, Russian, to encourage female enrolment in the 15 priority occupations/ specialties	<ul style="list-style-type: none"> <li>At least 3 community awareness campaigns conducted during project life</li> <li>All campaigns include gender-sensitive messages that break occupational stereotyping</li> </ul>	PIU, MOES, AVE	2018-onwards
3.4 Introduce women-friendly industry engagement mechanisms	<ul style="list-style-type: none"> <li>Gender-fair skills need assessment conducted at least once a year</li> <li>Gender-sensitivity workshops for 100 industry stakeholders conducted</li> <li>Guidelines ensuring safety of women WBL trainees developed</li> </ul>	PIU	2018-2022
3.5 Ensure women's participation as independent competency assessors.	At least 25% of independent competency assessors are women	PIU	2019-2022

COE = center of excellence, MOES = Ministry of Education and Science, AVE – Agency for Vocational Education, PIU = Project Implementation Unit, PVET = primary vocational education and training, SDF = skills development fund, SVET = secondary vocational education and training, WBL = work-based learning.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

77. The design and monitoring framework (DMF) for the program has been agreed on between ADB and the government (Table 15). Program progress, inputs, outputs, outcomes, and impacts will be monitored according to the DMF. The final PCR will use the DMF as the basis upon which program success will be measured. A single DMF is approved for both the PBL and the project grant. The completed actions of the policy reform and the deliverables of the investment components are outputs. The tranche conditions of the policy component are reflected as output indicators. While the high-level project design (impact and outcome) are unlikely to change during the course of project implementation, changes may occur at the output and inputs levels of the DMF. The continued relevance of the DMF and specific targets will be monitored as part of the program supervision and the DMF will be updated when necessary.

**Table 15. Design and Monitoring Framework**

Impact the Program is aligned with: 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>			
Results Chain	Performance Indicators with Targets and Baselines <sup>b</sup>	Data Sources and Reporting	Risks
<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. Satisfaction rate of employers with TVET graduates increased by 5% (Baseline 2014: 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: N/A) 1b. NQS (including NQF) developed and agreed between line ministries and stakeholders by 2021 (2017 Baseline: N/A) 1c. At least 5,000 trainees trained under SDF, of which 30% women (2016 Baseline: 600) <b>Project:</b> 1d. EMIS implemented for evidence-based policymaking in all primary TVET institutes and in	1a-f. National and education strategies, guidelines, handbook, government gazette, training plans, charter, organigram of MOES, decree, regulations, sublegal acts, enrollment statistics, EMIS reports	Insufficient education budget



Results Chain	Performance Indicators with Targets and Baselines <sup>b</sup>	Data Sources and Reporting	Risks
	<p>50% of secondary TVET institutes by 2021 (2017 Baseline: 75% in primary TVET, 19% in secondary TVET, including gender disaggregated data collection)</p> <p>1e. At least 5 local industry mapping studies finalized by COEs using MOES and MOLSD approved methodology (2018 Baseline: 0) and each supported COE introduces at least 1 new or revised occupation or specialization each academic year, starting in 2019, based on results of industry mapping studies (2018 Baseline: 0)</p> <p>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)</p>		
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 5 supported COEs (2017 baseline: N/A)</p> <p><b>Project:</b></p> <p>2d. 5 colleges upgraded to COEs by 2021 (3 in secondary cities) (2017 Baseline: 0)</p> <p>2e. 1,000 primary TVET and 2,000 secondary TVET teachers, of which 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 30% female; 2017 Baseline: 0)</p>	<p>2a. Project procurement records of works and goods</p> <p>2b-g. MOES approval documents, standards, curricula, 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>	3a-d. Expert council mandate and cooperation	Limited collaboration between the

	<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 multi- and social media campaign on industry partnerships developed in 2018 and reached at least 1 million people by 2022 (Baseline 2017: 0)</p>	<p>agreements, MOUs, business plans, syllabi, media items</p>	<p>government and industry</p>
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### Key Activities with Milestones

#### 1. TVET governance and finance strengthened

- 1.1 Advertise request for proposals for consulting firm (Q4 2017)
- 1.2 Hire PIU 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 inter-ministerial working group for NQS/NQF 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 inter-ministerial working group, conduct yearly workshops for each COE, hold yearly peer-learning events (2018–2022)
- 1.7 Pilot improved regulatory framework for entrepreneurship activities of COEs (2020)
- 1.8 Refine SDF manual and charter, and develop co-financing mechanism (2017, 2021)
- 1.9 Establish regional working groups to align PVET 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/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 Series of workshops conducted 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 bi-annual 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)

<b>Inputs</b>
ADB: \$30,000,000 (ADF grants) Government: \$3,600,000
<b>Assumptions for Partner Financing:</b>
Not Applicable

ADB = Asian Development Bank, COE = center of excellence, EMIS = education management information system, MOES = Ministry of Education and Science, MOU = memorandum of understanding, NQS = national qualifications system, NQF = national qualifications framework, SDF = skills development fund, 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.

MOES. Education Development Strategy of the Kyrgyz Republic (2012–2020). Bishkek.

Source: Asian Development Bank.

## B. Monitoring

78. **Project performance monitoring.** The PIU and MOES will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system including updates on the policy matrix, project covenants and design and monitoring framework; and (ii) a project completion report within 6 months of physical completion of the Project. A PCR will be prepared by the MOES and ADB provide to provide an assessment of the project's performance in terms of using inputs and producing outputs consistent with the DMF. It will also provide a preliminary assessment of the project's success in achieving the development outcomes and impacts identified in the DMF. An annual financial audit will also be undertaken by an auditing firm mutually acceptable to government and ADB.

79. **Compliance monitoring.** Compliance with policy, legal, financial, economic, environmental, social, and other covenants contained in the grant and project agreements will be monitored by PIU and MOES. The PIU and MOES will report the latest situation in respect of covenant compliance in each of its semi-annual progress reports to ADB. ADB will monitor compliance through a review of the PIU and MOES's progress reports and through selective follow-up discussions or more detailed reviews during supervisory missions.

80. **Safeguards monitoring.** Since the program has been classified as category "C" for involuntary resettlement and indigenous peoples, no actions are required. For environment, due diligence will be required for the classrooms rehabilitation works. This can be submitted through the attached *Environmental Screening and Management Checklist*.

81. **Gender and social dimensions monitoring.** Gender and social dimensions will be monitored by PIU and MOES with support of international and national Gender and Poverty consultants internally through the PPMS and using ADB's GAP monitoring framework. Specific indicators and targets from the GAP have been included in the DMF. At the beginning of the program, the PIU will develop the PPMS and associated forms of generate data systematically for each output, including selected indicators data in the DMF and the GAP.

## C. Evaluation

82. Program reviews on performance progress, problems faced, constraints and proposed solutions will be jointly made by ADB and the government every 6 months. PIU and AVE will be responsible for providing information and data disaggregated by sex, ethnicity and where possible, disability for these semi-yearly reviews. Aide Memoire containing agreed upon actions

will be prepared and discussed by the government and ADB following regular review missions and Memorandum of Understanding for the mid-term review and project completion missions.

83. ADB and the government will conduct the mid-term review in the middle of the program to: (i) review program scope, design, and implementation mechanism; (ii) review the performance progress as compared with design targets and milestones; (iii) review the compliance with grant covenants; and (iv) propose necessary adjustments. Results of the mid-term review will be presented and discussed at the mid-term workshop by representatives of stakeholder groups, consultants, and ADB. Necessary corrective actions will be decided at the workshop.

84. ADB will prepare the progress report for the second tranche of the PBL before the end of 2021. MOES will submit the updated status of compliance of the tranche conditions as part of quarterly progress reports.

85. Within 6 months of physical completion of the project grant, the PIU/AVE will submit a PCR to ADB analyzing implementation, program performance and achievements against the targets, and expected program impact.<sup>26</sup>

#### **D. Reporting**

86. PIU/AVE will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

#### **E. Stakeholder Communication Strategy**

87. In compliance with the minimum requirements of ADB's Public Communications Policy (2011), PIU and MOES will be responsible for: (i) designating a focal point for regular contact with people affected by the program and other stakeholders; (ii) identifying mechanisms for feedback during design and implementation; (iii) identifying details of types of information to be disclosed, and mechanisms for public notice including language and timing; and (iv) implementing and monitoring disclosure and dissemination.

88. The PIU will liaise with MOES and other related agencies to outline program implementation. The PIU and AVE will coordinate with the program beneficiaries to direct, monitor and acquire feedback for smooth program implementation. Three formal national workshops (inception, mid-term and final) will be organized to provide information to and collection input from stakeholders. For each program, activity workshops are planned to introduce the activity and seek cooperation from stakeholders.

89. Program documents will be disclosed on the ADB's and/or MOES website. Table 16 outlines the framework of communication strategy to be implemented.

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<sup>26</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

**Table 16: Stakeholder Communication Strategy**

<b>Project Documents</b>	<b>Means of Communication</b>	<b>Responsible Party</b>	<b>Frequency</b>	<b>Audience(s)</b>
Design and Monitoring Framework (DMF)	ADB's website	ADB	Included in Report and Recommendations of the President	Program-affected people
Report and Recommendations of the President (RRP)	ADB's website	ADB	Within 2 weeks of approval of the grant	All stakeholders including the general public
Legal Agreements	ADB's website	ADB	No later than 14 days of approval of the program	All stakeholders including the general public
Project Administration Manual (PAM)	ADB's and PIU's website	ADB and PIU	After grant negotiations	General public, project contractors and consultants
Project Performance Management System	MOES's website	MOES	Routinely disclosed, no specific requirements	General public and program-affected people
Major Change in Scope	ADB's website	ADB	Within 2 weeks of approval of the change	Program-affected people
Progress Reports	ADB's and PIU's website	ADB and PIU	Within 2 weeks of circulation to Board or management approval	All stakeholders including the general public
Completion Reports	ADB's and PIU's website	ADB and PIU	Within 2 weeks of circulation to Board for information	All stakeholders including the general public
Evaluation Reports	ADB's website	ADB	Routinely disclosed, no specific requirements	All stakeholders including the general public

## **X. ANTICORRUPTION POLICY**

90. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>27</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>28</sup>

91. To support these efforts, relevant provisions are included in the grant agreement/regulations and the bidding documents for the project.

<sup>27</sup> Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>28</sup> ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

## **XI. ACCOUNTABILITY MECHANISM**

92. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>29</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

93. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

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<sup>29</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

# Kyrgyz Republic: Skills for Inclusive Growth Sector Development Program

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June, 2017

## PROGRAM PROCUREMENT SYSTEMS CAPACITY AND PROCUREMENT RISK ASSESSMENT REPORT AND RECOMMENDATIONS

<b>Proposed Program Name:</b> Skills for for Inclusive Growth Sector Development Program	
<b>Executing Agency</b> Ministry of Education and Science (tbd)	<b>Source of Funding:</b> Asian Development Bank Government of the Republic of Kyrgyzstan
<b>Prepared by:</b> Giorgi Tvalavadze, International Procurement Advisor (GOPA – Elea Solutions)	<b>Date:</b> July 2017

## A. Introduction

The *Skills for Inclusive Growth Sector Development Program* (the Program) will improve effectiveness and efficiency of technical and vocational education and training (TVET) at college level. The program is part of Asian Development Bank's (ADB) country partnership strategy 2013–2017 and will support the Kyrgyz Republic's economic development to achieve inclusive growth, aligned with the country's national sustainable development strategy.

The program combines policy and investment support. The policy component will support the government in developing and implementing an inclusive skills strategy to systemically anchor TVET in key economic sectors. An initial ratio of 60% policy component and 40% project component is suggested. Key policy reforms may include: (i) a clearer mandate and management structure for AVE to improve the efficiency of TVET, (ii) the introduction of economically more relevant occupations, (iii) institutionalized cooperation between the TVET subsector and key economic sectors including the introduction of elements of dual education, (iv) an improved regulatory framework and accountability mechanism for financing TVET, and (v) removing barriers to occupations based on gender or other factors. The policy component will finance adjustment costs related to the introduction of centers of excellence (CoE), workbased learning, and a skills development fund. Two tranche releases are envisaged, the first at grant effectiveness and the second at the beginning of 2020 in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time). The project component will improve access and quality of TVET, address remaining pedagogic challenges, and improve teaching and learning environments. About 5–10 TVET colleges will be developed into CoEs. In order to increase the attractiveness and flexibility of the TVET system, pathways for TVET students' progression, including those to higher education, will be supported.

## B. Purpose of the Assessment

The purpose of the assessment is to:

- (i) Identify any implementation risks related to the procurement resources, structure and process and propose mitigating measures.
- (ii) Build on the existing knowledge base for procurement capacity, legislative environment and processes.

## C. Content of the Procurement System Capacity and Procurement Risk Assessment Report

The report contains the following sections:



- (i) The assessment of the general procurement environment;
- (ii) The Assessment of the procurement capacity of the program implementing agency (Project Procurement Risk Assessment)
- (iii) Summary Procurement Capacity and Risk Assessment and Recommendations

The completed project procurement risk assessment questionnaire is attached as Annex 1.

#### **D. Indicative Program Procurement Profile**

##### **(i) The general description and of procurements, which will be conducted within the program.**

*[We shall indicate general description or list of procurements of goods, works and services: construction or rehabilitation of training centers/schools, supply of training equipment, teaching aids, furniture, laboratory/information/communication technology equipment and related consulting services].*

##### **(ii) Procurement Guidelines, which will be followed during procurement of goods, works and consulting services**

The majority of the procurements will be conducted based on the procurement guidelines of ADB, as the procedures outlined in the ADB Guidelines apply to all contracts for goods, works or services financed in whole or in part by ADB. For the procurement of those contracts not financed by ADB, the borrower may adopt other procedures. In such cases the ADB shall be satisfied that the procedures to be used will fulfill the borrower's obligations to cause the project to be carried out diligently and efficiently, and that the goods and works to be procured:

(a) are of satisfactory quality and are compatible with the balance of the project; (b) will be delivered or completed in timely fashion; and (c) are priced so as not to affect adversely the economic and financial viability of the project.

##### **(iii) Agency or agencies, which can be responsible for carrying out the procurement functions within the program**

Currently, procurement activities within the ongoing TVET project are performed by the Project Implementation Unit of Agency for Primary and Secondary Vocational Education under Ministry of Education and Science of the Kyrgyz Republic and Asian Development Bank "Second Vocational Education and Skills Development Project" (PIU). The executive agency and its PIU have experience and knowledge to implement procurements and administer contracts according to the requirements of the ADB procurement guidelines.

The internal procurement department of the "Agency for primary and secondary vocational education", training centers or schools have previous experience of implementing procurements only according to the Government's policies and procedures.

#### **E. Assessment of the general procurement environment**

The government has a functional public procurement system. One of the key achievements of the Government's reform efforts was the adoption in April 2015 of revisions to the Public

Procurement Law. The revised law, developed with support from International donors, brought public procurement practices in the Kyrgyz Republic more in line with international standards. The major innovative aspect of the law is its provision for electronic procurement. The Government of Kyrgyzstan has embarked upon a revision of secondary legislative acts, as well as procurement practices, to implement the electronic procurement provisions of the new law.

The impact of the public procurement reforms supported by the ADB, World Bank, EBRD and other donors, is increased efficiency and trust in public sector spending. The expected outcome is improved transparency of the public procurement system. The law mandates state and municipal organizations to publish on a centralized web portal all tender announcements and documents, information about tender participants, as well as the reasons for selecting or rejecting a particular bidder, thus providing a single point access to the information on public procurements.

Continuity and integration of international standards in the system were achieved through close coordination between the Ministry of Finance (MOF), the national consultants and the international consultants, who provided advice on international best practices. Effective donor coordination minimized implementation challenges of electronic government procurement reform. While the ADB concentrated on the development of the electronic government procurement system, the European Bank of Reconstruction and Development helped the government to develop policies and legislation. The Multi-Donor Trust Fund supported the MOF in training of procurement specialists and the World Bank strengthened the availability of training on the use of the electronic government procurement portal (available at <http://egplms.okmot.kg>).

The electronic government procurement portal is available in Russian, Kyrgyz, and English. The registration and e-tendering modules were ready for testing in December 2013 and June 2014 respectively. As of May 2016, 2,650 procurement entities (against the target of 75 entities) and 10,450 suppliers were registered in the system and total of 43,000 public contracts valued at approximately \$1.4 billion were procured through the electronic government procurement system.

The successful implementation of the public procurement reforms depends, among other things, on whether state and municipal workers know how to apply the new rules on procurement of goods and services. The Ministry of Finance, with support from the ADB, EBRD and the World Bank, delivered a number of training workshops to thousands of representatives of hospitals, road maintenance enterprises, city administrations, city departments of education and other organizations that are financed from state and local budgets. The workshops were held in all regions of the country: participants studied the practical applications of the Law and learned how to make transactions through the e-procurement system.

#### **General Procurement Environment Assessment Risk Assessment:**

The overall risk rating for procurement environment is assessed to be Average. The risk rating for each criterion are as follows:

- **Legal and Regulatory Framework:** Average
- **Institutional Framework:** Average
- **Procurement Market and Operations:** Average
- **Integrity of the Procurement System:** Average

## **Key Findings**

### **Legal Framework**

The legal and regulatory framework of the Kyrgyz Republic for public procurement in general is sound. The key findings are listed below:

- The Law on Procurement, which was published in April 2015 is comprehensive and accepted by international development agencies including the World Bank and ADB. The objectives of Law are in line with the fundamental principles of public procurement: efficiency, economy, transparency, accountability, fairness, competition and honesty;
- Procurement law provides specific provision (Article 2) for foreign assisted projects and includes provision that in case of any conflict among the procedures stipulated in the rules and funding agency, the provision of funding agency shall prevail as per the donor's financing agreement;
- Provisions on conflict of interest are clearly mentioned in Article 6 of the procurement law;
- Awarding of direct contracts is possible only in exceptional cases. The article 21 of the law provides clear requirements for awarding direct contracts;
- As per article 32 of the law, results of the conducted procurements shall be posted on the electronic government procurement portal. The public information on the contract award shall include the name of the selected consultant/contractor and the amount of the winning financial proposal;
- Bidders can submit bid challenges/protests, which according to the article 49 of the Law are reviewed by an independent commission;
- The Law applies a domestic preference scheme, which is described in the article 4 of the Law.

### **Institutional Framework**

- The Ministry of Finance (MOF) provides advice to the procuring agencies and carries the mandate to review the amendments to the legal/regulatory framework, monitors public procurement and requires procuring agencies to keep a record of the procurements;
- The Ministry of Finance, with support from the ADB, EBRD and the World Bank, delivered a number of training workshops to thousands of representatives of hospitals, road maintenance enterprises, city administrations, city departments of education and other organizations that are financed from state and local budgets. The workshops were held in all regions of the country: participants studied the practical applications of the Law and learned how to make transactions through the e-procurement system;
- There is a nationwide system – “Electronic Government Procurement Portal”, for collecting and disseminating procurement information, including tender invitations, requests for proposals, and contract award information. However, there is no provision for making and providing consolidated historical procurement data to the public, and the law does not require collection of nationwide statistics on procurement;

- The State Budgets are earmarked in Annual Plans and hence in normal cases there is no possibility of funding delays for the procuring entities.

### **Procurement Market and Operations**

- Government and Private sector partnership is being encouraged - Private sector institutions are able to facilitate free and easy access to the public procurement market;
- As of May 2016, 2,650 procurement entities and 10,450 suppliers were registered in the electronic government procurement system and total of 43,000 public contracts valued at approximately \$1.4 billion were procured through the system.

### **Integrity of the Procurement System**

- Each big government organization has its internal audit department. However, the State Chamber of Audit of the Kyrgyz Republic also conducts audit of public procurement processes;
- An Anti-corruption law is in force in the country, which deals with all the cases of fraud and corruption; under the Prevention of Corruption Act, fraud and corruption in procurement is considered criminal.
- The procuring entity can initiate listing of the consultant/contractor in a black list or list of debarred firms or individuals from participation in the procurement process. The order and timing of inclusion of the black listed consultants/contractors in the list is determined by the Government of the Kyrgyz Republic.

### **F. Assessment of the procurement capacity of the program implementing agency**

Currently, procurement activities on the ongoing TVET project are performed by the Project Implementation Unit of Agency for Primary and Secondary Vocational Education under Ministry of Education and Science of the Kyrgyz Republic (PIU). The PIU has experience and knowledge in implementing procurements and administering contracts as per the requirements of the ADB procurement guidelines. Further capacity building measures may need to be taken to strengthen the capacity, systems and procedures in the PIU. However, the PIU is equipped with PCs, photocopiers, printers, and internet connection for ongoing activities, it still has to be supplemented with additional equipment and dedicated IT, administrative and procurement staff for smooth operation of procurement activities. The procurement officers are familiar with the procurement procedures and the ADB's standard bidding documents and all other manuals and guidelines are available with the procurement officers.

The internal procurement department of the "Agency for primary and secondary vocational education", training centers or schools may not have knowledge of ADB procurement requirements and procedures, but have previous experience of procurement with Government policies and procedures. On December 12-16, 2016 at the training center of the Ministry of Finance of the Kyrgyz Republic training on public procurement on the theme: "Public procurement management of goods, works and services", was held, which was attended by the accountants of 20 pilot schools, 1 RSMC employee and 2 APSVE employees.

The overall risk rating for procurement capacity of the program implementing agency (The Ministry of Education and Science of the Kyrgyz Republic and its Project Implementation Unit) is assessed to be Average.

