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Report No: PAD1218

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$ 100 MILLION

TO THE

REPUBLIC OF KAZAKHSTAN

FOR A

SKILLS AND JOBS PROJECT

MARCH 4, 2015

*Education Global Practice*  
*EUROPE AND CENTRAL ASIA*

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2015)

Currency Unit = Kazakhstan Tenge  
KZT 184.4 = US\$1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

BANK	World Bank
BAS	Business Advisory Services
BEEPS	Business Environment and Enterprise Performance Survey
CPS	Country Partnership Strategy
CQS	Consultant Qualification Selection
DC	Direct Contracting
EBRD	European Bank for Reconstruction and Development
EC/EU	Employment Center or Employment Units
ECA	Eastern Europe and Central Asia
ECAPOV	ECA Poverty & Vulnerability
EMP	Environmental Management Plan
FBS	Fixed Budget Selection
FD	Finance Department
FI	Financial Institution
FM	Financial Management
FMC	Financial Management Consultant
FMM	Financial Management Manual
FRM	Feedback and Resolution Mechanism
GAC	Governance and Anti-Corruption Action Plan
GDP	Gross Domestic Product
GIZ	Gesellschaft für Wirtschaftliche Zusammenarbeit
GOK	Government of Kazakhstan
HBS	Household Budget Survey
HQ	Headquarter
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultants
ICB	International Competitive Bidding
ICC	Information Communication Campaign
ICT	Information and Communication Technology
IDA	International Development Association
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFR	Interim Unaudited Financial Report

ISA	International Standards on Auditing
IT	Information Technology
JERP	Joint Economic Research Program
LCS	Least Cost Selection
LFS	Labor Force Survey
LMIS	Labor Market Information System
M&E	Monitoring and Evaluation
MOES	Ministry of Education and Science
MHSD	Ministry of Healthcare and Social Development
MNE	Ministry of National Economy
MIGA	Multilateral Investor Guarantee Agency
MTR	Mid-Term Review
NCB	National Competitive Bidding
NCE	National Chamber of Entrepreneurs
NCO	National Classification of Occupations
NQF	National Qualifications Framework
NQS	National Qualifications System
OECD	Organization for Economic Co-Operation and Development
PDO	Project Development Objective
PFA	Partnership Framework Arrangement
PISA	Programme for International Student Assessment
PMU	Project Management Unit
POM	Project Operations Manual
PPP	Purchasing Power Parity
PSC	Project Steering Committee
QCBS	Quality and Cost Based Selections
SBD	Standard Bidding Document
SETP	Skills Enhancement Training Program
SME	Small and Medium Enterprises
SML	Subsistence Minimum Level
SOE	Statement of Expenditure
SORT	System Risk-Rating Tool
SPAIID	State Program of Accelerated Industrialization & Innovation
SSS	Single Source Selection
STEP	Skills Toward Employment and Productivity
SW	Staff Week
TA	Technical Assistance
TOR	Terms of Reference
TTL	Task Team Leader
TVEM	Technical and Vocation Education Modernization Project
TVET	Technical and Vocation Education and Training
UNDB	United Nations Development Business
VET	Vocation Education and Training
WG	Working Group

Regional Vice President:	Laura Tuck
Country Director:	Saroj Kumar Jha
Senior Global Practice Director:	Claudia Maria Costin
Practice Manager:	Mario Cristian Aedo Inostroza
Task Team Leaders:	Keiko Inoue and Mohamed Ihsan Ajwad

**KAZAKHSTAN**  
**Skills and Jobs Project**

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**PAD DATA SHEET**  
*Kazakhstan*  
**KZ SKILLS AND JOBS PROJECT (P150183)**  
**PROJECT APPRAISAL DOCUMENT**  
*EUROPE AND CENTRAL ASIA*  
0000009057

Report No.: PAD1218

Basic Information			
Project ID P150183	EA Category B - Partial Assessment	Team Leaders Keiko Inoue and Mohamed Ihsan Ajwad	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Apr-2015	Project Implementation End Date 30-Jun-2020		
Expected Effectiveness Date 01-Jul-2015	Expected Closing Date 30-Jun-2020		
Joint IFC No			
Practice Manager/Manager Mario Cristian Aedo Inostroza	Senior Global Practice Director Claudia Maria Costin	Country Director Saroj Kumar Jha	Regional Vice President Laura Tuck
Borrower: REPUBLIC OF KAZAKHSTAN			
Responsible Agency: Ministry of Healthcare and Social Development			
Contact: Telephone No.: 77172-74-37-23	Title: Minister Email: mintrud@enbek.kz		
Project Financing Data(in USD Million)			
[ X ]	Loan	[ ]	IDA Grant
[ ]		[ ]	Guarantee

<input type="checkbox"/> Credit		<input type="checkbox"/> Grant		<input type="checkbox"/> Other						
Total Project Cost:		137.00			Total Bank Financing:		100.00			
Financing Gap:		0.00								
<b>Financing Source</b>						<b>Amount</b>				
Borrower						37.00				
International Bank for Reconstruction and Development						100.00				
Total						137.00				
<b>Expected Disbursements (in USD Million)</b>										
Fiscal Year	2015	2016	2017	2018	2019	2020	0000	0000	0000	0000
Annual	0.00	4.00	16.00	23.00	27.00	30.00	0.00	0.00	0.00	0.00
Cumulative	0.00	4.00	20.00	43.00	70.00	100.00	0.00	0.00	0.00	0.00
<b>Institutional Data</b>										
<b>Practice Area / Cross Cutting Solution Area</b>										
Education										
<b>Cross Cutting Areas</b>										
<input type="checkbox"/> Climate Change										
<input type="checkbox"/> Fragile, Conflict & Violence										
<input type="checkbox"/> Gender										
<input checked="" type="checkbox"/> Jobs										
<input type="checkbox"/> Public Private Partnership										
<b>Sectors / Climate Change</b>										
Sector (Maximum 5 and total % must equal 100)										
Major Sector			Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %		
Education			General education sector		50					
Health and other social services			Other social services		50					



Total		100
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.		
<b>Themes</b>		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Human development	Education for the knowledge economy	50
Social protection and risk management	Improving labor markets	50
Total		100
<b>Proposed Development Objective(s)</b>		
To improve employment outcomes and skills of target beneficiaries and to improve the relevance of technical and vocational education and training and higher education programs.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (USD Millions)</b>	
Building the Foundation of a National Qualifications System	14.00	
Enhancing Skills for Improved Employment Outcomes and Productivity	110.00	
Project Management and Monitoring and Evaluation	13.00	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Substantial	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Low	
8. Stakeholders	Moderate	
9. Other		

<b>OVERALL</b>		Substantial	
<b>Compliance</b>			
<b>Policy</b>			
Does the project depart from the CAS in content or in other significant respects?		Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?		Yes [ ]	No [ X ]
Have these been approved by Bank management?		Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?		Yes [ ]	No [ X ]
Explanation:			
Does the project meet the Regional criteria for readiness for implementation?		Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	
Environmental Assessment OP/BP 4.01	<b>X</b>		
Natural Habitats OP/BP 4.04		<b>X</b>	
Forests OP/BP 4.36		<b>X</b>	
Pest Management OP 4.09		<b>X</b>	
Physical Cultural Resources OP/BP 4.11		<b>X</b>	
Indigenous Peoples OP/BP 4.10		<b>X</b>	
Involuntary Resettlement OP/BP 4.12		<b>X</b>	
Safety of Dams OP/BP 4.37		<b>X</b>	
Projects on International Waterways OP/BP 7.50		<b>X</b>	
Projects in Disputed Areas OP/BP 7.60		<b>X</b>	
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Enhance accounting software		01-Sep-2015	
<b>Description of Covenant</b>			
No later than sixty (60) days following the Effective Date, the Borrower, through MHSD, shall acquire operational accounting software for project accounting and financial reporting, acceptable to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Hire key PMU staff		14-Aug-2015	

<b>Description of Covenant</b>			
Notwithstanding the provisions of Section I. A.3. of Schedule 2 to the Loan Agreement, no later than forty-five days (45) from the Effective Date, the Borrower, through MHSD, shall hire the project coordinator, financial management specialist, at least one procurement specialist, and the accountant for the PMU.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Maintain the Skills and Jobs Working Group	X		CONTINUOUS
<b>Description of Covenant</b>			
The Borrower shall maintain throughout project implementation, a Skills and Jobs Working Group, satisfactory to the Bank, in charge of national inter-ministerial/agency coordination in respect of the project.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Establish and maintain a Project Steering Committee	X		CONTINUOUS
<b>Description of Covenant</b>			
The Borrower shall establish and thereafter maintain throughout project implementation a Project Steering Committee with a composition set forth in the Project Operational Manual, and functions and responsibilities, acceptable to the Bank.			
<b>Conditions</b>			
<b>Source Of Fund</b>	<b>Name</b>		<b>Type</b>
IBRD	Establish PMU		Effectiveness
<b>Description of Condition</b>			
The Borrower, through MHSD, has issued an order to establish the PMU, as provided in Section I. A.3. of Schedule 2 to the Loan Agreement.			
<b>Source Of Fund</b>	<b>Name</b>		<b>Type</b>
IBRD	Project Operations Manual		Effectiveness
<b>Description of Condition</b>			
The POM has been adopted by the Borrower, through MHSD, in a manner satisfactory to the Bank.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Mohamed Ihsan Ajwad	Senior Economist	Senior SP&L Economist and co-TTL	GSPDR
Jeremie Matthew Amoroso	Junior Professional Associate	Junior Professional Associate	GEDDR

Rustam Arstanov	Environmental Specialist	Environmental Specialist	GENDR
Joao Pedro Wagner De Azevedo	Senior Economist	Senior Economist	GPVDR
Olga Besedina	Temporary	Program Assistant	GEDDR
Aliya Bizhanova	Operations Officer	Operations Officer	GEDDR
Sujani Eli	Program Assistant	Program Assistant	GEDDR
Andrea Guedes	Senior Operations Officer	Senior Operations Officer	GEDDR
Margo A. Hoftijzer	Senior Economist	Senior Education/Labor Economist	GEDDR
Dingyong Hou	Senior Education Specialist	Senior Education Specialist	GEDDR
Lola Ibragimova	Senior Social Development Specialist	Senior Social Development Specialist	GSURR
Keiko Inoue	Senior Education Specialist	Team Lead	GEDDR
Ramiro Ignacio Jauregui-Zabalaga	Senior Counsel	Senior Counsel	LEG
Mohamed Khatouri	Operations Adviser	Operations Adviser	GPSOS
Aliya Kim	Financial Management Specialist	Financial Management Analyst	GGODR
Nurbek Kurmanaliev	Procurement Specialist	Procurement Specialist	GGODR
Dorsati Madani	Senior Economist	Senior Economist	GMFDR
Jasna Mestnik	Financer Officer	Finance Officer	WFALA
Naveed Hassan Naqvi	Program Leader	Program Leader	ECCU8
Ilyas Sarsenov	Senior Economist	Senior Economist	GMFDR
Sarosh Sattar	Senior Economist	Senior Economist	GPVDR
Victoria Strokova	Young Professional	Jobs Specialist	GCJDR
Penelope Jane Aske Williams	Senior Social Protection Specialist	Senior Social Protection Specialist	GSPDR
<b>Non Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>City</b>	

Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Over the past decade, Kazakhstan has built a record of strong macroeconomic management and a rules-driven fiscal framework.** The country has enjoyed robust Gross Domestic Product (GDP) growth since 2000, averaging 8 percent, which has contributed to a sharp rise in per capita income. Between 2001 and 2013, Kazakhstan more than doubled its GDP per capita, while economic growth was largely pro-poor. The share of the Kazakhstan population living in poverty went down from 47 percent in 2001 to about 3 percent in 2013, as measured by the national poverty line.<sup>1</sup>

2. **Poverty is moderate by standards of upper middle-income countries, and regional and rural-urban disparities are large.** Against a benchmark of a poverty line at the Purchasing Power Parity (PPP)-corrected US\$5 per capita per day<sup>2</sup> (which is more appropriate for countries with an upper middle-income per capita), about 15 percent of Kazakhstan's population were still living in poverty in 2013, though down from almost 80 percent in 2001. Furthermore, the share of people with income below the international poverty line varies widely across regions, from 4 percent in Astana to over 29 percent in South Kazakhstan in 2013. Ethnic Kazakhs who have migrated back to Kazakhstan over the last two decades often choose to live in southern and western regions, where Kazakh is more widely spoken and the culture is more familiar. However, these regions suffer from an over-supply of labor, while the population of the northern regions is shrinking.

3. **Growth has been inclusive and prosperity shared, and largely driven by labor markets, particularly through higher earnings for those in the bottom 40 percent.** In the 2009-2013 periods, the welfare of the bottom 40 percent of the population grew at 8.9 percent per year, while the top 60 percent grew at 7.2 percent. In addition, the main drivers for shared prosperity in this period have been earnings, which more than compensated for the strong demographic pressure and slow expansion of job opportunities for the less well-off.

4. **While the country has made strong strides in policy reforms, the economy remains highly natural resource-dependent.** Over the past decade, the country has made strong policy strides, and absorbed large natural resource-based earnings responsibly by implementing a rules-driven fiscal framework. It is improving public management, reforming its business environment, and increasing resource allocation to improve social services and critical infrastructure to sustain growth. However, diversification remains a challenge for the country, with minerals, oil, and natural gas accounting for 80 percent of exports and 37 percent of GDP. The February 2014 devaluation had negative wealth and price effects on economic growth, with GDP growing at 4.2 percent in Q3-2014. The halving of oil prices since July 2014 is expected to

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<sup>1</sup> Official poverty estimates in Kazakhstan are produced by the Statistics Agency of the Republic of Kazakhstan based on the quarterly Household Budget Survey (HBS). Households with a consumption level per equivalent adult lower than a subsistence minimum are considered poor. Subsistence minimum level (SML) is based on the cost of a minimum food basket supplemented by a fixed percentage of expenditures for basic non-foods and services and serve as a threshold for measuring living standards (national poverty line).

<sup>2</sup> World Bank's cross-country poverty lines for ECA countries include PPP-corrected US\$5 per capita per day (ECAPOV).

compound these negative effects. The recent fall in oil prices has affected Kazakhstan's oil export earnings and official foreign currency reserves and, as oil prices have fallen to about US\$ 45-55 in early 2015, there is strong pressure to adjust the exchange rate. The oil price drop and any potential *tenge* adjustment would adversely affect GDP growth and the labor market in 2015. The Government of Kazakhstan (GOK) has responded to the February 2014 devaluation and oil price shock with two economic support programs. To mitigate negative effects of the 2014 devaluation, the GOK announced a US\$5.5 billion economic support program in February 2014. In the wake of the oil price fall, it announced a second support package of about US\$18 billion dollars in November 2014. Both packages aim to support domestic demand and employment through a large, medium-term investment program and reform of the banking sector.

**5. Looking forward, Kazakhstan's development objective of joining the rank of the top 30 most developed countries by 2050 will depend on its ability to sustain balanced and inclusive growth.** In the near- to medium-term, economic prospects depend on a continuation of stability-oriented macroeconomic policies which hinge on continued adherence to the rules-driven framework for resource earnings and sustainable financial sector development. Enhancing medium- to long-term development prospects depends on the country's ability to diversify its endowments—namely, creating highly skilled human capital, improving quality of physical capital, and strengthening institutional capital.

## **B. Sectoral and Institutional Context**

**6. Institutional Context. The Partnership Framework Arrangement (PFA), agreed between the GOK and the World Bank Group in May 2014, aims to support the Government's efforts to ensure sustainable development, economic diversification, and inclusive growth.** The PFA includes support through investment and institutional capacity building projects, as well as technical assistance. The current project comprises part of the umbrella program on PFA "Developing Job Skills for the Labor Market" and is aligned with two Joint Economic Research Program activities focused on labor and jobs, respectively.

**7. Sectoral Context. Labor force participation and employment rates have been traditionally high in Kazakhstan.** In 2013, among those 15 years and older, 77 percent of men and 67 percent of women were economically active. In line with strong economic growth, unemployment halved between 2001 and 2013, decreasing from 10.4 to 5.2 percent. With such high levels of job access, the GOK's primary concern is about the prevalence of low productive self-employment, given that 29 percent of those with jobs are self-employed and two thirds of all self-employed are engaged in agriculture. Among the self-employed, 38.6 percent are engaged in low-productivity activities with incomes below the subsistence minimum. Furthermore, informality is estimated at about 24.3 percent of total employment.

**8. Education attainment is strongly linked with labor market outcomes and largely determines access to better quality and higher wage employment and jobs.** Unemployment rate for those with basic secondary education or below is almost double the national unemployment rate and is also high for women with general secondary education. Among wage employees, 41 percent have higher education compared to just 19 percent among the self-employed. This share is actually higher (25 percent) among those self-employed with higher



earnings (“productive self-employed”<sup>3</sup>) and particularly low among self-employed engaged in non-productive employment (11 percent). Among the latter, an overwhelming majority (62 percent) has only general secondary education or less and only 27 percent have technical or vocational secondary education.

**9. Employment growth has been higher for occupations that require medium to high skills, although many workers remain low-skilled.** In line with changes in the economy, manual workers, operators, and skilled agricultural workers have been in less demand in the last decade compared to high and medium skilled workers in other sectors. For instance, between 2003 and 2013, demand for workers with high qualifications increased by 5.8 percent, while demand for manual laborers increased only by 1.6 percent and for skilled agricultural workers it decreased at a rate of 3.6 percent. Despite growth in high and medium skill employment, a large share (approximately one fifth) of workers remains low-skilled and work in manual jobs.

**10. Although large quantities of graduates enter the labor market each year (in 2012/13, approximately 172,000 and 185,000 from higher education and Technical and Vocation Education and Training or TVET, respectively), they may still lack the appropriate skills mix to meet the needs of a diversifying and modernizing economy.** Low relevance of the education system has been one of the key challenges confronting skills development in Kazakhstan, which is reflected in the poor performance on international student assessments, such as the Organization for Economic Co-Operation and Development’s (OECD) Programme for International Student Assessment (PISA)<sup>4</sup>. Low relevance results from a predominately supply-driven orientation to skills development, weak linkages between education institutions and the labor market, and obsolete education standards and curriculum that are not based on occupational and functional analysis. The lack of a functioning and independent national qualifications system exacerbates the challenge of reducing inefficiencies due to unnecessary or irrelevant education and training provision.

**11. Opportunities for training, retraining, and upgrading qualifications may be insufficient.** Besides concerns about relevance, access to training opportunities also appears to be limited. Very few people receive formal training in the workplace. In 2013, only 3.4 percent of the employed undertook training, retraining, or upgrading qualification courses in the previous 12 months<sup>5</sup>.

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<sup>3</sup> In this project, the **unemployed** are people who have registered as unemployed in the Employment Centers or Employment Units. **Unproductively self-employed** include: a) "employed on an individual basis (inactive among the registered and unregistered)", "employed in private farms producing goods for their own consumption", "unpaid family workers" - regardless of the level of monthly income; and b) "members of cooperatives", "engaged on an individual basis (registered and active current)", "employed in private farms produce for sale (exchange)" - with monthly income below the subsistence minimum. **Current employees in need of training** are workers whose employers determine that training is needed.

<sup>4</sup> Kazakhstan’s performance on PISA improved markedly since 2009, especially in math and science and also among the lowest achievers, but its overall achievement remains significantly behind other countries with similar income per capita levels. Most importantly, Kazakhstan’s reading scores in 2012 lagged about one year of schooling behind the average for European and Central Asian countries and almost two years of schooling behind the OECD.

<sup>5</sup> Estimates differ depending on whether employees or firms are surveyed, but are consistent that training opportunities are not abundant. According to 2013 Business Environment and Enterprise Performance Survey (BEEPS), only 30 percent of firms offered formal training and only about 20 percent of small firms (5-19 employees).

**12. Some private sector-led institutions promote better alignment of education and employer needs, but their capacity varies across sector and regions.** There are more than 100 sector associations, but their scope and capacity vary significantly across sectors and regions. In September 2013, the National Chamber of Entrepreneurs of the Republic of Kazakhstan (NCE) was established with membership mandatory for all registered firms. NCE has an objective to promote human capital and skills of the workforce. It is leading the development of regional industry-based clusters consisting of an industry/sector association, firms, industry certification centers, and public/private training providers. The goal of such clusters is to promote training, retraining, and upgrading qualifications of employees and to develop a new pipeline of qualified workers. While promising, at the moment these are very nascent initiatives.

**13. Only a small percentage of unemployed people in Kazakhstan are served by either Employment Centers or Employment Units (EC or EU)** <sup>6</sup>. In 2013, of the 471,000 unemployed people identified in the Labor Force Survey, only about 30,000 of them (or 6.4 percent) were registered at the ECs. There are 209 ECs in Kazakhstan, with almost 2,000 total employees, and a similar number of EUs are distributed across the country. Few people receive benefits that they value and hence, EC or EU registration is not very common. For example, only 0.4 percent of economically active people received contributory unemployment benefits in 2011. Labor market intermediation consumes a large portion of EC or EU staff time as they match job seekers with available vacancies. Employment services are provided by low capacity staff and with a labor market information system (LMIS) that is not exploited to the fullest.

**14. In support of the government's goals to raise workforce productivity under the first phase of the State Program of Accelerated Industrialization and Innovation (SPAIID), the World Bank's Technical and Vocational Education Modernization Project (TVEM, P102177) was launched in 2011,** with the objective to raise the quality, relevance, and efficiency of technical and vocational education through an improved policy framework and institutional capacity. The project, which is scheduled to close in December 2015, supported three pilots related to the proposed project: (i) development of occupational standards in priority sectors and use them as the basis to modernize education programs and curriculum; (ii) development of a National Qualifications Framework and realignment of qualifications assessment; and (iii) modernization of institutional accreditation procedures and practice to assure quality of provision.

**15. To address some of the labor market challenges, the GOK expects to pass a new *Law on Employment* in late 2015.** In the meantime, the "Employment Roadmap 2020" program, launched in September 2012, serves as the main modality to address labor market challenges, focusing on vulnerable populations (unemployed and unproductively self-employed) and groups facing additional difficulties in the labor market: youth, rural women, pre-retirement population, early retirees, etc. It supports: (i) provision of employment through infrastructure and housing and communal service programs, or quotas for public works; (ii) development of entrepreneurs

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<sup>6</sup> Employment Centers are financed by the federal budget and were established to support the implementation of the Government's Employment Roadmap 2020 program. The Employment Units are financed by the regional budget and provide both employment and social services.

in rural areas through micro-credits; (iii) free training and retraining, including support for relocation; and (iv) overall job search assistance and intermediation services.

**16. The World Bank has a strategic engagement with the GOK to support the economic diversification, skills development, and jobs agenda.** In recent years, a series of investment projects and analytical or technical assistance programs have emerged to support the GOK's efforts to enhance jobs creation and productivity. Annex 2 includes a list of the World Bank-supported engagements currently in the pipeline or under implementation.

### **C. Higher Level Objectives to which the Project Contributes**

**17. The Country Partnership Strategy (CPS) for FY12-17 identifies three objectives for the Bank's involvement in Kazakhstan:** (i) promote diversification, innovation, investment in human capital, and international trade integration for employment generation; (ii) promote improved governance in public administration and service delivery (including modernizing the judiciary and civil service); and (iii) ensure that development is environmentally sustainable. This project is consistent with and contributes to the first objective of the CPS by seeking to improve the skill sets of Kazakhstan's workforce to meet the changing needs of the labor market and to improve employment outcomes.