The risk rating for each criteria are as follows:

- **Organizational and Staff Capacity:** Average
- **Information Management:** Low
- **Procurement Practices:** Average
- **Effectiveness:** Average
- **Accountability Measures:** Average

*The completed project procurement risk assessment questionnaire is attached as the Annex 1*

## **KEY FINDINGS**

### **Organizational and Staff Capacity**

- Currently, procurement activities on the ongoing TVET project are performed by the Implementation Unit of the “Second Vocational Education and Skills Development Project” (PIU). The PIU has experience and knowledge to implement procurements and administer contracts as per the requirements of the ADB procurement guidelines;
- The PIU is equipped with PCs, photocopiers, printers, and internet connection for ongoing activities;
- There are 2 full time procurement specialists in the PIU. Their Qualification is adequate. They are familiar with the procurement procedures and the ADB’s standard bidding documents and all other manuals and guidelines are available with the procurement officers. However, additional well trained procurement specialist/consultants fully dedicated to the project might be necessary, if the existing specialists are not available for the project procurements on a full time basis;
- There is no specific training schedule or program for training of procurement specialists of the PIU. However, they in general are already trained. There are many ADB funded capacity building programs, which have been attended by the procurement specialists of the PIU;
- The PIU follows the “Project Administration Manual” (PAM), which describes how the executing and implementing agencies will implement the project and deliver the results on time, with quality, within budget, and in accordance with government and Asian Development Bank (ADB) policies and procedures. The PAM serves as the main document describing implementation details;
- The Project Consulting Firm, selected based on the Quality and Cost Based Selection, is in charge of preparation of the specifications, technical requirements and/or Terms of References for the major procurements;
- The specifications are usually reviewed by the PIU (procurement and the subject matter experts) and the Executive Agency – “Agency for Primary and secondary vocational education”.

### **Information Management**

- Adequate resources and infrastructure are provided for record keeping. The PIU has an appropriate space, equipment and personnel for the adequate procurement management functions. However, additional procurement responsibilities may cause need for additional personnel;

- The formal procurement documents are kept in the premises of the PIU and will be transferred to the executive agency prior to the project closeout.

### **Procurement Practices**

- The Executive Agency and its PIU have good experience in implementation of foreign assisted procurement of goods, works and consultant services. The procurement specialists of the same PIU are performing procurement activities under the Second Vocational Education and Skills Development Project;
- The PIU has successfully implemented all major procurements according to the ADB guidelines under the second project;
- Bid openings are usually carried out in the presence of bidders who choose to remain present and are qualified in procurement, financial and technical experts are involved in the evaluation process;
- Evaluation of bids and proposals are undertaken by the Ad-hoc evaluation committees, which usually comprise certified procurement specialists and subject matter experts of the executive agency and/or the Ministry of Education;
- The most common method used by the PIU is selection of individual consultants based on qualification;
- The consulting firms and individuals are usually evaluated on qualification, general and specific experience, financial and technical capabilities, availability of resources, etc.;
- The financial evaluation is conducted by the evaluation committee based on the specific evaluation criteria. The committee checks proposals on errors, deviations and non-compliance;
- All procurement actions related to the planning, solicitation, evaluation, contract award and contract administration stages are conducted by the Executive Agency and its PIU in accordance with the requirements of the ADB procedures and procurement guidelines.

### **Effectiveness**

- For monitoring of the contractual performance the PIU is in the process of developing the specific contract administration tool, where all important contractual responsibilities (deliverables, payments, delays and etc.) shall be tracked;
- The formal ADB mechanism and procedures for dealing with the procurement related complaints are usually referenced in the solicitation documents.
- Procurement decisions are always supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment and etc.

### **Accountability Measures**

- The staff of the PIU is familiar with the “Code of Conduct”, “Ethics Committee and Procedures” and the ADB “Integrity Principles and Guidelines”. During their activities, employees of the PIU are guided by the specific provisions of the ADB procurement guidelines and the “Project Administration Manual” (PAM).

## **G. Summary Procurement Capacity and Risk Assessment and Recommendations**

This paragraph summarizes the Procurement Capacity Assessment and includes description of the major risks and specific recommendations for the program Implementation, including capacity constraints and recommended actions.

Below is a list of major potential risk sources and potential impacts that may result throughout the stages of the procurement process and are in no way all inclusive:

<b>Procurement Process</b>	<b>Potential Risk Source</b>	<b>Potential Impact</b>
<b>Procurement Planning</b>	Understating procurement need	Procurement need not satisfied/objective not met; waste of public funds
<b>Specification Development</b>	Development of a biased specification	Inadequate response from industry; violation of procurement principles
<b>Procurement Method</b>	Selecting inappropriate method to approach the market	Violation of guidelines; failure to obtain value for money
<b>Developing Solicitation Documents</b>	Providing incomplete or inadequate information in documents	Inconsistency across bid responses; need to provide clarifying information/discussions that delay contract award; modifications after award
<b>Soliciting Bids</b>	Violation of procurement principles by appearing to show favoritism	Mistrust or complaint from potential offerors; withdrawal or no bid decisions; loss of confidence from stakeholders/public Need to resolicit, increased costs, delivery delays
<b>Bid Evaluation</b>	Offers fail to meet requirements Evaluation is unfair	Need to resolicit, increased costs, delivery delays Bid protest, audit findings
<b>Bid Decision</b>	Selecting an inappropriate product	Product fails to meet client needs
<b>Contract Negotiations and Award</b>	Not appropriately aligning interests of buyer and seller	Contract disputes, delivery delays, cost variations
<b>Contract administration and Management</b>	Failure of either party to fulfil conditions of the contract	Contract disputes, failure to satisfy needs, delivery delays, legal intervention

### **SPECIFIC RECOMMENDATIONS FOR PROCUREMENT IMPLEMENTATION**

The Project Implementing/Executive Agency and its PIU can take responsibility on implementation of project procurements, as they have a good experience in implementing procurements of goods, works and services under the Second Vocational Education and Skills

Development Project. The procurement specialists of the PIU are well familiar with the requirements of the ADB procurement guidelines and have experience of working with the major stakeholders and subject matter experts of the project.

#	Capacity Constraint	Recommended Action
1	Engagement of Stakeholders	Stakeholder engagement and communication is critical to every aspect of procurement. When planning to manage risk, the procurement agency should ensure the relevant stakeholders are identified and contacted, early on, in order to keep them informed that certain procurement risks may impact the outcome of the project. The procurement agency will be responsible for the integrity of the procurement process. Involving and ensuring accountability from stakeholders in the risk management process is key to meeting this responsibility.
2	Inadequate staffing in the PIU and weak procurement capacity in smaller TVET agencies	Currently 2 procurement specialists work in the PIU. Additional procurement specialist/consultant fully dedicated to the project might be necessary, if existing specialists are not available on a full time basis.
3	Need to prepare realistic procurement plans	The following activities are important prior development of the realistic procurement plan: <ul style="list-style-type: none"> <li>• Scoping procurement activity (identify needs; identify stakeholders; understanding governance; developing schedule; confirming budget);</li> <li>• Demand and supply market analysis;</li> <li>• Determination of the procurement method</li> </ul>
4	Improper bid packaging can adversely affect the procurement performance and contract implementation	Based on the procurement planning and stakeholders engagement activities, appropriately package specific procurements under the respective procurement plan, to achieve economy by enhanced competition and efficiency by effective contract management
5	Need to develop fair, non-restrictive, clear and complete procurement requirements (Technical, Functional or performance specifications; Terms of Reference; Statements of Work)	Documented requirements are published at solicitation and suppliers respond with proposals to address how they can fulfill the need. The Requirements support development of the evaluation criteria used to evaluate proposals and make contract award. Thus, it is important to: <ul style="list-style-type: none"> <li>• Work very close with the stakeholders of the project</li> <li>• Avoid use of broad, indefinable terms;</li> <li>• Avoid unnecessary or overly restrictive features</li> <li>• Utilize a simple, easily understandable format for documenting requirements</li> <li>• Use “shall”, “will” and “should” appropriately and consistently</li> <li>• Ensure clear accountability and responsibilities of consultants or contractors</li> </ul>



6	Lack of proper monitoring and interface with TVET agencies may affect program procurement performance and compliance monitoring	Establish a proper interface with all TVET agencies, in order to set out clear and agreed procurement targets including periodic reviews and strict compliance with appropriate guidelines and procedures.
7	Inefficient document and records management and complaint handling processes	Make sure that the procurement-related documents are available and updated including information regarding contract awards, winning bidders, complaints received if any, and their status. Consider electronic data management and retrieval system.

**ANNEX 2: TENTATIVE ENVIRONMENTAL SCREENING AND MANAGEMENT CHECKLIST  
FOR SCHOOL REHABILITATION****Instructions:**

- (i) The Civil Engineering firm completes the checklist for the Project Implementation Unit to support the environmental classification and management of a project. If anticipated environmental impacts of the subproject on environmental aspects are Medium or High, the subproject is excluded from financing.
- (ii) The Civil Engineering firm suggests appropriate mitigation measures for Low impact projects. The Project Implementation Unit ensures that mitigation measures are included in the bidding documents.

**School:****Location:****Site details:**

[Please read and delete.]

Provide some basic details of the site including maps and photos, present site conditions with respect to drainage and sanitary facilities, number of trees to be felled, distance from nearest sensitive location e.g. cultural heritage site, if there is a need to have construction site office and labor camp etc.]

Screening Questions	Low	Medium	High	Mitigation measures
PLEASE ASSESS THE MAGNITUDE OF PROJECT'S POTENTIAL IMPACT DURING BOTH CONSTRUCTION AND OPERATION PHASE ON:				
▪ Soil erosion				
▪ Surface water pollution				
▪ Dust generation				
▪ Noise pollution				
▪ Solid waste generation for (i) building materials, (ii) excess soil, (i) hazardous material (eg. paint, oil and grease) (ii) Operation of laboratory or sanitation facilities				
▪ Loss of vegetation cover				
▪ Sewage generation (from possible labor camp and laboratory or sanitation facilities)				
▪ Requirements for disposal of fill, excavation, and/or spoil materials				
▪ Long-term impacts on groundwater as result of need in sanitation facilities				
▪ Health and safety of (i) school community, (ii) public in general (iii) labor force.				
▪ Others (specify)				

## ANNEX 3: TERMS OF REFERENCE

### I. CONSULTING FIRMS

#### Project Implementation Firm

1. **Labor market and industry partnership experts** (team leader/ deputy team leader; international, 26 person-month; national, 60 person-month). As (deputy) team leaders the experts will:

- (i) provide guidance and leadership support to the consultant team to enable them to efficiently perform their duties and deliver required outputs in accordance with their Terms of Reference and requirements of the project;
- (ii) with the support of the Deputy Team Leader and the consultant team revise/finalize detailed implementation plan, including work plans, activities, milestones, and outputs of each specialist for the whole project period for concurrence by the Project Director;
- (iii) regularly monitor progress of activities of each consultant against the agreed schedules to ensure high quality and timeliness of their outputs;
- (iv) work closely with the project director, EA, and the staff of the project implementation unit (PIU) to provide a broad range of advisory and technical guidance and support and synchronize activities of the consultant team and those of PIU to ensure efficient and effective implementation of the project;
- (v) maintain close and supportive working relationships with MOES, the Project Director and the PIU team, personnel of the project institutions, and stakeholders including representatives of businesses and industries involved in providing inputs and support to project activities and institutions to ensure good working relations, smooth implementation of project activities, and timely delivery of required outputs;
- (vi) monitor progress of project activities against the milestones and prepare an inception report, progress reports as well as other reporting requirements for submission to MOES and ADB in accordance with the agreed schedules; and
- (vii) coordinate with the Project Director and PIU staff to conduct joint monthly review meetings between the consultant team and the PIU team to review progress of project implementation activities, identify issues and bottlenecks, if any, that need to be addressed, agree on actions and follow up activities, and provide necessary technical advice and support to the PIU team as may be required.

2. The experts will perform the following content functions and duties and deliver the outputs indicated hereunder:

- (i) Review and analyze the findings of sector assessments in key economic regions and sectors to reconfirm their validity and agree with MOES on priority TVET programs to be developed, expanded, and/ or strengthened in order to prepare skilled workforce;
- (ii) develop methodology for and coordinate regional labor market surveys of CoEs and provide respective coaching and technical backstopping to CoEs;
- (iii) conceptualize job and education fairs;
- (iv) establish industry partnership units as part of expert groups in CoEs;
- (v) in close cooperation with MOES and AVE, develop a strategy, road map, and action plan to reform the TVET system in line with the Government's policy to make TVET more responsive and more attractive to the requirements of industries, parents, and students;

- (vi) work closely with concerned MOES and AVE authorities to select vocational institutions to be amalgamated/ rationalized and to improve their programs, resources, and status to become CoEs in the selected regions;
- (vii) review existing policy, legal environment, regulatory framework, legislations, and regulations that may constrain the mandate to reform the TVET system and propose actions to remove barriers to the reform including introduction of new legislature, strategy, and mechanisms to reform TVET at the national, regional, and institutional levels;
- (viii) moderate and provide international good practices to inter-ministerial working group to develop regulatory framework and accountability mechanisms to enable centers of excellence and TVET institutions to assume more responsibilities;
- (ix) develop a strategy and implementation plan and mechanism to introduce pathways in TVET in the national education system from PVET to SVET;
- (x) develop a strategy paper, supporting legal documents, operations manual, and implementation plan to establish a structure and mechanism to incentivize industry cooperation in TVET;
- (xi) conduct seminars, workshops, and training for TVET personnel at MOES, AVE, and TVET institutions to strengthen their capacity to introduce reform at their organizations and institutions;
- (xii) assist MOES, AVE, and CoEs to implement new and revised programs, strengthen their capacity including training of directors, teachers, and other concerned personnel of the centers to ensure effective operation and sustainability of reform initiatives at each center;
- (xiii) develop a system, guidelines, mechanisms, and manual to implement a quality assurance system for TVET institutions and conduct training for key personnel of MOES, AVE, and TVET institutions to enable them to adopt and implement the quality assurance system successfully;
- (xiv) prepare organizational and administrative documents to support the activities of PVET and SVET to help strengthen their financial and managerial efficiency and increase governance, transparency, and sustainability of the reform initiatives;
- (xv) guide and support the inter-ministerial working group and Ministry of Finance with the cooperation of AVE, MOES, MOL, to prepare a legal document for the institutionalization and financial management of the Skills Development Fund for approval and enactment into law by relevant government bodies and authorities;
- (xvi) assist MOES to develop a policy document on skills development as part of the long term Education and National Development Strategies including a strategy for reform of the TVET system, identification of key sectors of the economies, list of priority occupations, and resource requirements to implement the skills development program and TVET reform;
- (xvii) guide and support the inter-ministerial working group on budgetary and financial analysts from Ministry of Finance to develop a normative budgetary financing model for piloting in 20 vocational lyceums and supported CoEs; and
- (xviii) perform other duties, functions, and tasks, as may be assigned/requested by the Project Director, MOES, PIU, and ADB.

3. **Work-based learning and teacher training experts** (international, 14 person-month; national, 42 person-month). The experts will have extensive experience in WBL and pre-service and in-service teacher training including solid knowledge of and experiences in competency-based training and assessment systems. The national expert will have the same tasks and outputs as international expert; there will be no subordination of the national to the international consultant. Particularly, the specialists will perform the following functions, duties, and tasks:

- (i) Conceptualize and operationalize a WBL concept for CoEs (both for students and teachers to update their technical skills) and in close cooperation with industry partnership experts;
- (ii) analyze the existing teacher development system - both pre-service and in-service teacher training- and identify gaps, weaknesses, as well as areas that need to be strengthened to be in line with the Government's plan to improve the quality of TVET teachers as elaborated in recent reform initiatives for the support of MOES, AVE, TVET institutions and other stakeholders to develop and approve a coherent TVET teacher development program;
- (iii) conceptualize and operationalize a national didactic and technical TVET teacher-training program with a focus on CoEs but including PVET and SVET institutions;
- (iv) conduct ToT teacher trainings, peer-learning exchange, and ToT coaching;
- (v) review progress of the implementation of the TVET Teacher's Qualifications Framework (TTQF) developed under the Second Vocational Education and Skills Development Project and identify areas that should be further strengthened or adjusted to ensure that it could effectively serve as a reference for the design and implementation of in-service teacher development programs under the project;
- (vi) assist MOES and AVE to take the necessary actions including amendments of rules and regulations, if necessary, in order to establish and roll-out a quality assured WBL system including a standardized structure for WBL training curricula;
- (vii) collaborate closely with industry partnership experts to provide enough WBL opportunities for all students of CoE priority occupations;
- (viii) assist MOES and AVE to develop a comprehensive plan and strategy to implement the provisions in the Education Development Strategy for 2012-2020 and beyond with respect to the need to improve the quality of teaching in the PVET and SVET system as well as criteria for teacher assessment in order to achieve the targets set in the Strategy;
- (ix) analyze pedagogic colleges and their pre-service training for PVET (e.g. technical training needs, WBL, student centered teaching, etc.);
- (x) analyze the provisions in the TTQF with respect to qualifications of technical teachers to teach in lyceums and colleges, collect data from available sources to identify the number of in-service teachers whose qualifications do not meet the requirements and, hence, need further training or retraining to help them upgrade their qualifications to meet the TTQF standards (with a focus on but not limited to CoEs);
- (xi) assist MOES and AVE to develop a long term plan, strategy, and timeline as well as resources required to upgrade the skills and knowledge identified by the teachers and to improve their qualifications in line with the targets set under the project;
- (xii) assist in the establishment/appointment of an expert working group (EWG), prepare its Terms of Reference, working arrangements and schedules, and serve as a coordinator among the EWG, MOES, AVE, and the PIU to ensure good cooperation among the stakeholders; and
- (xiii) assess the outputs, outcome, and benefits of the interventions to improve the quality of pre-service and in-service programs for TVET teachers undertaken under the project and recommend follow up actions to ensure impact and sustainability of the programs after project completion.

4. **TVET system management experts** (international, 14 person-month; national, 52 person-month). The experts will support the government, in the modernization and management of the TVET system, the improvement of the TVET teaching and learning environment and the enhancement of the quality of training delivery. The particular the experts will:

- (i) Assist in implementation of the rationalization strategy;
- (ii) revise CoE and PVET curricula regarding the improvement of practical instruction;
- (iii) assist MOES in improving the internal and external efficiency of the TVET system;
- (iv) support and strengthen the capacity of MOES and AVE staff;
- (v) act as a focal point between the labor market requirements and the provision of respective educational offers (and in close collaboration with respective experts);
- (vi) assist in conducting yearly tracer studies of graduates of CoEs and PVET and SVET generally;
- (vii) streamline the developed pathways policy;
- (viii) develop a coherent framework for the development of labor market oriented and learning outcomes based curricula based on the State Education Standards for PVET and SVET;
- (ix) define the participation and role of social partners for a consistent pedagogic approach (starting with occupational profiles translated into professional requirements occupational/education standards and curricula, and resulting in aligned teaching and learning materials and assessment of learning outcomes against professional requirements (standards);
- (x) introduce competency-based TVET curricula, instructional materials, and assessment of learning outcome in 15 priority occupations at selected TVET institutions;
- (xi) assist MOES and AVE to establish an expert working group for curricula and training materials development to guide, coordinate, and support the development of CBT curriculum and training materials, and assessment system in 15 priority occupations including identification of experts from MOES, AVE, and private sector to be members of the working group (including preparation of a work plan and schedules, expected outputs, and other necessary arrangements to facilitate their work);
- (xii) act as technical advisers to the expert working group to guide and coordinate its activities to achieve the mandate, objectives, and targets set by MOES and AVE;
- (xiii) work closely with the expert working group to conduct an analysis of the scope and contents of the 15 priority occupations, identify scope and structure of the training programs for each occupation, and prepare curriculum outline, contents, training materials including CBT modules, and assessment system for the 15 occupations;
- (xiv) develop and conduct a training course for TVET personnel who will be involved in the adoption and implementation of the CBT system for the 15 occupations at selected TVET institutions to prepare them for their new roles and responsibilities;
- (xv) in close cooperation with the expert working group help develop a CBT certification course for TVET teachers who will be certified to teach in the CBT programs especially in the 15 priority occupations for approval by MOES;
- (xvi) conduct the training of trainers program (TOT) for a group of master trainers selected from TVET institutions and subject experts to become CBT certified trainers who will subsequently train other TVET teachers at the selected institutions to become CBT certified;

- (xvii) assist the selected TVET institutions to implement the CBT programs in the 15 priority occupations at their respective institutions;
- (xviii) help monitor progress of the implementation and adoption of the CBT system at the selected TVET institutions to ensure that the targets are met; and
- (xix) assess the outputs, outcome, and initial impact of this activity and recommend follow up actions to MOES and AVE to ensure sustainability of the CBT system.

5. **Legal and entrepreneurship experts** (national, 24 person-month). The expert will assist MOES in the completion of the following main tasks: (i) analyse legal implications of establishing CoEs (and in close collaboration with other experts), (ii) introduce new and revised subjects into curricula, (iii) improving WBL; (iv) support CoEs to improve their entrepreneurial activities and attitude; and; (v) provide advise for small scale production and advisory services to the industry. In particular the expert will:

- (i) Review existing legal, administrative and institutional arrangements of the PVET and SVET systems;
- (ii) review earlier drafts on the introduction of per capita financing and on the consolidation and rationalization of the PVET and SVET systems;
- (iii) advise on the removal of barriers to income-generating activities in TVET sector and support TVET institutions with a focus on CoEs in the development of revenue generating activities;
- (iv) catalyze the process of entrepreneurial activities in TVET institutions, oriented for provision of services and production of goods in taught occupations;
- (v) conduct and in depth analysis of existing normative legal framework, income-generating mechanisms, and will propose their improvement and rolling out;
- (vi) analyze existing revenue generating practice in TVET institutions as well as underlying normative legal framework currently in force, in order to find out obstacles and opportunities for development;
- (vii) prepare proposal on improvement of normative legal framework regarding the development of income generating activities and harmonize them with the relevant agencies and other stakeholders;
- (viii) jointly with MOES prepare a package of normative legal documents, regulating entrepreneurship and revenue generating activities in the TVET system;
- (ix) assist MOES in promotion of proposed draft documents or amendments to normative legal framework up to official approval;
- (x) organize and conduct round tables, workshops, and trainings needed for rolling out of entrepreneurial and income generating activities' mechanisms in TVET institutions; and
- (xi) perform other duties, functions, and tasks as may be requested by the Team Leader, PIU manager, and the Project Director.

6. **Gender and poverty experts** (international, 3 person-month; national, 12 person-month). The TVET gender development and women employment specialists (no subordination of national to international consultant) will perform the following functions, duties, and tasks to support MOES and AVE to attract and retain female students in TVET programs and to assist them to find appropriate employment upon graduation from the TVET institutions:

- (i) Assist in preparing advocacy and public relations programs, activities, and materials to promote TVET programs among female students and their parents;
- (ii) assist in developing a long term plan, strategy, and programs to attract female students to study TVET especially in non-traditional subjects at lyceums and colleges;
- (iii) conduct a survey/review of labor market demands and job opportunities in business and industries for female graduates of TVET including career patterns,



- salaries, training opportunities, knowledge and skills required for different types of jobs and occupations, etc.;
- (iv) analyze TVET programs and curriculum at PVET and SVET levels to identify gender gap and weaknesses in terms of gender orientation, promotion, and support at the lyceums and colleges to prepare female students for employment in the formal sector;
  - (v) develop course materials and/ or modules to complement the existing curricula in order to promote awareness and appreciation of the role of women in TVET studies and employment in nontraditional subjects and occupations;
  - (vi) conduct training programs for administrators and teachers of TVET institutions on promoting gender awareness and providing support to female students to help them achieve their goals of studies and to find appropriate employment in the private sector;
  - (vii) prepare a GAP implementation plan with measurable milestones and assist PIU in GAP implementation, monitoring, and reporting, and update and revise the GAP, as needed;
  - (viii) support the conduct of a sex-disaggregated baseline survey at AVE, MOES, and TVET institutions and yearly follow-up sample surveys, using both qualitative and quantitative questionnaires, to track progress of female students in their studies and employment after graduation;
  - (ix) assist MOES and AVE to develop a data base as part of EMIS for TVET for female students and graduates across the study programs and TVET institutions which will be used for developing policies and strategies to raise awareness and promote TVET studies among female students;
  - (x) work closely with business and industries to design and implement internship programs for female students and to encourage the owners/supervisors to provide necessary guidance and support to female students to benefit fully from the program;
  - (xi) prepare training documents and materials on professional orientation, counseling, and career planning for TVET institutions for adoption in their career counseling programs in order to assist female students to prepare for and find appropriate employment after graduation;
  - (xii) conduct training programs based on materials developed for TVET administrators, teachers, and counselors who will then use the materials to help their female students prepare themselves for employment after graduation;
  - (xiii) monitor progress of gender development in TVET against the baseline and targets set in the Design and Monitoring Framework including baseline surveys and prepare an impact evaluation report at the end of the assignment/project for distribution among MOES, AVE, inter-ministerial working group, TVET institutions, etc.; and
  - (xiv) perform other duties, functions, and tasks as may be requested by the Team Leader, PIU manager, and the Project Director.

### **Entrepreneurship Education Firm**

7. The detailed TORs are to be developed by the individual international consultant on ES-EDU based on in depth research, analysis, and development of a tailor-made ES-EDU model for the Kyrgyz Republic. The consulting firm implementing ES-EDU with the support of the international consultant will consist of three experts. Key functions and responsibilities for each expert will consist of the following:

8. **Didactic entrepreneurship expert** (international, 6person-month).
  - (i) Implement developed models of simulated enterprises suited for national and regional circumstances;
  - (ii) analyse curricula and integrate ES-EDU inter-subjectively and as explicit subject;
  - (iii) establish linkages to international networks for entrepreneurship education;
  - (iv) coordinate and advise on curricula and teaching material development;
  - (v) coordinate and advise on coaching techniques and needs;
  - (vi) coordinate the selection of ES-EDU co-working spaces including the equipment of simulated enterprises workshops;
  - (vii) implement the developed national concept of ES-EDU with a methodological and student centred mix of teaching methods containing inter-subjective integration of ES-EDU and as explicit subject(s) including:
    - a. Inter-subjective integration of ES-EDU in STEM subjects,
    - b. Inter-subjective integration of ES-EDU in humanities' subjects, and
    - c. Explicit introduction and improvement of ES-EDU subject(s) in curricula of priority occupations;
  - (viii) develop a training curriculum for ES-EDU ToT (including centralized and decentralized trainings, coaching, and peer learning).
9. **Teacher training expert** (national, 24 person-month).
  - (i) develop Trainers of Trainers (ToT) curricula for ES-EDU;
  - (ii) conduct ToT training modules;
  - (iii) develop curricula for student teaching and facilitation;
  - (iv) support first batch of ToT in classroom trainings;
  - (v) development of teaching material;
  - (vi) provide coaching to ES-EDU teachers on site;
  - (vii) develop national certification criteria for ES-EDU ToT; and
  - (viii) support MOES in in certification of ES-EDU ToT.
10. **Student relations and coaching expert** (national, 24person-month).
  - (i) Setting up of a service centre for simulated enterprises and provide coaching and capacity building to the service centre;
  - (ii) coordinate international training firm participation;
  - (iii) organise national ES-EDU fairs;
  - (iv) provide coaching to ES-EDU teachers on site; and
  - (v) organise and moderate peer-learning events.

**AUDIT FIRM****[ENTITY NAME: XYZ]****AUDITED PROJECT FINANCIAL STATEMENTS (APFS)  
STATEMENT OF AUDIT NEEDS (AUDITOR'S TERMS OF REFERENCE<sup>30</sup>)****I. Introduction**

1. *[A description of the project will be provided with a focus on the purpose for which the funds are intended consistent with broad project objectives and budget. A description of the executing and implementing agencies will be included along with the related accounting and financial management practices, loan amount, financial reporting periods to be audited, and other relevant information that should be brought to the attention of the auditors.]*

**II. Management Responsibility for Preparing Project Financial Statements**

2. Management is responsible for preparing and fairly presenting the project financial statements, and for maintaining sufficient internal controls to ensure that the financial statements are free from material misstatement, whether due to fraud or error. In addition, management is responsible for ensuring that funds were used only for the purpose(s) of the project, for compliance with financial covenants (where applicable), and for ensuring that effective internal controls, including over the procurement process, are maintained. *[In this regard, management must:*

*(i) Prepare and sign the Audited Project Financial Statements.*

*(ii) Prepare and sign a Statement of Compliance.*

3. *Management must include the following in the Statement of Compliance:*

*(i) That project financial statements are free from material misstatements including omissions and errors, and are fairly presented;*

*(ii) That the borrower or executing agency has utilized the proceeds of the loan only for the purpose(s) of the project;*

*(iii) That the borrower or executing agency was in compliance with the financial covenants of the legal agreement(s) (where applicable);*

*(iv) That the imprest fund procedure, where applicable, has been operated in accordance with the Asian Development Bank's (ADB) Loan Disbursement Handbook;*

*(v) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE), where applicable, for reimbursement of eligible expenditures incurred and liquidation of advances provided to the imprest account; and*

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<sup>30</sup> This statement of audit needs was developed to guide project teams and executing and implementing agencies in communicating the Asian Development Bank's (ADB) auditing requirements to private auditors. This statement of audit needs may also be used as a guide when communicating auditing requirements with supreme audit institutions, where applicable.

- (vi) *That effective internal control, including over the procurement process, was maintained.]*

### III. Objectives

4. The objectives of the audit of the project financial statements is to enable the auditor to (i) express an independent and objective opinion as to whether the project financial statements present fairly, in all material respects, or give a true and fair view of the project's financial position, its financial performance and cash flows, and (ii) provide a reasonable assurance opinion over certain specific representations made in the Statement of Compliance. *(please refer to paragraph 10).*

### IV. Auditing Standards

5. The *[statutory]* audit is required to be conducted in accordance with *[specify the relevant auditing standards]*. These standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the project financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the project financial statements whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the project financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the project financial statements.

6. The standards to be applied will be documented in the project/loan documents, and will include:

*[Option A: Standards promulgated by the International Auditing and Assurance Standards Board (IAASB):*

1. *International Standards on Auditing (ISA); and*
2. *International Standards on Assurance Engagements (ISAE).*

*Option B: Standards promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI):*

1. *International Standards of Supreme Audit Institutions (ISSAI).*

*Option C: National Auditing Standards:*

1. *The auditing standards promulgated by {national authority}. ]*

7. In complying with ISA, the auditor will pay particular attention to the following standards:

- ISA 800/ISSAI 1800 – Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.
- ISA 240/ISSAI 1240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
- ISA 250/ISSAI 1250 – Consideration of Laws and Regulations in an Audit of Financial Statements.

- ISA 260/ISSAI 1260 – Communication With Those Charged with Governance.
- ISA 265/ISSAI 1265 – Communicating Deficiencies in Internal Control To Those Charged with Governance and Management.
- ISA 330/ISSAI 1330 – The Auditor’s Responses to Assessed Risks.

## V. Project Financial Reporting Framework

8. The auditor will verify that the project financial statements have been prepared in accordance with *[International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), International Public Sector Accounting Standards (IPSAS) promulgated by the International Public Sector Accounting Standards Board (IPSASB), or national equivalents]*. The executing agency and/or implementing agency are responsible for preparing the project financial statements, not the auditor.

### I. AUDIT DELIVERABLES

#### A. Audited Project Financial Statements

9. An auditor’s opinion providing reasonable assurance over the project financial statements, and project financial statements comprising the following:

**Table 1: Content of the Project Financial Statements**

For Cash-Based Financial Statements	For Accrual-Based Financial Statements
A statement of cash receipts and payments	A statement of financial position (balance sheet)
A statement of budgeted versus actual expenditures	A statement of financial performance (income statement)
A statement of imprest account (where applicable)	A statement of cash flows
A summary statement of expenditures (where applicable)	A statement of changes in net assets/equity (where applicable)
Significant accounting policies and explanatory notes	A statement of imprest account (where applicable)
Any additional schedules agreed (e.g., a summary of assets)	Significant accounting policies and explanatory notes
	Statement of budgeted versus actual expenditures
	Summary statement of expenditures (where applicable)
	Any additional schedules agreed

#### B. Reasonable Assurance Opinion over the Use of Loan Proceeds and Compliance with Financial Covenants

10. The auditor will provide a reasonable assurance opinion following *[ISAE 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” or ISSAI 4200 “Compliance Audit Related to the Audit of Financial Statements”]* for the following confirmations provided by Management in the Statement of Compliance:

- (i) That the proceeds of the loan were used only for the purpose(s) of the project; and

- (ii) That the borrower or executing agency was in compliance with the financial covenants of the legal agreement(s), where applicable.

11. The auditor will outline the degree of compliance for each of the financial covenants in the loan agreement.

### **C. Management Letter**

12. The auditor will provide a management letter containing, at a minimum, the following:

- (i) Any weaknesses in the accounting and internal control systems that were identified during the audit, including any irregularity in the use of the imprest fund and statement of expenditures (SOE) procedures (where applicable);
- (ii) Any identified internal control weaknesses related to the procurement process such as, over the bidding, evaluation and contract management domains;
- (iii) Recommendations to rectify identified weaknesses;
- (iv) Management's comments on the audit recommendations along with the timeframe for implementation;
- (v) The status of significant matters raised in previous management letters;
- (vi) Any other matters that the auditor considers should be brought to the attention of the project's management; and
- (vii) Details of any ineligible expenditure<sup>31</sup> identified during the audit. Expenditure is considered ineligible if it refers to (i) expenditures incurred for purposes other than the ones intended under the legal agreement(s); (ii) expenditures not allowed under the terms of the legal/financing agreements; and (iii) expenditures incurred in violation of applicable government regulations.

### **D. Specific Considerations**

13. The auditor will, during the course of the audit, pay particular attention to the following:

- (i) The use of external funds in accordance with the relevant legal and financing agreements;
- (ii) The provision of counterpart funds in accordance with the relevant agreements and their use only for the purposes intended;
- (iii) The maintenance of proper books and records;
- (iv) The existence of project fixed assets and internal controls related thereto;

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<sup>31</sup> If the auditor reports any ineligible expenditure in the management letter, the details of the findings should include the funding source to which the observation relates.

- (v) Where the audit report has been issued under ISA 800 or ISSAI 1800, it shall include the mandatory Emphasis of Matter paragraph alerting users of the audit report that the project financial statements are prepared in accordance with a special purpose framework and that, as a result, the project financial statements may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading;
  - (vi) Where reasonable assurance has been provided using ISAE 3000 or ISSAI 4200, the assurance report must contain, among others:
    - A statement that the engagement was performed in accordance with ISAE 3000 or ISSAI 4200;
    - Subject matter;
    - Criteria for measurement;
    - A summary of the work performed; and
    - The auditor's conclusion.
  - (vii) On the imprest fund procedure (where applicable), audit procedures are planned and performed to ensure (a) the imprest account (and any sub-accounts) has been managed in accordance with ADB's Loan Disbursement Handbook, (b) the cash balance of the imprest account (and any sub-accounts) is supported by evidence, (c) the expenditures paid from the imprest account (and any sub-accounts) comply with the approved project purpose and cost categories stipulated in the loan agreement, and (d) the amount of expenditures paid from the imprest account (and any sub-accounts) comply with disbursement percentages stipulated in the loan agreement;
  - (viii) Adequate supporting documentation has been maintained to authenticate claims stated in the SOE for reimbursement of eligible expenditures incurred and liquidation of advances provided to the imprest account (where applicable);
  - (ix) On the SOE procedure (where applicable), audit procedures are planned and performed to ensure that (a) the SOEs have been prepared in accordance with ADB's Loan Disbursement Handbook, (b) the individual payments for expenditures stated in the SOE are supported by evidence, (c) the expenditures stated in the SOEs comply with the approved project purpose and cost categories stipulated in loan agreement, and (d) the amount of expenditures stated in the SOEs comply with disbursement percentages stipulated in the loan agreement; and
  - (x) Any weaknesses in internal controls over the procurement process.
14. All reports must be presented in the English language within 6 months following the end of the fiscal year.
15. Public disclosure of the project financial statements, including the auditor's opinion on the audited project financial statements, will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose the audited project financial statements and the opinion of the auditor on the audited project financial statements no later than 14 calendar days of ADB's

confirmation of their acceptability by posting them on ADB's website. The management letter and the additional auditor's opinions will not be disclosed.<sup>32</sup>

## **II. OTHER MATTERS**

### **A. Statement of Access**

16. The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreement(s), bank records, invoices and any other information associated with the project and deemed necessary by the auditor.

17. The auditor will be provided with full cooperation by all employees of [XYZ] and the project implementing units, whose activities involve, or may be reflected in, the annual project financial statements. The auditor will be assured rights of access to banks and depositories, consultants, contractors and other persons or firms hired by the employer.

### **B. Independence**

18. The auditor will be impartial and independent from any aspects of management or financial interest in the entity or project under audit. In particular, the auditor should be independent of the control of the entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

### **C. Auditor Experience**

19. The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of projects or entities comparable in nature, size and complexity to the project or entity whose audit they are to undertake. To this end, the auditor is required to provide curriculum vitae (CV) of the personnel who will provide the opinions and reports, together with the CVs of managers, supervisors and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

## **II. INDIVIDUAL CONSULTANTS**

11. **TVET policy reform coordinator and curricula expert** (international, 10 person-months). The international consultant will provide support and advise to the national high-level policy reform coordinator. However, S/he will not supervise the national counterpart. The international consultant will conduct assessments of good practices in TVET policy and curricula for tailor-made concepts and advise to the national counterpart and the MOES at large. The international consultant will focus on:

- (i) Draft a policy paper for the development and establishment of a National Qualification System for consideration and further actions by the inter-ministerial working group;

<sup>32</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).



- (ii) assist the inter-ministerial working group to develop a model for National Qualification System (NQS), including National Qualification Framework (NQF) and a policy for the educational pathways for endorsement by MOES, AVE, and business associations, and for subsequent approval and adoption by the Government through appropriate legal procedures and documents which will necessitate the implementation of NQS and NQF in the education system of the Kyrgyz Republic;
- (iii) prepare a concept paper on establishment of a National Qualification Council including its mission, mandate, functions, organizational structure, funding mechanisms, and operational procedures, among others, to be reviewed and endorsed by the inter-ministerial working group for approval by the relevant bodies of the Government;
- (iv) prepare a tailor-made concept for the Kyrgyz Republic for the improvement of CBT (including an in depth overview of CBT approaches in countries in transition and industrialized countries) and its implications and potential for modular teaching and WBL
- (v) lead ToT curricula development for teaching and learning material and for subject curricula development; and
- (vi) facilitate the national certification of ToTs for curricula and learning material development.

12. **TVET policy reform coordinator and curricula expert** (national, 48 person-month). The National Coordinator for Reform of TVET System will be recruited to provide support to MOES, AVE, inter-ministerial working group, concerned government agencies, and stakeholders to ensure efficient implementation of the reform agenda (Policy Matrix) and sustainability of the reform initiatives introduced under the project. The Coordinator must have extensive experience working in government, preferably in the education sector, and must be familiar with the structure and operations of government bureaucracy in terms of legislative procedures and protocols including approval of legal documents, administrative hierarchies, working relations among various government ministries and agencies, communications process and format, etc. The National coordinator will report administratively to the Project Manager of the PIU and functionally to the Project Director. S/he will maintain close working relationships with the consultant team to facilitate the process of implementing the reform agenda with the cooperation and support of government agencies and stakeholders. In particular, she will perform the following functions, duties, and tasks:

- (i) Close follow-up and coordination of each of the policy actions under the Policy Matrix (PM) of the program in order to support the government to achieve indicators and policy actions;
- (ii) review the scope of responsibilities and functions of MOES, AVE, Ministry of Finance, Ministry of Justice, etc. and the mechanisms and procedures involved in obtaining cooperation and support from these ministries and agencies to ensure timely approval sublegal acts, legal documents, decrees, and related administrative orders which are needed to implement reform agenda under the project;
- (iii) in close cooperation with the Team Leader of the consultant team, the Project Director and the PIU, prepare a list of reform agenda items to be introduced and implemented under the project and map out a strategy, identify the standard legal and administrative process and steps as well as time required to obtain approval from the concerned government ministries, agencies, organizations, etc. to implement each reform agenda item;

- (iv) act as a focal point to provide support to MOES, AVE, and inter-ministerial working group to coordinate and facilitate their activities to ensure timely completion of the reform agenda items (policy actions) under their respective mandate and responsibilities;
- (v) act as a secretary of the inter-ministerial working group to provide administrative support and other necessary assistance including preparation of meeting schedules and agenda, preparation of minutes of meetings and other related documents for distribution to concerned agencies and individuals involved in project implementation, and filing of records;
- (vi) monitor progress of the reform agenda and prepare a monthly progress report for MOECON, AVE, MOES, and PIU including issues and follow up actions that need to be taken by each agency, unit, etc.;
- (vii) provide guidance and support to the Team Leader, PIU Manager, individual consultants, and the consultant team as may be required to help facilitate the development and approval of policy papers, legal documents, administrative documents that need approval and endorsement of relevant government ministries, agencies, and bodies, etc.;
- (viii) work closely with the Project Director and the PIU staff to ensure swift and effective implementation of the reform agenda under the program; and
- (ix) other duties as may be requested or assigned by the Project Director and the inter-ministerial working group; and
- (x) Facilitate implementation of the process framework underpinning the policy matrix (refer to Annex 4 of the PAM).

13. **Education management information system expert** (national, 24 person-month). The consultant will be recruited to conduct capacity building at MOES for EMIS on quality of data, data triangulation, and customizing reporting tools, support linkages to general education EMIS, and ensure smooth data integration between PVET and SVET EMIS systems and GE EMIS in general. Tasks and responsibilities are the following:

- (i) Acts as administrator of EMIS and makes appropriate changes in parameters of EMIS upon receipt of requests from MOES and PVET and SVET, as well as making changes to developed EMIS operating manuals/guidelines;
- (ii) ensures smooth operation of developed software for EMIS, servers and related equipment;
- (iii) remove emerging issues and failures in the system in lyceums and colleges using remote access and monitoring and during on-site-visits, if necessary;
- (iv) maintains the acquired skills and knowledge on usage of EMIS and generation of reports on PVET/SVET level and MOES through on the job training or organizing of a series of trainings;
- (v) provides administrative and technical support to MOES in gradual shifting from manual reporting, including the introduction of electronic document circulation in MOES and between PVET/SVET and MOES;
- (vi) ensures MOES' EMIS compatibility with other electronic management systems of the Government of KR( "Infosistema" and AVE MIS);
- (vii) build capacity on analysis of reports and developing key indicators for evidenced-based policy making;
- (viii) works closely with MOES employees in the implementation process and resolves issues on EMIS and 1C software usage;
- (ix) builds capacities in MOES for swift handover of EMIS starting from the second year of project implementation; and
- (x) performs other tasks on PIU and MOES requests within his/her competence.