**18. In terms of the Bank's twin goals of ending extreme poverty and boosting shared prosperity,** the project will contribute to: (i) improving the employment outcomes and skills of the current workforce, most notably for vulnerable populations including unemployed, unproductively self-employed, and current employees in need of training, and (ii) enhancing the relevance of TVET and higher education programs, which in the long term will result in better employment opportunities and wages for graduates.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

**19. The proposed Project Development Objectives (PDO) are to improve employment outcomes and skills of target beneficiaries and to improve the relevance of technical and vocational education and training and higher education programs.**

### **Project Beneficiaries**

**20. The project beneficiaries are individuals who are unemployed, unproductively self-employed, and current employees in need of training. On an institutional level, EC/EUs and workforce training providers will receive support to enhance their capacity to better serve the beneficiaries.**

### **PDO Level Results Indicators**

**21. The PDO level indicators (see Annex 1 for further details) are listed in the table below along with the aligned aspect of the PDO. Relevance is defined as "relevant to evolving labor market demands".**

<b>PDO indicator</b>	<b>Assessed aspect of PDO</b>
Share of TVET and higher education programs modernized based on registered occupational standards	Improve relevance of TVET and higher education programs (Comp 1)
Share of unemployed beneficiaries who are employed six months after completion of training, relative to appropriate control group (of whom female)	Improve employment outcomes and skills of unemployed beneficiaries (Comp 2)
Share of unproductively self-employed beneficiaries who have increased earnings (real terms) one year after completion of training, relative to appropriate control group (of whom female)	Improve employment outcomes and skills of unproductively self-employed beneficiaries (Comp 2)
Share of firms that are satisfied with the training financed by the project	Improve skills of current employees (Comp 2)

### III. PROJECT DESCRIPTION

#### A. Project Components

22. The estimated total project cost is US\$137 million. The project will contribute to the higher level, national goal of diversifying the economy and increasing the productivity and earning capacity of the working age population. The total duration of the project is five years, and a phased-in approach is built into the project design to allow activities that are ready to proceed with implementation. Component 1 builds on the experience of the Technical Vocational Education Modernization Project (see lessons learned in Section C and further details in Annex 2) and thus will launch upon project effectiveness. Component 2 will start with a pilot, followed by gradual scaling up after a thorough evaluation.

**23. Component 1. Building the Foundation of a National Qualifications System (Total US\$14 million).** The purpose of this component is to enhance the institutional capacity for improving the relevance of TVET, higher education, and in-service training. This will be achieved by establishing the key building blocks of a national qualifications system that is well aligned with labor market demands. Those key building blocks are: Occupational Standards, Educational Standards and Curricula, and Qualifications Assessment and Certification.

**24. Sub-component 1.1. Enhancement of occupational standards, including improvement of approval and updating processes (US\$5 million).** This Sub-component will support the following specific activities: (i) development of a national classification of occupations; (ii) carry out a review of existing regulatory framework to identify gaps for adjustment; (iii) conduct a harmonization of the processes and methodologies for the development and approval of the occupational standards, including the development of occupational qualifications cards; and (iv) maintain a national repository of occupational standards with technical capacity built for maintenance and oversight.

**25. Sub-component 1.2. Development and implementation of a framework to review and update the educational and training standards and curricula for TVET and higher education (US\$5 million).** The Sub-component will support the following activities: (i) review of international experiences and ongoing pilots on quality assurance practices for providers and

modernization of educational and training standards and curricula within the context of the National Qualifications Framework (NQF); (ii) carry out the competitive selection of developers of educational and training standards and curricula of TVET and higher education, (iii) develop a framework for regular review and update of educational and training standards and curricula of TVET and higher education; and (iv) define the measurement of the learning competencies of national education and training programs by module and by curriculum. A national body will coordinate this effort through a competitive selection of developers in accordance with established criteria to assure quality and cost effectiveness. This process will be adopted in higher education on a pilot basis with a small number of universities/institutes in a limited number of program areas.

**26. Sub-component 1.3. Development of a roadmap for establishing an independent qualifications assessment and award system through the provision of technical support for piloting sector-specific skills testing and professional certification centers (US\$4 million).**

The Sub-component will support the following activities: (i) provide advisory support to pilot sector-specific skills testing centers for assessing and recognizing competency for levels 1-4; (ii) launch a pilot program for the creation of professional certification bodies and mechanism for a select number of professions, selected based on criteria in the Project Operations Manual (POM); (iii) align higher education qualifications to the NQF; and (iv) evaluate pilot programs and develop a roadmap and capacity for establishing an independent national qualifications authority with responsibility for promoting the NQF, guiding the development of new standards and curricula, awarding qualification diplomas, and establishing quality assurance practices among providers at all levels.

**27. Component 2. Enhancing Skills for Improved Employment Outcomes and Productivity (Total US\$110 million).** The purpose of this component is to provide relevant workforce training to unemployed persons, unproductively self-employed persons, and current employees in need of training, all identified and selected in accordance with the criteria set forth in the POM.

**28. Sub-component 2.1: Improvement of public employment services for unemployed and unproductively self-employed people (US\$33 million).** This Sub-component aims to improve employment services for unemployed and unproductively self-employed people, especially through enhanced use of the LMIS. Employment services have traditionally focused on the needs of unemployed people, and therefore, expanding the mandate of EC or EU to serve unproductively self-employed people better will require that staff understand the labor market challenges that are specific to this group. Two key activities are supported. First, it supports the design and implementation of an action plan to improve and expand public employment services through the EC or EUs, including in rural areas, based on an assessment of current capacity to serve both unemployed and unproductively self-employed people (in accordance with the POM), including addressing gaps in staffing, capacity and qualifications, furniture, and equipment. In particular, the project will focus on training of EC or EU staff to ensure that they are able to deliver improved employment services to both unemployed and unproductively self-employed people. Second, it supports the improvement of the capacity of EC or EU to provide better advice to beneficiaries through introduction of a profiling tool, strengthening of the existing LMIS to enhance the information available to EC or EU staff, and training of staff to adopt a more

proactive approach to public employment service provision. Rural areas will also be connected to the LMIS and, hence, jobseekers in remote areas will be able to benefit from job matching and information about other employment services.

**29. Sub-component 2.2: Improvement of the relevance of workforce training (US\$17 million).** This Sub-component aims to identify and assess existing workforce training providers, and where needed build capacity of providers which have the potential but require support to provide more relevant training. Activities targeted to workforce training providers include: (i) review of the regulatory framework concerning workforce training provision; (ii) development of an inventory of workforce training providers; (iii) assessment of relevance of workforce training and, on the basis of such assessment, development of a list of pre-qualified workforce training providers; and (iv) provision of support to workforce training providers to improve the relevance of training delivery, including through the provision of technical assistance and goods. The training providers on the pre-qualified list will provide training to unemployed, unproductively self-employed, and current employees under Sub-component 2.3. Both public and private training providers are eligible for support, however, only public providers are eligible for goods. Evaluations will be conducted to assess the outcomes of the training, the results of which will be made publicly available to address the dearth of information on the relevance of workforce training.

**30. Sub-component 2.3: Establishment and implementation of a skills enhancement training program (US\$60 million).** This Sub-component establishes and then finances training offered through the Skills Enhancement Training Program (SETP), which applies a demand-driven approach to financing training activities to target beneficiaries. The SETP will first be piloted in three regions and then rolled out nationally. The pilots will be evaluated and lessons learned will be used to improve operational guidelines and procedures. During the pilot, different approaches will be tested to improve incentives to invest in training and align the supply of skills with the demand; these may relate to different mechanisms for targeting/selection of beneficiaries and firms, contracting and payment (including performance-based pay) to training providers, and management and implementation guidelines for the SETP. Two types of training packages will be offered through the SETP: (i) packages for the unemployed and unproductively self-employed and (ii) packages for current employees in need of training.

**31. Component 3. Project management and monitoring and evaluation (Total US\$13 million).** This component will support project management, monitoring and evaluation activities, and financing of operating costs. A Project Management Unit (PMU) will be financed within the MHSD to manage the day-to-day implementation of the project. The project will finance expenses related to the sufficient implementation and monitoring and evaluation of the project, including goods, consultants' services, training, and operating costs. A full list of project-related evaluations is included in Annex 2. This component will also ensure that the activities outlined in Component 2 benefit the hard-to-reach and vulnerable population, that stakeholder feedback is regularly gathered and integrated into the design, and that good practice and lessons learned are widely shared. In particular, the component will support the development and implementation of: (i) an Information and Communication Campaign, (ii) a Feedback and Resolution Mechanism, and (iii) an Awards of Excellence Program.

## B. Project Financing

32. The project financing includes (i) an Investment Project Financing (IPF) of US\$100 million and (ii) Government counterpart funding of US\$37 million to be implemented over five years.

33. The breakdown of project costs and financing by component is presented below.

Project Components	Project Cost Incl Contingencies	IBRD Financing	Counterpart Financing
	(million US\$)		
1. Building the Foundation of a National Qualifications System	14.0	10.2	3.8
2. Enhancing Skills for Improved Employment Outcomes and Productivity	110.0	80.3	29.7
3. Project Management and M&E	13.0	9.5	3.5
<b>Total Costs</b>	<b>137.0</b>	<b>100.0</b>	<b>37.0</b>
Total Project Costs	137.0	100.0	37.0
Front-End Fees	-	-	-
<b>Total Financing Required</b>	<b>137.0</b>	<b>100.0</b>	<b>37.0</b>

## C. Lessons Learned and Reflected in the Project Design

34. **The project design for Component 1 was informed by the lessons learned from the TVEM Project.** The TVEM project is scheduled to close in December 2015, thus the lessons learned outlined below are preliminary:

(i) Building a national qualifications system has technical, social, and political dimensions and requires broad stakeholders' involvement and partnership. Dissemination of information to different stakeholder groups is important to maintain ownership of the process. It is essential to ensure a shared understanding of basic concepts, methodologies, and terminology across sectors and sub-sectors with stakeholders;

(ii) Development of standards requires better understanding of the skill demand of SMEs, given the large number of SMEs in Kazakhstan, particularly the development of occupational standards and customized education and training programs;

(iii) NQF development is a long process and requires sustained efforts to ensure a balance between the overarching framework, the development of specific qualifications, and coherent alignment of new and existing qualifications with levels of competence. This is an iterative process that requires continuous review and fine-tuning. The alignment of the NQF with other frameworks at the national level (e.g. quality framework for higher education) as well as with international frameworks (e.g. the European Qualification Framework) needs to be ensured;

(iv) Learning outcomes and the assessment of cognitive, technical, and life skills must be clearly articulated in the development of education and training standards and programs, as well as within specific qualification frameworks; and

(v) Recognition of prior learning (both informal and non-formal) should be included in the qualifications frameworks and the related assessment by sectors and firms.

35. Although there are no prior projects in Kazakhstan that focus on the intervention areas under Component 2, the design takes into account global good practice and lessons learned from projects implemented worldwide. These are outlined in the technical assessment section below, as well as in the economic and financial analysis presented in Annex 5.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

36. The Ministry of Healthcare and Social Development (MHSD) will be the implementing agency for the project. The Skills and Jobs Working Group, already established under the Partnership Framework Arrangement, will be maintained through project implementation and serve as the national inter-ministerial/agency coordination entity. The Working Group composition will be set forth in the POM, but is expected to be chaired by the Minister of MHSD and include senior level members from Ministry of Education and Science (MOES, Vice Minister), and NCE (Deputy Chairman).

37. A Project Steering Committee (PSC) will be established and maintained through project implementation, with composition set forth in the POM and expected to be chaired by the line Vice Minister of MHSD and include technical staff from the MHSD (Department of Labor and Social Partnership, Department of Employment, and the Information Analytics Center), MOES (Department of Technical and Vocational Education, Unit of Higher Education, and the Information Analytics Center), and NCE (Department of Human Capital). The PSC will oversee management of the project and provide timely technical guidance.

38. A Project Management Unit (PMU) will be established and maintained through project implementation within the MHSD to manage the day-to-day implementation of the project. Main tasks include ensuring project implementation according to the POM, drafting technical and reporting documents for the PSC, and supporting FM and procurement tasks. The PMU staff will possess acceptable qualifications and experience and will be at all times during the project headed by a project coordinator, who will report regularly to the PSC. The PMU will consist, at minimum, of the following staff: (i) a financial management specialist, (ii) an accountant, (iii) one or more procurement specialists as needed, (iv) a monitoring and evaluation specialist, (v) an environmental/social safeguards specialist as needed, (vi) a national qualifications system specialist, (vii) employment services specialists (one for employment services and one for the LMIS), (viii) a workforce training specialist, and (ix) administrative and support staff, including an assistant and, as needed, interpreters. Each specialist hired by the project will have capacity building of counterparts and stakeholders included in the terms of reference. The PMU will be physically located either within the MHSD or close to it to facilitate day to day coordination. Details of the implementation arrangements are included in Annex 3.

##### **B. Results Monitoring and Evaluation**



**39. The Project Results Framework is included in Annex 1.** The MHSD will be primarily responsible for project monitoring, including the development of and regular data collection through surveys. The PDO-level and intermediate result indicators will be monitored through: (i) baseline and follow-up surveys, (ii) tracer survey of training outcomes, and (iii) bi-annual reports prepared by the MHSD. The first two activities will also contribute to project evaluation. The M&E activities under the project will be integrated into the regular monitoring functions of the MHSD, particularly the LMIS. Project indicators have been selected to be compatible with those used in the government's regular data collection.

**40. Strong ongoing beneficiary and stakeholder participation will be integrated in the project's monitoring and supervision activities through a Feedback and Resolution Mechanism.** The FRM will be supplemented by regular public meetings in project areas, especially for Component 2. In addition to tracking beneficiary feedback on the project's implementation, the FRM and public meetings will be used to track perceptions of the project's governance, including its transparency, responsiveness, and relevance.

### **C. Sustainability**

**41. The likelihood of sustaining project objectives beyond the closing date of the project is high.** The Government is committed to an ambitious objective of diversifying the economy and increasing the productivity and earning capacity of the working age population. To date, a number of initiatives have been launched to fulfill this goal, including the Employment Roadmap 2020 program. In addition to the Government's ownership of project objectives, sustainability is increased through the project design in the following ways: (i) focus of the technical assistance across all components is primarily on capacity building, (ii) building on the lessons learned from the TVEM Project for Component 1, (iii) piloting of Component 2 activities before full scale-up, and (iv) integration of findings from the JERP TA activities on Labor and Jobs, all of which are based on Government request, as well as complementarity with the SME Competitiveness Project (P147705). Furthermore, many of the functions established under the project that are best led by the private sector are anticipated to be transferred to the NCE by the project's closing. The readiness of the nascent NCE to take on these functions will be assessed during the midterm review. These are elaborated upon in the detailed project description in Annex 2 and implementation arrangements description in Annex 3.

## **V. KEY RISKS**

**42. The overall risk rating for the proposed project is substantial.** The major risks of this operation are related to technical design of the project, institutional capacity for implementation and fiduciary oversight. Although Component 1 builds on the experience of the TVEM Project, some aspects of Component 2 are new to Kazakhstan and will require a sophisticated level of coordination, governance, and implementation capacity. The relevant government and private sector agencies have demonstrated a strong willingness to develop these, but significant strides are required. To minimize these risks, the key mitigating measures include: (i) a phased-in approach that includes piloting of key mechanisms prior to full scale-up, (ii) a strong focus on capacity building and institutional strengthening; and, (iii) close engagement with the Project Steering Committee (PSC), especially in the early stages of project implementation to ensure that the project is launched on a strong foundation.

43. **The technical design of the project is a substantial risk.** Although design relied on available data and extant diagnostics, the ambitious preparation schedule has meant that substantial information gaps remain for Component 2 on skills demand, employment barriers, LMIS challenges, quantity and quality of training providers, and good practice approaches to engaging the private sector and training providers. This risk is mitigated by ensuring a phased-in approach for Component 2 that begins with a pilot phase for the first 24 months. Different mechanisms will be evaluated before full national scale-up. Furthermore, Component 2 is well aligned with TA programs that are expected to produce critical analysis and recommendations to further inform the technical design of the project.

44. **Institutional capacity for implementation and sustainability risk is substantial.** Given the innovative nature of the project, a steep learning curve in terms of project implementation and governance is anticipated. Close supervision and capacity building from the World Bank and trainings in specific functions to ensure availability of competent staff with adequate skills will be critical. Continuous advice from national and international experts will be provided through Component 3 to ensure effective implementation. Finally, a detailed POM that clarifies roles, responsibilities, and procedures for project implementation will be developed and regularly updated.

45. **Fiduciary risk is substantial.** Procurement risk is substantial while financial management risk is moderate. The implementing agency will require capacity building to effectively implement and manage the project according to the Procurement and Financial Management requirements. Procurement consultants will provide assistance in the preparation of bidding documents, bid evaluation reports, and contract agreements. The implementing agency will carry out public awareness programs using various media channels to enhance awareness of procurement opportunities available in the project for goods and services.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

46. Assessing the economic impact of a proposed World Bank project requires an analysis of three aspects, as defined by OP/BP 10.00. Annex 5 presents a consistent analysis of these dimensions, within the constraints of data availability.

#### *Expected Benefits*

47. Establishing the key building blocks of a national qualifications system that is well aligned with labor market demand is expected to improve quality assurance and relevance of pre-employment vocational and technical education and in-service training. Increased access to relevant training for the working age population is expected to yield economic benefits to the individuals taking the training, to firms employing these individuals, as well as to society overall. Unemployed and unproductively self-employed beneficiaries are expected to be more employable in the formal sector, as well as to earn higher wages. Firms can increase profits with

a more productive cadre of workers<sup>7</sup>. Improved labor market services will also produce economic benefits such as better job matching and reduced unemployment spells. The proposed innovations, such as a profiling and targeting tool for unemployed and unproductively self-employed workers, are expected to increase efficiency of labor market services as well as their effectiveness.

### ***Rationale for Public Intervention and World Bank Involvement***

48. The provision of project financed services by the public sector is appropriate. When it comes to building a national qualifications system (NQS), public sector has a clear role to play in ensuring appropriate legislative framework is in place that is consistent with NQS goals, creating and maintaining policy coherence across different Ministries and alignment of interests of other stakeholders, and providing adequate funding for the NQF development process at both national and institutional level (Tuck 2007). Public provision of training is a widely used public policy tool to address market failures in training provision and close skills gaps in the current labor force. Finally, employment services for hard to reach/place groups are unlikely to be offered by private providers, given the difficulties that they would have to internalize the benefits. The World Bank will contribute to the project's implementation through at least three channels. First, by financing part of the activities, the WB will support timely implementation. Second, the WB involvement will help introduce significant innovations informed by international best practices, such as job seeker profiling tool. Finally, the WB participation will also promote the development of a stronger monitoring and evaluation framework, necessary to provide monitoring data but also critical to develop rigorous impact evaluation analyses.

### **B. Technical**

49. A meta-analysis of 97 studies that evaluated training programs stemming from active labor market policies for the employed and unemployed found that job-search assistance programs have positive short-term impacts (for a one-year post-program horizon), unlike subsidized public sector employment efforts, which are less likely to yield positive impacts. Further, classroom and on-the-job training programs are not likely to yield positive impacts in the short-term, but they do in the medium term (2 year horizon)<sup>8</sup>. With more than one-fifth of large Kazakh firms and roughly 15 percent of medium-sized firms citing an inadequately educated workforce as a binding constraint (BEEPS 2013), providing subsidies to ease credit constraints, counseling, and intermediation services can complement the training<sup>9</sup>. In addition, individuals who are better educated and trained tend to be more insulated from unemployment trends than their less-educated peers<sup>10</sup>. This project's technical design adopts a balanced approach to address the causes of the skills shortage – actual and perceived – by focusing on both demand- and supply-

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<sup>7</sup> For instance, a large body of literature, mostly in developed countries, shows that on the job training is positively associated with increases in individual workers' wage growth and firms' productivity and innovation. Several studies on developing countries also suggest that individuals' earnings can substantially increase with in-service training and that the size of the returns may be larger in developing countries (Almeida and Cho 2013).

<sup>8</sup> Card, D., Kluve, J., and Weber, A. 2010. Active Labor Market Policy Evaluations: A Meta-Analysis. NBER Working Paper No. 16173.

<sup>9</sup> World Bank. 2012. The Right Skills for the Job? Rethinking Training Policies for Workers. Washington, DC.

<sup>10</sup> OECD, Education - Better Life Index

driven factors; building on the findings of the World Bank's skills and jobs study<sup>11</sup>; and drawing on knowledge and experience from regional World Bank engagements.

### **C. Financial Management**

50. The MHSD through its Finance Department will be responsible for the Financial Management arrangements under the proposed project. The project FM assessment established that while the FM arrangements existing in the MHSD overall meet World Bank requirements, there are still some weaknesses. In order to bring the project's FM arrangements in full compliance with the World Bank's requirements, the MHSD will: (i) contract a qualified Financial Management Consultant (FMC) and Accounting/Disbursement Consultants as part of the PMU on the basis of TORs agreed with the World Bank; (ii) document FM arrangements, including internal controls, in the Financial Management Manual (FMM) that will be a part of the POM; and (iii) develop a module to the existing accounting software that has a capacity to generate IFRs and capture the project's accounts.

51. The PMU will submit quarterly Interim Unaudited Financial Reports (IFRs) in a format agreed during Negotiations within forty five days after the end of each calendar quarter. The annual audits of the project financial statements will be provided to the World Bank within six months after the end of each fiscal year, and also at the project closing. The Borrower has agreed to disclose the audit reports for the project within one month of their receipt from the auditors, by posting the reports on the MHSD Website. Following the World Bank's formal receipt of these reports from the Borrower, the World Bank will make them publicly available according to World Bank Policy on Access to Information. The project will rely on the existing budgeting and planning systems as well as Treasury system for flow of counterpart funds. There will be partial reliance on the accounting and internal control system, although project specific procedures will need to be documented according to the FMM.

### **D. Procurement**

52. Procurement of Goods and Non-Consulting services for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants" *dated January 2011 and revised July 2014* (Procurement Guidelines); and procurement of consultant services will be carried out in accordance with the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" *dated January 2011 and revised July 2014* (Consultant Guidelines) and the provisions stipulated in the Loan Agreement. World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" *dated October 15, 2006 and revised in January 2011* (Anti-Corruption Guidelines) will apply to this project. The overall procurement risk for the project is rated as *Substantial*. The risk rating is based on experience from the past and ongoing World Bank-financed projects in Kazakhstan, the general public procurement environment and the current capacity of proposed implementing agencies in administering international procurement. Detailed procurement arrangements are in Annex 3.

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<sup>11</sup> World Bank. 2012. Skills, Not Just Diplomas – Managing Education for Results in Eastern Europe and Central Asia. Washington, DC.

## **E. Social (including Safeguards)**

**53. The overall social and gender impacts of the project are expected to be positive, especially in terms of enhanced employment outcomes.** Project activities will pay particular attention to vulnerable groups, including the unemployed, unproductively self-employed, and current employees. The project is expected to have a positive impact on women's employment outcomes by matching them with training programs that will lead to higher earnings and productive jobs once the profiling tool is functioning. Rather than reinforce norms about what is considered desirable skills for vulnerable groups, including women, the project will ensure better access to information about labor market opportunities and more relevant training, and therefore, more control over their own career choices. The results of project interventions will be monitored using gender-disaggregated data. The project is expected to have an ongoing positive impact on employment outcomes for the beneficiaries and can therefore potentially have a large impact on shared prosperity. No resettlement or land acquisition is envisioned under the project, thus OP 4.12 is not triggered.