14. **Entrepreneurship education expert** (international, 8 person-month). The consultant will be recruited to:

- (i) Develop a detailed strategic and sequenced concept of ES-EDU;
- (ii) develop detailed TORs for the consulting firm which will implement the ES-EDU approach;
- (iii) guide and advises the work of the consulting firm on ES-EDU;
- (iv) develops technical specifications for the equipment of simulated enterprises workshops;
- (v) provide international good practices and linkages to ES-EDU models;
- (vi) develop a national concept of ES-EDU with a methodological and student centred mix of teaching methods containing inter-subjective integration of ES-EDU and as explicit subject(s) including:
  - a. inter-subjective integration of ES-EDU in STEM subjects,
  - b. inter-subjective integration of ES-EDU in humanities' subjects, and
  - c. explicit introduction and improvement of ES-EDU subject(s) in curricula of priority occupations
- (vii) organize and conduct two study tours to relevant good practices in other (D)MCs;
- (viii) develop a training curriculum for ES-EDU ToT (including centralized and decentralized trainings, coaching, and peer learning).

15. **Procurement specialist** (international, 5 person-month). The procurement specialist will have knowledge and experiences of public procurement laws and regulations of the Kyrgyz Republic as well as procurement guidelines, rules, and regulations of multi-lateral agencies preferably ADB's Guidelines. The specialist will have demonstrated extensive experience in preparation and management of procurement for donors' funded projects and preferably in the education sector. In particular, the specialist will perform the following functions, duties, and tasks:

- (i) Review and revise the procurement plan including procurement schedules and packaging appropriate to project activities to ensure consistency and timely implementation;
- (ii) provide support in preparation of specifications for civil works, goods, and consultancy services as may be requested by the Project Director, PIU manager, and/or Team Leader;
- (iii) assist the procurement unit/PIU in developing selection and evaluation criteria for procurement packages;
- (iv) provide support to the PIU, procurement unit, and associated committees in preparation of bidding documents, bid evaluation reports etc;
- (v) provide guidance and assistance to the procurement committees including bid evaluation committee on matters relating to procurement of works, goods, and services under the project as may be required;
- (vi) monitor procurement activities to ensure that all procurement are compliant to ADB Guidelines and/or government rules and regulations,
- (vii) train procurement staff of PIU and the procurement unit on ADB's Guidelines and procedures and development and preparation of bidding documents including specifications and evaluation of bids;
- (viii) develop a procurement tracking system, including tracking of procurement schedules, delivery of goods, payment schedules, consultants' performance, warranties, and maintenance scheduling of goods and civil works;
- (ix) assist in preparing a summary report of the outcome of the procurement packages for records;

- (x) prepare an end of assignment/project report on procurement activities, outputs, achievements, and weaknesses, if any, that need to be addressed by PIU and procurement units of MOES and AVE in their procurement programs; and
- (xi) perform other duties and tasks relating to procurement under the projects as may be requested by the Team Leader, PIU manager, and/or Project Director.

16. **Architect-engineer** (national, 12 person-month). A national architect-engineer and will support the EA on an intermittent basis to assist in the rehabilitation of the buildings, workshops, and dormitories. The architect-engineer will:

- (i) Support industry representatives in formulating specific and balanced technical specifications for rehabilitation of workshops;
- (ii) define bill of defects for existing classrooms, dormitories, and buildings;
- (iii) prepare rehabilitation plan and the corresponding programs of work for the PVSs and SVSs based on PIPs;
- (iv) assist the PIU procurement specialist in the tendering of the rehabilitation works, including the clarification of issues in the scope of the works and technical specifications, and in the finalization of the implementation program upon contract award; and
- (v) turnover to the national works engineer the program of work for each contract and the records of discussions with contractors on the final implementation program.

17. **Civil works and environmental supervisor** (national, 12 person-month). The civil works and environmental supervisor will support the EA on an intermittent basis to assist in the rehabilitation of the workshops and dormitories. The works engineer will:

- (i) Secure the final program of work for the rehabilitation contracts for COEs;
- (ii) discuss the final implementation program and the program of inspection and reporting for each project;
- (iii) supervise the implementation of the works including the checking of compliance with the conditions of contracts on the workmanship, delivery and installation of equipment and/or furniture, and recommending any contract variation, if necessary, subject to approval of Program Director;
- (iv) accept the completed project upon authority and subject to approved procedures by PIU/ EA; and
- (v) supervise that environmental safeguards and core labor standards are strictly observed.

### **III. PROJECT IMPLEMENTATION UNIT (PIU)**

18. The PIU will perform the following functions to implement program activities either on its own or through project institutions or other units under MOES including committees, teams, working groups, etc. to be appointed by MOES as necessary.

- (i) Carry out day to day implementation activities in specified areas/ functions to support and facilitate program implementation by program institutions, teams, committees, or working groups;
- (ii) manage specific program implementation activities, including finance and accounting, procurement, report preparation, project performance monitoring system, simplified environmental screening and management checklist, and preparation and submission of disbursement claims;

- (iii) prepare supporting documents for replenishment of imprest account, financial statements, and arrangement of the annual audit report in close consultation with concerned government agencies;
- (iv) monitor compliance with policy, legal, financial, economic, environmental, social, and other covenants contained in the Program legal agreements;
- (v) monitor and report Project progress and performance, including mid-term and program completion report; and,
- (vi) perform other duties and tasks as may be reasonably assigned by the Program Director.

19. **PIU manager** (national, 60 person-month). The PIU Manager reports to the Program Director. The PIU Manager will be responsible for the day to day operations of the PIU and assists the Program Director in ensuring that program activities are implemented efficiently, particularly matters relating to: (i) procurement, (ii) financial planning and management, (iii) records keeping, (iv) maintaining and reconciliation of project accounts, (v) acquisition of equipment, materials, and supplies for the PIU and other concerned units which are involved in program implementation, (vi) payments for purchase of goods and services procured by or through the PIU, (vii) payments to suppliers and contractors, (viii) preparation and submission of Statements of Expenditures in accordance with ADB Guidelines, rules, and regulations, and (ix) recruitment of consultants for the Program. In particular, the PIU Manager will perform the following duties/tasks:

- (i) Provide leadership, guidance and support to the PIU staff to enable them to perform their functions and duties effectively;
- (ii) manage day to day functions and activities of the PIU and PIU staff to ensure that there are no delays in carrying out PIU's responsibilities to meet requirements and expectations of clients (i.e., project institutions, committees, working groups, MOES and AVE departments, divisions, and units, suppliers, contractors, and ADB);
- (iii) prepare implementation plan including timelines for various activities as described in the overall PIU functions and monitor the progress of these functions and activities on a regular basis;
- (iv) prepare quarterly progress report and annual report including financial statements and technical components which will be prepared by the consultant team, committees, working groups, etc. for submission to ADB;
- (v) coordinate activities of consultants or contractors or MOES and AVE specialists who may be hired or assigned specialized functions such as implementation, monitoring, and reporting on the actions taken on Gender Action Plan, initial environmental examination, and other similar activities required under the program;
- (vi) provide guidance and support to PVET and SVET institutions, MOES and AVE departments, divisions, units, committees, working groups, etc. in matters that require PIU's decisions;
- (vii) perform other duties and tasks as may be reasonably requested or assigned by the Program Director and MOES.

20. **Training coordinator** (national, 48 person-month). The training coordinator will perform the following functions, duties, and tasks:

- (i) Work closely with specialist consultants, MOES, AVE, and TVET institutions to plan, schedule, and organize training programs for TVET principals, teachers, and personnel of MOES and AVE;

- (ii) coordinate with selected businesses and industries to plan and make necessary arrangements for TVET teachers and students to receive practical training under the WBL component of the program;
- (iii) work closely with the TVET specialist to identify scope and contents of training programs, courses, subjects, and topics of the training programs for TVET teachers to enable them to teach subjects or courses developed under the program;
- (iv) in close cooperation with the finance officer, prepare cost estimates and budgetary requirements for training programs to be conducted for TVET teachers and personnel of MOES, AVE, and other concerned institutions and agencies;
- (v) coordinate with TVET institutions and MOES in selecting participants, identifying training venues, facilities, resources, and materials needed for various types of training programs to be conducted under the program;
- (vi) make necessary preparations and arrangements for the conduct of training programs including consultations and communications with trainers, training institutions, TVET teachers, and providers of services to ensure smooth and effective implementation of the programs;
- (vii) monitor the quality of training programs and prepare reports for PIU, MOES, AVE, and other stakeholders;
- (viii) acts as a focal point for the implementation of work-based learning program on behalf of MOES and in close cooperation with private businesses and industries;
- (ix) develop and maintain a training data base for all training programs provided under the program;
- (x) provide inputs on progress of training programs in monthly, quarterly, and annual reports;
- (xi) perform other related functions, duties, and tasks as may be reasonably requested by PIU Manager.

21. **Equipment specialist** (national, 63 person-month). The equipment specialist will perform the following functions, duties, and tasks:

- (i) Work closely with subject matter specialists to help prepare equipment lists for the courses and or programs to be introduced or implemented at selected TVET institutions;
- (ii) provide support to subject matter specialists or technical committees to prepare technical specifications for the equipment to be procured for the selected TVET institutions;
- (iii) conduct a survey of existing training and related equipment at the selected TVET institutions and identify additional equipment needed to supplement and/or replace the equipment currently in use at the institutions;
- (iv) in close cooperation with the procurement specialist and with reference to the procurement plan, prepare detailed procurement packages with technical specifications and cost estimates for approval and subsequent procurement of the equipment;
- (v) work closely with the procurement specialist and the technical committees to prepare background documents and bidding documents for the procurement of the equipment;
- (vi) after the purchased equipment is delivered, inspect the goods purchased to ensure compliance with technical specifications and other requirements including health, safety, environment, etc.

- (vii) coordinate with the selected TVET institutions to ensure timely deliveries, proper installation, testing, commission, operation, warranty period, and maintenance schedules of the purchased equipment;
- (viii) develop and maintain database for all the equipment procured under the program;
- (ix) conduct field visits to the TVET institutions provided with equipment to assess the utilization status, condition of the equipment, maintenance plan and schedules, etc. and give appropriate advice for efficient utilization and maintenance of the equipment;
- (x) prepare reports for MOES, AVE, and ADB including recommendations to ensure full benefits of the equipment for TVET teachers and students; and
- (xi) perform other related functions, duties, and tasks as may be reasonably requested by PIU Manager.

22. **Administrative officer and translator** (national, 48 person-month). The administrative officer and translator will perform the following functions, duties, and tasks:

- (i) Under the guidance of the PIU Manager, coordinate and provide administrative and logistic support to other PIU staff in specialized areas to ensure effective and smooth operations of all PIU functions;
- (ii) develop and maintain a central filing and data base management system in analog and digital format for the overall operations of PIU;
- (iii) performs general administrative office works, such as filing documents, types and copies documents; maintains correspondence – sends and receives e-mail, faxes and other documents;
- (iv) maintain records of PIU communications, transactions, facilities, and assets for inspection, servicing, and follow up by concerned departments, divisions, and units of MOES, AVE, and other government agencies, etc.;
- (v) provides organizational and technical assistance in preparation of various PIU documents (e.g. tendering documents, reports, letters);
- (vi) assist in travel arrangements as needed;
- (vii) organize meetings and negotiations, prepare minutes, keep records of attendance, follow up on required actions;
- (viii) translate documents and reports, technical documentation, laws and by-laws from English to Russian and vice versa;
- (ix) assist with interpretation during meetings, as needed; and
- (x) perform other duties supporting the implementation of the Program, as reasonably requested by the PIU Manager.

23. **Procurement Officer** (national, 63 person-month). The procurement officer will perform the following functions, duties, and tasks:

- (i) Coordinate procurement activities for goods, works and services under the Program as specified in the procurement plan in accordance with ADB Guidelines and procurement laws of the country;
- (ii) coordinate the development of technical specifications by industry representatives for COEs;
- (iii) Establish and maintain in the PIU a procurement database including letters of interest received from suppliers of services for purpose of their possible inclusion on future short lists or for future reference and consultation;
- (iv) cooperate closely with the International Procurement Expert, review the Procurement Plan, and prepare detailed schedules for procurement of goods,

- services, and works for implementation throughout the program implementation period;
- (v) prepare procurement documents including Request for Expression of Interest, bidding documents, bid evaluation reports, and other necessary tender documents for the program;
  - (vi) assist tender committees to prepare all necessary documents for bidding of procurement packages for various procurement methods (ICB, NCB, QCBS, CBS, ICS, etc.) and for various types of procurement (civil works, goods, and services);
  - (vii) develop a reverse-clock for planning of procurement activities;
  - (viii) monitor receipt of proposals and bids to ensure their safekeeping until public opening;
  - (ix) provide support to the tender committees to carry out public bid openings and draft minutes of these openings;
  - (x) ensure preparation of comprehensive evaluation reports according to ADB Guidelines and timely transmission of evaluation reports to ADB for review;
  - (xi) maintain regular communication with PIU Manager and financial officer (accountant) to ensure that procurement tracking information is well - coordinated with other project planning, project budgeting and other project financial reporting information;
  - (xii) notify winning bidders in a timely fashion, and draw up contracts for approval and signature by those individuals authorized to sign on behalf of MOES, ensuring transmission to ADB of draft contracts requiring prior approval; and
  - (xiii) perform other duties and tasks to supporting the implementation of the Program in the procurement area as may be requested the PIU Manager.

24. **Monitoring and evaluation specialist** (national, 48 person-month). The monitoring and evaluation specialist will perform the following functions, duties, and tasks:

- (i) Performs regular monitoring of implementation progress to achieve program outputs and indicators as stated in the Design and Monitoring Framework (DMF);
- (ii) identify issues and shortfalls that need attention and actions and report findings to PIU Manager for guidance and decisions;
- (iii) prepares template which contains all outputs, indicators, and outcome for the program to be used as an instrument to monitor progress of the program;
- (iv) prepare quarterly program monitoring report for submission to MOES and ADB;
- (v) monitors progress on key dimensions of programs such as GAP, poverty reduction, environment impact, and other related social indicators as identified by the DMF;
- (vi) prepares specific analysis and reports on the economic and social impact of the program activities at mid-term and end of project period;
- (vii) conduct a mid-term evaluation of progress and achievements of the program and identify areas and/or project activities that need to be improved, strengthened, including strategies to address problems and issues during the remaining period of program implementation;
- (viii) provide guidance and support to PIU staff and consultants as well as concerned departments, divisions, units of MOES, TVET institutions, and other relevant stakeholders to ensure comprehensive and high quality program monitoring;
- (ix) conduct a comprehensive assessment of the outputs, outcome, and initial impact of the program at the end of the program period to provide feedback to MOES for use as inputs for the preparation of Program Completion Report; and



- (x) perform other activities from the domain of monitoring and evaluation, as may be requested by PIU Manager.

25. **Finance officer** (national, 48 person-month). The finance officer will perform the following functions, duties, and tasks:

- (i) Assist MOES/MOF to open an imprest account for the program at ADB-approved bank;
- (ii) under the guidance of PIU Manager and with inputs from and in close cooperation with other PIU staff, prepare annual budgets for program implementation based on projection for contract awards for different categories of expenditures;
- (iii) establish program account(s) to manage and record utilization of program funds;
- (iv) prepare statements of expenditures and disbursement requests for replenishment of the impress account in accordance with provisions in ADB Loan Disbursement Handbook;
- (v) prepare a financial plan and budget requirements for each period for approval by PIU Manager and Program Director;
- (vi) develop and maintain financial database for program activities;
- (vii) prepare monthly financial reports based on standard accounting principles with all necessary qualification documentation (invoice, bank drafts, etc.);
- (viii) maintain payment records of all invoices received;
- (ix) ensure that payments for all program related expenditures are made in a timely manner;
- (x) ensure that adequate financial controls are in place to maintain transparency and proper accountability of expenditures;
- (xi) arrange for annual external audit of program accounts in accordance with provision in the Loan Agreement and ADB requirements; and
- (xii) perform other related functions, duties, and tasks as may be requested by PIU Manager.

26. **TVET specialist** (deputy project manager; national, 48 person-month). The TVET specialist will perform the following functions, duties, and tasks:

- (i) Provide support to MOES and AVE to initiate necessary legal and administrative procedures to introduce TVET reform in accordance with the program design;
- (ii) prepare concept papers, background documents, manuals, and handbooks needed by TVET institutions to support principals and teachers to effectively implement TVET reform at their institutions;
- (iii) provide support to an inter-ministerial working group to develop regulatory framework and accountability mechanisms to enable centers of excellence and TVET institutions to assume more responsibilities commensurate with their accountability to strengthen management practices of TVET organizations and institutions;
- (iv) prepare implementation plan, strategy, procedures, and schedules for selected TVET institutions to adopt new curricula, programs, and innovations at their institutions;
- (v) provide technical guidance and support to MOES, AVE, and the inter-ministerial working group to develop a strategy, training plan, and management manual to enable management of TVET institutions to implement reform initiatives and to strength management practices at their respective institutions;
- (vi) assist MOES, AVE, and centers of excellence to implement new programs, strengthen their capacity including training of directors, teachers, and other

- concerned personnel of the centers to ensure effective operation and sustainability of reform initiatives at each center;
- (vii) conduct capacity building programs for principals and teachers of selected TVET institutions to equip them with knowledge and skills needed to implement reform at their institutions;
- (viii) assist MOES and AVE to develop a system, guidelines, mechanisms, and manual to implement a quality assurance system for TVET institutions and conduct training for key personnel of MOES, AVE, and TVET institutions to enable them to adopt and implement the quality assurance system successfully;
- (ix) provide support to the Team Leader to assist MOES and AVE to prepare a background document on establishment of a National Qualification Council including its mission, mandate, functions, organizational structure, funding mechanisms, and operational procedures, among others, to be reviewed and endorsed by the inter-ministerial working group for approval by the relevant bodies of the Government;
- (x) provide support to MOES and AVE to prepare organizational and administrative documents to support the activities of PVET and SVET to help strengthen their financial and managerial efficiency and increase governance, transparency, and sustainability of the reform initiatives; and
- (xi) perform other related functions, duties, and tasks as may be requested by Program Director and PIU Manager.

27. **CBT coordinator** (national, 48 person-month). The CBT Coordinator will perform the following functions, duties, and tasks:

- (i) Provide support to MOES, AVE, and the selected TVET institutions to implement the CBT system including curriculum development, teaching and learning materials development, assessment system, certification of competencies, etc. to ensure successful integration and adoption of the CBT system in TVET;
- (ii) develop a strategy, implementation plan, and schedules including budgets required to implement the CBT system at the selected TVET institutions;
- (iii) assist the selected institutions to implement and integrate the CBT system in their programs and regularly monitor progress of the activity at each selected TVET institution;
- (iv) identify issues, challenges, and problems faced by TVET institutions and recommend actions to resolve the issues in a timely manner;
- (v) conduct capacity building programs for MOES and AVE personnel as well as principals and teachers of the selected TVET institutions to equip them with knowledge and skills needed to adopt the CBT system successfully;
- (vi) conduct periodic assessment of progress, benefits, and initial impact of the CBT system for consideration by MOES, AVE, and other stakeholders;
- (vii) prepare end of project report on the output, outcome, benefits and impact of the CBT system; and
- (viii) perform other related functions, duties, and tasks as may be requested by Program Director or PIU Manager.

### **Sector Development Fund (SDF) Team**

28. **SDF Coordinator and financing specialist** (national, 48 person-month). The SDF coordinator and financing specialist will perform the following functions, duties, and tasks:

- (i) Ensures implementation of the SDF activities in line with the Charter, SDF Operational Manual and decisions of the SDF Management Committee (MC), PIU Manager, and the Selection Committee;
- (ii) manages the pre-qualification process of the training providers and ensures signing of MoU between the Project Director or PIU/SDF Manager and the training provider;
- (iii) organizes and maintains a database of providers that passed pre-qualification selection. Manages pre-selection of the training providers for delivering training courses according to the requests received;
- (iv) supervises organization of a competitive bidding process, in line with the ADB rules, when there will be a need to select training providers from the list of pre-qualified providers;
- (v) gives direction and coordinates activities of the SDF field staff placed in the Employment Offices selected for identifying the needs in training, formation of students' groups, control over performance of obligations by providers funded by the SDF;
- (vi) receives and reviews the reports of field staff about the completion of each training contract, checks the completion of training contracts and prepares requests making payments on such contracts;
- (vii) produces monthly reports on the requests for training, awarding the contract on training and outcomes of the SDF-financed training courses to the SDF Manager/PIU Manager. Reports should include the financial performance of the SDF over the past month;
- (viii) conduct the financial management of SDF (ensure fund availability on PIU account, payment of tranches to training providers, recalculation of training rates per occupation, etc.); and
- (ix) performs other actions necessary to achieve the objectives of the Fund within his/her competence.

29. **SDF industry partnership specialist** (national, 48 person-month). The SDF industry partnership specialist will perform the following tasks, duties, and responsibilities:

- (i) Report to the Coordinator of the SDF Secretariat and SDF Manager;
- (ii) engage with individual employers, business associations, and workers' unions to identify training needs;
- (iii) conduct analytical work of how labor market training needs can be satisfied by public and private training providers;
- (iv) organize information campaigns and round tables with the industry in order to bridge gaps between education and industry;
- (v) link individuals and interest groups of under- and unemployed to potential employers;
- (vi) prepare special training courses for the NEET youth which cater towards their specific needs;
- (vii) prepare special training courses on entrepreneurship and business-startup (both forced- and voluntary entrepreneurship);
- (viii) design tailor-made training courses for priority industries;
- (ix) assess and assist TVET providers on obtaining of new or adopted training licenses; and
- (x) advise regional outreach training coordinators on industry cooperation and training needs.

30. **SDF outreach training coordinators** (9 positions; 12 person-month on each position).

The SDF outreach training coordinators carry out his/her functions in a certain region of KR. The Consultant will act within the terms established by the Charter and the Manual of SDF:

- (i) Report to the Coordinator of the SDF Secretariat and SDF Manager;
- (ii) collaborate with the involved employment services of the Ministry of labor, migration, and youth of the Kyrgyz Republic in the implementation of the SDF activities;
- (iii) advise applicants on the programs of SDF, disseminate information on programs and activities of the Fund;
- (iv) register and process applications received from the above mentioned groups interested in training, form groups of trainees and submits them to the SDF Secretariat for approval;
- (v) develop together with stakeholders a scheme for pilot short-term courses on vocational, business and basic life skills;
- (vi) provide assistance in pre-qualification under the SDF of PVET, SVET, and private providers of training which have the capacity and are interested in providing short courses based on contracts under the SDF;
- (vii) participate in the selection of providers in their regions for implementing any curriculum of SDF;
- (viii) visit companies in their regions which requested courses in SDF in order to discuss and agree their demands in qualified personnel;
- (ix) visit training providers performing SDF contracts in order to monitor learning, interview students and staff of training providers for full execution of contracts;
- (x) participate as observers of SDF in testing students on the territory of enterprises in accordance with the contracts;
- (xi) collect available information on employment of graduates of the SDF programs and include these data to the reports;
- (xii) send report about each completed contract to the SDF coordinator in the prescribed form in which he/she confirms a complete performance of the SDF contract;
- (xiii) record and report to SDF on complaints made by trainees in the course;
- (xiv) promote open communication, including proceedings on any cases of fraud, corruption, or complaints regarding the training providers; and
- (xv) perform other necessary actions upon the request of the SDF Coordinator/Secretariat.

31. **COE and ES-EDU specialist** (national, 63 person-month). The COE and ES-EDU specialist will perform the following tasks, duties, and responsibilities:

- (i) Develop the selection methodology of COEs together with PPTA and MOES team based on regional economic policy (territorial selectivity and regional priority sectors) and profiles, capacities, and equipment of TVET institutions;
- (ii) discuss and coordinate the approval of selection methodology for COEs by MOES;
- (iii) conduct the selection of COEs and INSETT training providers based on the approved selection methodology;
- (iv) evaluate the results of COE and INSETT training providers' selection for evidenced-based policy making;
- (v) discuss the results of COE and INSETT training providers' selection with stakeholders (including MOECON, MOAGRI, MOF);
- (vi) coordinate the approval of selected COEs by MOES;

- (vii) assess institutional training needs of COEs and coordinate trainings for COE management and technical and didactic staff in the field of ES-EDU, institutional entrepreneurship, WBL for students and teachers, and industry partnership;
- (viii) coordinate actions between the individual ES-EDU expert and the implementing firm for ES-EDU (including TOR development, tendering, and selection);
- (ix) link SDF training courses to COE profiles and coordinate closely with SDF team to diversify SDF training offers; and
- (x) perform other tasks as may be reasonably assigned by PIU manager.

## ANNEX 4: FINANCIAL MANAGEMENT ASSESSMENT

### B. Background and introduction of the proposed program

#### Background

1. The Kyrgyz Republic is a small and mountainous country with difficult communications and few natural resources. Although per capita income has been rising, and is projected to exceed US\$1,300 in 2014, the country remains poor, with 32% of the population living in poverty. The country is heavily reliant on remittances from its citizens working in other countries, which currently account for about 30 percent of GDP. Its main export is gold, which is mined in difficult conditions, and whose price may fluctuate considerably in world markets. It is thus very vulnerable to external shocks, and needs the continuing support of international institutions in order to meet its international payments and undertake essential investments to upgrade the private sector.

#### Introduction of the proposed program

2. The *Skills for Inclusive Growth Sector Development Program* (the Program) will improve effectiveness and efficiency of technical and vocational education and training (TVET) at college level. The program is part of Asian Development Bank's (ADB) country partnership strategy and will support the Kyrgyz Republic's economic development to achieve inclusive growth, aligned with the country's national sustainable development strategy and economic policy.

3. The program combines policy and investment support. The policy component will support the government in developing and implementing an inclusive skills strategy to systemically anchor TVET in key economic sectors

4. <sup>1</sup> An initial ratio of 1/3 policy component and 2/3 project component is suggested. Key policy reforms may include: (i) an improved regulatory framework and accountability mechanism for financing TVET, (ii) the introduction of economically more relevant occupations, (iii) institutionalized cooperation between the TVET subsector and key economic sectors including the introduction of elements of dual education, (iv) removing barriers to occupations based on gender or other factors, and (v) strengthening the pathways between PVET (primary VET, lyceum), SVET (secondary VET, colleges), and higher education. The project component will finance adjustment costs related to the introduction of centers of excellence (CoE), work based learning, and a skills development fund, among others. Two tranche releases are envisaged, the first in 2018 and the second at the end of 2021 in accordance with the ADB *Loan Disbursement Handbook* (2015, as amended from time to time).

5. The project component will improve access and quality of TVET, address remaining pedagogic challenges, and improve teaching and learning environments. It is envisaged that 5 TVET colleges will be developed into CoEs or similar institutions. In order to increase the attractiveness and flexibility of the TVET system, pathways for TVET students' progression, including those to higher education, will be supported.

### H. Purpose of the Assessment

- (i) Assess strengths and weaknesses in project financial management operations and capacity from the perspective of (a) budgeting and information flows, (b) organizational and staff

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<sup>1</sup> As defined by the PPTA team (first group): light industry, tourism and services, agriculture/agri-food processing, IT, (second group): mining, transportation, construction, and health care.

capacity, (c) project implementation unit, (d) information management, (e) policies and procedures, (f) accountability measures;

- (ii) Identify and evaluate financial management and internal control risks at the project level; and
- (iii) Propose risk mitigation and management strategies.

## **I. Indicative Program and Approach**

### **(i) Classification of budgets and coherence of the budget classification system<sup>2</sup>**

6. Considerable efforts have been made since 2009 to improve transparency. Budget execution and debt reports are now published monthly on the MoF website, while all tenders and contract awards are published without delay on a governmental website.

7. The Republican (i.e., central government) Budget is formulated according to a GFS-2001 compatible economic classification, as well as by administrative unit, function, and sub-function and most recently by a programme. The Project Implementation Unit follows this classification.

### **(ii) Guidelines, which are used in financial management and operations**

8. Many of the financial management arrangements are based on the ADB guidelines, as the procedures outlined in the ADB Guidelines apply to all financial flows, financial transfers, and control procedures.

### **(iii) Relevant previous experience of MOES as EA**

9. MOES has direct implementing experience of another ADB SDP in general secondary education and a World Bank program in primary education which are managed and implemented under a joint PIU. In addition, MOES also implements EU budgetary support programs.

10. In addition, the ongoing ADB TVET project is implemented by Agency for primary and secondary vocational education (AVET) which is subordinated under MOES. A respective PIU is responsible for project implementation including financial management. MOES has sound experience in financial management according to the Government's policies and procedures. The proposed program will use the existing TVET PIU where possible and after publicly readvertising all positions to allow for open competition of candidates. Structurally TVET PIU will be moved directly under MOES.

## **J. Content of the Financial Management Assessment**

11. The assessment contains the following sections:
- (iv) Country specific assessment of general financial management environment (E)
  - (v) Entity specific assessment of the Capacity to handle fund flows, to govern the budgeting cycle, Managing of information flows, and accountability (F)
  - (vi) Project financial management capacity (G)
  - (vii) Summary of findings, conclusions and recommendations (H)

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<sup>2</sup> PEFA assessment Report, Kyrgyz Republic, March 2015

12. The completed questionnaire is attached in Annex 1 (Project Financial Management Risk Assessment Questionnaire).

### **K. Country specific assessment of the general financial management environment<sup>3</sup>**

13. The legal roles and responsibilities of the Government in respect to PFM are set out in the Constitution of the Kyrgyz Republic and the Law on the Basic Principles of Budget Management (1998) and the Law on Treasury (1994). The 2001, Reports on the Observance of Standards and Codes concluded that the legal framework for fiscal management was relatively complete.

14. Since 2012, progress has been made on a number of issues: new legislation has been approved by the Parliament on arrangements for budget preparation and execution (the "Budget Code"), including the medium-term dimension and the basis for programme budgeting, and also on public procurement, so as to provide a basis for the establishment of an independent body to deal with complaints. New impetus has been given to the work of internal audit, and a Decree has been issued providing the basis for more effective and consistent arrangements for internal financial control throughout the government. Facilities now exist for on-line filing for VAT and company income tax, and a framework has been prepared for the development of taxation 2014-2020, which allows a further simplification of the system, including the abolition of the cascade sales tax which is still collected alongside VAT. The World Bank, DFID, and SECO are considering a successor to the current Multi-Donor Trust Fund-financed Capacity Building PFM project which has supported most of these improvements and which ended in mid-2015.

15. The 2014 PEFA assessment shows a considerable improvement of the financial management system as compared with 2009.<sup>4</sup>

16. Financial management areas which are lagging behind in improvements and are having a high or substantial risk indication, are:

- Control of the payrolls, effectiveness of the non-salary controls, effectiveness of the internal audits, the quality and timeliness of annual financial statements, effectiveness of external audit, and legislative scrutiny of the audit reports.
- Internal financial controls still require substantial further strengthening.
- Apart from "protected" expenditure (salaries, debt interest, food, transfers to the Social Fund, medicine, social benefits, and pensions), MDAs still have no assurance of the availability of cash for other expenditures beyond the horizon of the monthly allocations from the MoF.
- Financial reports cover revenue and expenditure on a cash basis; expenditure is covered only at the payment stage, with no information about commitments.
- It is up to each MDA to establish its own arrangements and procedures to ensure that applicable laws and regulations are observed, and that there is proper hierarchical supervision, including avoidance of conflicts of interest, of all activities giving rise to expenditure commitments and payments.
- Financial reports are in a form promulgated by the MoF and are consistent from one year to the next, but do not conform to International Public-Sector Accounting Standards (IPSAS).

17. Financial management areas which have shown considerable improvements are:

<sup>3</sup> PEFA assessment Report, Kyrgyz Republic, March 2015

<sup>4</sup> Kyrgyz Republic, PEFA Assessment Report, March 2015. The 2014 PEFA assessment shows a considerable improvement as compared with 2009, with 14 Indicators scored as A or B, as compared with 6 in 2009. The number of Indicators with a D score has fallen from 14 to 6.



- The annual budget process is clearly defined and well-respected within the government.
- The budget classification is largely consistent with the Government Financial Statistics (GFS) 1986 classification and can provide information by economic, administrative, and functional classifications.
- Cash planning and monitoring has been considerably facilitated by the automated "Treasury Budget Info System" in which all expenditure and revenue are registered as transactions take place, and which prevents the execution of any payment which is not provided for in the budget.
- An annual budget plan is made at the beginning of each year, taking account of the time profiles of expenditure supplied by MDAs; this is then translated into quarterly plan amounts for each MDA, which also take into account the known seasonal profile of revenues.
- Compliance with Treasury rules for the recording and processing of payments appears satisfactory, with payments on behalf of individual budget users (schools, health clinics, etc.) made directly to ultimate beneficiaries by rayon Treasuries through the government's bank agent.
- Internal audit is now functioning in 18 Ministries, coordinated by the Central Harmonization Unit of the MoF, and work should be carried out in accordance with international internal audit standards; reporting is generally direct to the Minister.
- The central Treasury can now provide reports on expenditures attributable to each service delivery unit.
- The Chamber of Accounts (ChoA) is responsible for the audit of general government, including LSGs and the Social Fund as well as the Republican Budget. ChoA has begun to undertake financial and performance audits on a pilot basis with the support of some European Supreme Audit Institutions (SAIs).

18. ADB experiences with projects and the respective EAs varies considerable. The financial management of the ADB project "Second Vocational Education and Skills Development Project (SVESDP)" is established under the authority of MOES and has largely a good financial management record. The ADB PPRR for Grant 0122-KGZ, Community Based Infrastructure Services Project, has identified serious shortcomings such as "misuse of ADBs imprest fund to finance ineligible expenses and use of other donor's funds to finance ADB expenses were noted. Also, issues of noncompliances in the area of insufficient performance securities, improper advance payments, and delayed payments of the communities and the Government's shares were identified".

19. **Safeguard Policy regarding Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009),<sup>5</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Policy Statement. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to the components financed by ADB.

20. **Disbursement arrangements:** A summary of the proposed disbursement arrangements for the ADB grant proceeds is as follows:

- (i) Reimbursement procedures for initially funded eligible expenditures.
- (ii) Imprest account:
  - the imprest account will be established and maintained by MOF on behalf of the Kyrgyz Republic, promptly after grant effectiveness;
  - the imprest account will be established as a completely segregated account within Treasury or commercial bank acceptable to ADB;

<sup>5</sup> Available at: <http://www.adb.org/site/safeguards/policy-statement>.

- MOF will be responsible for the use, management, replenishment, and liquidation of the imprest account;
- the imprest account will be exclusively used to finance the ADB share of eligible expenditures; and
- the maximum amount to be deposited into the imprest account will not exceed the estimated expenditures to be financed through the imprest account in the next 6 months or 10% of the grant amount, whichever is lower.

21. **Initial Disbursement:** An Estimate of Expenditure Sheet<sup>6</sup> setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened, should accompany the request for initial advance to the imprest account. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB: (i) Statement of Account (Bank Statement) where the imprest account is maintained, and (ii) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.<sup>7</sup>

22. **Statement-of-expenditure (SOE) procedure:** To expedite the flow of funds and simplify the documentation process, it is proposed that the ADB statement-of-expenditure (SOE) procedure be used for liquidation and replenishment of the imprest account, and for reimbursement of eligible expenditures not exceeding \$50,000 per individual transaction. Payments in excess of the SOE ceiling will be reimbursed, liquidated, or replenished based on full supporting documentation. SOE records will need to be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

23. **Withdrawal applications:** Before the submission of the first withdrawal application, the MOF will submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Recipient, together with the authenticated sample signatures of each authorized person. The minimum value per withdrawal application is \$100,000 unless otherwise approved by ADB. The Recipient is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate among other things that the goods and/or services were produced in or from ADB members, and are eligible for ADB financing.

24. **Disbursement Arrangements for Government Counterpart Funds:** GoK will assume responsibility for financing of taxes and duties on procured goods and services and will provide support in the form of implementation office accommodations and other in-kind goods and services.

#### **L. Entity specific capacity to handle fund flows, to govern the budgeting cycle, managing information flows, and accountability**

25. The **financial** department of MOES has considerable experience in handling fund flows, governing budgeting cycles, managing information flows, and accountability. Various projects and programs from ADB, EU, and WB have been implemented as EA in the last decade. Presently it hosts three PIUs with different structural agreements. While the general education PIUs of ADB and WB are combined in one umbrella PIU under MOES, the ADB TVET PIU is located at AVET as EA, which in turn is subordinated under MOES.

<sup>6</sup> Available in Appendix 29 of the *Loan Disbursement Handbook*.

<sup>7</sup> Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

26. The TVET PIU has experience and knowledge to implement the guidelines and regulations of the ADB. Especially, since some staff remained from the first ADB financed Vocational Education and Skills Development Project which had the same structural arrangements but during project implementation period AVET was under Ministry of Labor and Social Development. The financial managers are reasonably well-trained, are regularly following upgrading courses to catch-up with ADB requirements. The financial manuals are available and work progress is according the authorized documents.

27. The overall risk rating for handling finances of MOES is assessed to be moderate. The risk rating for each criterion is as follows:

- TVET financial management: Low
- Fund flow arrangements: Moderate
- Staffing: Moderate
- Accounting policies and procedures: Low
- Budgeting PVET and SVET: Moderate
- Internal audits: Moderate
- External audits: Low
- Reporting and monitoring: Moderate
- Information systems: Low

## **Key Findings<sup>8</sup>**

### **1. Executing Agency (MOES):**

- An entity specific risk is the integration of the Agency for VET (AVET) into the MOES. The AVET is managing primary vocational education and training (PVET). Although, AVET is under the authority of MOES, it is still working according the regulations of the Ministry of Labor. AVET should be put under the full control of MOES and should be managing primary and secondary TVET (PVET and SVET).
- In the long run the merger of PVET and SVET is envisaged and part of the suggested program design. Meanwhile the PIU will be moved directly under MOES. This restructuring will need careful supervision and support to keep its full operational activity. Respective capacity building measures will ensure careful direct integration under MOES.
- There are delays in allocation of government funds for the project SVESDP (ongoing TVET project).
- MOES, planning and execution of budgets for non-salary items is not connected (recurrent and investments). Planned budgets are irregularly allocated or cancelled.
- The staffing of MOES is insufficient for SVET and respective staff will largely be occupied to handle ongoing responsibilities of the internal financial affairs of the ministry. The MOES has high turnover of staff.

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<sup>8</sup> The complete questionnaire is attached as annex 1.

- The TVET PIU has sound experience to manage the budgeting flow and budgeting cycle. The required financial statements are produced and authorized according the formalized procedures.
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- The PIUs under MOES have proper accounting systems according to the ADB requirements (1C accounting system).

#### **Project implementation unit under ongoing TVET (sample assessment)**

- The program will establish the PIU through recruitment of individual consultants for the key staff of PIU. PIU recruitment will start from the quarter four of 2017 as part of advance action of the program, subject to approval of the government and ADB. Therefore, no existing PIU staff to be assessed in terms of financial management capacity under the proposed program.
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- Alternately, this FMA has done the financial management capacity assessment of the one of PIUs of ongoing ADB-funded program in the same sector as a sample, since the new program will have a very similar arrangement for the financial management to this ongoing project.
- The PIU for the “Second Vocational Education and Skills Development Project” is functioning since 2013. The PIU is building on the experience of the first TVET project (starting 2009). The PIU is well-structured, and is capable to handle the financial operations according the guidelines and regulations of the ADB.
- PIU has sufficient staff capacity in experts and expertise while the staffing of MOES is low. The PIUs is equipped with PCs, printers, and internet for ongoing activities.
- The PIU is adhered to the ADB guidelines, and to the accounting policy described in “Financial Management Manual”. These documents are adopted by the PIU project manager, PIU finance manager and the PIU disbursement specialist. The recent audits of the PIU confirms the competences of the PIU.

#### **TVET institutions**

- A range of different software is used, ranging from simple MS-excel formats to advanced accounting software.
- There is a lack of targeted training and re-training of accounting staff.

#### **Information flows**

- All steps in the budgeting cycle are accompanied by the required documents and are according the “Financial Management Manual”.
- All information is stored and coded according ADB guidelines.
- Financial reports are submitted to the ADB on a quarterly basis.
- Financial reports are submitted to the Ministry of Finance monthly or based on actual spending.
- Financial reports are submitted to MOES on request.

#### **M. Project financial management capacity**

28. MOES is well-structured, and is capable to handle the financial operations according to the guidelines and regulations of the ADB. The recent audits of PIUs confirm the competences of MOES in this regard.

29. MOES has direct implementing experience of another ADB SDP in general secondary education and a World Bank program in primary education which are managed and implemented under a joint PIU. In addition MOES also implements EU budgetary support programs.

30. The overall risk rating for handling financial operations of the executing agency (MOES) is assessed to be moderate.

## **N. Conclusions on financial risk assessment and proposed mitigation measures**

31. This paragraph summarizes the Financial Management Assessment and includes a description of the major risks and specific recommendations for the program Implementation.

32. Projects must operate in an unstable context because of frequent political changes and departmental senior management changes, and because of a dynamic market for experienced consultants, given the large numbers of foreign funded projects and the scarcity of experienced project management consultants. The continuing reforms in the public sector, and political influence on regular government staff, the ultimate level of project management of MOES is difficult to assess. For example, the MOES has a high turnover of experts weakening the professional capacity of the ministry.

33. Assessed is the financial management capacity of MOES related to primary (PVET) and secondary VET (SVET) including AVET and relevant PIUs.

### **Conclusion:**

34. The overall project risk rating for handling the financial operations of PVET and SVET is assessed to be moderate. MOES has a clearly assigned authority and project accountability. Combined inherent risks and project risks are rated as moderate.

35. The forthcoming ADB-project “Skills for Inclusive Growth Sector Development Program” is directed to PVET and SVET. The proposed project activities will cover PVET and SVET, with a focus on SVET, to strengthen and integrate the TVET sector.

36. MOES, especially the finance department of MOES, has experience in two ADB projects: (1) general secondary education, and (2) SVESD. Therefore, and taking into account the experience of MOES, it is appropriate to handle the fund flow of the forthcoming 3<sup>rd</sup> project “Skills for Inclusive Growth Sector Development Program”.