**54. The project will promote feedback mechanisms, consultations, and transparency.** Specific activities include: (i) the introduction of the Feedback Resolution Mechanism to allow beneficiaries and stakeholders to provide feedback and for their grievances to be resolved; (ii) regular public consultations with stakeholders to ensure that the project is fulfilling its objectives, and (iii) a strong focus on capacity building and institutional strengthening of agencies involved, as well as a focus on good governance.

## **F. Environment (including Safeguards)**

**55.** The project does not foresee financing civil works. However, civil works may be launched once project interventions commence, particularly civil works financed by other sources that include upgrading of EC, EU, or training provider facilities. Potential environmental impacts associated with the above interventions are minor, short-lived, and primarily limited to the project sites (except for movement of equipment and materials to/from the site). These issues are primarily dust, noise, disposal of waste material and/or older equipment, some traffic disruption (depending upon specific location), worker safety (e.g. works at height), etc. All these impacts are addressed with good engineering and construction practices and with mitigation measures specified in the project Environmental Management Plan (EMP) checklists. An EMP checklist with project description and potential environmental issues related to rehabilitation as well as typical mitigation measures was disclosed on the website of the MHSD and the Infoshop on December 19, 2014.

**56.** The Safeguards Policies are also relevant for Component 1 in that the educational standards and the certification standards developed under the project should incorporate environmental and social Safeguards aspects that are relevant to the fields in question (notably the pilot of three sector-specific skills testing and certification centers, which will be in the fields of mining, oil and gas, tourism, machine building, and construction – environmental and social sustainability and protection are important elements to include in capacity building and certification/standards processes in all three of these fields).

## Annex 1: Results Framework and Monitoring

### KAZAKHSTAN: Skills and Jobs Project

#### Project Development Objectives

The proposed Project Development Objectives (PDO) are to improve employment outcomes and skills of target beneficiaries and to improve the relevance of technical and vocational education and training and higher education programs.

#### Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	YR5/End Target
Share of TVET and higher education programs modernized based on registered occupational standards (Percentage)	0	0	10	20	30	40
Share of unemployed beneficiaries who are employed six months after completion of training, relative to appropriate control group (Percentage)	0	0	0	10% higher	10% higher	15% higher
Share of female unemployed beneficiaries who are employed six months after completion of training, relative to appropriate control group (Percentage - Sub-Type: Breakdown)	0	0	0	10 % higher	10% higher	15% higher
Share of unproductively self-employed beneficiaries who have increased earnings (real terms) one year after completion of training, relative to appropriate control group (Percentage)	0	0	0	15% higher	20% higher	25% higher
Share of female unproductively self-employed beneficiaries who have increased earnings (real terms) one year after completion of training, relative to appropriate control group (Percentage - Sub-Type: Breakdown)	0	0	0	15% higher	20% higher	25% higher
Share of firms that are satisfied with the training financed by the	0	0	0	60	70	75

project (Percentage)						
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### Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	YR5/End Target
Number of occupational standards registered that include all eight levels from the national qualifications framework (Number)	0	0	70	180	300	500
Number of new educational programs developed based on registered occupational standards for TVET (Number)	0	0	30	70	110	160
Number of new educational programs developed based on registered occupational standards for higher education (Number)	0	0	40	60	80	180
Master plan to establish an independent national qualifications authority developed, taking into account evaluation results from pilot programs (Yes/No)	No	No	No	No	Yes	Yes
Number of unemployed people registered at the EC or EU (Number)	50,000	50,000	50,000	55,000	60,000	65,000
Number of unproductively self-employed people registered at the EC or EU (Number)	3,000	3,000	3,000	3,500	4,000	4,500
Number of training providers that meet the requirements of the pre-qualified training provider list (Number)	0	0	100	150	250	400
Number of unemployed or unproductively self-employed beneficiaries who complete project financed training (Number)	0	0	1,000	5,000	10,000	20,000

Number of female unemployed and unproductively self-employed beneficiaries who complete project financed training (Number - Sub-Type: Breakdown)	0	0	300	1,500	4,500	5,500
Number of firms selected to receive training through SETP (Number)	0	0	150	250	1,000	1,500
Number of employees of firms who completed project financed training (Number)	0	0	1,000	2,500	6,000	12,750
Share of grievances registered related to delivery of project benefits addressed (Percentage)	0	0	70	75	80	85
Number of grievances related to delivery of project benefits addressed (Number - Sub-Type: Supplemental)	0	0	100	200	400	600
Number of grievances by females registered related to delivery of project benefits addressed (Percentage - Sub-Type: Breakdown)	0	0	70	75	80	85

### Indicator Description

#### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Share of TVET and higher education programs modernized based on registered occupational standards	147 TVET programs have been developed and will be piloted in 2015; nationwide roll-out will follow in 2016. No higher education programs have been developed. Denominator is all TVET and higher education programs in the country; Numerator is those that were modernized based on registered occupational standards. This indicator measures the relevance of TVET and higher education	Bi-annual	MOES reports	MOES



	programs.			
Share of unemployed beneficiaries who are employed six months after completion of training, relative to appropriate control group	<p>For calculation of employment share of unemployed beneficiaries - Denominator is unemployed people who received training financed by the project; Numerator is those who are employed six months after completion of training financed by the project. For calculation of employment share of control group – Denominator is unemployed people in control group; Numerator is those in the control group who are employed (six months after an intervention). This indicator measures relative employment outcomes of unemployed beneficiaries. Thus employment should be higher in beneficiaries as compared to the control group, and statistically significant.</p> <p>(1) Calculate the employment share of those who received training:  <math>U(t,e)/U(t,all)</math></p> <p>(2) Calculate the employment share of the control group: <math>C(e)/C(all)</math></p> <p>(3) Divide number 1 by number 2 to get relative share: <math>[U(t,e)/U(t,all)] / [C(e)/C(all)]</math> (for 10% better employment outcomes for the trained, the target value is 1.1) OR for percentage, then <math>\{ [U(t,e)/U(t,all)] / [C(e)/C(all)] - 1 \} * 100</math>.</p> <p><b>With:</b></p> <p>1. <math>U(t,e)</math>: number of unemployed who received training AND are employed after 6 months</p>	Years 3, 4, 5	Tracer study	MHSD

	<p>2. <math>U(t, \text{all})</math>: <i>number</i> of all unemployed who received training</p> <p>3. <math>C(e)</math>: <i>number</i> of control group unemployed who are employed after six months</p> <p>4. <math>C(\text{all})</math>: total <i>number</i> of persons in control group unemployed</p> <p>5. <math>(U(t,e)/U(t,\text{all}))</math>: <i>share</i> of unemployed who received training who are employed after 6 months</p> <p>6. <math>(C(e)/C(\text{all}))</math>: <i>share</i> of control group unemployed who are employed after 6 months</p>			
Share of female unemployed beneficiaries who are employed six months after completion of training, relative to appropriate control group	For calculation of employment share of female unemployed beneficiaries - Denominator is unemployed females who received training financed by the project; Numerator is those who are employed six months after completion of training financed by the project. For calculation of employment share of female control group – Denominator is unemployed females in control group; Numerator is those in the control group who are employed (six months after an intervention). This indicator measures relative employment outcomes of female unemployed beneficiaries. Thus employment should be higher in female beneficiaries as compared to the control group, and statistically significant.	Years 3, 4, 5	Tracer study	MHSD
Share of unproductively self-employed beneficiaries who have increased	For calculation of increased earnings in real terms for unproductively self-employed beneficiaries - Denominator is	Years 3, 4, 5	Tracer study	MHSD

earnings (real terms) one year after completion of training, relative to appropriate control group	unproductively self-employed people who received training financed by the project; Numerator is those whose earnings increased in real terms one year after completion of training financed by the project. For calculation of increased earnings in real terms for control group – Denominator is unproductively self-employed people in control group; Numerator is those in the control group whose earnings increased (one year after an intervention). This indicator measures relative employment outcomes of unproductively self-employed beneficiaries. Thus earnings should be higher in beneficiaries as compared to the control group, and statistically significant.			
Share of female unproductively self-employed beneficiaries who have increased earnings (real terms) one year after completion of training, relative to appropriate control group	For calculation of increased earnings in real terms for female unproductively self-employed beneficiaries - Denominator is unproductively self-employed females who received training financed by the project; Numerator is those whose earnings increased in real terms one year after completion of training financed by the project. For calculation of increased earnings in real terms for female control group – Denominator is unproductively self-employed females in control group; Numerator is those in the control group whose earnings increased (one year after an intervention). This indicator measures relative employment outcomes of female unproductively self-employed beneficiaries. Thus earnings should be	Years 3, 4, 5	Tracer study	MHSD

	higher in female beneficiaries as compared to the control group, and statistically significant.			
Share of firms that are satisfied with the training financed by the project	Denominator is all firms that benefited from training financed by the project; Numerator is those that were satisfied with the relevance of the training, based on a composite index that measures changes in skills of current employees.	Years 3, 4, 5	Employer satisfaction survey	MHSD

### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of occupational standards registered that include all eight levels from the national qualifications framework	The GOK intends to develop new and revise existing occupational standards, and to include all eight levels from the NQF. This indicator measures the expansion of occupational standards to include all eight levels.	Bi-annual	MHSD reports	MHSD
Number of new educational programs developed based on registered occupational standards for TVET	New education programs are those that are revised based on registered occupational standards. This indicator measures the development of TVET programs based on registered occupational standards.	Bi-annual	MOES reports	MOES
Number of new educational programs developed based on registered occupational standards for higher education	New education programs are those that are revised based on registered occupational standards. This indicator measures the development of higher education programs based on registered occupational standards.	Bi-annual	MOES reports	MOES
Master plan to establish an independent national qualifications authority	The project finances advisory support to pilot sector-specific skills testing centers and the creation of professional	Bi-annual	MHSD reports (based on results of independent evaluation of pilot	MHSD

developed, taking into account evaluation results from pilot programs	certification bodies and mechanisms, as well as evaluation studies to identify achievements and lessons learned. Based on the findings from the evaluation studies, a master plan to establish an independent national qualifications authority will be developed. This indicator measures whether the master plan was developed and the extent to which findings from the evaluations of the pilot programs were included.		programs)	
Number of unemployed people registered at the EC or EU	The number of “unemployed” people is defined by the GOK and regularly monitored. This indicator measures the uptake of public employment services.	Bi-annual	MHSD reports	MHSD
Number of unproductively self-employed people registered at the EC or EU	The number of “unproductively self-employed” people is defined by the GOK and regularly monitored. This indicator measures the uptake of public employment services.	Bi-annual	MHSD reports	MHSD
Number of training providers that meet the requirements of the pre-qualified training provider list	Training providers will be pre-qualified based on an assessment of relevance of the training. This indicator measures the success of the relevance enhancement support to training providers, financed by the project.	Bi-annual	MHSD reports	MHSD
Number of unemployed or unproductively self-employed beneficiaries who complete project financed training	Among people who are registered at EC or EUs, this indicator focuses on the number of unemployed or unproductively self-employed beneficiaries who complete project financed training.	Bi-annual	MHSD reports	MHSD
Number of female unemploved or	Among females who are registered at EC or EUs. this indicator focuses on the	Bi-annual	MHSD reports	MHSD

unproductively self-employed beneficiaries who complete project financed training	number of unemployed or unproductively self-employed beneficiaries who complete project financed training.			
Number of firms selected to receive training through SETP	Of the number of interested firms that apply for the SETP, this indicator measures the number of firms that are selected to receive training financed by the project.	Bi-annual	MHSD reports	MHSD
Number of employees of firms who completed project financed training	Among employees of firms that are selected, this indicator focuses on those who receive training financed by the project.	Bi-annual	MHSD reports	MHSD
Share of grievances registered related to delivery of project benefits addressed	This indicator measures the transparency and accountability mechanisms established by the project so the target beneficiaries have trust in the process and are willing to participate, and feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow grievance or redress mechanisms to be established in all projects. Denominator is all grievances registered through the Feedback and Resolution Mechanism; Numerator is those that are resolved.	Bi-annual	MHSD reports	MHSD
Number of grievances related to delivery of project benefits that are addressed	This indicator measures the transparency and accountability mechanisms established by the project so the target beneficiaries have trust in the process and are willing to participate, and feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow grievance or	Bi-annual	MHSD reports	MHSD

	redress mechanisms to be established in all projects.			
Number of grievances by females registered related to delivery of project benefits addressed	This indicator measures the transparency and accountability mechanisms established by the project so the target beneficiaries have trust in the process and are willing to participate, and feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow grievance or redress mechanisms to be established in all projects.	Bi-annual	MHSD reports	MHSD

## Annex 2: Detailed Project Description

### KAZAKHSTAN: Skills and Jobs Project

1. The estimated total project cost is US\$137 million. The project will contribute to the higher level, national goal of diversifying the economy and increasing the productivity and earning capacity of the working age population. The total duration of the project is five years, and a phased-in approach is built into its design to allow activities that are ready to proceed with implementation. Component 1 builds on the experience of the Technical Vocational Education Modernization Project and thus will launch upon project effectiveness. Component 2 will start with a pilot, followed by gradual scaling up after a thorough evaluation.

**2. Component 1. Building the Foundation of a National Qualifications System (Total US\$14 million).** The purpose of this component is to enhance the institutional capacity for improving the relevance of TVET, higher education, and in-service training. This will be achieved by establishing the key building blocks of a national qualifications system that is well aligned with labor market demands. Those key building blocks are: Occupational Standards, Educational Standards and Curricula, and Qualifications Assessment and Certification.

3. As noted above, this Component builds on the achievements and lessons learned from the TVEM Project. The table below summarizes the outcomes of the TVEM Project and the anticipated outcomes under this project.

TVEM Outcomes	Skills and Jobs Outcomes
<p>1.1 Occupational Standards</p> <p>a. Industry led development of occupational standards piloted;</p> <p>b. 147 Occupational standards developed and adopted aligning to 4 levels of qualifications of the NQF</p>	<p>1.1 Expansion &amp; Operationalization of Occupational Standards</p> <p>a. A National Classification of Occupations developed and adopted;</p> <p>b. Additional 500 occupational standards developed and adopted to cover 8 levels of qualifications of the NQF;</p> <p>c. A National Repository for maintaining and updating occupational standards established.</p>
<p>1.2 Educational and Training Standards &amp; Curricula</p> <p>a. 147 TVET curricular&amp; programs modernized with industry participation and based on the occupational standards adopted.</p>	<p>1.2 Modernization of Education Standards &amp;Program</p> <p>a. Additional 160 TVET and 180 higher education programs modernized based on the occupational standards adopted;</p> <p>b. A framework and mechanism for continuous updating curricular and program developed.</p>
<p>1.3 Qualifications Assessment and Award System</p> <p>a. A concept of NQF developed that underpinned the NQF adopted;</p>	<p>1.3 Enhancement of Qualifications Assessment &amp; Award</p> <p>a. 40% of TVET and higher education programs modernized based on registered occupational standards;</p>



<ul style="list-style-type: none"> <li>b. The concept of sector-specific skill testing and certification was developed and piloted with three sectors.</li> <li>c. Outcome based accreditation framework and procedures modernized for TVET programs.</li> <li>d. 10 percent Grantee institutions/programs passed accreditation.</li> </ul>	<ul style="list-style-type: none"> <li>b. Sector-specific testing and certification centers for mining, oil and gas, tourism, machine building, and construction established;</li> <li>c. Professional bodies and mechanism piloted for certification of select professions;</li> <li>d. Master plan to establish an independent national qualifications authority developed, taking into account evaluation results from pilot programs</li> </ul>
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4. The implementation sequencing for Component 1 is shown below.

(Sub-)Component	Preparation	Year 1	Year 2	Year 3	Year 4	Year 5
<b>1.1 Occupational Standards</b>	Review and harmonize process and methodology;  Prepare TORs for required technical assistance.	Launch competitive selection of consultancy services and carry out review of regulatory framework pertaining to occupational standards and NQF  Launch competitive selection of technical assistance and carry out development of National Classification of Occupations  Launch competitive selection of developers & carry out development of occupational standards to cover additional sectors and levels	Continue development of additional occupational standards and their refinement;  Operationalize the standards developed through industry & employer endorsement, administrative and legal reviews and registration;  Launch the assistance and capacity building for the National Repository	Continue operationalization of the standards developed;  Complete development of the National Classification;  Introduce adjustment to regulatory framework regarding NQF and OS  Continue assistance & capacity building for the National Repository.	Complete operationalization process of the OS developed;  Adopt the National Classification of Occupations;  Adopt the updated Regulatory framework;  Enhance functioning of National Repository	Continue technical assistance for enhancement & adjustment in relevant areas/activities and project completion activities.
<b>1.2. Educational and Training Standards and Curricula</b>	Review prior experience of modernizing education standards and curriculum development and agree on the process and methodology; Prepare TORs for required technical	Launch competitive selection of developers and begin development of standards and programs based on the OS adopted;  Launch competitive selection of technical assistance and carry out development of a	Continue modernization & development of additional programs based on the OS adopted ensuring the programs developed define the assessment of learning outcome by module and program.	Continue modernization & development of additional programs based on the OS adopted ensuring the programs developed define the assessment of learning outcome by module and program.	Continue modernization & development of additional programs based on the OS adopted ensuring the programs developed define the assessment of learning outcome by module and program.	Complete the modernization process with the target number of programs developed;  Adopt the framework for regular update of the standards and programs. Continue technical

	assistance.	framework & mechanism for regular update of standard & programs				assistance for any enhancement and adjustment in relevant areas/activities and project completion activities.
<b>1.3. Qualifications Assessment and Award System</b>	<p>Review of prior experience/pilots regarding qualifications, their assessment and quality assurance mechanisms.</p> <p>Prepare TORs for required technical assistance.</p> <p>Select the professions for piloting professional certification</p>	<p>Launch competitive selection of technical assistance providers &amp; carry out piloting/establishing 5 sector specific testing and professional certification;</p> <p>Launch competitive selection of technical assistance providers &amp; carry out piloting professional certification of select professions;</p> <p>Launch competitive selection of technical assistance providers &amp; carry out review and aligning qualifications and programs to NQF.</p>	<p>Carry out pilot of sector –specific testing &amp; certification in 3 sectors;</p> <p>Develop capacity building and instruments to carry out pilot to establish professional certification bodies &amp; professional certification;</p> <p>Carry out review and alignment of existing and or new qualifications to NQF;</p> <p>Select technical assistance providers for the development of a concept and master plan to establish a National Qualifications Authority (NQA)</p>	<p>Continue the pilot of sector specific testing &amp; certification in 2 more sectors;</p> <p>Continue the pilot of professional certification;</p> <p>Continue alignment of qualifications to NQF;</p> <p>Develop a Master Plan to establish the NQA;</p>	<p>Continue the pilot of sector specific testing &amp; certification;</p> <p>Continue the pilot of professional certification;</p> <p>Continue alignment of qualifications to NQF;</p> <p>Launch capacity building activities for a NQA if proven to be feasible</p>	<p>Complete &amp; evaluate the pilots and recommend further action.</p> <p>Pursue accreditation of TVET &amp; higher education programs modernized.</p>

**5. Sub-component 1.1. Enhancement of occupational standards, including improvement of approval and updating processes (US\$5 million).** This Sub-component will support technical assistance and capacity building to expand the occupational standards to include economic sectors for which standards do not exist and/or for which standards do not correspond to changing labor market demands. The standards will address the needs of large firms and small and medium enterprises (SMEs). The methodology for developing the occupational standards will be driven by the private sector and build on prior experience of the respective sector associations, the MHSD, and the World Bank's Technical Vocational Education Modernization (TVEM) Project implemented by the MOES. The occupational standards will be expanded to cover all eight levels of competencies of occupations, ranging from technical vocational and professional, to management (see table below for description of the eight levels). The Sub-component will also establish a process for regular review and updating of occupational standards to ensure ongoing alignment with labor market fluctuations.

Level	Knowledge	Skills	Competence	Education / Qualification
1	Basic general knowledge	Basic skills required to carry out simple tasks	Work or study under direct supervision in a structured context	Primary Certificate
2	Basic factual knowledge of a field of work or study	Basic cognitive and practical skills required to use relevant information in order to carry out tasks and to solve routine problems using simple rules and tools	Work or study under supervision with some autonomy	Lower Secondary & Vocational Certificates
3	Knowledge of facts, principles, processes and general concepts, in a field of work or study	A range of cognitive and practical skills required to accomplish tasks and solve problems by selecting and applying basic methods, tools, materials and information	Take responsibility for completion of tasks in work or study; adapt own behavior to circumstances in solving problems	Upper Secondary & Vocational Diploma
4	Factual and theoretical knowledge in broad contexts within a field of work or study	A range of cognitive and practical skills required to generate solutions to specific problems in a field of work or study	Exercise self-management within the guidelines of work or study contexts that are usually predictable, but are subject to change; supervise the routine work of others, taking some responsibility for the evaluation and improvement of work or study activities	Post-secondary Diploma
5	Comprehensive, specialized, factual and theoretical knowledge within a field of work or study and an awareness of the boundaries of that knowledge	A comprehensive range of cognitive and practical skills required to develop creative solutions to abstract problems	Exercise management and supervision in contexts of work or study activities where there is unpredictable change; review and develop performance of self and others	Some higher education Diploma
6	Advanced knowledge of a field of work or study, involving a critical understanding of theories and principles	Advanced skills, demonstrating mastery and innovation, required to solve complex and unpredictable problems in a specialized field of work or study	Manage complex technical or professional activities or projects, taking responsibility for decision-making in unpredictable work or study contexts; take responsibility for managing professional development of individuals and groups	Undergraduate Diploma

Level	Knowledge	Skills	Competence	Education / Qualification
7	Highly specialized knowledge, some of which is at the forefront of knowledge in a field of work or study, as the basis for original thinking and/or research  Critical awareness of knowledge issues in a field and at the interface between different fields	Specialized problem-solving skills required in research and/or innovation in order to develop new knowledge and procedures and to integrate knowledge from different fields	Manage and transform work or study contexts that are complex, unpredictable and require new strategic approaches; take responsibility for contributing to professional knowledge and practice and/or for reviewing the strategic performance of teams	Master's level  Diploma
8	Knowledge at the most advanced frontier of a field of work or study and at the interface between fields	The most advanced and specialized skills and techniques, including synthesis and evaluation, required to solve critical problems in research and/or innovation and to extend and redefine existing knowledge or professional practice	Demonstrate substantial authority, innovation, autonomy, scholarly and professional integrity and sustained commitment to the development of new ideas or processes at the forefront of work or study contexts including research	Doctor's level  Diploma

6. The specific activities to be supported by the project include:

(i) *Development of a national classification of occupations (NCO).* A NCO provides a standardized framework for organizing occupations in a coherent manner. The project will finance technical assistance for the development and adoption of a NCO, including consultation with stakeholders. This will entail carrying out research on international standards for developing NCOs, a review of NCOs from other countries, as well as a review of system of classification available in Kazakhstan. This task will be led by the MHSD.

(ii) *Carry out a review of existing regulatory framework pertaining to occupational standards and qualifications to identify gaps for adjustment.* A review of the existing regulatory framework is necessary to identify areas for reform. This includes a review of current legal provisions and administrative regulations pertaining to occupations, standards development, and qualifications assessment and award. The project will finance technical assistance for undertaking the review and subsequent revisions of relevant regulations to ensure an ongoing enabling environment. The review would require close coordination among MHSD, MOES, and other regulatory bodies.

(iii) *Conduct a harmonization of the processes and methodologies for the development and approval of the occupational standards.* The project will finance technical assistance for the continued expansion and operationalization of occupational standards. The TVEM project piloted an-industry led process and methodology in developing standards covering 147 occupations focusing on the first 4 levels of competencies of the NQF. The project will build on the processes and methodologies developed to date to expand the development of occupational standards to cover all eight levels of competencies of occupations, ranging from technical vocational and professional, to management.

*(iv) Maintain a national repository of occupational standards with technical capacity built for maintenance and oversight.* A national body representing industries and firms will coordinate the development of occupational standards through the competitive selection of developers representing respective industries and sectors in accordance with established criteria. The Sub-component will also support the adoption of the occupational standards developed to facilitate the modernization of educational and training standards and curriculum.

7. The project is expected to cover about 550 new occupations from priority sectors (in addition to the 400+ occupations that were previously covered by TVEM and MHSD), to be selected and aligned with the eight levels of competences defined in Kazakhstan's National Qualifications Framework. Based on the external assessment conducted during project preparation, this task will ensure harmonization of the processes and methodologies followed by the TVEM Project and the MHSD. The development of the new standards will take into account of specific needs of SMES in accordance with findings from a survey of SMEs. A national body representing industries and firms (e.g. National Chamber of Commerce) will coordinate the development through a competitive selection of developers representing respective sectors and sector associations in accordance with established criteria. The project will also support refinement of the standards already developed and implementation support for adopted standards.

8. Capacity building and technical support would be provided for maintenance and coordination of routine update of the occupational standards, along with an automated database for the standards developed. Although the entity that would receive the support is not yet identified, it is anticipated to be based either in MHSD (possible the Information Analytics Center) or NCE.

**9. Sub-component 1.2. Development and implementation of a framework to review and update the educational and training standards and curricula for technical and vocational education and training and higher education (US\$5 million).** This Sub-component will build on the achievements of the TVEM Project and support the continued modernization of educational and training standards and curriculum towards competency-based modular programs aligned with occupational standards. Under the TVEM project, competency based modular curricular were developed covering 147 programs of TVET. This project, with strong ownership and participation by the private sector, will build on prior good practice to expand on prior work and cover additional programs of TVET and of higher education. The education and training standards and curriculum should identify learning outcomes based on occupational standards, and should balance cognitive, technical, and life skills development, while including career guidance norms. The curriculum should be in modular format to ensure it can be delivered on a full-or part-time basis (as in-service for current employees), with appropriate adjustments. A process will also be put in place for ongoing review and updating of educational standards, learning outcomes, and curriculum. The process will include defining the measurement of learning outcomes of specific modules and of the overall curriculum as the basis for assessment.

10. The Sub-component will support the following activities:

*(i) Review of international experiences and ongoing pilots on quality assurance practices for providers and modernization of educational and training standards and curricula*

within the context of the NQF. This includes the design of a new private sector-endorsed quality assurance process, modernization of educational and training standards and curriculum in alignment with the NQF, and linking new standard and curriculum to occupational standards by using learning outcomes to implement quality assured educational and training programs

(ii) *Carry out the competitive selection of developers* of educational and training standards and curricula of TVET and higher education, among public and private education and training institutions, based on agreed criteria.

(iii) *Develop a framework for regular review and update* of educational and training standards and curricula of TVET and higher education, to ensure that the educational and training standards and curriculum remain linked to new/revised occupational standards and relevant to labor market needs. This will build a sustainable process, rather than relying on one-off procedures that lead to programs that quickly become obsolete.

(iv) *Define the measurement of the learning competencies of national education and training programs by module and by curriculum.* Develop a range of assessment techniques following international standards, and apply these techniques to students enrolled in the new programs to assess their achievement of the required learning outcomes per module and/or per curriculum.

11. The MHSD will begin a pilot of the development of educational and training standards and curriculum, in conjunction with Kasipkor Holding, with selected colleges and universities. Once the selection criteria for educational and training institutions are developed, the project will determine whether the pilot institutions are eligible for inclusion. A national body (e.g. Kasipkor Holding) will coordinate this effort through a competitive selection of developers in accordance with established criteria to assure quality and cost effectiveness. This process should be adopted in higher education on a pilot basis with a small number of universities/institutes in a limited number of program areas.

**12. Sub-component 1.3. Development of a roadmap for establishing an independent qualifications assessment and award system through the provision of technical support for piloting sector-specific skills testing and professional certification centers (US\$4 million).**

This Sub-component will support technical assistance to enhance the occupational qualifications assessment and award system by piloting sector and industry specific skills testing and professional certification centers, and build the capacity of assessment and awarding institutions towards an independent institutional structure and practice. A process will also be put in place for ongoing review and updating of the qualifications assessment and award system. Under the TVEM project, a concept note was developed to underpin the NQF, which was then adopted by the MHSD. In support of NQF implementation, further alignment of existing qualifications of TVET and higher education is needed. Specific qualification programs will be developed. In addition, the instruments, practices, and institutional structures to assess and award qualifications will be modernized and aligned. Links will be made with the emerging quality assured assessment system integrated into the curriculum of TVET and higher education providers (see

Sub-component 1.2). An independent evaluation of the two systems will be carried out, focusing on validity, reliability, and authenticity.

13. The Sub-component will support the following activities: (i) provide advisory support to pilot sector-specific skills testing centers in mining, oil and gas, tourism, machine building, and construction<sup>12</sup> for assessing and recognizing competency for levels 1-4; (ii) launch a pilot program for the creation of professional certification bodies and mechanism for a select number of professions, selected based on criteria in the POM; (iii) align higher education qualifications to the NQF; and (iv) evaluate pilot programs and develop a roadmap and capacity for establishing an independent national qualifications authority with responsibility for promoting the NQF, guiding the development of new standards and curricula, awarding qualification diplomas, and establishing quality assurance practices among providers at all levels.

14. The Sub-component will support the following activities:

(i) *Provide advisory support to pilot sector-specific skills testing centers:* technical assistance will be provided for the piloting of three sector-specific skills testing centers for assessing and recognizing competency for levels 1-4;

(ii) *Launch a pilot program for the creation of professional certification centers and mechanisms:* review existing framework of professional certification/licensing and pilot the creation of professional certification and licensing centers. For example, the Board of Accounting, Board of Nursing, or Association of Engineers could be considered;

(iii) *Align higher education qualifications to the NQF:* Expand the types of qualifications and align to the levels established. Review the existing qualifications of TVE and higher education, and map them to the qualifications aligned to the NQF levels. Develop assessment tools for recognition of non-formal and informal learning; and

(iv) *Evaluate pilot programs and develop a roadmap and capacity for establishing an independent national qualifications authority:* Modernize the structure and practice of the existing assessment institution (Republican Methodological Center) and build its capacity towards an independent National Qualifications Authority through institutional twinning arrangement with an established NQA. Develop accreditation procedures and standards for assessment, including quality assurance for assessment of workforce training programs employees under Component 2.

**15. Component 2. Enhancing Skills for Improved Employment Outcomes and Productivity (Total US\$110 million).** The purpose of this component is to provide relevant workforce training to unemployed persons, unproductively self-employed persons, and current employees in need of training, all identified and selected in accordance with the criteria set forth in the

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<sup>12</sup> The sectors will be confirmed in the POM based on agreed criteria, partially based on potential positive impact on labor market outcomes and capacity of the sector associations leading the sectors.



POM.<sup>13</sup> There are three Sub-components: (i) improvement of public employment services for unemployed and unproductively self-employed people; (ii) improvement of the relevance of workforce training, and (iii) enhancement of access to relevant workforce training programs. As indicated above, the activities under Component 2 will be launched as a pilot in three regions (South Kazakhstan, North Kazakhstan, and Astana) and then evaluated before full scale-up. The activities under the three Sub-components are also interrelated, thus the sequencing and timing of implementation is critical. Project design takes into account potential delays and where possible, allows activities to move to the next step even when implementation bottlenecks are encountered. The implementation sequencing for Component 2 is shown below.

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<sup>13</sup> In this project, the **unemployed** are people who have registered as unemployed in the EC or EUs. **Unproductively self-employed** include: a) "employed on an individual basis (inactive among the registered and unregistered)", "employed in private farms producing goods for their own consumption", "unpaid family workers" - regardless of the level of monthly income; b) the "members of cooperatives", "engaged on an individual basis (registered and active current)", "employed in private farms produce for sale (exchange)" - the level of monthly income below the subsistence minimum. **Current employees in need of training** are workers whose employers determine that training is needed.

## Implementation sequencing for Components 2 and 3

Component	Preparation	Year 1	Year 2	Year 3	Year 4	Year 5
<b>2.1. Improvement of public employment services</b>	<i>Labor JERP</i> - Functional review of employment services - Assessment of LMIS - Develop profiling methodology	- Needs assessment of EC or EUs - Develop costed action plan - Initiate implementation of action plan - IT needs assessment of EC or EUs - Development of LMIS	- Continue implementation of action plan - Development of LMIS - Conduct EC or EU staff capacity building on use of LMIS and new IT - Integrate data on training providers in LMIS	- Continue implementation of action plan - Further development of LMIS - Continue to conduct EC or EU staff capacity building on use of LMIS and new IT - Update data on training providers in LMIS	- Continue implementation of action plan - Conduct second needs assessment - Further development of LMIS - Continue to conduct EC or EU staff capacity building on use of LMIS and new IT - Update data on training providers in LMIS - Conduct second IT needs assessment	- Finalize implementation of action plan - Further development of LMIS - Finalize EC or EU staff capacity building on use of LMIS and new IT - Update data on training providers in LMIS
<b>2.2. Improvement of the relevance of workforce training</b>		- Review regulatory framework on workforce training provision - Develop an inventory of workforce training providers in 3 pilot regions/sectors - Develop, pilot, and validate the training provider pre-qualification assessment tool - Provide support to provisionally approved training providers in 3 pilot regions/sectors	- Provide support to provisionally approved training providers in 3 pilot regions/sectors - Update list of pre-qualified training providers	- Provide support to provisionally approved training providers in regions/sectors as agreed with WG - Update list of pre-qualified training providers	- Provide support to provisionally approved training providers in regions/sectors as agreed with WG - Update list of pre-qualified training providers - Develop action plan to transfer functions carried out under the project to the GOK/NCE	- Provide support to provisionally approved training providers in regions/sectors as agreed with WG - Update list of pre-qualified training providers - Fully implement action plan to transfer functions to the GOK/NCE
<b>2.3 Establishment</b>	<i>Jobs JERP</i> - Develop a jobs	<i>Unemployed/USE</i> - Initiate profiling and	<i>Unemployed/USE</i> - Continue profiling	<i>Unemployed/USE</i> - Conduct tracer study	<i>Unemployed/USE</i> - Conduct tracer study	<i>Unemployed/USE</i> - Conduct tracer study

<b>and implementation of a skills enhancement training program</b>	diagnostics - Build a multi-sector dynamic economic model - Conduct sectoral analysis of opportunities for jobs creation - Launch the employer-based STEP Skills Measurement tool	matching at EC or EUs that have finished implementation of action plan under 2.1 in 3 pilot regions  <i>Current Employees</i> - Preparation and launch of pre-selection of interested and eligible firms in 3 pilot regions/sectors - Conduct assessment of training needs - Initiate training of beneficiaries in 3 pilot regions/sectors	and matching at EC or EUs that have finished implementation of action plan under 2.1 in 3 pilot regions - Train beneficiaries in 3 pilot regions  <i>Current Employees</i> - Pre-select interested and eligible firms in 3 pilot regions/sectors - Conduct assessment of training needs - Contract training providers - Train beneficiaries in 3 pilot regions/sectors	of pilot beneficiaries - Evaluate and fine tune the sequence of steps as needed - Initiate profiling, matching, and training at EC or EUs for second round of beneficiaries - Train second round of beneficiaries  <i>Current Employees</i> - Conduct tracer study of pilot beneficiaries - Evaluate and fine tune the sequence of steps as needed - Initiate pre-selection of interested and eligible firms for second round of beneficiaries - Train second round of beneficiaries	of second round beneficiaries - Initiate profiling, matching, and training at EC or EUs for third round of beneficiaries - Train third round of beneficiaries  <i>Current Employees</i> - Conduct tracer study of second round beneficiaries - Initiate pre-selection of interested and eligible firms for third round of beneficiaries - Train third round of beneficiaries	of third round of beneficiaries - Evaluate and fine tune the sequence of steps as needed - Initiate profiling, matching, and training at EC or EUs for fourth round of beneficiaries - Train fourth round of beneficiaries - Conduct tracer study of fourth round of beneficiaries  <i>Current Employees</i> - Conduct tracer study of third round of beneficiaries - Evaluate and fine tune the sequence of steps as needed - Initiate pre-selection of interested and eligible firms for fourth round of beneficiaries - Train fourth round of beneficiaries - Conduct tracer study of fourth round of beneficiaries
<b>Component 3</b>	- Agree on TOR for PSC and key PMU staff	- Implement project M&E - Develop tracer study tool - Develop ICC framework, FRM framework, and	- Fine tune tracer study tool and other project M&E - Implement ICC, FRM, and Awards of Excellence	- Implement tracer study tool and other project M&E - Implement ICC, FRM, and Awards of Excellence	- Implement tracer study tool and other project M&E - Implement ICC, FRM, and Awards of Excellence - Develop action plan to	- Implement tracer study tool and other project M&E - Implement ICC, FRM, and Awards of Excellence - Fully implement

		Awards of Excellence procedures			transfer functions carried out under the project to the GOK/NCE	action plan to transfer functions to the GOK/NCE
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16. Target beneficiaries are the unemployed, unproductively self-employed, and current employees in need of training. The training will generally offer a balance between technical and life skills development.

17. Project design for Component 2 is closely aligned with the terms of references for two TA programs, on Labor and Jobs. The activities for FY15 include:

(i) The Labor JERP will conduct a functional review of employment services, conduct an assessment of the LMIS, and develop a profiling methodology to help EC or EU staff sort beneficiaries into relevant active labor market program.

(ii) The Jobs JERP will develop a jobs diagnostics at the macro and individual level focusing on different population groups and regions, build a multi sector dynamic economic model to simulate the potential impacts that different levels of investments across economic sectors have on employment creation and labor productivity growth, conduct sectoral analysis of opportunities for jobs creation and related implications for skills development, and launch the employer-based survey using the STEP Skills Measurement tool.

18. Project interventions under this component will also be closely aligned with the World Bank and GoK co-financed SME Competitiveness Project. The SME Competitiveness Project will, among other interventions, focus on SME capacity building and SME linkages in competitive clusters (including supplier development program, fostering competitive sectors, and factoring strategic assessment). In particular, the project, which will be implemented by the Ministry of National Economy, will assess the skill needs for clusters of SMEs in a viable supply chain, and then provide training for advanced-level skills.

**19. Sub-component 2.1: Improvement of public employment services for unemployed and unproductively self-employed people (US\$33 million).** This Sub-component aims to improve employment services for unemployed and unproductively self-employed people, especially through enhanced use of the existing labor market information system (LMIS). There are 209 Employment Centers in Kazakhstan, with almost 2,000 staff, and a similar number of Employment Units under local government authorities at the rayon level throughout the country. Employment Centers and Employment Units operations are overseen by government local authorities, although local rural districts are not covered. The Employment Roadmap 2020 (2013-2015) did include capacity building for Employment Center staff, but capacity remains low. The project aims to cover local rural districts in addition to rayon Employment Centers. Employment services have traditionally focused on the needs of unemployed people, and therefore, expanding the mandate of Employment Centers or Employment Units<sup>14</sup> (EC or EU) to serve unproductively self-employed people better will require that staff understand the labor market challenges that are specific to this group.

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<sup>14</sup> Employment Centers are financed by the federal budget and were established to support the implementation of the Government's Employment Roadmap 2020 program. The Employment Units are financed by the regional budget and provide both employment and social services. The Joint Economic Review Program (JERP) on Labor will conduct a functional review of the EC and EU and make a recommendation for an optimal institutional structure.

**20. Employment services in Kazakhstan are predominantly provided by the public sector and include a number of services.** Services include: (i) provision of employment through infrastructure and housing and communal service programs, or quotas for public works; (ii) development of entrepreneurs in rural areas through micro-credits; (iii) free training and retraining, including support for relocation; and (iv) overall job search assistance and intermediation services. The latter also includes a program of wage subsidies for the unemployed and a government-subsidized paid internship program for youth. While overall job search assistance is a core activity, EC or EUs usually have difficulty generating job vacancies for two reasons: (i) firms do not see sufficient payoff to advertising at EC or EUs over advertising in media; and (ii) EC or EUs do not have the human resources nor the technology to extract private sector vacancies from online and other media. While the problem of low private sector vacancies is a challenge, some countries have overcome the challenge by employing more technology to extract private sector job vacancies from online media and include those vacancies in the LMIS. Additionally, the task of generating job vacancies has been outsourced in some countries to intermediaries.

**21. MHSD maintains an LMIS that contains information on the registered unemployed population, the job vacancies, and social insurance.** Only a small percentage of unemployed people in Kazakhstan are served by either EC or EUs. In 2013, of the 471,000 unemployed people identified in the Labor Force Survey, only about 30,000 of them (or 6.4 percent) were registered at the ECs. As mentioned earlier, only a small number of job vacancies are listed in the LMIS. While the LMIS contains a lot of useful information, the information is underutilized and data analysis at the EC or EU level is rare. The LMIS has considerable information on jobseekers but there are four main weaknesses: (i) the number of vacancies in the database is low; (ii) EC or EU staff cannot advise the beneficiaries about career options based on labor market demand conditions; (iii) EC or EU staff cannot advise beneficiaries about the labor market programs that might be best suited to their needs based on statistical methods; and (iv) EC or EU staff cannot provide beneficiaries with information about training provider performance data so that beneficiaries can make more informed choices. Much of the LMIS data analysis is carried out by the Information Analytics Unit, which in turn devotes significant time and resources to forecasting.

**22.** Two key activities are supported. First, the project supports the design and implementation of an action plan to improve and expand employment services through the EC or EUs, including in rural areas, based on an assessment of current capacity to serve both unemployed and unproductively self-employed people (in accordance with the POM). Second, it supports the improvement of the capacity of EC or EU to provide better advice to beneficiaries through introduction of a profiling tool, strengthening of the existing LMIS to enhance the information available to EC or EU staff, and training of staff to adopt a more proactive approach to public employment service provision. Rural areas will also be connected to the LMIS and, hence, jobseekers in remote areas will be able to benefit from job matching and information about other employment services. Planned activities will be implemented by EC/EU in close coordination with local government authorities. Coordination mechanism between MHSD and local government authorities will be developed under the project, given capabilities of updated LMIS. The project will contribute and strengthen regional territorial programs executed by local government authorities, with overall supervision of MHSD. PMU will closely work with local

government representatives in relation to work with EC/EU during implementation. More detailed coordination mechanisms will be reflected in POM. More specifically:

(i) First, the Sub-component provides support to conduct a needs assessment and then implement an action plan for improving and expanding employment services offered through the EC or EUs. A needs assessment will be conducted to identify gaps in staff size and capacity/qualifications, as well as furniture and equipment<sup>15</sup>, to improve employment services to unemployed and unproductively self-employed people. It will also include ways to improve outreach to rural areas, thus will assess the needs of satellite offices of EC or EUs located in remote areas. The assessment will include recommendations for reform, based on which an action plan for improving employment services will be developed. The action plan will cover, at minimum, adequacy of staff size per location, changes in staff terms of references and qualifications, staff capacity building needs, and furniture or equipment enhancement needs. The project will finance follow-up activities to implement the action plan, excluding staff salary and civil works. In particular, the project will focus on training of EC or EU staff to ensure that they are able to deliver improved employment services to both unemployed and unproductively self-employed people, with a focus on enhanced ability to analyze and monitor employment demand at the local level.

(ii) Second, the Sub-component strengthens the existing LMIS through the following activities: (i) develop a profiling tool that assesses the beneficiary's likelihood of "successful" completion of labor market programs (including training) depending on their background and characteristics through jobseeker profiling. The profiling tool will complement, rather than substitute, for the EC or EU staff member's assessments about a candidate's suitability for different labor market programs. Implementation of such a tool will help increase efficiency of labor market services and programs as well as their effectiveness; (ii) assess the availability of LMIS-related IT equipment of EC or EUs, including satellite offices in remote areas that are associated with "parent" EC or EUs, and finance improvements as needed. The new IT equipment will provide beneficiaries and EC or EU staff with more and better information on labor market conditions, including data on vacancies, wages, etc., to help make labor market choices based on labor demand conditions; and (iii) finance the maintenance of information about pre-qualified workforce training providers and their performance (updated periodically) to help beneficiaries choose their training providers.

**23. Sub-component 2.2: Improvement of the relevance of workforce training (US\$17 million).** This Sub-component aims to identify and assess existing workforce training providers, and where needed build capacity of providers which have the potential but require support to provide more relevant training. Activities targeted to workforce training providers include: (i) review of the regulatory framework concerning workforce training provision; (ii) development of an inventory of workforce training providers; (iii) assessment of relevance of workforce training and, on the basis of such assessment, development of a list of pre-qualified workforce training providers; and (iv) provision of support to workforce training providers to improve the relevance

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<sup>15</sup> Allocations to establish Employment Centers already included funds for technical facilities and information management, so this need may be minimal.

of training delivery, including the provision of technical assistance and goods. The training providers on the pre-qualified list will provide training to unemployed, unproductively self-employed, and current employees under Sub-component 2.3. Both public and private training providers are eligible for support. Evaluations will be conducted to assess the outcomes of the training, the results of which will be made publicly available to address the dearth of information on the relevance of workforce training.

(i) The Sub-component will finance a *review of the regulatory framework concerning workforce training provision* to better understand the extent to which the current framework facilitates (or constrains) the process. Aspects to be reviewed include the incentives for public and private TVET and higher education institutions to provide workforce training; incentives for partnerships between training providers and enterprises; and options and possible constraints for training centers that are part of larger firms to provide training to non-firm employees. This activity will include TA to help address any regulatory bottlenecks for expanding or improving the provision of relevant workforce training.

(ii) The development of an *inventory of workforce training providers* will be initiated and then regularly updated throughout project implementation. The initial list will at least include all public TVET and higher education institutions; the providers which are currently providing training through EC or EUs; and a minimal number of micro-finance providers which provide or have an interest in providing entrepreneurship or other basic skills training. Other providers to be included in the inventory are independent private training providers and training centers attached to large firms. The inventory will include basic information on the providers including their location, type, and duration of courses provided, and enrollment numbers.

(iii) The development of a *list of pre-qualified workforce training providers* will commence with the initial assessment of selected providers based, among others, on location, training programs provided, and enrollment capacity. For providers which at the time of assessment only provide pre-service training, willingness and ability to start providing workforce training will be assessed. The “shortlisted” providers will subsequently be assessed on their capacity for providing relevant training. A template for the assessment will be developed and eventually included in the POM and will include, among others, information on curriculum, trainer qualifications, equipment, linkages with the private sector, and fees. While the assessment will be carried out by the Government, representatives of the relevant private sector(s) will be requested to provide input. A brief note on strengths and improvement areas will be developed and shared with the assessed providers. The assessment will further result in the following categorization of workforce training providers: approved, provisionally approved, or rejected. Approved providers will be added to the list of pre-qualified workforce training providers and may immediately be contracted for training provision under Sub-component 2.3. Over time, this list may serve as the basis for an accreditation system and be linked with the activities under Component 1. The results of the evaluation of Sub-component 2.3 will be integrated into the updating procedure for the pre-qualified workforce training providers list.