### Financial Risk Assessment and Proposed Mitigation Measures

Risk Description	Risk Rating	Mitigation Measures
<b>Inherent Risk</b>		
<p>1 Country Specific. The PEFA assessment for the Kyrgyz Republic (March 2015) judged as a substantial risk:</p> <ol style="list-style-type: none"> <li>1. Effectiveness of the control of non-salaries (C+)</li> <li>2. Effectiveness of internal audits (C)</li> <li>3. Quality and timeliness of annual financial reports (C+)</li> <li>4. Effectiveness of internal audits (C+)</li> <li>5. Effectiveness of external audits (C)</li> <li>6. Legislative scrutiny of the audit reports (C+)</li> </ol> <p>For the controls of payroll, the risk is judged as high (D+).</p>	Substantial	<p>Overall, considerable improvements are made in particular parts of the PFM infrastructure since 2009. The Government has committed itself to a PFM Action Plan.</p> <p>A new budget code was approved in 2017, improving PFM. All public procurement conducted in a transparent electronic system since 2016.</p>
<p>2 Entity specific.</p> <ol style="list-style-type: none"> <li>(i) Integration of the Agency for VET (AVET) into the MOES. The AVET is managing primary vocational education and training (PVET). Although, AVET is under the authority of MOES, it is still working according the regulations of the Ministry of Labor.</li> <li>(ii) Capacities of MOES in TVET low.</li> </ol>	Moderate	<p>The forthcoming ADB-project should strengthen the practical cooperation between PVET and SVET at ministerial level. This will be an incentive for the AVET to migrate closer to MOES. AVET should be put under the full control of MOES and managing primary and secondary TVET (PVET and SVET);</p> <p>Program specific, sequenced, and intensive capacity building measures should be conducted at MOES. Hire new staff and/or reorganise internally in MOES to ensure TVET operations are well staffed.</p>
<b>Overall Inherent Risk</b>		<b>Moderate</b>
<p>1 Implementing agency. The implementing and executing agency is the MOES.</p>	Moderate	<p>IA will be recruited as consultants as advance action of the program. Sample assessment of IA has been done for the PIU of ongoing program. See entity specific</p>
<p>2 Fund flows. There are delays in allocation of government funds for the project SVESDP (ongoing TVET project). The Government share is 16 % of the budget and applicable to all project costs. This is</p>	Moderate	<p>A covenant could be concluded requiring the government to provide adequate and timely counterpart funding.</p>

	usually delayed (on average 2-3 months delay).		
3	Staffing. The staff of MOES is limited and will largely only be able to handle ongoing responsibilities of the internal financial affairs of the ministry. The MOES has a high turnover of staff.	Moderate	The program should provide technical assistance to the finance department of the MOES in addition to intensive capacity building measures.
4	Accounting policies & procedures	Low	A new and improved budget code was approved in 2017
5	Budgeting. Planning and execution of budgets for non-salary items is not connected (recurrent and investments). Planned budgets are irregular allocated or cancelled.	Moderate	Priorities should be set, and budget ceilings for non-salary items should be communicated in an early phase in the budgeting cycle.
6	Internal audit	Moderate	Reports should be distributed among PVET and SVET institutions.
7	External audit	Low	External audits were conducted successfully. Other than allocation of counterpart funds no major issues arose.
8	Reporting and Monitoring	Moderate	A structural system should be implemented to link the depletion of the budget with the physical progress of the project.
9	Information System	Low	EMIS is started to being implemented in SVESD and will need further support
<b>Overall Program Risk</b>		<b>Moderate</b>	
<b>Overall Combined Risk</b>		<b>Moderate</b>	

**Annex 1**  
**PROJECT FINANCIAL MANAGEMENT ASSESSMENT QUESTIONNAIRE**

QUESTION	RESPONSE	RISK
<b>A. Executing / Implementing Agency</b>		
1. Executing and Implementing Agency	Ministry of Education and Science (MOES)	
2. Has the entity implemented an externally-financed project in the past?	<p>(1) TA-8395 KGZ: Strengthening the Education System Sector Development Program</p> <p>(2) Second Vocational Education and Skills Development Project (SVESDP)</p> <p>(3) Strengthening Education System Sector Development Program (SESSDP)</p> <p>(4) Global Partnership for Education: GPE - 3</p> <p>(5) World Bank: Sector Support for Education Reform Project EU: Education Budgetary Support Program</p> <p>Second Vocational Education and Skills Development Project (SVESDP).</p> <p>The financial operations of SVESDP are performed by the Project Implementation Unit (PIU) of the Agency of Vocational Education and Training (AVET). This PIU has considerable experiences in the financial management of projects. It was also responsible for the financial management of the previous project in the technical vocational education and training (TVET).</p>	
3. Is the organizational structure appropriate for the needs of the project?	Yes. However, AVET has migrated from the Ministry of Labor to the MOES. The AVET is managing primary vocational education and training (PVET). Although, AVET is under the authority of MOES, it is still working according to the regulations of the Ministry of Labor. AVET should be put under the full control of MOES and managing primary and secondary TVET (PVET and SVET). Generally the staffing at MOES for TVET is low.	Moderate
<b>B. Fund Flow Arrangements</b>		
4. What is the classification system used for formulation, execution, and reporting of the MOES budget	Revenue and expenditure are shown according to administrative, economic (consistent with GFS 2001) functional (consistent with UN COFOG) classifications at all stages in budget preparation, execution, and reporting.	Moderate
5. Is the delivery of annual statements of the MOES according the legal timeframe?	The budgeting cycle and fund flows are well established and according the procedures. Some delays occur.	Moderate
6. What kind of budget classification is followed by the Project Implementation Unit (PIU) of the Second Vocational Education and Skills Development Project (SVESDP)?	<p>Since the Project accounting is based on a cash method, the Chart of Accounts is relatively simple.</p> <p>The economic classification is in line with the governmental economic classification.</p>	Low



QUESTION	RESPONSE	RISK
Is the classification in line with the governmental classification?		
<p>7. Explain the budgeting cycle / fund flows of MOES?</p> <ul style="list-style-type: none"> <li>- Preparation</li> <li>- Approving</li> <li>- Executing</li> <li>- Evaluation</li> </ul> <p>See also point 3, 4, 5, and 6.</p>	<p>Please see the Annex 1</p> <p>The budgeting cycle and fund flows are well established and according the procedures.</p>	Moderate <sup>9</sup>
<p>8. What external organizations (TVET institutions, Agency for Technical and Vocational Education AVET, Ministries, funding agencies, private sector organizations) are involved in the budgeting cycle/fund flows of the PIU (SVESDP)?</p>	<p><b>AVET:</b></p> <p>AVET manages the PVET- institutions and has experience to handle project fund flows. Staff is reasonably experienced, has received some training, and has knowledge of ADB guidelines. AVET is supervised by and must report the Ministry of Education and Science (MOES).</p>	Moderate
	<p><b>PVET-institutions (lyceum):</b></p> <p>PVET (primary VET) are having some experience with implementing project investments (SVESDP). Some training has been provided by AVET.</p>	Moderate
	<p>The TVET PIU is subordinated and collaborates closely with AVET: joint selection of lyceums, the PIU is responsible for the budgeting, forming of the request for funding, development of the business plans, and disbursements. Imprest account is the PIU bank account.</p>	
	.	
	<p><b>SVET-institutions (colleges):</b></p> <p>Accounting departments are having few experience with donor funded projects, and some projects funded by the ADB. The departments are reasonably organized and having some staff and description of tasks. Some SVET institutions are lacking sufficient equipment (computers). A range of different software is used, ranging from simple MS-excel formats to advanced accountancy software. There is a lack of targeted training and re-training in accountancy.</p>	Moderate
	<p><b>Private sector organizations:</b></p> <p>Little experience to comply with regulations and policy requirements of ADB project</p>	Substantial

<sup>9</sup> The Government share (16% of the total project funding) is increasing the extent/level of the risk due to the large Kyrgyz budget deficit.

QUESTION	RESPONSE	RISK
	<p>investments, procurements and related regulations and policy requirements.</p> <p>Existing private sector organizations which will be involved in the forthcoming 3<sup>rd</sup> project funded by the ADB are: (1) Center for Qualification Development – established 2014, and (2) Center for Independent Certification in the catering sector, established 2016. Both centers are having a not-for-profit formal structure.</p>	
<p>9. In what phases of the budgeting cycle / fund flows the Project Implementation Unit (SVESDP) interferes with PVET or SVET institutions?</p> <p>Is interference a well-organized process?</p> <p>Is there any procedure to guide this process of interference between PIU and colleges?</p> <p>Is there a set of agreed financial issues between the PIU and PVET or SVET?</p>	<p>The interference between the PIU (SVESDP) and PVET and SVET is a well-organized process. There is a set of agreed financial issues between the PIU and PVET or SVET based on ADB Guidelines.</p> <p>NB:</p> <ol style="list-style-type: none"> <li>1. The actual interference of the PIU with SVET institutions is low. Activities are foremost targeted to PVET institutions.</li> <li>2. Within the PIU the finance manager has considerable experience however financial management is still to be improved. The PIU VET Finance Manager has developed the Accounting Policy with the title “Financial Management Manual<sup>10</sup> for the 2<sup>nd</sup> project “VET and skills development” in Russian language based on the ADB guidelines and other relevant documents like Financial Agreement between ADB and Kyrgyz Government, Project Administration Manual, etc.</li> </ol>	Moderate
<p>10. In what phases of the budgeting cycle the Project Implementation Unit interferes with the Agency for Technical and Vocational Education?</p> <p>For which financial operation is such interference a necessity?</p> <p>What information is requirement at the interference in the budgeting cycle?</p> <p>Is interference a well-organized process?</p> <p>Is there any procedure to guide this process of interference?</p>	<p>The Project Implementation Unit interferes with the AVET from the beginning since the director of AVET must approve all procurement related documents.</p> <p>The interference is a well-organized process, however procurement processes are typically taking long time due to revisions needed of bidding documents, bid evaluation reports, etc.</p> <p>There are procedures to guide this process of interference described in the Financial Agreement between ADB and Kyrgyz Government. There is a set of agreed financial issues between the PIU and the</p>	Moderate

<sup>10</sup> This is very clear Manual describing the 1) Accounting system, 2) Internal Supervision/oversight Control, 3) Budgeting, financial planning, and forecasting, 4) Reporting system, 5) Monitoring of procurement and contracts (financial aspects) and its administering, 6) Audit. This Manual is mandatory for the awareness and utilization as well for the all PIU VET staff.

QUESTION	RESPONSE	RISK
Is there a set of agreed financial issues between the PIU and the AVET?	AVET. Based on the ADB Guidelines and Financial Agreement between ADB and Kyrgyz Government.	
<p>11. In what phases of the budgeting cycle the MOES interferes with the Ministry of Finance (MoF)?</p> <p>For which financial operation is such interference required?</p> <p>What information is requirement at the interference in the budgeting cycle?</p> <p>Is interference a well-organized process?</p> <p>Is there any procedure to guide this process of interference?</p>	<p>The MOES interacts with the Ministry of Finance after submitting a Request for Replenishment of its respective PIU imprest account. When the first Advance Payment Request is submitted to the MoF and later on – when the PIU VET submits the Replenishment Request to cover all costs (usually monthly). The 1<sup>st</sup> signature is of the Deputy Minister of the MoF or Investment Department Head under the MoF. Such interference is necessary to enable the bank transfers from ADB.</p> <p>The interference is a well-organized process. However, there were delays in the past of correctly and timely submitting withdrawal applications by PIU/MOF which caused delays in project implementation.</p> <p>The procedures to guide this process of interference is described in the Financial Agreement between ADB and the Government of the Kyrgyz Republic.</p> <p>There is a set of agreed financial issues between the PIUs and MOES. Based on the ADB Guidelines and Financial Agreement between ADB and Kyrgyz Government.</p>	Moderate
<p>12. What are the information flows in the budgeting cycle of MOES?</p> <p>Is all information stored and coded according ADB guidelines?</p>	Follows the Budget Cycle flows. Please see Annex 1. All information is stored and coded according ADB guidelines	Low
<p>13. Who – function – is responsible for preparation, approval, and monitoring of the budget?</p> <p>Is a description of tasks available?</p>	<p>Cycle of responsibilities:</p> <ul style="list-style-type: none"> <li>- Program Director and Vice Minister</li> <li>- MOES HoD Finance</li> <li>- The PIU Finance Manager is responsible for the budget preparation and PIU Manager endorses the budget</li> <li>- The MOES, ADB, MoF – approve the budget and expenditures,</li> <li>- Internal monitoring of the budget and external monitoring of the budget – the Kyrgyz Chamber of Accounts and Audit Company.</li> </ul> <p>The description of tasks is available. Some delays in budget preparation, monitoring, and approval were observed.</p>	Moderate

QUESTION	RESPONSE	RISK
14. What have been the major problems in the past for each phase in the budgeting cycle? What are the main problems in handling the funds flow? What are the main problems in the information flows?	Two major problems: 1. There are delays in allocation of government funds for the project. The Government share is 16 % of the budget and applicable to all project costs. This is usually delayed (on average 2-3 months delay). 2. MoF makes the adjustments once a year and prefers the under execution of the budget. But ADB prefers the over execution.	Moderate
15. What are the resource funding agencies and how are they synchronized in the budgeting cycle?	Funding agencies: - ADB – 84% - Kyrgyz Government – 16%.  All expenditures are divided by 84% and 16%. 84% is reimbursed by ADB and 16% - by the Kyrgyz Treasury under the MoF.	Moderate
16. Do budgets have financial targets, are they concrete and achieved according schedule?	Budgets do have a financial target, despite some delays in government contribution.	Moderate
17. Are the actual expenditures compared to the budget with reasonable frequency? Are approvals for variations from the budget lines required (i) in advance, or (ii) after the fact?	Frequency: quarterly.  The approvals for variations from the budget lines requires: 1. In advance if it's above the budget, or 2. After the fact if it's below the budget	Low
18. Is there a ceiling up to which variations from the budget lines may be incurred without obtaining prior approval?	There are no ceilings to limit variations of the budget lines. All costs must be approved.	Low
19. What is the procedure for the processing of resource allocations requests? Who – function – checks if the requests are according planned allocations?	Resource allocations requests / replenishment requests should be submitted to the Investment Department under the Finance Ministry that checks the request. If it is correct, all eligible costs are provided together with the evidence based financial documents, and then submitted to the ADB in Bishkek. ADB-Bishkek will send the requests to the HQ ADB. PIU Project Manager and Finance Manager checks if the requests are accordingly planned allocations.	Low
<b>C. ORGANIZATIONAL AND STAFF CAPACITY</b>		
20. Is the staffing of the MOES sufficient to monitor and to authorize the fund flows of the upcoming 3 <sup>rd</sup> program "Skills for	The financial department of the MOES is adequately staffed. Other departments dealing with TVET are understaffed. The	Substantial

QUESTION	RESPONSE	RISK
Inclusive Growth Sector Development Program”?	program will require additional staff to cover the work initiated by the next project. A high staff turnover exaggerates this lack of staff.	
21. How many staff should the PIU contain?	PIU VET staff: 21 staff suggested. Sufficient staff capacity and resources available. To increase project readiness key staff should be contracted in advance.	Low
22. How many staff members are directly involved in managing the ADB funds flow?	4 Staff members, well experienced experts, PIU Project Manager and PIU Finance Manager.	Low
23. Do the involved staff to manage ADB funds flow have a high level of English language proficiency (verbal and written)?	Staff has fair English knowledge	Substantial
24. Are the number and qualifications of the staff sufficient to understand and to handle accordingly the high financial standards of the ADB (guidelines of the ADB)?	Experienced, reasonably well-trained staff.	Moderate
25. Does the PIU (SVESDP) have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned procurement?	For handling the 2 <sup>nd</sup> TVET project is well facilitated.	Low
26. Does the MOES have, or have ready access to finance management training program?	MOES staff receives some (re)training. PIU more regularly trained.  For example: The ADB delivered the Loan and Grant Disbursement Seminar for all Finance Managers of the ADB funded projects in the Kyrgyz Republic.	Moderate
27. To what level does the appointed financial specialist(s) for the ADB funds flow report?	On all levels: ADB, TVET institutions - lyceums, Ministry of Education, and Science, AVET, Finance Ministry / PIP Department and Treasury.	Moderate
28. Do the financial specialist positions in MOES have job descriptions, which outline specific roles, minimum technical requirements, and career routes?	Job descriptions, roles, technical requirements are described.	Low
29. Is there a funds flow manual for handling of financial transactions?	Funds flow manual exist (from ADB guidelines)  Besides the PIU VET Finance Manager has developed the Accounting Policy with the title	Low

QUESTION	RESPONSE	RISK
	"Financial Management Manual <sup>11</sup> for the 2 <sup>nd</sup> project "VET and skills development" in Russian language based on the ADB guidelines and other relevant documents like Financial Agreement between ADB and Kyrgyz Government, Project Administration Manual, etc.	
30. If there is a manual (see point 24), is it up to date, and does it cover foreign-assisted projects?	Applicable only to the ADB-funded projects. Usually foreign-assisted projects use respective own donor guidelines.	Low
31. Is there a procurement process manual for consulting services?	Yes, that is based on the relevant ADB guidelines.	Low
32. If there is a manual, is it up to date and does it cover foreign-assisted projects?	Manual is up-to-date.  Applicable only to the ADB-funded projects.	Low
<b>D. BUDGETING MOES for PVET and SVET</b>		
33. Are multi-year expenditures forecasts provided?	For PVET and SVET are annual forecast provided.	Moderate
34. Is the execution of the expenditure forecast following the planning?	The planning of the expenditures is following a year-by-year stable pattern. The execution of the budget differs per budget line. The budget execution for salaries and related expenditures are according the planning. Planned expenditures for materials, operations and maintenance are frequently cancelled and not precisely budgeted.	Moderate
35. Are planned renovations and investments executed?	Budgets for renovations and investments are planned to some degree, however irregularly allocated and cancelled.	Moderate
36. Are budgets for salaries allocated and allocated according the planning?	Yes, they are allocated according to the planning.	Low
<b>E. PROJECT IMPEMENTATION UNIT (Sample)</b>		
37. Is there a fully (or almost fully) staffed PIU for this project currently in place?	The PIU is fully staffed	Low
38. Are the number and qualifications of the staff sufficient to undertake the financial handling that will be required under the proposed project?	MOES reasonably staffed for financial handling only.  Reasonably qualified staff in TVET PIU. Some staff will need replacement due to low performance and general qualifications.  The PIU TVET is functioning since 4 years since 2013.	Moderate

<sup>11</sup> This is very clear Manual describing the 1) Accounting system, 2) Internal Supervision/oversight Control, 3) Budgeting, financial planning, and forecasting, 4) Reporting system, 5) Monitoring of procurement and contracts (financial aspects) and it's administering, 6) Audit. This Manual is mandatory for the awareness and utilization as well for the all PIU VET staff.