(iv) The Sub-component will also provide *direct support to workforce training providers* to improve the relevance of training delivery. In particular, capacity building support to workforce training providers may be required in case the assessment of providers results in insufficient numbers of approved training providers to meet training demand. First, the support will focus on building capacity among management and trainers to identify and address key bottlenecks to the provision of relevant training. These bottlenecks may relate for example to the need to align curricula with labor market demand, integrate life skills into existing training modules, improve pedagogical approaches to effectively teaching adults, strengthen internships, improve outreach to vulnerable populations or firm-based training delivery, and monitor employment outcomes of trainees. Workforce training providers will need to consult relevant firms to identify the bottlenecks. Once the bottlenecks are identified, workforce training providers will develop an action plan to implement an action plan to carry out improvements. Second, the project will support the implementation of the action plan, with a focus on the most urgent and important improvements, including through the provision of technical assistance and goods. In addition, provisionally approved providers will be linked with approved providers and/or industry providers and financing will be available for a twinning arrangement to improve relevance and quality of training. Close coordination with the MOES is critical for this activity. As the need for capacity building will be unknown until the assessment of providers is completed, the following scenarios are considered:

- *Scenario 1: Adequate number of approved training providers on the pre-qualified list.* In case identified training needs can be addressed by the approved workforce training providers, then limited efforts to increase the relevance of training providers will be required. The number of approved training providers, as well as the relevance of training provided, are assumed to gradually increase through: (i) outreach activities supported through the ICC under Component 3 and (ii) information and knowledge sharing of assessment results to training providers as well as the facilitation of twinning arrangements, including specific recommendations for improving the relevance and quality of workforce training.
- *Scenario 2: Inadequate number of approved training providers on the pre-qualified list.* If an insufficient number of training providers to address the identified training needs is approved, the following interventions will be made available. First, a capacity building support package will be offered to provisionally approved workforce training providers. The support package will consist of training to management and possibly trainers/trainers on approaches to improve the demand-responsiveness of training, and will take into account the challenges identified through the provider assessment. Second, for public and private providers which are provisionally approved, the assessment results including proposed interventions to remedy identified weaknesses (e.g. lack of equipment, training material, and trainer/teacher capacity) will be reviewed and the most urgent and important improvements will be supported by the project, to the extent possible considering among others the costs of providing the support. Third, where the project is unable to provide support, the assessment results for provisionally approved public providers will be shared with the responsible Ministry of Education and Science

for further follow-up, while provisionally approved private providers will be referred to institutions or programs which are likely to provide relevant support. These can include financial institutions in case there is a need for finance. Fourth, similar to Scenario 1, Component 3 will provide support through the ICC activities. Following the implementation of the support package, providers which were provisionally approved will be reassessed and may subsequently be approved.

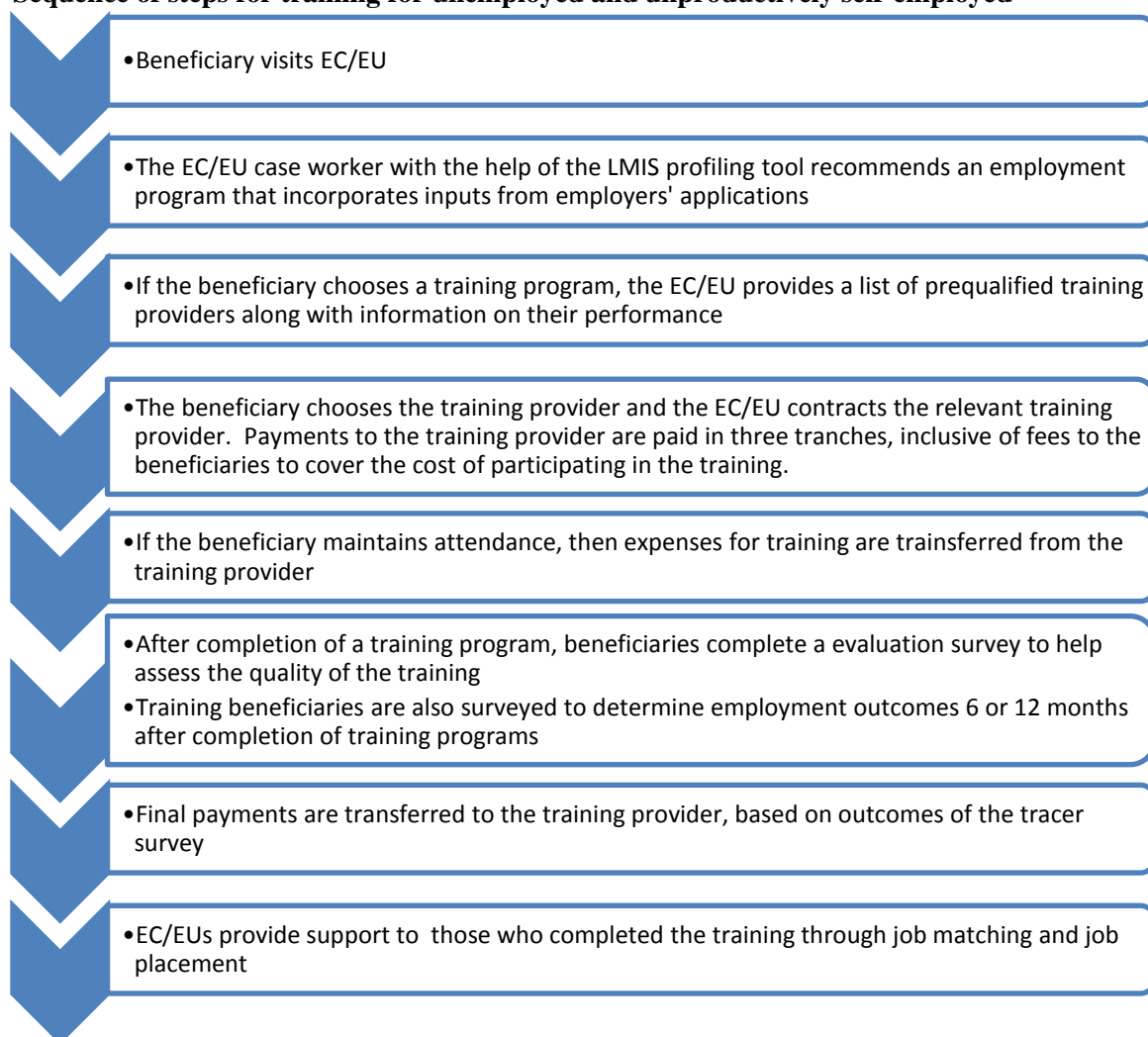
24. Once beneficiaries, training needs, and workforce training providers are identified, a contract with the provider will be processed. Payments will be made in installments only upon satisfactory achievement of the results, as included in the contract. Results that will determine full disbursement are likely to relate both to the number of trainees which completed training and the skills acquired through training (as reported by trainees and employers or employers' representatives). For training provided to unemployed or unproductively self-employed, other metrics could be developed and tested to measure performance, such as subsequent job placements into wage jobs or successful business plans for self-employed. The specifics of the performance based contracts for the workforce training providers will be outlined in the POM.

**25. Sub-component 2.3: Establishment and implementation of a skills enhancement training program (US\$60 million).** This Sub-component establishes and then finances training offered through the Skills Enhancement Training Program (SETP), which applies a demand-driven approach to financing training activities to target beneficiaries. Of the funds allocated for training, the breakdown among unemployed, unproductively self-employed, and current employees in need of training is 25 percent, 50 percent, and 25 percent. Given the cost-sharing by firms for the current employees, the number of beneficiaries for this group is anticipated to be large relative to the amount of financing allocated. The SETP will first be piloted in three regions (in South Kazakhstan, North Kazakhstan, and Astana) and then rolled out nationally. The pilots will be evaluated and lessons learned will be used to improve operational guidelines and procedures. During the pilot, different approaches will be tested to improve incentives to invest in training and align the supply of skills with the demand; these may relate to different mechanisms for targeting/selection of beneficiaries and firms, contracting and payment (including performance-based pay) to training providers, and management and implementation guidelines for the SETP. Two types of training packages will be offered through the SETP:

- *Training packages for the unemployed and unproductively self-employed.* Training will be provided to unemployed and unproductively self-employed people who are good candidates for training (the candidates for training will be identified by the EC or EU staff who will use the LMIS, to be developed under Sub-component 2.1). Proactive outreach will be conducted for the unproductively self-employed people, starting with the Information and Communication Campaign under Component 3. The training course and the training provider are chosen by the beneficiary in consultation with the EC or EU staff. The key information that will determine a training course include: the beneficiary's educational background, age/work experience, and (local) labor market demand conditions. The training provider will be paid directly on a performance basis. The contracts for the training providers will include the expenses associated with beneficiaries attending the training, which may include transportation and accommodation expenses when the beneficiary is a

resident of a remote area and no local training providers are available for that particular training course and accessibility costs (for people with disabilities). Fees will be paid in full on the condition that the beneficiary completes the training, from the training provider to the beneficiaries. The formula to calculate the fees to the beneficiaries will be developed based on an agreed set of pricing criteria, to be detailed in the POM. Training providers will be paid in three tranches: (i) at contract signing to cover majority of expenses related to the training, (ii) at submission of list of beneficiaries to cover majority of expenses related to beneficiaries attending the training, and (iii) at close of contract to cover remaining expenses related to training and those related to beneficiaries attending the training and reconciliation thereof, tied to outcomes of the training. A sample based audit will include payments to the training providers, and fees transferred to the beneficiaries (amount and mode of delivery). Training will be integrated with support for job placement by the EC or EU. The sequence of events can be summarized in the following figure.

#### **Sequence of steps for training for unemployed and unproductively self-employed**



- *Training packages for current employees in need of training.* Training will be provided to upgrade the skills of current employees to enhance firm productivity. The process to select firms, match firms with relevant training packages, and determine cost sharing arrangements will be piloted during the first phase of project implementation and improved based on lessons learned during the lifetime of the project. The initial process is expected to follow a three-pronged process: (i) selection of eligible firms among those that indicate an interest in participating, (ii) matching the selected firm with a package of relevant training, and (iii) determination of cost sharing by the selected firm. The criteria and methodology for selection of firms, matching with training packages, and determination of cost sharing will be elaborated in the POM and fine-tuned regularly during the project's lifetime.

The selection of interested and eligible firms will be initially based on the: (i) growth potential of the economic sector in which the firm operates, which will be determined by the government in consultation with the NCE and industry associations, as well as inputs from ongoing analytical work and the SME Competitiveness Project; (ii) geographic location of the firm, since the program will be rolled out gradually across the country; and (iii) age of firm, with younger firms being more eligible for selection. The project will be sufficiently flexible to include obvious growth potential sectors such as tourism and particular segments of the manufacturing industry, as well as sectors which demonstrate growth potential due to increased demand resulting from improved spending capacity of local consumers. The latter sectors could for example include the provision of private childcare or recreational activities

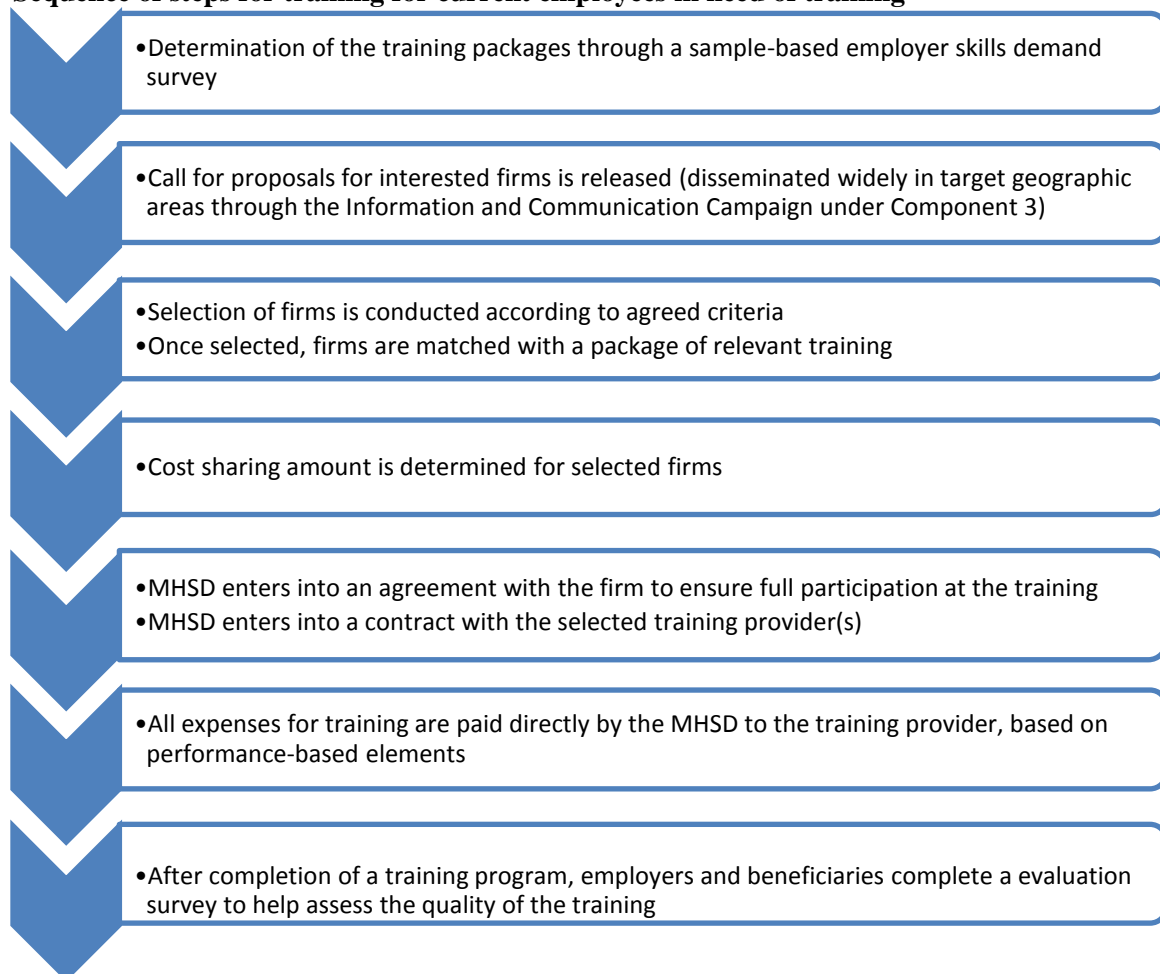
Once selected, a firm will choose a package of training that is relevant for its needs. To determine the packages, the project will finance the review of relevant secondary documentation related to industry-specific skill demand and training needs, including results from skills demand surveys conducted in countries with a similar labor market structure, and assessments of skill demand and training needs within Kazakhstan (including those expected to be generated through the World Bank co-financed SME Competitiveness Project). If available documentation does not provide sufficient information, then the project will finance an additional assessment of skill demand and training needs which could include employer and employee surveys and/or stakeholder and expert consultations. Based on the survey findings, the project will develop a "taxonomy of skills" to identify a balanced mix of transversal technical and life skills, as well as basic cognitive skills, to be included in the SETP. SETP access will depend on the availability of pre-qualified workforce training providers (identified under Sub-component 2.2) that offer sufficiently relevant and quality training to address the identified skill gaps within an acceptable distance from the firm's location.

Finally, each firm will be assessed to determine a cost sharing arrangement. A sliding scale of co-financing will be applied depending on the assessed ability of firms to pay for the training as well as the size and age of the firm (with smaller and younger firms receiving a larger subsidy). A ceiling amount will be determined for all participating firms. The POM will further specify a minimum share of co-financing that will be

required of larger firms and the maximum amount that each firm may receive to ensure efficiency in the selection of training. If a firm requires training that is more customized and not included in the prepackaged options, and if there are training providers available on the pre-qualified list, such training may be financed with a higher cost sharing arrangement for the firm if unit costs of this training exceed the average unit cost of the pre-packaged training. .

Training fees will be paid directly from the MHSD to the training providers and will include performance-based elements tied to training outcomes. The training fees will cover all costs associated with the training, including travel to firms in case on-site training is needed. A list of pre-qualified training providers will be available through Sub-component 2.2. The sequence of events can be summarized in the following figure.

#### Sequence of steps for training for current employees in need of training



**26. Component 3. Project management and monitoring and evaluation (Total US\$13 million).** This component will support project management, monitoring and evaluation activities, and financing of operating costs. A Project Management Unit (PMU) will be financed within the MHSD to manage the day-to-day implementation of the project. The project will finance

expenses related to the sufficient implementation and monitoring and evaluation of the project, including goods, consultants' services, training, and operating costs. A full list of project-related evaluations is shown below.

<b>Sub-component</b>	<b>M&amp;E instrument</b>	<b>Project design aspects to be monitored or evaluated, then fine tuned</b>
1.1 Occupational standards	<ul style="list-style-type: none"> <li>• MHSD report (bi-annual)</li> <li>• Independent process evaluation (Years 1, 3, 5)</li> </ul>	<ul style="list-style-type: none"> <li>• # of occupational standards registered</li> <li>• # of occupational standards registered that include all eight levels from the national qualifications framework</li> <li>• Extent to which methodology is private sector driven and aligned with labor market fluctuations</li> <li>• Extent to which occupational standards are regularly reviewed and updated</li> </ul>
1.2 Educational and training standards and curricula	<ul style="list-style-type: none"> <li>• MOES report (bi-annual)</li> <li>• Independent process evaluation (Years 1, 3, 5)</li> </ul>	<ul style="list-style-type: none"> <li>• # of new educational programs developed based on registered occupational standards (for TVET and higher education, separately)</li> <li>• Share of TVET and higher education programs modernized based on registered occupational standards</li> <li>• Extent to which methodology is private sector driven and aligned with labor market fluctuations</li> <li>• Extent to which educational and training standards and curricula are regularly reviewed and updated</li> </ul>
1.3 Qualifications assessment and award system	<ul style="list-style-type: none"> <li>• MOES report (bi-annual)</li> <li>• Independent pilot evaluation I (at end of pilot)</li> <li>• Independent pilot evaluation II (at end of pilot)</li> </ul>	<ul style="list-style-type: none"> <li>• # of programs that underwent independent qualifications assessment</li> <li>• Master plan to establish an independent national qualifications authority developed, taking into account evaluation results from pilot programs</li> <li>• Identify the achievements and lessons learned for the next piloting of sector-specific skills testing centers</li> <li>• Develop roadmap for establishing an independent national qualifications authority</li> </ul>
2.1 Improvement of public employment services	<ul style="list-style-type: none"> <li>• MHSD report (bi-annual)</li> <li>• Independent qualitative assessment (Years 1, 3, 5)</li> <li>• Tracer study (Years 3, 4, 5)</li> </ul>	<ul style="list-style-type: none"> <li>• # of EC or EUs that develop/implement a costed action plan</li> <li>• # of EC or EUs that receive IT enhancement</li> <li>• # of unemployed or unproductively self-employed people registered at the EC or EU</li> <li>• Share of unemployed or unproductively self-employed people satisfied with employment services provided by EC or EU</li> <li>• Constraining and enabling factors for beneficiaries and firms to use public employment services</li> <li>• Extent to which profiling tool and LMIS are used to provide high quality employment services at EC or EUs</li> <li>• Nature and scope of "quality enhancements" received by EC or EUs; extent to which quality enhancements produced</li> </ul>

		<p>better employment services</p> <ul style="list-style-type: none"> <li>• Recommendations for further improving public employment services</li> </ul>
2.2 Improvement of relevance of workforce training	<ul style="list-style-type: none"> <li>• MOES report (bi-annual)</li> <li>• Independent process evaluation (Years 1, 3, 5)</li> <li>• Tracer study (Years 3, 4, 5)</li> </ul>	<ul style="list-style-type: none"> <li>• # of training providers that meet the requirements of the pre-qualified training provider list</li> <li>• # of training providers that receive support to improve the relevance of training</li> <li>• Soundness of methodology for developing an inventory of training providers</li> <li>• Soundness of methodology for assessing workforce training providers and categorizing them as approved, provisionally approved, or rejected</li> <li>• Nature and scope of “quality enhancements” received by training providers</li> <li>• Extent to which the support to workforce training providers addressed the most urgent and important constraints identified through the assessment process</li> <li>• Effectiveness of different support mechanisms (linkages with other workforce training providers, receiving assessment results vs. more intensive support, etc.)</li> </ul>
2.3 Establishment and implementation of a skills enhancement training program	<ul style="list-style-type: none"> <li>• MHSD report (bi-annual)</li> <li>• Sample-based employer skills demand assessment</li> <li>• Employer satisfaction survey (Years 3, 4, 5)</li> <li>• Tracer study (Years 3, 4, 5)</li> </ul>	<ul style="list-style-type: none"> <li>• # of unemployed or unproductively self-employed beneficiaries who complete project financed training (of which female)</li> <li>• Stipend amount provided to beneficiaries</li> <li>• # of interested firms that applied for the SETP</li> <li>• # of firms selected to receive training through SETP</li> <li>• # of employees of firms who completed project financed training</li> <li>• Co-financing share paid by firms</li> <li>• Identification of “taxonomy of skills” needed in the labor market (In addition, the STEP Skills Measurement Employer Survey and the OECD Programme for International Assessment of Adult Competencies will be conducted by the MOES and through the Jobs JERP/RAS, respectively. However, the results will only be available in FY16 and FY18.)</li> <li>• % of unemployed beneficiaries who are employed within six months after completion of training , relative to controls (of which female)</li> <li>• % of unproductively self-employed beneficiaries who have increased earnings (real terms) one year after completion of training, relative to controls (of which female)</li> <li>• % of firms that are satisfied with the training financed by the project</li> <li>• Recommendations for improving operational guideline and procedures for SETP</li> <li>• Soundness of firm selection criteria, matching mechanism with training package, and determination of cost sharing</li> <li>• Effectiveness of performance-based contracts for workforce</li> </ul>

		<p>training providers</p> <ul style="list-style-type: none"> <li>• Whether more highly rated workforce training providers (under Sub-component 2.2) provide better training</li> <li>• Differences in beneficiary/firm satisfaction by: (i) firm characteristics, (ii) length, type, or modality of training,</li> <li>• Differences in participation/completion rates for different beneficiaries/firms</li> </ul>
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27. An important new monitoring tool that will be developed under the project is a tracer study that assesses the outcomes of workforce training programs under Component 2. Employment outcomes for unemployed and unproductively self-employed individuals will be assessed 6 to 12 months after they receive training, while both employers and employees will be surveyed on the impact of training on productivity for firm employees in need of training. Compared with baseline data at the beginning of participation, the data collected through the tracer study will allow the project to observe short-term impact of the training on employment outcomes and productivity. Building the government's capacity to collect and analyze this data will require capacity building and is expected to build sustainability of the project's interventions beyond its lifetime. Finally, the data collected through the tracer study will contribute towards efforts strengthen the existing LMIS under Sub-component 2.1 and to feedback into the pre-qualified list of workforce training providers under Sub-component 2.2.

28. The project management financed under this Component will include support for effective coordination between the project and other skills development programs and employment services, as well as with broader national programs. For example, the Damu Entrepreneurship Development Fund and technical assistance provided through the European Bank for Reconstruction and Development (EBRD) provide capacity building to entrepreneurs, some of whom (or their employees) may be potential beneficiaries of the training provided under Component 2. The project will also link to national level efforts, which are undertaken through the PFA, to generate better quality jobs, stimulate the private sector, or enhance trade and competitiveness: without which the training programs are constrained. The Component will provide technical assistance to ensure that the project interventions remain relevant, responsive, and coordinated with other initiatives to diversify Kazakhstan's economy. It will also promote collaboration and coordination among key stakeholders such as training providers, firms, industry/sector association, and government and employee representatives at both national and local levels around skills development and job creation policies.

29. The component will support the development and implementation of: an Information and Communication Campaign (ICC), a Feedback and Resolution Mechanism (FRM), and an Awards of Excellence Program. All three programs will be used as qualitative and quantitative data collection tools, thus they will need to be conducted regularly and methodically. Together, the qualitative and quantitative evaluations will build the evidence to better understand what is working and why it is working. The pilot for Component 2 will evaluate whether the ICC is sufficient to ensure recruitment and participation of the target beneficiaries and workforce training providers, or a more costly but still cost effective program is required to ensure their involvement. The results of the pilot will be summarized in a report, so that the approaches can be evaluated, including their effectiveness to recruit and maintain participation of target beneficiaries and workforce training providers. The ICC, FRM, and Awards of Excellence



programs will be revised periodically to reflect inputs from project beneficiaries and lessons learned.

(i) The Information and Communication Campaign (ICC) will detail public awareness-building activities to be carried out before, during, and after the project. The outreach effort is important given Kazakhstan's geographic size and the difficulty for the EC/EUs to inform all the potential beneficiaries of the new training opportunities, the traditionally low uptake among unproductive self-employed, and the difficulty of integrating vulnerable populations into the labor market. The ICC will build awareness on: benefits of participating in Component 2 activities; target beneficiary characteristics; requirements for pre-qualification of training providers; implementation plans including timeline; roles and responsibilities of different stakeholders; and transparency and accountability measures. Concrete examples of the ICC include ensuring that sufficient outreach is conducted in order to encourage participation by vulnerable people and by training providers, as well as informing the public about the selection criteria for participants to ensure transparency and fairness. The ICC will inform the public about the broadened mandate of Employment Centers to address the needs of unproductively self-employed people, as well as the enhanced availability of quality and relevant workforce training providers. The ICC will also ensure that regular private sector consultations are held, including inputs on which sectors to select for the SETP under Sub-component 2.3. Finally, the ICC will develop a mechanism for enhanced use of social media to link individuals with potential employment opportunities and digital professional networks (such as LinkedIn).

(ii) The Feedback and Resolution Mechanism (FRM) will regularly collect inputs from beneficiaries and stakeholders, resolve any complaints, and also serve as a critical monitoring tool for the project. The FRM will be developed and implemented with substantive inputs and participation by potential beneficiaries and firm owners/managers, especially the determination of data collection modality. The FRM will make use of available Information and Communication Technology (ICT) infrastructure that is already used by target beneficiaries. An effective and properly implemented FRM will ensure that project funds are being used as planned, that project interventions are reaching the intended beneficiaries, and that the quality of inputs are good. The objective of the FRM is to obtain real time feedback from beneficiaries and various stakeholders, so that the project interventions can be modified regularly, as well as to minimize governance and accountability issues. The FRM will also need to detail a process for resolving any problems once they emerge. Good practices from global cases will be applied to implement and continue to improve the FRM. The POM will further elaborate the strategic engagement with beneficiaries and stakeholders.

Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Services (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur,

as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

(iii) The Awards of Excellence Program will ensure that good practices are recognized and shared among beneficiaries and stakeholders. Project beneficiaries will be annually selected to receive non-monetary recognition with respect to certain criteria recognizing best practices, such as: innovative collaboration between employers and training providers; cooperation among a group or cluster of employers and sector associations; and other initiatives to improve impacts of project financed activities. The Awards of Excellence program will thus also contribute to information and communication about the project. While this program will mostly focus on excellence and good practice, it will also disseminate knowledge about what doesn't work.

**30. Complementarity with other programs.** Project design took into account the work of other international organizations that been supporting the improvement of skills and jobs through both supply (education provision improvement) and demand (private sector capacity building) side interventions. The European Bank for Reconstruction and Development launched its third wave of Business Advisory Services (BAS) program in Kazakhstan in 2011 to provide consultancy services to SMEs and to develop the local market for better consulting services. The program is being implemented through Entrepreneurship Development Fund DAMU centers that are located around the country, allowing SMEs access to a diverse range of consulting services and facilitating programs with local consultants on a cost-sharing basis. Direct assistance to enhance enterprise performance is combined with market development activities in various sectors to create sustainable and commercially viable support for micro and SMEs. BAS started its first operations in Kazakhstan in 2001 and has provided support to over 700 local SMEs, with donor funding from Japan, Switzerland, and the EBRD Shareholder Special Fund.

31. The GIZ, commissioned by European Union, has collaborated with the Ministry of Education and Science of Kazakhstan to support vocational education and training since 2010. The project has contributed to the development of sectorial qualification framework based on the European 8-level framework through piloting initiatives for the oil and gas, mechanical engineering, and agriculture sectors and included activities on development of occupational standards and qualification assessment. It also contributed to policy analysis and developing the foundation for certification and VET school management systems, and provided international internship opportunities to school managers and teachers.

32. Other donors that are present in Kazakhstan are the European Training Fund and International Labor Organization, although they do not currently have operations in skills development or employment services. Kazakhstan has participated in initiatives through regional programs on knowledge exchange and capacity building of education and labor market institutions.

**33. In the coming years, the GOK aims to address a number of critical challenges that are interrelated with the skills development and jobs agenda.** Specifically, the PFA includes a pillar that focuses on stimulating private sector investment and developing public-private partnerships (aligned with the Concept of Industrial and Innovative Development 2015–2019), aimed at more focused support for the manufacturing industry through a combination of targeted industry/cluster/company–specific support and systemic measures.

**34. The World Bank has a strategic engagement with the GOK to support the economic diversification, skills development, and jobs agenda.** In recent years, a series of investment projects and analytical or technical assistance programs have emerged to support the GOK’s efforts to enhance jobs creation and productivity. The list below includes the engagements currently in the pipeline or under implementation.

Activity Name	Type	Status	Amount
Technical and Vocational Education Modernization	Investment	Active	\$29.34m
Technology Commercialization	Investment	Active	\$13.4m
Fostering Productive Innovation	Investment	Active	\$88m
Youth Corps	Grant	Pipeline	\$21.76m
SME Competitiveness and Access to Finance	Investment	Pipeline	\$46m
Skills and Jobs	Investment	Pipeline	\$137m
<b>Projects Sub-total</b>			<b>\$345.5m</b>
Jobs: Sector specific analysis of barriers and opportunities	RAS	Active	\$300k
Attracting Investment into the Economy through Development of Policy and Institutional Mechanisms for PPP and Identification of Viable PPP Projects	TA	Active	\$500k
Implementation of the entrepreneurship regulation concept, including through analysis of RIA, self-regulatory organizations and risk management	TA	Active	\$350k
Establishment of policy and institutional road map for urban agglomerations to be piloted in development of agglomerations with centers in Shymkent and Aktobe	TA	Active	\$300k
Improving performance orientation of budget management through streamlined and interlinked strategic planning and budgeting, including risk management and capacity building on RBB	TA	Active	\$500k
Implementation support for public sector institutional reform for strengthening transparency and accountability in operation of public sector and streamlining business-processes	TA	Active	\$500k
Analysis of the effectiveness of current measures to support agriculture, domestic industries, economy and develop possible alternative (adaptation) measures consistent with WTO rules	TA	Active	\$500k
Development of a strategy to support functioning labor market institutions	RAS	Pipeline	\$200k
Lifelong competencies assessment	RAS	Pipeline	\$150k
Service delivery, jobs, and real sectors	TA	Pipeline	
<b>Analytical or TA Programs Sub-total</b>			<b>\$3.3m</b>
<b>TOTAL</b>			<b>\$348.8m</b>

### **Annex 3: Implementation Arrangements**

#### **KAZAKHSTAN: Skills and Jobs Project**

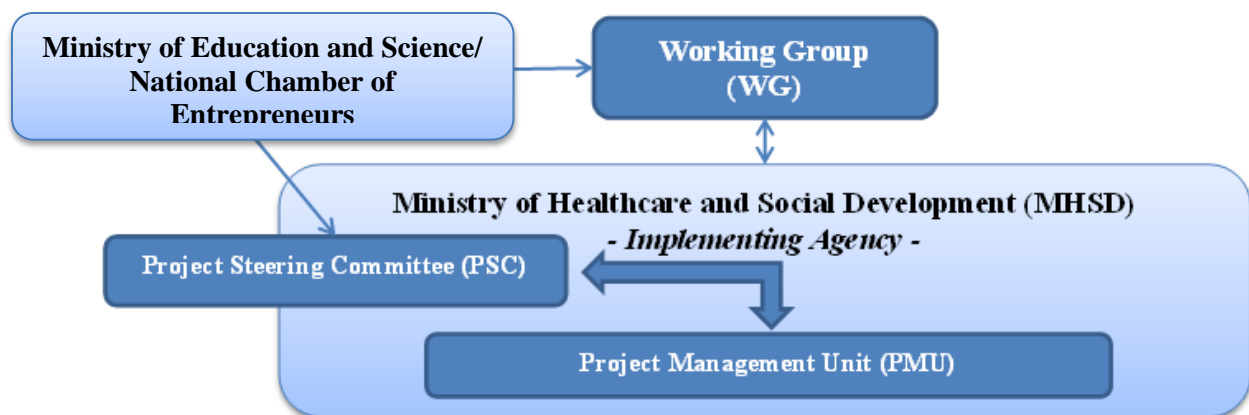
#### **Project Institutional and Implementation Arrangements**

1. *Ministry of Healthcare and Social Development (MHSD)*. On behalf of the Government of Kazakhstan, the MHSD will be the implementing agency for the project. The MHSD will manage one Designated Account and process all payments under the project.
2. *Working Group*. The Skills and Jobs Working Group, already established under the Partnership Framework Arrangement, will be maintained through project implementation and serve as the national inter-ministerial/agency coordination entity. The Working Group composition will be set forth in the POM, but is expected to be chaired by the Minister of Healthcare and Social Development and include senior level members from MOES (Vice Minister), and NCE (Deputy Chairman). In addition to its current responsibilities and authority, the Working Group will have the following main responsibilities for the project:
  - Meet semi-annually to review and facilitate inter-ministerial/agency coordination so as to ensure compliance and adherence to the project development objectives;
  - Provide oversight, guidance and approve the project's annual work plan and budget;
  - Endorse major changes in the project implementation arrangements;
  - Resolve high level or particularly difficult disputes or conflicts related to the project; and
  - Review and endorse any policy, and regulatory institutional recommendations from the project or related JERP activities.
3. *Project Steering Committee*. A Project Steering Committee (PSC) will be established and maintained through project implementation, with composition set forth in the POM and expected to be chaired by the line Vice Minister of MHSD and include technical staff from the MHSD (Department of Labor and Social Partnership, Department of Employment, and the Information Analytics Center), MOES (Department of Technical and Vocational Education, Unit of Higher Education, and the Information Analytics Center), and NCE (Department of Human Capital). The PSC will oversee management of the project and provide timely technical guidance. The responsibilities of the PSC will be to:
  - Ensure that agreed target indicators and outcomes are met and advise on remedial actions in case the targets are not met or unlikely to be met;
  - Oversee implementation progress, in accordance with the Project Operations Manual (POM);
  - Review and then recommend annual work plans and budgets for approval by the Skills and Jobs Working Group;
  - Approve all reports and changes to the POM, prior to submission to the World Bank;
  - Ensure timely disbursement of funds; and
  - Ensure compliance with fiduciary oversight arrangements.

#### *Project administration mechanisms*

4. *Project Management Unit.* A Project Management Unit (PMU) will be established and maintained through project implementation within the MHSD to manage the day-to-day implementation of the project, financed under the project. The PMU staff will possess acceptable qualifications and experience and will be at all times during the project headed by a project coordinator, who will report regularly to the PSC. The PMU will consist, at a minimum, of the following staff: (i) a financial management specialist, (ii) an accountant, (iii) one or more procurement specialists as needed, (iv) a monitoring and evaluation specialist, (v) an environmental/social safeguards specialist, as needed, (vi) a national qualifications system specialist, (vii) employment services specialists (one for employment services and one for the LMIS), and (viii) a workforce training specialist, and (ix) administrative and support staff, including an assistant and, as needed, interpreters. Each specialist hired by the project will have capacity building of counterparts and stakeholders included in the terms of reference. The PMU will be located either within the MHSD or physically close to it to facilitate day to day coordination. The PMU's responsibilities include:
- Manage the daily implementation of the Skills and Jobs Project to ensure achievement of its targets and expected results;
  - Ensure project implementation in accordance with the POM, which will include (i) administrative, financial management, procurement, and accounting procedures, (ii) implementation procedures; (iii) detailed terms of references for key contracts, including technical specialists for the PMU, and (iv) outlines for the Information and Communication Campaign (ICC) and the Feedback and Resolution Mechanism (FRM);
  - Recommend to the PSC any revisions to the POM;
  - Draft annual work plans, budgets, and reports for submission to the PSC;
  - Support FM arrangements (reporting, external audit, internal audit, and capacity building on FM tasks as needed across the project);
  - Support procurement arrangements (reporting, procurement procedures, and capacity building on procurement tasks as needed across the project);
  - Report any project difficulties or bottlenecks to the PSC; and
  - Liaise with other ministries/agencies to ensure that all project activities are well-coordinated.
5. In the medium term, many of the functions established under the project that are best led by the private sector are anticipated to be transferred to the NCE by the project's closing. The readiness of the nascent NCE to take on these functions will be assessed during the midterm review. Furthermore, the MHSD or MOES are expected to absorb some of the functions as well. Project design anticipates that the newly established institutional implementation arrangements under the project (namely the PSC and PMU) are transferred to more permanent hosting institutions by the end of the project.

**Figure A3.1. Skills and Jobs Project Implementation Arrangement**



## Financial Management, Disbursements and Procurement

### *Financial Management*

6. *Implementing Entity.* The Ministry of Healthcare and Social Development (MHSD) through its Finance Department will be responsible for implementing the financial management (FM) function of the project, including the flow of funds, budgeting, accounting, reporting, and auditing. The MHSD is currently implementing Health Technology Transfer and Institutional Reform Project and have experience in the World Bank Financial Management and Disbursement procedures. A FM assessment was carried out to determine the FM implementation risk and the FM arrangements at the existing Implementing Agency, including accounting, reporting, planning, and budgeting, flow of funds, external audit and staffing; arrangements were assessed to be overall adequate. The overall residual FM Risk is considered to be Moderate.
7. *Strengths and Weaknesses:* There are no major weaknesses at the MHSD with respect to FM function. The significant strengths that would provide a basis for reliance on the project financial management system include: (i) FM arrangements similar to the existing project being implemented by the MHSD are found to be adequate; (ii) no significant issues arisen in the audits of the active project being implemented by the MHSD; (iii) strong internal controls in place within the Finance Department; and (iv) Staff of the Finance Department is familiar with the World Bank procedures.
8. The following actions have been agreed to be implemented to bring FM arrangements for the new project into full compliance with the World Bank's requirements:

Actions	Responsible	Completion date
1. Develop the Financial Management section of the Operational Manual to reflect the project related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures	MHSD	Within the timeline of the POM preparation
2. Enhance of the existing accounting software for accounting and financial reporting purposes of the proposed project. The accounting software will be specially designed to meet World-	MHSD	Within 60 days from effectiveness

Bank-financed projects requirements including ability to generate Interim Financial Reports, withdrawal applications, statements of expenditure, and annual financial statements		
FM Consultant is contracted as part of the PMU	MHSD	Within 45 days from effectiveness
Accounting/Disbursement Consultant is contracted as part of the PMU	MHSD	Within the first 45 days after effectiveness

9. *Budgeting and Planning.* The MHSD has acceptable planning and budgeting capacity in place. The budget for operating costs will be prepared separately and submitted to the World Bank for approval on an annual basis. Once approved the budget will be entered into accounting system by Financial Management Consultant (FMC) and used for monitoring purposes.
10. *Accounting and Reporting.* Cash basis of accounting will be applied for the projects' accounting. Cash basis IPSAS will be used by the MHSD for reporting purposes. MHSD utilizes 1- C accounting software for budget organizations. The additional module will need to be installed to the existing accounting software to allow accounting and reporting for the proposed project within 60 days after the project's effectiveness. Interim Financial Reports (IFRs) will be prepared and submitted to the World Bank within 45 days after the end of each quarter. Annual audits of the project financial statements will be provided to the World Bank within six months after the end of each fiscal year and at the project closing. The Borrower will have to display audit reports for the project at the agreed public venue within one month after receipt of these reports from auditors; the World Bank will make them publically available according to the World Bank Policy on Access to Information. As part of project implementation support and supervision missions, quarterly interim unaudited financial reports (IFRs) will be reviewed and regular risk-based FM missions conducted.
11. *Internal Controls.* Internal control procedures followed by the MHSD are very comprehensive and documented in Regulations and Rules of the Government. While the project will to the great extent rely on the existing controls, there will be additional specific ones for the project. Thus, those internal controls along with other FM arrangements will need to be detailed in the FM Manual section of the Project Operations Manual (POM).
12. *Staffing.* The Financial Management function of the MHSD is covered by the staff of the Finance Department (FD) that is responsible for budgeting and planning, accounting and reporting as well as transaction processing. While the staff of the Finance Department is familiar with the World Bank FM and Disbursement procedures, the capacity is still not adequate and thus, experienced FM and Accounting/Disbursement consultants will need to be contracted as part of the PMU to support the Finance Department. As an interim arrangement before the FM consultants are contracted, the MHSD will assign one of the staff of the FD to work for the project.
13. *External Audit:* Audited Financial Statements for the project implemented by the MHSD were received on time. The auditors, Ernst & Young issued unmodified (clean) audit opinion

on the project's financial statements. The management letter did not highlight major internal controls deficiencies.

14. The proposed project's audit will be conducted (i) by independent private auditors acceptable to the World Bank, on terms of reference acceptable to the World Bank; and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). As with other IBRD Loan financed projects in Kazakhstan, an auditor will be contracted by the Ministry of Finance and the audit costs will be paid from the Republican Budget funds outside the project. The terms of reference will include activities covering (i) audits of financial statements, (ii) assessments of the accounting system, and (iii) a review of the internal control mechanisms including, on a sample basis, the transfer of funds to training providers that include fees transferred to beneficiaries to cover costs associated with attending the training. The following table identifies the required audit reports that will be submitted by the MHSD together with the due date for submission.

<b>Audit Report</b>	<b>Due date</b>
<b>Project Financial Statements</b> The Project Financial Statements include Sources and Uses of Funds, Uses of Funds by project activities, Statement of Expenditures Withdrawal Schedule, Designated Account Statement, Notes to the financial statements, and Reconciliation Statement	Within 6 months of the end of each fiscal year and also within 6 months after the closing of the project

#### *Disbursement*

15. Disbursements from the IBRD Loan Account will follow the transaction-based method, i.e., traditional World Bank procedures, including: advances to the designated account, direct payments, and Special Commitments and reimbursement (with full documentation and against Statements of Expenditures - SOEs). A separate designated account in USD will be opened in a financial institution acceptable to the World Bank. For payments above the minimum application size, as will be specified in the Disbursement Letter, the MHSD may submit withdrawal applications to the World Bank for payments to suppliers and consultants directly from the Loan Account. Disbursement arrangements will be detailed in the Disbursement Letter.

#### *Procurement*

16. Procurement activities will be carried out by the MHSD through its PMU. In addition to the procurement process management, the PMU will provide (a) logistical and administrative support for training, conferences, seminars, workshops and study tours; and (b) other project communications and outreach support (e.g. project webpage, project newsletter, stakeholders, communications, advertisements, travel, basic office equipment, bank charges, etc.).
17. The risk assessment rating for the entire project was done through Procurement Risk Assessment and Management System (P-RAMS). Identified risks and proposed mitigation measures are described in the table below. The procurement risk is rated as substantial before



mitigation measure. After mitigation measures are implemented, the residual risk would be moderate.

#### Summary of Procurement Risk Assessment

<b>Risk</b>	<b>Rating Before</b>	<b>Mitigation</b>	<b>Rating After</b>
MHSD staff lack capacity to undertake the proposed procurement work under the project, particularly regarding World Bank procurement guidelines.	Substantial	Qualified procurement consultants will provide on-the-job training to MHSD staff and to bid evaluation committee members. Consultants will provide assistance in the preparation of bidding documents, bid evaluation reports and contract agreements. Training in procurement under World Bank guidelines will also be provided by World Bank staff during the project launch workshop.	Moderate
Bid evaluation committee members are not familiar with international procurement procedures, and may obstruct or delay the procurement process, especially the evaluation of bids and proposals.	Substantial	Consultants will provide assistance in the preparation of bidding documents, bid evaluation reports and contract agreements. The risk may continue to be Substantial as some of the evaluation committee members may not agree with the consultant assessment.	Moderate
Lack of awareness of procurement opportunities available in the project for goods and services.	Substantial	Carry out public awareness programs using various media, such as newspapers, brochures, radio, TV, project website, etc.	Moderate
Average Risk	Substantial		Moderate

18. A procurement plan covering the first 18 months of project period is under preparation by the MHSD. The procurement plan will be updated at least once per calendar year and each update will be subject to the World Bank's no objection. The initial procurement plan together with the subsequent updates will be published on the World Bank's external web site in line with the requirements of the World Bank's Guidelines. A General Procurement Notice covering the project procurement activities will be published immediately after successful project negotiations. Specific Procurement Notices will be published for all International Competitive Bidding (ICB) and National Competitive Bidding (NCB) procurement, as well as for all consulting services contracts as required under the respective Guidelines.

19. *Procurement of Goods.* Goods contracts above US\$2.0 million equivalent will be procured under International Competitive Bidding (ICB) procedures using the World Bank's Standard Bidding Document (SBD) for procurement of goods. The National Competitive Bidding (NCB) method will be applicable for procurement of goods contract with the estimated budget of less than US\$2.0 million. The Europe and Central Asia (ECA) Sample NCB

bidding documents shall be used taking into account the NCB conditions set forth in the Loan Agreement. Goods contracts with an estimated budget less than US\$100,000 equivalent may be procured using Shopping procedures on the basis of at least three written price quotations obtained from qualified contractors/suppliers. The list of suppliers to be invited to submit quotations should be defined by an evaluation committee. Direct contracting method will also be included.