QUESTION	RESPONSE	RISK
39. Does the unit have adequate facilities, such as PCs, internet connection, photocopy facilities, printers etc. to undertake the planned financial transactions?	Facilities are at a good level. Some replacement and improvement needed.	Low
40. Are there standard documents in use, such as guidelines and notes for financial management, and have they been approved for use on ADB funded projects?	All guidelines are approved by the ADB.	Low
41. Does the PIU follow the guidelines for financial management be used by agencies under the authority of the Kyrgyz Republic?	PIU largely complies with guidelines.	Moderate
42. Do ToRs for consulting services follow a standard format such as background, tasks, inputs, objectives and outputs?	ToRs are structured according ADB guidelines.	Low
43. Who drafts the resource allocation request form?	PIU Finance Manager. However at times there are delays with timely submission and approval.	Moderate
44. Who approves the request form for allocation of resources?	The procedure is as follows: - 1 <sup>st</sup> signature - the Deputy Minister of the MoF or PIP Department Head under the MoF. - 2 <sup>nd</sup> signature – MOES Program Director and PIU Project Manager	Moderate
45. Who identifies the need for consulting services requirements?	Specialists of MOES and PIU jointly based on the Project Document and ADB requirements	Low
46. Who drafts the Terms of Reference (ToR)	Specialists of MOES and PIU, sometimes the M&E PIU Specialist. Majority of ToRs are developed at the design phase.	Low
47. Who prepares the request for proposals (RFPs)	PIU procurement specialists based on the ADB Procurement Guidelines.	Low
<b>F. INFORMATION MANAGEMENT</b>		
48. Quality of financial data and information provided by the MOES for recording and reporting?	A computerized system is in use, the quality of data entry and data triangulation needs improvement	Moderate
49. Does the PIU have an accounting system that allows for proper recording of project financial transactions?	1C Accounting system  This 1C Accounting system is according to the ADB requirements since it's based on the international accounting standards adapted to the ADB and project needs.	Low



QUESTION	RESPONSE	RISK
Is this according the requirements of the ADB?		
50. Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Costs allocations are accurately and in accordance with established agreements	Low
51. Does the agency adhere to a document retention policy (i.e. for what period are records kept)?	Documents are kept according to required periods.	Low
52. Is the PIU record keeping function supported by IT?	The IT system is well-developed for the tasks of the PIU.	Low
53. In what way, the MOES will interfere with the PIU (or vice versa)?	It based on the Grant Agreement signed between ADB and Kyrgyz Government (MoF). Then the MOES issues the internal Order on the establishment of the PIU with all specific details that are not covered by the Grant Agreement. All money transfers are implemented on the basis of the Procurement Plan (in the Grant Agreement), and approved by the MOES Action Plan and Financial Plan. All financial documents should be signed by the Deputy Minister of the MOES Moreover, all bank accounts are opened by the MOES.	Low
54. Is there a system of routine information collection providing for measurement of resources reaching PVET and SVET schools?	No. NB: EMIS is being implemented in PVET, and the upcoming project will implement EMIS in SVET.	Moderate
<b>G. ACCOUNTING POLICIES AND PROCEDURES</b>		
55. What is the basis of accounting system (cash, accrual) of PIU? Is this accounting system in accordance with the system of the government?	Cash method is the basis of the PIU accounting system.	Moderate
56. Is there any problem to synchronize accounts of the PIU and the MOES?	There are no problems of synchronizing the accounts of the PIU and MOES.	Low
57. Is the accounting standard according the guidelines of the ADB?	Accounting standard is according the guidelines of the ADB	Low
58. Are there written procedures covering all routine financial management and related administrative activities?	For all routines handlings are well-established procedures.	Low



QUESTION	RESPONSE	RISK
59. Is the procedure manual regularly updated to catch up with updated standards of the ADB?	Manuals are regularly updated	Low
60. Have there ever been a conflict of interest between the PIU and clients in the interpretations of financial procedures?	Until now, no conflicts between the PIU and clients.	Low
61. Are procedures and updates of procedures regularly discussed among staff members?	Updates are regularly discussed among staff.	Low
62. Which functions are authorized to sign for bank accounts? Which persons – functions – are authorized for on-line bank transactions? It there any written documentation which person is authorized for making financial transactions?	1 <sup>st</sup> signature –MOES Deputy Minister or PIU Project Manager. 2 <sup>nd</sup> signature - PIU Finance Manager  All authorization mandates are based on written documentation.	Low
63. Is there a written procedure to process cash transactions?	In the Financial Management Manual <sup>12</sup> for the SVESD; Accounting Policy in Russian language	Low
64. Is cash on hand physically verified and reconciled with the cash books?	Cash is physically verified and reconciled with the cash books.	Low
65. How often cash is on hand reconciled with the bank accounts?	Reconciliation is daily and monthly.	Low
66. Are all reconciling items controlled?	Reconciliations are controlled according to standard procedures	Low
67. Are all unusual items on the bank reconciliation reviewed and approved by a responsible officer?	Any deviation, has to be reviewed and approved by the responsible officer.	Low
<b>H. ACCOUNTABILITY MEASURES</b>		
68. Is there a standard statement of ethics and are those involved in handling fund flows are required to formally commit to it?	MOES and attached PIUs are having standard statements of ethics. All personnel are bonded to the ethics statement.	Moderate
69. Are those involved with any financial operation required to declare any potential conflict of interest and remove themselves from the fund flow process?	It is a standard way of working: Any potential conflict of interest must be reported and the person will be immediately removed from the process.	Moderate
70. Is the commencement of any financial operation dependent on external approvals (formal or de-facto) that are outside of the budgeting process?	External approvals are required.	Moderate

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QUESTION	RESPONSE	RISK
71. Who approves financial transactions, and do those persons have experience and relevant qualifications?	ADB, MoF and AVET. All experts are experienced and qualified.	Low
72. Is the same official responsible for: (i) authorizing financial transactions, (ii) authorizing payments; (iii) recording financial transactions and events; and (iv) the custody of assets?	Authorizing of financial transactions: <ul style="list-style-type: none"> <li>- MOES Program Director authorizes transaction,</li> <li>- PIU Project Manager and Finance Manager are authorizing financial transactions,</li> <li>- PIU Project Manager and Finance Manager are authorizing payments;</li> <li>- PIU Disbursement Specialist is recording financial transactions and events; and,</li> <li>- PIU Project Manager and Finance Manager are responsible for the custody of assets</li> </ul>	Low
73. Is there a written/auditable trail of financial decisions attributable to individuals and committees?	- Any financial decision is well-recorded.	Low
<b>I. INTERNAL AUDITS</b>		
74. Is there an internal audit department in the MOES?	Yes.	Low
75. Coverage and quality of the internal audit function.	Is being viewed as adequate	Low
76. Frequency and distribution of reports	Circulation of reports is limited. Schools (4x, PVET and SVET) are not receiving reports.	Moderate
77. Extent of management response to internal audit findings	Management response is increasing year-by-year.	Moderate
<b>J. EXTERNAL AUDITS</b>		
78. Is the financial statement of the MOES audited regularly by an independent auditor?	Annually by the Central Government Chamber of Accounts.	Low
79. Is the financial statement of the TVET PIU audited regularly by an independent auditor?	Annually by the Central Government Chamber of Accounts.	Low
80. What are the findings of recent audits? PIU 2nd SVESDP, AVET/ MOES?	Last year the Kyrgyz Chamber of Account draw conclusions based on the old standards: there is no numbering of the Cash Book that should be binded securely. Or the PIU should update the IC Accounting Programme but it's not necessary since the PIU is based on the international accounting standards (see also question 55).	Moderate
<b>K. REPORTING and MONITORING.</b>		
81. Are financial statements prepared for the MOES and PIU (AVET) and are	Yes, government standards	Low

QUESTION	RESPONSE	RISK
these in accordance with accounting standards?		
82. What is the frequency of preparing financial statements by MOES	Annual financial statements. Trial balance: semi-annual	Moderate
83. What is the frequency of preparation of financial statements PIU (AVET)?	Annual financial statements. Trial balance: semiannual to MOES	Moderate
84. Does the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	Low
85. Does the reporting system have the capacity to link the financial information with the project physical progress?	No	Substantial
86. Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The delivery of data differs from school to school. Some schools are using advanced accounting software and some schools are using excel spreadsheets. It seems that SVET is using more advanced accounting software than PVET (4x schools, PVET, SVET)	Moderate

## **Budgeting cycle description (Financial and Information flows)**

### **1. MOES Budget preparation by HoD Finance.**

July 2013 – launching of the project implementation: development of both 3-years budget specifically for MoF and annual budget for July 2013-July 2014 for ADB and MoF. Deadline – Aug 2013 and in July 2014: budget preparation for July 2014-July 2015, in July 2015: annual budget for July 2015-July 2016 and July 2017-Oct 2017, last budget for Oct 2017-Oct 2018 since the project duration will be extended from Oct 2017 up to Oct 2018 due to the savings.

Deadline: July 2013 for the first Annual Report (July 2013-2014). For further annual budgets: July or first month of the last quarter of the financial year.

### **2. Budget approval**

PIU Budget approving/sequence of approvals:

- 1) PIU Project Manager and AVET Director
- 2) Deputy Minister of MoF
- 3) ADB Country Office
- 4) ADB HQ in Manila

Deadline: July – Sep 2013 for the first Annual Budget (July 2013-2014). Later – during of the last quarter of the financial year.

### **3. Budget execution**

PIU Financial Specialist develops the budget for the advance payment for first 6 months for July 2013-Jan 2014 and he should develop the Request for advance payment that should be signed by PIU Project Manager and AVET Director. Than it should be submitted to the PIP Department MoF for checks and signing by the MoF Deputy Minister. That it should be submitted to the ADB Country Office and later – to the ADB HQ.

Deadline – the end of each month. Usually – there is development and submission of the Replenishment form on a monthly basis for funding/replenishment of the project costs based on the PIU Budget approving scheme (please see above). Financial Reports based on the Project Management Report should be developed and submitted on a quarterly basis to the ADB. To the MoF – on a monthly basis, quarter basis or based on the actual spending. Budget on co-funding – before of 5th each month. To the AVET – based on the request.

## ANNEX 5: 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.
	<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.

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
			7. Rationalization plan implemented in accordance with the approved policy for regional development.
	6.Pathways within professional education established.		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.
	<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.

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 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.

## **Annex 6: CENTERS OF EXCELLENCE: CONCEPT NOTE AND SELECTION METHODOLOGY**

### **Centres of Excellence for Vocational Education and Training (CoE)**

#### **INTRODUCTION**

1. The Kyrgyz Republic Vocational Education and training system faces serious challenges in quality and training relevance. Amongst the options to remedy these problems is the establishment of Centres of Excellence (CoE), which will exemplify Vocational Education and Training of high quality and relevance to the labour market. This paper describes the key aspects of TVET CoEs, examples from other countries, and requirements for TVET CoEs in the Kyrgyz Republic. It also proposes criteria and procedures for the selection of institutions that may become TVET CoEs.

#### **CENTRES OF EXCELLENCE**

##### **Definition**

2. CoEs frequently are used in other parts of the World when a company, business or organization needs to take on a new technology or new skills. There is no unique definition of CoEs in Vocational Education and Training. The following definition illustrates its function: <sup>1</sup> "Centres of Vocational Excellence (CoVEs) are specialist areas of vocational provision characterized by close links between colleges, other providers, business partners, other employment interests and communities. They aim to produce appropriately qualified and skilled workers with excellent employment and career prospects who meet the need of the economy. CoVEs will focus on developing the skills and careers of those already in work, enhancing the employability of new entrants to the labour market, and the employment prospects of those seeking work (including self-employment). They will allow colleges to develop, maintain and deliver high quality, specialist provision across a range of new and traditional occupations. They will be innovative in facilitating learning that develops both specialist and related general social and cognitive skills." <sup>2</sup>

##### **Best Practice Criteria for Centres of Excellence**

3. A number of best practice criteria for a CoE can be identified and grouped as follows: <sup>3</sup>

- Leadership and direction:
  - Personnel and faculty leadership;
  - Strategic direction;
  - Stakeholder involvement; and,
  - Continuous improvement.
- Organization and management:
  - Organization structure;
  - Human Resource Management;
  - Management effectiveness; and,
  - Standard operating procedures.
- Planning and control;
  - Annual planning;
  - Financial management;
  - Resource provision and allocation; and,
  - Performance measurement.
- Facility management:
  - Maintenance management;
  - Hygiene and Safety Management;

<sup>1</sup> The Learning and Skills Council (2001) Circular 01/14: Centres of Vocational Excellence.

<sup>2</sup> The Learning and Skills Council (2001) Circular 01/14: Centres of Vocational Excellence.

<sup>3</sup> USAID Jordan (2006) Operations Manual for a Model Coe. This publication includes also indicators for the individual criteria.



- Environment management; and,
- Information technology.
- Program design and delivery:
  - Curriculum and program development;
  - Planning and organization training;
  - Program delivery; and,
  - Training tools and resources.
- Program assessment and quality:
  - Assessment processes;
  - Administration and record keeping;
  - Practical experience; and,
  - Quality assurance.
- Student recruitment and support;
  - Recruitment activities;
  - Student selection and induction;
  - Learning environment; and,
  - Student counseling and support.
- 4. For the purpose of this project, the following also might be considered:
  - Experience and level of activity in promoting and maintaining industry partnerships;
  - Experience and successes in implementing and expanding Work-Based Learning (WBL) arrangements;
  - Experience and success in incorporating and implementing course components on entrepreneurship;
  - Experience and willingness to collaborate with Teachers' Colleges and other specialized colleges including CoEs on INSETT; and,
  - Experience and willingness to collaborate Teachers' Colleges on PRESETT.

### Examples of Promoting Excellence in TVET

5. **Germany:** The scholarship program Stiftung für Begabtenförderung (foundation supporting the gifted and talented) for young vocational graduates was established over 20 years ago. Since then, around 96,000 young professionals in Germany have profited from support towards their professional qualifications. Scholarships are available to graduates of dual Vocational Education and training courses who are younger than 25 years of age when accepted into a further education program. To qualify, they must attain a final apprenticeship examination result of 1.9 ('good') or better, participate successfully in a cross-regional skill competition, or be nominated by either an enterprise or their vocational school. Grants of up to EUR 6,000 over three years may be paid while attending a further education program.<sup>4</sup>

6. **Austria:** The Ministry of Economy confers a state prize for 'Best training companies – Fit for future' in the categories of small, medium-sized and large enterprises. The objective of the prize is to improve quality, innovation and sustainability in apprenticeship training and to involve more companies in providing dual learning opportunities.

### EXAMPLES FROM OTHER COUNTRIES

7. **Viet Nam:**<sup>5</sup> Under the Program Reforming Technical and Vocational Education and Training in Viet Nam, the GIZ set up the LILAMA 2 Centre for Excellence for Vocational Education. The CoE LILAMA 2 offers needs-driven Vocational Education and Training, and further training in line with international standards. The program promotes the development of a network of Centres of Excellence for Vocational Education. In particular, it supports ongoing development of the Vocational College LILAMA 2 as a CoE. As such, the program prepares the ground for a range of practical, high quality training courses that are in line with

<sup>4</sup> See <http://www.ibw.at/fitforfuture>

<sup>5</sup> See <https://www.giz.de/en/worldwide/18758.html>

international standards. These are aimed at occupations in sectors with particularly high growth potential, for example, industrial mechanics, metalwork (with focus on machining and Computer Numerical Control [CNC]), mechatronics, industrial electronics, and electro-technology. The project supports the introduction of these courses in the partner institution by offering further training courses for teaching and management staff, and by advising the managers on suitable approaches, and deciding which subjects are taught at the CoE. Furthermore, the centre is intended to offer practical further training for teaching staff in specific subjects. The project also focuses on intensifying cooperation with the private sector. In cooperation with KfW Development Bank, the project procures equipment for the new training courses. It also works in close coordination with the French Agency for Development (AFD), which also supports LILAMA 2 with its courses in welding and telecommunications. In the future, the program will support another CoE for 'green' vocational training. Preparatory measures for this include the transfer of international experiences in green skills, green colleges, and green jobs. This is achieved through training courses for experts and managers from the executing agencies, the General Department of Vocational Training (GDVT), and the Ministry of Labour, Invalids and Social Affairs (MoLISA). Through training measures provided to date, the LILAMA College managers and teaching staff have extended their subject-related teaching skills in metalwork and electro-technology, in specific areas of expertise like quality management, HR development, workplace safety, and repairs and maintenance. A workshop management concept known as 5S, which addresses safety, orderliness and cleanliness in the workplace, has been piloted in the metal machining workshops. The training workshops for electro-technology are being redesigned to accommodate practical training that is of greater relevance to industry. In the area of, The school management team routinely is included in the advisory services on activity system reform and policy advice on demand-oriented vocational training. This includes cooperating with the private sector, and developing a concept for the Vocational Education Centres of Excellence.

**8. Myanmar:** <sup>6</sup> The Myanmar – Swiss CoE for Vocational Education and Training (CVT) was established in Yangon in 2002. The main objective is to introduce and practice a Myanmar-adapted, dual apprenticeship model from Switzerland, and has over the years developed successfully five professions. The activity depends heavily on Swiss donors, and is supported by the Swiss Agency for Development and Cooperation (SDC). CVT initiated in 2013 a Capacity Building Project with the overarching goal of raising protracted employment, and earning and training opportunities for disadvantaged youth in Myanmar by extending the dual vocational training system. The project implementation period is from 2014 to 2018. In 2016, a tracer study was conducted, which delivered the following key results: The satisfaction of the partner companies on CVT graduate efficiency and productivity suggested an increase up to 98% (95% in 2014). The percentage of companies, which believe that the capacity of CVT graduates has increased since graduation, has slightly declined (93% in 2015 and 99% in 2014). More than 70% of the respondent companies are willing to pay the defined registration and annual membership fee. It was found that 66% of respondent companies would like to donate to CVT; and, 86% of them prefer to donate on an annual basis, and nearly half of the partner companies annually. More than half of CVT graduates received a rise in pay or a promotion after CVT training (58% in 2015 and 70% in 2014). While the percentage of CVT graduates who expressed that CVT training increases their employability is still high at 96%, the figure is slightly lower than it was in 2014 at 98.6%, but still, overwhelmingly positive. The unemployment rate amongst CVT graduates was 3% in 2015. The level of satisfaction with teachers is 'high', 93% amongst CVT graduates, and almost all of the respondents provided positive feedback on teaching methods. The majority of the respondents favor the curricula because it is based on Association of South East Asian Nations (ASEAN) and international standards and uses a good mixture of theory and practical components, which are very supportive and useful for their workplace; 94% of the respondents stated that CVT's training is relevant to their current line of work. One out of 12 graduates started a new business after

<sup>6</sup> Myanmar Marketing Research and Development Co., Ltd (MMRD) (2016) Tracer Study: A Follow Up on the Baseline Study 2014.

graduation. The remaining graduates had their own businesses before signing up for the course. By overall grade, one fourth of CVT's graduates marked the entrepreneurship course as 'excellent' and 'very good'. More than 90% of the students 'agree' with the teaching methods or teaching materials. They also think that the teachers are well prepared and that the training topics match their expectations. As per the findings of the qualitative assessment, all of the respondents believe that the teachers are skilled and the handouts are impressive. Almost all of them think that the training provided is efficient.

## TVET CENTRES OF EXCELLENCE IN THE KYRGYZ REPUBLIC

9. Gasskov <sup>7</sup> recommends developing opportunities for continuing professional development through the integration of colleges and lyceums and the establishment of "Centres of Integrated Studies". These centres should: (i) specialize in the training of technical occupations (rather than cook, waiter, hairdresser, etc.); (ii) deliver training at the basic and the advanced level (what now corresponds to the levels of lyceums and vocational colleges); (iii) contribute to the adjustment of qualification requirements and training programs for the occupations in which they offer training, and, (iv) use material and human resources more effectively and efficiently.

### Key Features of Centres of Excellence in the Kyrgyz Republic

10. A CoE for Vocational Education and Training would meet the following requirements, which can be grouped as follows: <sup>8</sup>

#### Teaching and Learning Requirements:

- (i) **The CoE offers programs which are relevant to the socio-economic needs of the country:** the CoE responds to the national and regional socio-economic needs of the country. It addresses in, particular, the regional need for a well-trained workforce. It collaborates closely with employers and their national and regional associations to identify training needs and contents and keep them updated.
- (ii) **The CoE offers high-quality workshop instruction or other practical training:** students have extensive opportunity to gain hands-on experience in workshops or other facilitates to acquire the skills required in the labour market. Students are given the opportunity to experiment without always being judged or graded. Workshops are appropriately equipped and used to a maximum extent, including shift learning where possible. High-quality practical training requires experienced and adequately trained teachers.
- (iii) **The CoE offers entrepreneurship training:** all aspects of the CoE structure and functioning exemplify a sense of initiative and entrepreneurship. This includes a sound knowledge of economic principles, the ability to turn ideas into action, take the initiative, plan manage and carry through projects. This requires the ability to see the bigger picture, recognize opportunities, communicate effectively, a sense of creativity and innovation, and risk-taking. These and other skills are taught as a separate subject and/or integrated in other subjects.

<sup>7</sup> Gasskov, Vladimir (2016) TVET System Rationalization in the Kyrgyz Republic: Strategy and Implementation Plan.

<sup>8</sup> Like any other educational institution, centres of excellence are subject to licensing and accreditation, cf. Provision on Licensing (2001). Положение о лицензировании (2001). Resolution on Introducing Changes and Additions to the Resolution of the Government of the Kyrgyz Republic 'On Licensing Individual Kinds of Activities' of 31 May 2001, № 260 (2014). Government of the Kyrgyz Republic (2016) On Introducing Additions into the Resolution of the Government of the Kyrgyz Republic "On Confirming Documents on the Independent Accreditation in the Educational System of the Kyrgyz Republic" of 29 September 2015, No. 670. Правительство Кыргызской Республики (2016) О внесении дополнений в постановление Правительства Кыргызской Республики "Об утверждении актов по независимой аккредитации в системе образования Кыргызской Республик" от 29 сентября 2015 года № 670.

- (iv) **The CoE applies a competency-based approach to teaching and learning:** teaching and learning give emphasis on students' ability to master specific tasks. Curricula are design in line with the institutional strategy and accordance with these tasks, which are identified in close collaboration with employers. Teachers and instructors apply a strong student-centred approach.
- (v) **Teacher professional development is an integral part of the CoE:** CoE teachers view professional development as part of their profession and take the initiative to acquire new knowledge and skills. They can choose among relevant training offers. Their professional development is not limited to formal in-service training. The CoE encourages teachers to develop professionally and allocates sufficient budgetary funds.

- (vi) **The CoE provides students with academic and social support as well as career guidance:** the CoE provides students with the opportunity to acquire knowledge and skills, and them extensive advisory services on a wide range of topics related to their training and professional or academic career. Counseling is available for students facing challenges in their personal lives or undergoing a personal crisis to minimize potential negative impact on their academic achievements. The CoE establishes a system to inform students about academic and social support services.
- (vii) **The CoE provides a teaching and learning environment that meets the needs of teachers and students to a maximum extent:** the physical conditions at the CoE promote teaching and learning. Tables and chairs in classrooms can be moved for different activities, the library has extensive opening hours, books are freely accessible, and there are sufficient practical workplaces. In winter, teachers and students do not need to wear a coat or jacket in classrooms or corridors. The CoE uses feedback from teachers and students (including former students) to maintain and upgrade facilities regularly.
- (viii) **Student assessment is fair, transparent and consistent:** assessment principles are in line with teaching practices. Information about assessment principles is freely accessible and clear. Teachers and students share a common understanding of assessment principles. Assessment is transparent and consistent. Assessment results support students in their academic and personal development. The CoE uses feedback from teachers and students (including former students) to maintain and upgrade facilities regularly. A formal procedure for student appeals is in place.
- (ix) **The CoE offers an extensive extra-curricular program:** the CoE promotes the personal and professional development of its students not only through vocational education and training, but also through a wide range of cultural, sports and social activities. It seeks to develop students' potential as individuals.