20. *Selection of Consultants.* The methods for selection of consultants will include Quality and Cost Based Selections (QCBS), Fixed Budget Selection (FBS), Least Cost Selection (LCS), Selection based on Consultants Qualifications (up to US\$300,000), Single Source Selection in compliance with Paragraph 3.8 of the World Bank's Consultant Guidelines, and Individual Consultants (IC). Contracts estimated to cost above US\$300,000 equivalent will be advertised through United Nations Development Business (UNDB), the World Bank's website and local media (one newspaper of national circulation or the official gazette, and MHSD's website). Shortlists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants under the provisions of paragraph 2.7 of the World Bank's Consultant Guidelines.
21. *Operating Costs.* The expenses of the MHSD PMU would include communications, translation/interpretation, bank charges, office supplies, cost of advertisements, mail and business trip expenses of government officials and other experts. Such costs will be financed by the project based on the annual budget prior reviewed and agreed by the World Bank. Purchases will be carried out in accordance with the implementing agency's internal administrative procedures. Operating costs will not include salaries or allowances of civil servants.
22. *Training and Study Tours.* Training and study tours will be carried out based on the annual training/study tours program and budget to be prepared by the PMU and reviewed and agreed by the World Bank. The institutions for training/study tours would be selected considering the availability of such services, duration of training/study tour and reasonableness of cost.
23. *Governance and Anti-Corruption Action Plan (GAC).* The project will follow the World Bank Group's Anti-Corruption policies as set forth in the Guidelines: On Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants (current edition). The World Bank will carry out prior review of all major contracts according to the thresholds that will be regularly reviewed and adjusted as needed in the procurement plan. The following measures will be carried out to mitigate corruption risk:
  - a. *Training of fiduciary staff* starting from project launch and periodically thereafter; training will be customized to the procedures and methods that would be required for the next 12 month periods. The relevant project staff shall attend the Central Asia Regional Procurement Workshops organized by the World Bank on a regular basis.
  - b. *Prior review:* There will be close supervision by the World Bank's procurement accredited staff. In addition, all contract amendments will be subject to prior approval by the World Bank.

- c. *Publication of Advertisements and Contracts*: All publications for advertisements and contract awards, including the results of the awards, will be done in accordance with the Procurement Guidelines and published in the World Bank client connection system and on external websites, i.e., UNDB and World Bank websites.
  - d. *Debarred Firms*: Appropriate attention will be given to ensuring that debarred firms or individuals (to be verified from the World Bank's external website) are not given opportunities to compete for World Bank-financed contracts.
  - e. *Temporarily suspended firms*: Appropriate attention will be given to ensuring that temporary suspended firms or individuals (to be verified through client connection) are not given opportunities to compete for World Bank-financed contracts.
  - f. *Complaints*: All complaints by bidders will be diligently addressed and monitored in consultation with the World Bank.
  - g. *Tender Committee*: If required, the World Bank will review qualifications and experience of proposed members of the evaluation committee(s) with a view to avoiding nomination of unqualified or biased candidates. All members will be required to sign a confidentiality/impartiality form.
  - h. *Monitoring of contract awards*: All contracts are required to be signed within the validity of the bids/proposals and, in case of prior review contracts, promptly after the World Bank's "no objection" is issued. Procurement plan format shall include information on actual dates (of "no objections" and award) and will be monitored for cases of delay which will be looked at on a case-by-case basis to identify the reasons. The PMU will maintain up-to-date procurement records available to the World Bank staff and auditors.
  - i. *Monitoring of payment vs. physical progress*: Monitoring reports prepared for the World Bank will be customized to include a form to monitor physical progress compared to payment installments to avoid upfront-loaded payments.
  - j. *Timeliness of payments*: The PMU will maintain a system/database to ensure payments to the suppliers and contractors are paid without delay according to the conditions of the contract.
24. *Frequency of Procurement Supervision*: Initially, procurement supervision will include prior review of contracts and procurement implementation support visits (part of project supervision visits) once every six months. Once the capacity of the implementing agency is strengthened, the frequency of procurement supervision missions and prior review thresholds may be revised.
25. *Post Review*: 20 percent out of all contracts not subject to prior review will be post reviewed. There will be a number of shopping contracts.

- A. Prior review thresholds will be set up in the project procurement plan and will be generally based on the following requirements.
- i. All goods contract awarded through ICB and NCB (>US\$500,000).
  - ii. All consulting contracts for firms >\$100,000 and contracts with individual consultants estimated to cost US\$50,000 equivalent or more.
  - iii. All direct contracts, single-source contracts and contract amendments are subject to the World Bank's prior review.
26. The prior review thresholds will be periodically reviewed and revised as needed during project implementation based on risk assessment, procurement post-review reports and improved capacity of the implementing agency.
27. Disclosure: The following documents shall be disclosed in the MHSD website: (i) procurement plan and updates, (ii) invitation for bids for goods and works for all ICB and NCB contracts, (iii) request for expression of interest for selection/hiring of consulting services, (iv) contract awards of goods and works procured following ICB/NCB procedures, (v) list of contracts/purchase orders placed following shopping procedure on quarterly basis, (vi) short list of consultants, (vii) contract award of all consultancy services, (viii) list of contracts following Direct Contracting (DC) or CQS or SSS on a quarterly basis, (ix) monthly physical and financial progress of all contracts and (x) action taken report on the complaints received on a quarterly basis.
28. The following details shall be sent to the World Bank for publishing in the World Bank's external website and UNDB: (a) invitation for bids for procurement of goods and works using ICB procedures, (b) request for expression of interest for consulting services with estimated cost more than \$300,000, (c) contract award details of all procurement of goods and works using ICB procedure, (d) contract award details of all consultancy services with estimated cost more than \$300,000, and (e) list of contracts/purchase orders placed following SSS or CQS or DC procedures on a quarterly basis.

*Environmental and Social (including safeguards)*

29. The project does not foresee financing any civil works. However, civil works may be launched once the project interventions commence, particularly civil works financed by other sources that include upgrading of EC, EU, or training provider facilities. Potential environmental impacts associated with the above interventions are minor, short-lived, and primarily limited to the project sites (except for movement of equipment and materials to/from the site). These issues are primarily dust, noise, disposal of waste material and/or older equipment, some traffic disruption (depending upon specific location), worker safety (e.g. works at height) etc. All these impacts are addressed with good engineering and construction practices and with mitigation measures specified in individual project Environmental Management Plan (EMP) checklists. An EMP checklist with project description and potential environmental issues usually related to rehabilitation as well as typical mitigation measures was disclosed on the website of the MHSD and the Infoshop on December 19, 2014.

30. The Safeguards Policies are also relevant for Component 1 in that the educational standards and the certification standards developed under the project should incorporate environmental and social Safeguards aspects that are relevant to the fields in question (notably the pilot of three sector-specific skills testing and certification centers, which will be in the fields of mining, oil and gas, tourism, machine building, and construction – environmental and social sustainability and protection are important elements to include in capacity building and certification/standards processes in all three of these fields).
31. The overall social and gender impacts of the project are expected to be positive, especially in terms of enhanced employment outcomes. Project activities will pay particular attention to vulnerable groups, including the unemployed, unproductively self-employed, and employees of micro-, small, and young firms. The project is expected to have a positive impact on women's employment outcomes by matching them with training programs that will lead to higher earning and productivity jobs once the profiling tool is functioning. The results of the project interventions will be monitored using gender-disaggregated data, as well as data disaggregated by vulnerable population groups where relevant. The project can be expected to have an ongoing positive impact on employment outcomes for the beneficiaries and can therefore potentially have a large impact on shared prosperity. No resettlement or land acquisition is envisioned under the project, thus OP 4.12 is not triggered.
32. The project will promote feedback mechanisms, consultations, and transparency. Specific activities include: (i) the introduction of the FRM to allow beneficiaries and stakeholders to provide feedback and for their grievances to be resolved; (ii) regular public consultations with stakeholders to ensure that the project is fulfilling its objectives, and (iii) a strong focus on capacity building and institutional strengthening of agencies involved, as well as a focus on good governance.

### *Monitoring & Evaluation*

33. The MHSD will be primarily responsible for project monitoring, including the development and implementation of the baseline and follow-up surveys. The PDO-level and intermediate result indicators will be monitored through: (i) baseline and follow-up surveys, (ii) tracer survey of training outcomes; and (iii) bi-annual reports prepared by the MHSD. The first two activities will also contribute to project evaluation. The M&E activities under the project will be integrated into the regular monitoring functions of the MHSD. Project indicators have been selected to be compatible with those used in the government's regular data collection.
34. Strong ongoing beneficiary and stakeholder participation will be integrated in the project's monitoring and supervision activities. The Feedback and Resolution Mechanism (FRM) will provide a forum for beneficiaries and stakeholders to give feedback on the project on an ongoing basis. The FRM will be supplemented by regular public meetings in project areas, especially for Component 2. In addition to tracking beneficiary feedback on the project's implementation, the FRM and public meetings will be used to track perceptions of the project's governance, including its transparency, responsiveness, and relevance.

35. Monitoring of project inclusiveness and citizen engagement. Relevant PDO-level indicators and select intermediate results indicators will be disaggregated by gender. Given the demand-driven design of the project, citizen engagement will be monitored over the project implementation cycle by measuring the number of beneficiaries that are unemployed and unproductively self-employed, as well as the training providers and firms that opt to participate in the project.

#### **Annex 4: Implementation Support Plan**

#### **KAZAKHSTAN: Skills and Jobs Project**

#### **Strategy and Approach for Implementation Support**

1. The strategy for supporting implementation of the proposed project emphasizes three primary regular activities: (i) dialogue with the Government, (ii) joint review of project implementation, and (iii) exercise of fiduciary oversight throughout the implementation period.
2. *Regular dialogue with the Government* will facilitate early identification of problems and obstacles which could potentially delay implementation, and will enable timely provision of technical advice and support to remove such obstacles. This will contribute to a “just-in-time” identification of issues, without the need to raise these during joint reviews.
3. *Joint reviews, which will occur semiannually*, will be aimed at reviewing the progress and achievement of agreed targets and results, as indicated in the project’s Results Framework. The World Bank Task Team will participate in such reviews with representatives of the government and other relevant stakeholders. During each review, the necessity for and type of implementation support will be identified.
4. *Fiduciary oversight* will enable the World Bank to fulfill its fiduciary obligations and ensure compliance with the World Bank’s fiduciary standards through the ongoing supervision of the project’s FM and procurement arrangements and outcomes.
5. *FM implementation support and supervision* will be performed in two ways: (i) desk reviews of the project’s quarterly IFRs as well as the reviews of the project’s audited annual financial statements and annual auditor’s report and management letter; and (ii) on-site supervision to review the continuous adequacy of the project’s FM and disbursement arrangements. This would include monitoring and reviewing any agreed actions, issues identified by the auditors, randomly selected transactions, as well as other issues related to project accounting, reporting, budgeting, internal controls, and flow of funds. Special emphasis would be placed on the adequacy of the budgetary allocations to pre-finance project expenses and internal controls framework instituted for the grants. The on-site reviews may include visits to selected beneficiaries of grants, depending on the level of risk and findings identified.
6. *Procurement supervision* will be provided through prior reviews in accordance with procurement thresholds. Supervision will be carried out twice per year, through both desk and on-site reviews of procurement arrangements and results, including post review of

contracts selected in a random manner. As needed, on-site procurement training may be provided upon request to the relevant agency staff or PMU.

### Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate (per year)	Partner Role
First 12 months	All implementation aspects — mainly related to implementation of Component 1 and piloting of Component 2	Overall experience in project management, including procurement and financial management	World Bank TTLs (15 SW)	
			FM specialist (2 SW)	
			Procurement specialist (1 SW)	
		Strong technical expertise in NQS development	ICC Specialist (2 SW)	
			FRM specialist (2 SW)	
		Strong technical expertise in improving employment services, including LMIS reform and possibly procurement of IT equipment	Environmental Safeguards specialist (1 SW)	
			Social Safeguards specialist (1 SW)	
			Employment services specialist (8 SW)	
		Strong technical expertise in skills demand assessment	LMIS specialist (8 SW)	
			Skills development specialist (8 SW)	
		Strong technical expertise in M&E	M&E specialist (8 SW)	
12-60 months		Overall experience in project management, including procurement and financial management.	World Bank TTLs (15 SW)	
			FM specialist (2 SW)	
			Procurement specialist (1 SW)	
		Strong technical expertise in NQS development.	Environmental Safeguards specialist (1 SW)	
			Social Safeguards specialist (1 SW)	
		Strong technical expertise in improving employment services, including LMIS reform and possibly procurement of IT equipment.	ICC Specialist (2 SW)	
			FRM specialist (2 SW)	
			Employment services specialist (8 SW)	
		Strong technical expertise in skills demand assessment	LMIS specialist (8 SW)	
			Skills development	
		Strong technical expertise in		

		quality enhancements of workforce training provision	specialist (8 SW)	
		Strong technical expertise in M&E.	M&E specialist (4 SW)	

### Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL	15 SW annually	Field trips as required	Based at HQ
FM specialist	2 SW annually	Field trips as required	Based in Kazakhstan
Procurement specialist	2 SW annually	Field trips as required	Based in Kazakhstan
Environmental safeguards specialist	2 SW annually	Field trips as required	Based in Kazakhstan
Social safeguards specialist	1 SW annually	Field trips as required	Based at HQ
ICC Specialist	2 SW annually	1 trip annually	Based at HQ
FRM specialist	2 SW annually	1 trip annually	Based at HQ
Employment services specialist	8 SW annually	Field trips as required	Based at HQ
LMIS specialist	8 SW annually	Field trips as required	Based at HQ
Skills development specialist	8 SW annually	Field trips as required	Based at HQ
M&E specialist	4 SW annually	Field trips as required	Based in Kazakhstan



## **Annex 5: Economic and Financial Analysis**

### **KAZAKHSTAN: Skills and Jobs Project**

This Annex summarizes the economic and financial analysis of the project and is organized as follows: (i) country and sector context; (ii) public intervention rationale; (iii) project's development impact; (iv) cost-benefit analysis; and (v) the World Bank value-added.

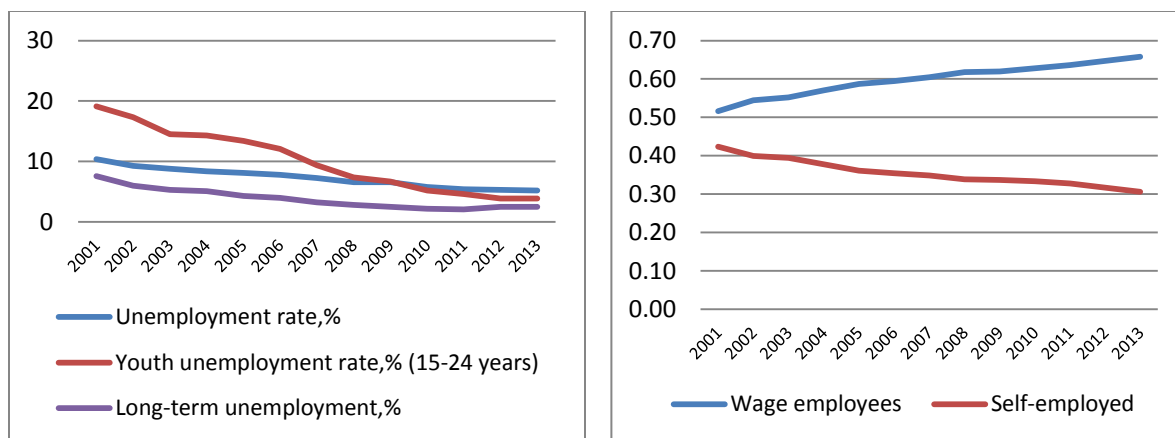
#### ***A. Country and sector background***

**Over the past decade, Kazakhstan enjoyed robust GDP growth, averaging 8 percent annually, and a sharp rise in per capita income, but diversification of the country's natural resource dependent economy remains a challenge.** Between 2001 and 2013, Kazakhstan's GDP per capita more than doubled, from \$2,664 to \$5,425 with economic growth being largely pro-poor. According to the official statistics, the share of the population living in poverty went down from 47 percent in 2001 to about 3 percent in 2013, as measured by the national poverty line. However, the economy remains highly natural resource-dependent and the Government of Kazakhstan (GOK) is increasing its focus on diversified and inclusive growth for the future. Diversification remains a challenge for the country, with minerals, oil, and natural gas accounting for 73 percent of exports and 39 percent of GDP. The development strategy of the GOK focuses on modernization, improved competitiveness and a shift towards growth based on non-oil sources. Increasing emphasis is also being placed on strengthening governance, business-enabling environment, private sector enterprise, and skills development needed to meet the demands of the changing economy.

**Labor force participation and employment rates have been traditionally high in Kazakhstan, especially for women, and unemployment is maintained at low levels.** In 2013, among those 15 years and older, 77 percent of men and 67 percent of women were economically active. In line with strong economic growth, unemployment halved between 2001 and 2013, decreasing from 10.4 to 5.2 percent (Figure 1). While there has been a gradual shift from self-employment toward wage employment (Figure 2), self-employment still remains high at 30.6 percent of the employed. With such low official unemployment rates, the immediate jobs challenges for Kazakhstan lie in improving access to better quality jobs and increasing labor productivity in non-extractive sectors.

**Figure 1: Unemployment rates**

**Figure 2: Employment shares**



Source: World Bank staff calculations based on official statistical data.

Moreover, much of the observed poverty reduction and increased shared prosperity in Kazakhstan can be attributed to improvements in the labor market, in particular through increases in earnings of the less well-off. Since 2008 earnings have played an increasing role in the poverty reduction in Kazakhstan with its contribution increasing from 1.6 percentage points decline in 2008-2009 period, to 4.8 percentage points decline in the 2012-2013 period (Figure 3 and Figure 4). During the same period, the contribution of earnings to shared-prosperity has also been on the rise. These results suggest that going forward, much of ability of the country to continue to reduce poverty and boost shared prosperity (that is, the income of the bottom 40 percent) will be determined by the dynamics of its labor market and improved productivity.

Figure 3. Poverty change decomposition by sources of income (in percentage points)

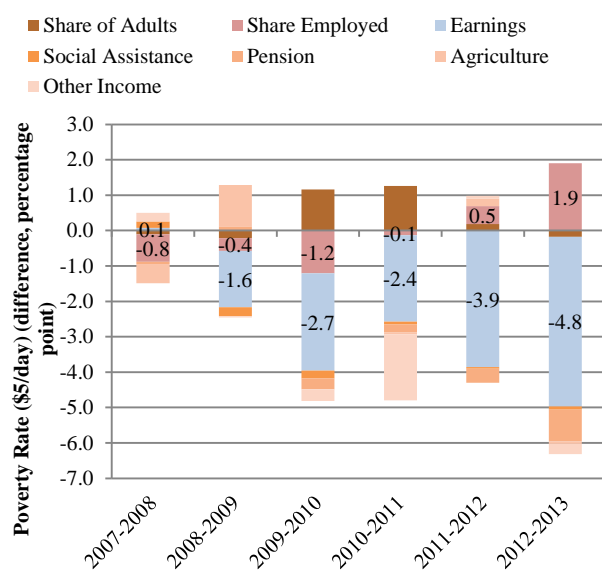
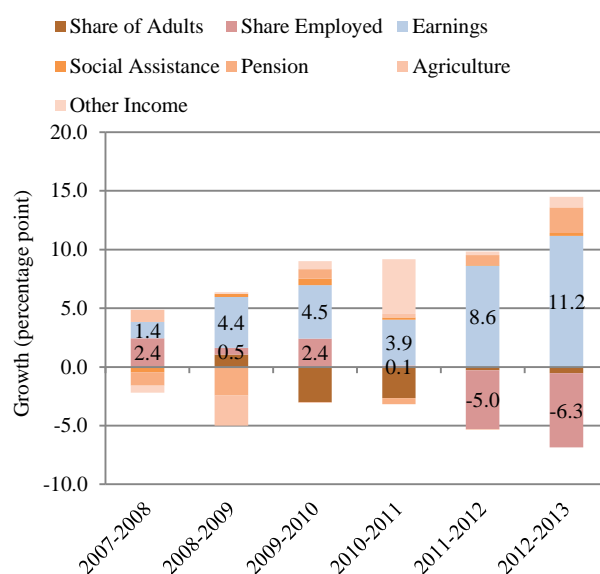


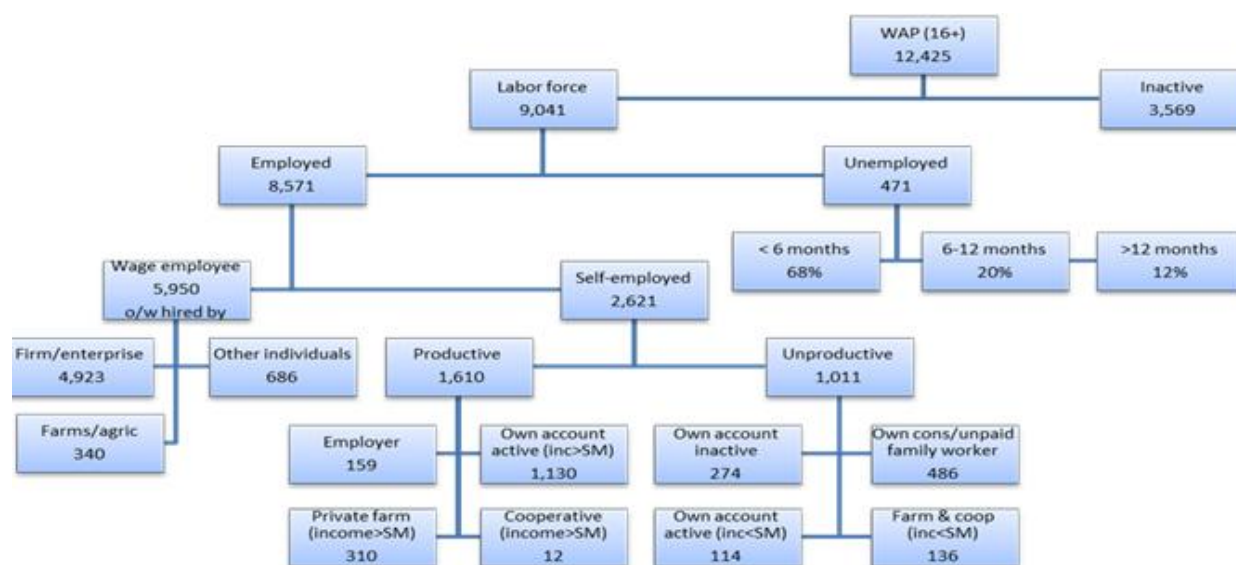
Figure 4. Shared Prosperity decomposition by source of income (in percentage points)



Source: Azevedo, Sattar and Yang (2015) *Poverty and Shared Prosperity Diagnostic in Kazakhstan*

**Unemployment in Kazakhstan is currently of short duration, but a small segment of particularly hard to place population remains.** According to the latest household survey data (Figure 5), out of approximately 470,000 unemployed, almost 70 percent have been looking for a job for less than 6 months, about 20 percent have been looking for up to a year, and only a small share (12 percent) has been unemployed for more than a year. Long term unemployed are more likely to reside in rural areas and have slightly lower educational attainment. They might face other non-labor market related barriers to employment, such as childcare needs, disabilities, etc., and they live mainly in remote areas with little job creation. While this population group is relatively small, they represent an important target group for the employment services, as they may need intensified support for job placement, including training and retraining.