#### **Outreach and Networking Requirements:**

- (i) **The CoE cooperates with the economy to provide high-quality work-based learning opportunities:** the CoE does not operate as an isolated entity. It reaches out to local employers and seeks to establish collaboration through expert groups contacts. It actively explores with employers practicum opportunities for students. It displays an interest in employers' feedback to students' performance during the practicum to improve the content and conditions of practicum opportunities.
- (ii) **The CoE cooperates with a cluster of lyceums and Higher Education Institutions (HEI) in the its region with similar profiles:** the CoE reaches out to lyceums and collaborates in a wide range education pathways. The CoE acts as a hub for developing and implementing integrated curricula, training of lyceum and colleges teachers on the new education approaches in the region. It approaches higher education institutions to benefit from their academic expertise and facilitate qualification transition.
- (iii) **Entrepreneurship skills:** the entrepreneurship knowledge and skills of students, staff and administrators has positive effects on CoE income generation activities. CoE based on partnerships produce small scale production to contribute to intended learning outcome achievement.
- (iv) **The CoE offers an extensive extra-curricular program:** the CoE promotes the personal and professional development of its students through Vocational Education and training, a wide range of cultural, sports and social activities. It seeks to develop students' potential as individuals.
- (v) **The CoE operates on the basis of solid mid- and long-term strategic planning:** the CoE does not operate and make decisions exclusively on a day-to-day basis, but

pursues mid- and long-term goals. Its strategies are informed by reliable, data and information. To obtain information, the CoE engages in labor market research.

- (vi) **The CoE uses sound and transparent budgetary procedures:** budget and accounting procedures and principles are sound, clear, transparent and information about them is easily accessible. Funds are used transparently, and due diligence procedures are in place and followed.

#### **Governance and Finance requirements:**

- (i) **The CoE strengthens learning pathways:** the CoE views itself as one of many stages in the personal and professional development of its students. The CoE education policy is in line with the national qualification development policy. It builds on students previous learning experiences and prepares them for learning after graduation. It equips students with lifelong learning skills. It offers basic training and advanced training in the same field. It offers opportunities for students with previous work experience. It provides students with the knowledge and skills they need to attend a higher education institution.
- (ii) **The CoE operates on the basis of solid mid- and long-term strategic planning:** the CoE does not operate and make decisions exclusively on a day-to-day basis, but pursues mid- and long-term goals. Its strategies are informed by reliable information. To ensure that learning programs are relevant to the changing societal needs, the CoE engages in labour market research and internal and external quality assurance processes.
- (iii) **The CoE collects data on students' career development:** the CoE displays an interest in the career development of its students. It engages in research and uses the results for strategic planning.

#### **Preconditions for CoE Establishment**

11. The above requirements only can be met if certain pre-conditions are fulfilled. The key pre-conditions for each requirement are presented in Table 1.

**Table 1: CoE Requirements and Conditions**

<b>Requirement</b>	<b>Preconditions</b>
The CoE offers programs which are relevant to the socio-economic needs of the country.	<ul style="list-style-type: none"> <li>• Collaboration with employers and their associations</li> <li>• Collaboration with labor market services</li> <li>• Knowledge of the country's economic strategies</li> </ul>
The CoE offers high-quality workshop instruction or other practical training.	<ul style="list-style-type: none"> <li>• Appropriately equipped workshops</li> <li>• Instructors' attitude allows students to experiment and make mistakes</li> <li>• Teachers have practical experience and sufficient training</li> <li>• Workshop equipment is used extensively</li> <li>• Availability of funds for maintenance and expendables</li> </ul>
The CoE offers entrepreneurship training.	<ul style="list-style-type: none"> <li>• Leadership, administration and teachers display an entrepreneurial attitude</li> <li>• Entrepreneurship education is offered as a separate subject;</li> <li>• Availability of a curriculum</li> <li>• Availability of training materials</li> <li>• Teachers trained in entrepreneurship education</li> </ul>
The CoE applies a competency-based approach to teaching and learning.	<ul style="list-style-type: none"> <li>• Trained teachers</li> <li>• Identified competencies and their reflection in the curriculum</li> <li>• Teaching and learning materials</li> </ul>
Teacher professional development is an integral part of the CoE.	<ul style="list-style-type: none"> <li>• Teachers' positive attitude toward professional development</li> <li>• Management supports and encourages teachers' professional development</li> <li>• Professional development opportunities</li> <li>• Available replacement for teachers attending professional development courses</li> </ul>
The CoE provides students with academic	<ul style="list-style-type: none"> <li>• Management, administration and teachers see guidance and counseling as key to successful training student</li> </ul>

Requirement	Preconditions
and social support as well as career guidance.	<ul style="list-style-type: none"> <li>• Management, administration and teachers consider promoting students' personal development one of the key tasks of the CoEs</li> <li>• Trained staff</li> <li>• Availability of information on counseling services</li> </ul>
The CoE provides a teaching and learning environment that meets the needs of teachers and students to a maximum extent.	<ul style="list-style-type: none"> <li>• High-quality infrastructure</li> <li>• Sufficient space</li> <li>• Heating</li> <li>• Enough places in the teachers' room</li> <li>• Reliable equipment (e. g., blackboard not interactive, potentially unreliable whiteboard)</li> </ul>
Student assessment is fair, transparent and consistent.	<ul style="list-style-type: none"> <li>• Teachers are trained in assessment</li> <li>• Teachers view assessment as a way to support students in their development</li> <li>• Clear assessment principles and criteria</li> <li>• Assessment principles and criteria are agreed upon between teachers</li> <li>• Assessment criteria are applied in a consistent and transparent manner</li> </ul>
The CoE cooperates with the economy to offer high-quality work-based learning opportunities.	<ul style="list-style-type: none"> <li>• Pro-active attitude of leadership</li> <li>• Ability of leadership to establish and maintain contacts with employers</li> </ul>
The CoE cooperates with a cluster of lyceums/HEIs in the region with similar profiles.	<ul style="list-style-type: none"> <li>• Pro-active leadership</li> <li>• Leadership is able to establish and maintain contacts</li> <li>• Leadership is able to identify common interests and potential areas of cooperation.</li> </ul>
The CoE offers an extensive extra-curricular program.	<ul style="list-style-type: none"> <li>• Infrastructure for sports activities</li> <li>• Leadership has a positive attitude toward sports and cultural events, understands the importance of extra-curricular activities for students' personal development</li> <li>• Teacher or staff in charge of extra-curricular activities pro-active and creative</li> <li>• The teacher or staff in charge of the organization of extra-curricular activities is able to motivate students to participate</li> </ul>
The CoE operates on the basis of solid mid- and long-term strategic planning.	<ul style="list-style-type: none"> <li>• Availability of data for planning</li> <li>• CoE engages in labor market research</li> <li>• Staff planning and analytical skills for developing both ambitious and realistic plans</li> <li>• Leadership, administration and teachers are willing and able to implement plans</li> </ul>
The CoE uses sound and transparent budgetary procedures.	<ul style="list-style-type: none"> <li>• Leadership supports budgetary transparency</li> <li>• Highly-qualified accountants</li> <li>• Budgetary rules and procedures are available or developed by the CoE</li> <li>• Appropriate use of funds</li> </ul>
The CoE strengthens pathways of learning.	<ul style="list-style-type: none"> <li>• Positive leadership attitude toward continuing education and lifelong learning</li> <li>• Availability of basic and advance training</li> <li>• Training contents build on students' previous knowledge</li> <li>• Students acquire skills for continuing education in another educational institution</li> <li>• Students acquire lifelong learning skills</li> </ul>
The CoE collects data on students' career development.	<ul style="list-style-type: none"> <li>• Leadership, administration and teachers interested in student career development</li> <li>• CoE engages in research (e. g. conducts tracer studies)</li> <li>• CoE draws conclusion on research results</li> <li>• Expertise to conduct research is available</li> </ul>

## TVET CENTRE OF EXCELLENCE SELECTION

12. At the time of drafting of this Concept Note, the following had been agreed between the Asian Development Bank (ADB) and the Ministry of Education and Science (MoES) of the Kyrgyz Republic:

- 5 centres of excellence will be established;
- The centres will be chosen from vocational colleges;
- The centres should meet, or be close to meeting, the requirements presented above;
- Pre-selection criteria shall be established for individual regions and key economic sectors;

- The centres shall play an active role in promoting of teaching and learning quality in other vocational training institutions in the region;
- The exact name of the centre is a subject to be discussed;<sup>9</sup>
- The number of occupational groups to be taught in a college is to be discussed; and,
- Detailed selection criteria need to be developed based on the suggestions in this note.

### Pre-selection

13. To ensure that pre-selection criteria are aligned with the Regional Policy Concept of the Kyrgyz Republic for 2018-2022 (the Concept), regional and sector criteria can be extracted directly from the Concept.

### Regional Pre-selection Criteria

- Industry primarily is located in: Bishkek, Chui Region, Issyk-Kul Region (all in the North), Jalal-Abad Region (in the South);
- Industry growth is expected in the Osh Region; and,
- 20 cities are logical nodes for regional development: Bishkek, Osh, Karakol, Balykchy, Naryn, Kochkorka, Tokmok, Kara-Balta, Talas, Isfana, Batken, Kadamzhai, Uzgen, Kara-Suu, Sary-Tash, Tash-Kumyr, Kara-Kul, Jalal-Abad, Kerben and Kochkor Ata.

### Sector Pre-selection Criteria

- Current demand: trade, services;
- Expected growth in future demand: energy, food, water;
- Historical regional specializations:
  - Batken: crop and livestock production, organic dried fruits;
  - Bishkek: trade, transport and communication;
  - Jalal-Abad: hydraulic power industry;
  - Issyk-Kul: tourism;
  - Naryn: livestock;
  - Osh: transportation, agriculture, processing;
  - Talas: agriculture;
  - Chui: Processing and consumer goods, mining.

14. Based on the regional, sector structures within the economy, alignment with the Concept would follow the development clusters listed in the Table 2:<sup>10</sup>

**Table 2: Development Clusters**

Sector	Bishkek	Chui Region	Osh City	Osh Region	Naryn Region	Issyk-Kul Region	Talas region	Jalal-Abad Region	Batken region
Education	X		X						
Construction		X		X					
Tourism						X			
Petro-chemical								X	
Agriculture	X	X	X	X	X	X	X	X	X
Livestock		X			X				X
Transportation & Communication	X	X		X	X	X			
Medicine & Pharmaceutical	X								

### Ownership Pre-selection Criteria

<sup>9</sup> In meetings with MoES representatives, the Russian term Центр передового опыта frequently was used.

<sup>10</sup> There is some inconsistency between the identified regional and sector strengths and needs, and the proposed clusters. For example, medicine and pharmaceutical are include in the clusters, but are mentioned in the regional economic analysis.



15. It will be important to establish CoE ownership, which will determine governance arrangements. The following will need to be considered:

- What form of ownership: state, private or shared?
- Will it be established under line ministries?
- What will be the degree of autonomy?
- Will it be a legal entity?

16. The forms of ownership of education institutions are the next factor for inclusion in the pre-selection criteria. Education institutions usually are under line ministry, government agency or university jurisdiction, and so may exhibit state and private ownership. In identifying CoE pre-selection criteria it will be important to ensure that the state manages implementation effectively so that the best practices are introduced into pilot education institutions. It will be important to focus attention on the 139 state colleges under MoE Executive Agency jurisdiction.

17. Some of the education institutions under line ministers specialize in medicine, culture and art, and sport, and not Concept priorities. Medicine is a popular discipline in the Kyrgyz Republic and medical colleges have competitive enrollment and graduation figures. There is one college that specializes in air transport and this should not be considered in the pilot. Colleges under universities should not be considered because they are not legal entities, and have less autonomy than state colleges, which are legal entities. Private colleges are legal entities, but were established to make profits, and so sustainable development in this case cannot be assured. They specialize in the humanities which will have less impact than technical disciplines on regional economies. They do not require high levels of consumable materials for training and so need little or no support. In Table 3 SVET colleges are identified in accordance with the line ministry ownership.

**Table 3: Line Ministry College Ownership**

No	Ministries and Departments	No	Relevance
1.	Ministry of Education and Science of KR	28	x
2.	Ministry of Healthcare of KR	11	-
3.	Ministry of Culture and Tourism of KR	8	-
4.	Ministry of Transport and Communication of KR	1	-
5.	The State Agency of Physical Culture and Sport of KR	1	-
6.	The Agency PVET under MoES KR	2	-
9.	Self-financed SVET colleges under the state HEIs	38	-
10.	SVET colleges under the private HEIs	23	-
11.	The private SVET colleges	27	-
<b>Total:</b>		<b>139</b>	

### **Location Pre-selection Criteria**

18. The final pre-selection criterion is within the regions. The institutions should be located within 7 oblasts and 20 cities defined in the Concept. This pre-selection would include PVET schools and Higher Education institutions with similar profiles for developing integrated curricula. This will help in identifying pilot institutions for potential collaboration.

### **CoE Selection Criteria**

19. For each requirement, concrete selection criteria need to be developed, which will allow selection of the vocational college that best meets the requirements. The following examples illustrate criteria that can be used for CoE selection. <sup>11</sup> Requirement: The CoE offers programs, which are relevant to the socio-economic needs of the country. Selection criteria: (i) the vocational college designs programs and curricula in close cooperation with employers; (ii) the vocational college has a structure for cooperation with employers; (iii) the vocational college collects data on the demand for trained personnel. Requirement: The CoE offers high-

<sup>11</sup> Cf. the Evaluation Sheet for the complete set of criteria.

quality workshop instruction or other practical training. Selection criteria: (i) The available infrastructure allows setting up and equipping the necessary number of workshops; (ii) efforts have been made to upgrade available workshops; (iii) available workshops are extensively used; and, (iv) students are given ample opportunity to practice and experiment.

20. The design of the criteria should facilitate a decision whether the vocational college can potentially meet the respective requirement. It is not expected that any vocational college will meet all requirements fully.

### **Selection Process**

21. The selection process should meet the following requirements: (i) it is based on clear criteria; (ii) criteria are agreed prior to the selection process; (iii) it is transparent and its results are available to all vocational colleges that submitted a proposal; (iv) it is based on a competitive approach; and, (v) it consists of several stages.

## NEXT STEPS

22. The steps in Table 2 need to be taken for the selection of CoEs. In Annex 1 there is an evaluation procedure for use in CoE selection

**Table 2: CoE Selection Steps**

Step	Time-frame	Comments & Aspects to Consider
Define pre-selection criteria	1 week	<ol style="list-style-type: none"> <li>1) Identify regional preferences</li> <li>2) Identify sector preferences</li> <li>3) Discuss extensively and justify pre-selection criteria</li> </ol>
Prepare documentation	1 month	<ol style="list-style-type: none"> <li>1) Prepare comprehensive documents for vocational college: background information, proposal submission, evaluation form and other documents for evaluation</li> <li>2) Translate other documents into Russian and Kyrgyz</li> <li>3) Ensure translation accuracy, particularly into Kyrgyz, to avoid problems and misunderstanding due to unclear or imprecise language</li> <li>4) Decide which language prevails in case of differences between versions</li> </ol>
Invite vocational colleges to submit proposals	2 months	<ol style="list-style-type: none"> <li>1) Provide vocational colleges with a full set of material</li> <li>2) Consider inviting representatives from all interested vocational colleges to a presentation in which college representatives may clarify unclear issues</li> <li>3) Clarify written queries from individual vocational colleges</li> <li>4) Ensure clarifications accessible to all vocational colleges</li> </ol>
Establish evaluation panel	1 week	<ol style="list-style-type: none"> <li>1) Establish criteria for panel composition (number of members, organizations, bodies, structures to be represented)</li> <li>2) Establish panel member tasks and responsibilities</li> <li>3) Establish panel operational procedures</li> <li>4) Appoint panel members</li> <li>5) Ensure panel members can read Russian and Kyrgyz proposals</li> <li>6) Ensure panel members comprehend their tasks and responsibilities and operational panel procedures</li> </ol>
Evaluate and short-list proposals	2 weeks	<ol style="list-style-type: none"> <li>1) Prepare sufficient copies of each proposal</li> <li>2) Establish evaluation meeting schedule</li> <li>3) Ensure panel member availability for all meetings</li> <li>4) Ensure evaluation panel can work undisturbed (quiet room, sufficient space)</li> <li>5) Ensure panel members can conduct independent and objective evaluation;</li> <li>6) Short-list proposals</li> </ol>
Invite short-listed vocational colleges to presentations	2 weeks	<ol style="list-style-type: none"> <li>1) Establish schedule for presentations</li> <li>2) Invite short-listed vocational colleges to presentations</li> <li>3) Inform vocational colleges of presentations purpose and format</li> <li>4) Inform vocational colleges about what to bring to the presentations (e. g., presentation on a USB stick, information material, copies)</li> </ol>
Presentations	1 week	<ol style="list-style-type: none"> <li>1) Ensure appropriate room and equipment availability</li> <li>2) Establish additional evaluation criteria if needed</li> <li>3) Conduct presentations</li> <li>4) Analyze evaluation results</li> <li>5) Agree on selected vocational colleges</li> </ol>
Inform vocational colleges about the result	1 week	<ol style="list-style-type: none"> <li>1) Inform short-listed vocational colleges of evaluation results</li> <li>2) Ensure evaluation results accessible to all participating vocational colleges</li> </ol>
Prepare for operationalization of centres of excellence	2 months	<ol style="list-style-type: none"> <li>1) Establish list of measures and actions to implement</li> <li>2) Categorize measures and actions (legal status, administrative, legal, staffing, curricula, management)</li> <li>3) Establish implementation schedule for measures actions needed to make CoEs operational</li> </ol>

### ANNEX: EVALUATION SHEET FOR COE SELECTION

**How to use this evaluation sheet?** This evaluation sheet provides guidance for selecting CoEs. It comprises the requirements for CoEs and criteria that can facilitate selection of particular institutions amongst the Vocational Colleges in the Kyrgyz Republic. The criteria are subject to refinement and changes. Additional criteria can be added. The proposed evaluation scale represents one of many options and may be modified as needed.

There are 15 requirements, which are grouped into:

- Requirements related to teaching and learning;
- Requirements related to outreach and networking;
- Requirements governance and finance.

Name \_\_\_\_\_ and Location \_\_\_\_\_ of Vocational college: \_\_\_\_\_

#### TEACHING AND LEARNING

Requirement	Criteria	Score (0 – 5)
1) Offers programs relevant to the socio-economic needs of the country in general and the region in particular.	a. Innovative programs for priority specializations/ occupations are/can be made available.	
	b. Programs are designed in close cooperation with employers.	
	c. Available structure/body for the cooperation between TVET institution and employers.	
	d. Data on the demand for trained personnel is collected.	
2) Offers high-quality workshop instruction or other practical training.	a. Available infrastructure allows setting up and equipping workshops.	
	b. Efforts made to upgrade workshops, sufficient number of rooms, size of rooms.	
	c. Available workshops are extensively used.	
	d. Students are given ample opportunity to practice and experiment.	
3) Offers entrepreneurship training.	a. EE is taught as separate subject or aspects of entrepreneurship training integrated in other subjects.	
	b. Teachers participate in entrepreneurship training.	
4) Uses competency-based approach to teaching learning.	a. School leadership and faculty are open to innovative ideas.	
	b. Teachers are provided with information on new teaching techniques	
5) Teacher professional development is an integral part of the institution.	a. Teacher professional development takes place beyond the required minimum.	
	b. Teacher training takes place under international projects.	
	c. Training is financed by teachers themselves.	
	d. Teachers' industry placements and visits take place.	
6) Provides students with academic and social support as well as career guidance.	a. Student support and advisory services are available.	
	b. Teacher in charge of counseling is available.	
	c. Students are informed about and encourage to benefit from counseling services.	
	d. Cooperation with social services/NGOs takes place.	
7) Provides a teaching and learning environment that meets to a maximum extent	a. Efforts are made to receive funding for maintenance and repair.	
	b. Teacher retention rate is high.	
	c. Past maintenance measures.	

teachers' and students' needs.	d. Information on teacher and student satisfaction is collected.	
8) Student assessment is fair, transparent and consistent.	a. Quality of the current assessment practice.	
	b. Assessment criteria are transparent.	
	c. Assessment criteria are consistent.	
<b>Total for teaching and learning</b>		

### Outreach and Networking

Requirement	Criteria	Score (0 – 5)
1) Cooperates with the economy to offer high-quality work-based learning opportunities.	a. Pro-active outreach measures to the economy.	
	b. Efforts to receive employers' feedback on students' performance.	
	c. Joint meetings with employer representatives.	
2) Cooperates with a lyceum / HEI cluster in the district/region with a similar profile.	a. Cooperation with other educational institutions takes place.	
	b. Joint teacher training events take place.	
	c. Joint students events take place.	
3) Offers an extensive extra-curricular program.	a. Participation in regional/national competitions takes place.	
	b. Charity actions are organized.	
	c. Environmental actions are organized.	
<b>Total for Outreach and Networking</b>		

### Governance and Finance

Requirement	Criteria	Score (0 – 5)
1) Operates on the basis of solid mid- and long-term strategic planning.	a. Mid- and long-term plans are established.	
	b. Structure/body/committee responsible for planning is in place.	
	c. Selection of members is clear and transparent.	
	d. Employers participate in planning.	
2) Uses sound and transparent budget procedures.	a. Index of income generation activities is available.	
	b. There is little difference between budgeted and spent funds.	
	c. There is budget transparency.	
	d. Accountants take part in training.	
3) Strengthens pathways of learning.	a. Promotes continuing education.	
	b. Promotes the development of life-long learning skills.	
	c. Students return to pursue more advance training.	
4) Collects data on students' career development	a. There is an alumni club.	
	b. Tracer studies are available.	
<b>Total for Governance and Finance</b>		

<b>Total for this Vocational College</b>	
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