**Figure 5: Labor force profile in Kazakhstan, thousands, 2013**

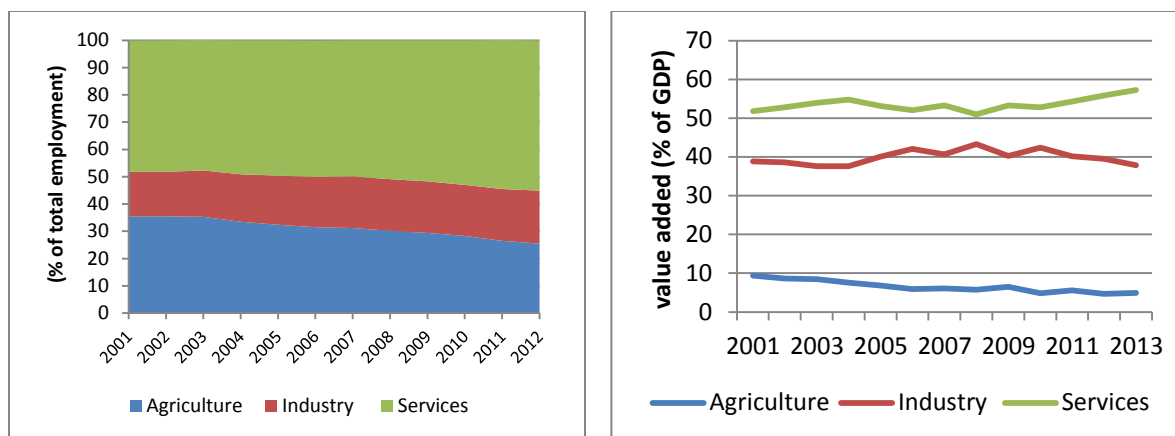


Source: Staff calculations based on official statistical data (2013).

**A large share of the workforce continues to be concentrated in low productivity sectors.** The GOK is concerned about high rates of low productive self-employment, given that 29 percent of those with jobs are self-employed and two thirds of all self-employed are engaged in agriculture. Agriculture continues to employ about one third of the active population while the sector's contribution to GDP is only 5 percent (Figures 6 and 7). Among the self-employed, 38.6 percent are engaged in low-productivity activities not earning income sufficient to satisfy their basic needs. They amount to as many as 1 million people (Figure 5). Furthermore, informality, also mainly of low productivity, is estimated at about 24.3 percent of total employment.

**Figure 6: Employment by sector**

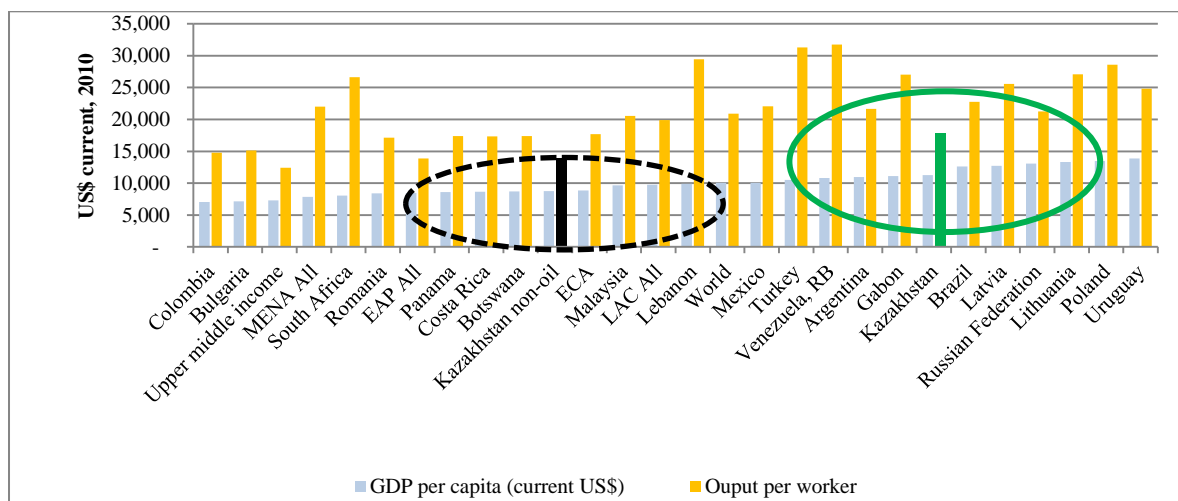
**Figure 7: Value added (% of GDP) by sector**



Source: World Bank staff calculations based on official statistical data.

**Although productivity has grown fast over the last decade, Kazakhstan's output per worker is still relatively lower than in comparator countries.** Kazakhstan has experienced fast productivity growth over the last 10 years both in the oil and non-oil sectors of the economy. Total output per worker (oil and non-oil) in 2010 was about \$18,000, which is still substantially lower than in comparator countries (Figure 8). Non-oil output per worker at about \$14,000 in 2010, which is also below average when contrasted to comparator countries. Kazakhstan's non-oil output per worker is about 15 percent below the average non-oil output per worker for the ECA region and 25 percent below the average productivity for the Latin American and Caribbean region.

**Figure 8: Labor productivity in Kazakhstan and comparator countries**



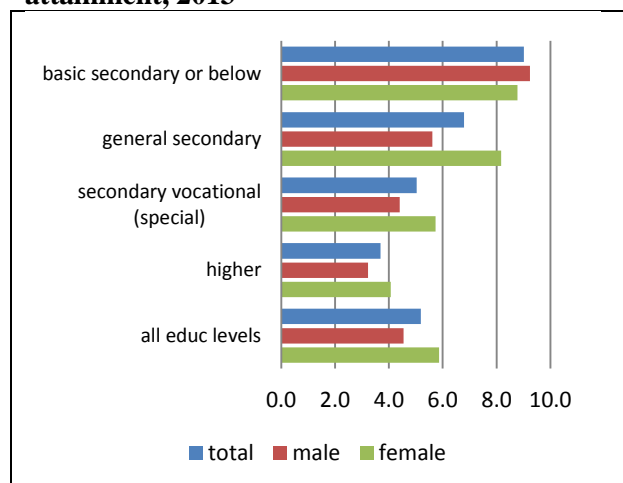
Source: WDI, WB staff calculations.

Note: The green bar in Figure 6 refers to total output per worker (oil and non-oil); the black bar refers to non-oil output per worker. "MENA All" refers to all countries in the Middle East and North Africa; "EAP All" refers to all countries in the East Asia and Pacific region. "LAC All" refers to all countries in Latin America and the Caribbean.

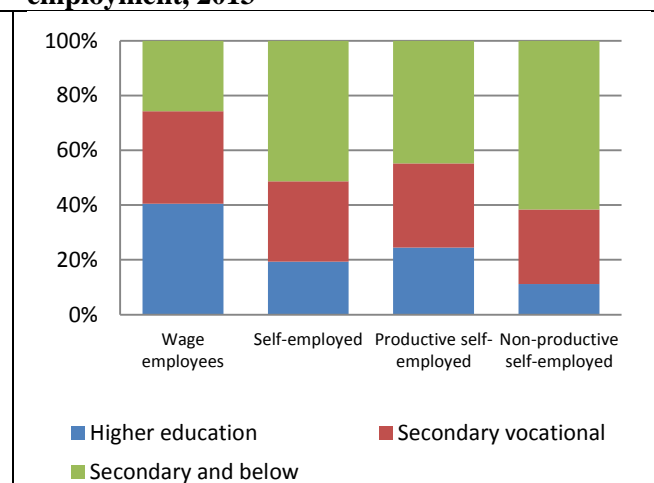
**Educational attainment is strongly linked with labor market outcomes and largely determines access to better quality and higher wage employment and jobs.** The

unemployment rate for those with basic secondary education or below is almost double the national unemployment rate and is also high for women with general secondary education (Figure 9). As was noted earlier, long term unemployed tend to have lower educational attainment pointing to additional difficulties these people face in the labor market. Among wage employees, 41 percent have higher education compared to just 19 percent among the self-employed. This share is actually higher (25 percent) among those self-employed with higher earnings ("productive" self-employed) and particularly low among self-employed engaged in non-productive employment (11 percent). Among the latter, an overwhelming majority (62 percent) has only general secondary education or less and only 27 percent have technical or vocational secondary education (Figure 10).

**Figure 9: Unemployment rate by educational attainment, 2013**



**Figure 10: Education attained by type of employment, 2013**

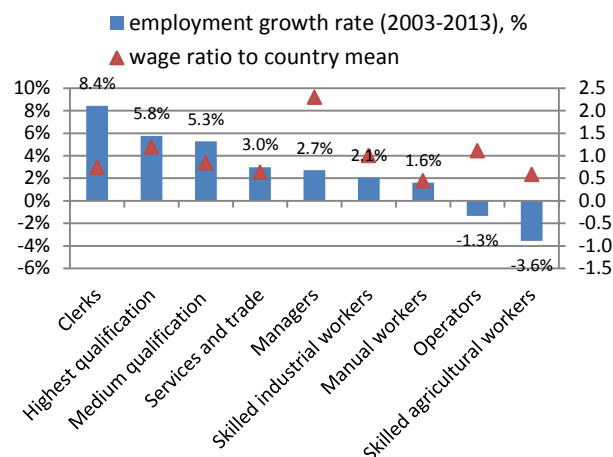


Source: Staff calculations based on official statistical data (2013).

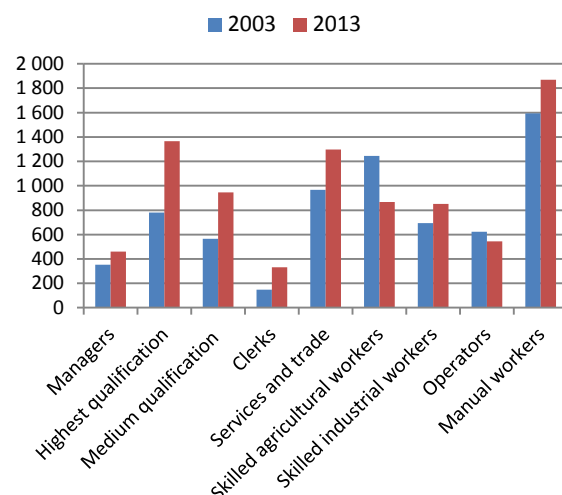
**Employment growth has been higher for occupations that require medium to high skills, although many workers remain low-skilled.** In line with changes in the economy, manual workers, operators, and skilled agricultural workers have been in less demand in the last decade compared to high and medium skilled workers in other sectors. For instance, between 2003 and 2013, demand for workers with high qualifications increased by 5.8 percent, while demand for manual labor increased only by 1.6 percent and for skilled agricultural workers it decreased at a rate of 3.6 percent (Figure 11). Those in administrative occupations have seen a significant employment growth as well, but from a much smaller initial employment level. Despite growth in high and medium skill employment, the large share (approximately one fifth) of workers remains low-skilled and work in manual jobs (Figure 12). As the Kazakhstan economy continues to develop and diversify, there will not only be a need for high skilled specialized employees, but also opportunities for the low-skilled to upgrade their qualifications to be able to secure better jobs.

**Figure 11: Employment growth rates between 2003 and 2013 and the wage ratio to the country mean**

**Figure 12: Occupational profile of employment in 2003 and 2013 (thousand workers)**



Source: Staff calculations based on official statistical data (2013).



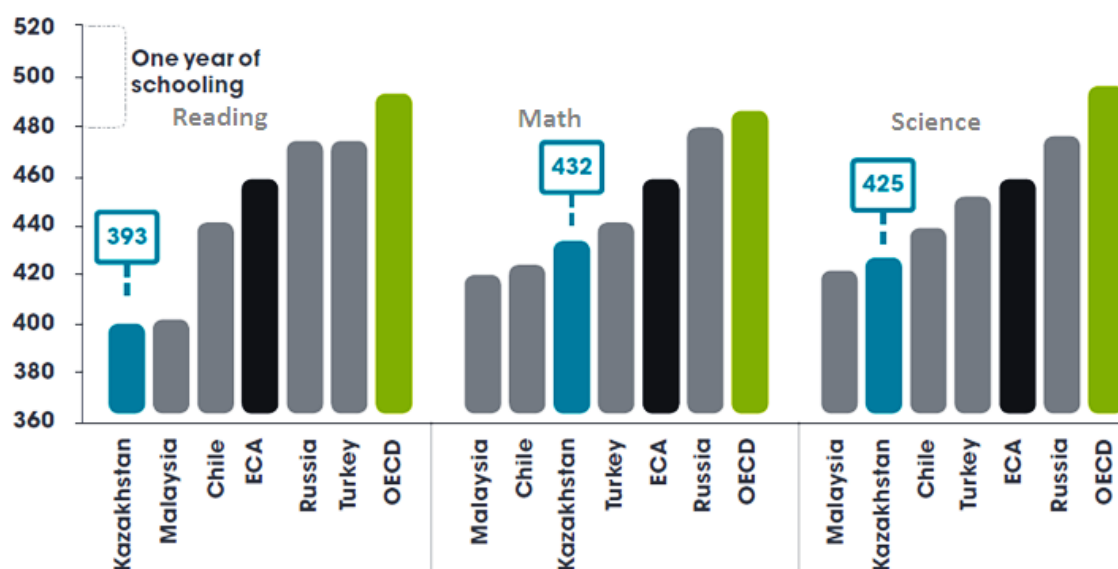
Source: Staff calculations based on official statistical data (2013).

**Although large quantities of graduates enter the labor market each year, they may still lack the appropriate skills mix to meet the needs of a diversifying and modernizing economy.**

Low relevance has been one of the key challenges confronting skills development in Kazakhstan, which is reflected in the poor, but markedly improved performance on international student assessments, such as the OECD's Programme for International Student Assessment (PISA)<sup>16</sup>. According to the OECD, 40 points in PISA is equivalent to what students learn in one year of schooling. In this context, Kazakh reading scores still lag the ECA average by about one year of schooling, and the OECD average by two years. However, Kazakhstan's PISA improvements narrowed the gap with ECA peers by almost half, compared to the previous assessment.

**Figure 13: Comparison of PISA 2012 scores for select countries and ECA/OECD averages**

<sup>16</sup> Kazakhstan's performance on PISA improved markedly since 2009, especially in math and science and also among the lowest achievers, but its overall achievement remains significantly behind other countries with similar income per capita levels.



Source: OECD, PISA 2012 Results (2012); WB, Strengthening Kazakhstan's Education System (2014)

Low relevance results from a predominately supply-driven orientation to skills development, weak linkages between education institutions and the labor market, and obsolete education standards and curriculum that are not based on occupational and functional analysis. The lack of a functioning and independent qualifications system exacerbates the challenge. While there is a plenty of anecdotal evidence of mismatch between the skills required by employers and those in the current labor force, there is scant information available for policy making on which skills are in demand, in which occupations and sectors<sup>17</sup>.

**To achieve its goals of economic diversification and increasing productivity Kazakhstan will require a highly skilled labor force and further investments in improving skills development programs and employment services.** Existing evidence indicates that there has been employment growth in occupations that require a higher degree of labor force qualification, but there are indications that both the stock and flow of the labor force may be lacking the skills needed to meet the demand of the changing economy. There is a need to both improve the quality and relevance of pre-employment training provision as well as expand access to improved skills development programs (training, retraining and upgrading qualifications) for the low skilled. As Kazakhstan's economy continues to develop, the demand for low skilled labor is likely to continue to fall, which could lead to higher unemployment among the low-skilled. Employment services, if modernized, are likely to play a key role in facilitating job matching and helping the unemployed and those in low-productive self-employment to upgrade their skills and find better employment.

**Kazakhstan's employment services lack capacity to offer high quality services to various population groups that may need assistance on the labor market.** Kazakhstan's Employment

<sup>17</sup> The analytical work (through several JERPs) to be done simultaneously with project preparation will aim to fill (at least partially) this knowledge gap. Additionally, Kazakhstan is slated to participate in the next edition of the OECD's study of literacy, numeracy, and problem-solving among individuals between the ages of 16-65 known as the Programme for the International Assessment of Adult Competencies (PIAAC, 2015). These engagements will contribute to reducing the information gap regarding the demand and supply of skills in Kazakhstan.

Centers or Employment Units (EC/EU)<sup>18</sup> currently serve a small share of the unemployed. Of the 470, 000 unemployed people in 2013, only 30,000 (6.4 percent) were registered at the ECs. There are 209 ECs in Kazakhstan, with almost 2,000 employees, and a similar number of EUs are distributed across the country. Few people receive benefits that they value and hence, EC/EU registration is not common: only 0.4 percent of the registered unemployed received contributory unemployment benefits in 2011. Labor market intermediation consumes a large portion of EC/EU staff time as they match job-seekers with available vacancies. This process continues with low-capacity staff, and a labor market information system (LMIS) that is not fully utilized.

**Existing labor market information system (LMIS) data is underutilized.** The LMIS has considerable information on jobseekers but there are four main challenges to effective utilization: (i) a small number of vacancies in the database; (ii) EC/EU staff can neither advise beneficiaries about career options based on labor market demand conditions; (iii) nor can they advise about labor market programs that might be best suited to their needs based on statistical methods; and (iv) EC/EU staff also cannot provide beneficiaries with information about training provider performance data so that beneficiaries can make better choices.

**Employment services currently offer training opportunities for the unemployed, but there is a significant room for improvement in both the relevance of provided training and its quality.** Currently, Employment Roadmap 2020 program finances training, retraining and upgrading qualification courses for the unemployed. In 2013, approximately 13,000 people received short term (1-3 months) training at an annual cost of approximately US\$ 6 million. However, there are serious concerns about the relevance of provided training and its quality. The process appears to be somewhat supply driven (i.e. trainees are sent to courses that are available) and with better functioning labor market information system training choices could be better informed by demands for specific occupations and returns to different training programs. Moreover, certain population groups are currently not represented among beneficiaries, such as unproductive self-employed, who can benefit from training which could either increase their earning capacity or allow them to find better paid wage employment.

### ***B. Rationale for public sector provision***

The analysis of the challenges that Kazakhstan is currently facing as it attempts to diversify its economy and raise productivity and earnings provides a strong economic rationale for government intervention and reforms in the pre-employment TVE, training and re-training for the workforce, and improved employment services. First, quality and relevance of existing training appear to be lacking. Second, while there are sizeable private gains to education in Kazakhstan and educational attainment is a strong predictor of access to better jobs, productivity remains low due to low competencies. Several market failures exist which undermine private provisions of training, including fear of poaching, lack of (reliable) information and financing constraints, myopia, externalities, and coordination failures. Available evidence suggests there is an under-provision of relevant training in Kazakhstan. The proposed approach is to address

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<sup>18</sup> Employment *Centers* are financed by the federal budget and were established to support implementation of the Government's Employment Roadmap 2020 Program. The Employment *Units* are financed by the regional budget, providing both employment and social services. The Joint Economic Review Program (JERP) on Labor will conduct a functional review of the EC and EU and make a recommendation for an optimal institutional structure.



existing constraints to the provision of relevant training, which include market failures and inefficiencies in public delivery of training services.

The provision of project financed services by the public sector is appropriate. When it comes to building a national qualifications system (NQS), the public sector has a clear role to play in ensuring that an appropriate legislative framework is in place that is consistent with NQS goals, creating and maintaining policy coherence across different Ministries and alignment of interests of other stakeholders, and providing adequate funding for the NQF development process at both national and institutional level (Tuck 2007). Public provision of training subsidies and grants is a widely used public policy tool to address market failures and close skills gaps in the current labor force. Finally, employment services for hard to reach/place groups are unlikely to be offered by private providers, given the difficulties that they would have to internalize the benefits. The involvement of public sector is critical, but does not imply that each aspect of the program must be executed by a public agency. In fact, training services are offered by many different institutions, including public schools, private training centers, NGOs, and private firms and organizations.

### **Component 1**

A functioning NQS has the potential to establish the all-important links between the world of work and education and to create a common language between employers and schools. Employers demand skilled staff and have a vested interest in employee competence. However, labor markets cannot function fully if employers have to conduct assessments whenever they recruit new employees. As such, they look to socially-recognized and widely-approved qualifications. These qualifications do not only help individuals get their first job. For many, changing jobs or occupations is necessary. Societies need qualifications which facilitate and recognize lifelong learning; including learning that has already taken place after individuals leave the education system. Traditional vocational qualifications cannot do this. Acknowledging this constraint, reforms of traditional qualifications point to emerging trends:

- The use of occupational standards as the base for VET qualifications – and incorporating standards developed by different sources into the national system.
- A lifelong approach to learning to ensure a range of qualifications types – for young people, and adult learners. Build qualifications around units for flexible delivery, learner access and simpler assessment.
- Quality standards and quality assurance for qualifications to meet NQF criteria for levelling; and ensure quality assessments.
- Establishment of skills councils and similar bodies.
- Development of a range of methods and systems to recognize prior learning.
- Make qualifications national to ensure comparability, while restricting the number of awarding and accreditation bodies.

Establishing the foundations of a NQS can be considered a public good that benefits employers, pre-employment education and training beneficiaries, as well as beneficiaries interested in receiving workforce training. This project establishes the key building blocks of the NQS so that public and private institutions can take the next steps of implementation.

## **Component 2**

Public investments in skills are warranted when private entities fail to invest enough in skills because they do not internalize the externalities that skills create for society or because of market failures, such as imperfect financial markets, myopia, and coordination and information failures. The individual benefits can be measured by returns to training and skills. The social benefits of public investment in skills can be represented by growth and productivity externalities and positive spillovers that skills could create in other sectors, such as health.

### *Returns to education*

Returns to education in Kazakhstan remain very high, even though there are some notable differences among wage earners and the self-employed, and women and men. Estimates show that those with general secondary or vocation education have, on average, a wage premium of about 17 percent compared to those with basic secondary or less (Table 3). While this is a sizeable gain, those with higher education receive on average 47 percent more in earnings than those with basic secondary or less. The results, however, vary significantly by type of employment (wage or self-employed) and by gender. As was shown earlier, education attainment is strongly linked with labor market outcomes, so there are potentially large private gains in additional training for those lacking education or certain skills.

**Table 1: Returns to education in Kazakhstan in 2013<sup>19</sup>**

	Wage income			Self-employment income			Total earnings		
	Total	Females	Males	Total	Females	Males	Total	Females	Males
Secondary or vocational	0.161***	0.181***	0.152***	0.115**	-0.033	0.210***	0.170***	0.174***	0.171***
Higher education	0.458***	0.527***	0.390***	0.363***	0.182**	0.472***	0.471***	0.503***	0.426***
Age	0.046***	0.035***	0.055***	0.110***	0.098***	0.117***	0.059***	0.057***	0.064***
Age squared	-0.001***	-0.000***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***
Female	-0.305***			-0.504***			-0.318***		
Urban	0.289***	0.230***	0.346***	0.609***	0.806***	0.486***	0.319***	0.284***	0.417***
Constant	12.158***	12.047***	11.993***	10.733***	10.537***	10.547***	11.887***	11.621***	11.704***
R-adj	0.236	0.213	0.201	0.183	0.16	0.152	0.199	0.152	0.164
N	69883	34516	35367	9829	3944	5885	79778	44382	45236

\* p<0.05, \*\* p<0.01, \*\*\*p<0.001

Source: Staff calculations based Kazakhstan HBS (2013).

### *Market failures*

In Kazakhstan, like in many other countries, the lack of information on labor market demand, available skills development programs, and types of skills produced by the current system lead to inefficiencies in the labor market. Collection, analysis, and dissemination of data and information on skills supply and demand represents a public good that can help to narrow skills

<sup>19</sup> Due to delays with obtaining the recent data for project preparation, at the time of the document writing there remain some unresolved issues and concerns about data quality. Hence, results presented should be taken as preliminary and indicative.

gaps and mismatches. To achieve this goal, several components of the project aim to improve information available to those in the labor market to allow them to make better informed decisions. Additionally, these information systems can be used for evidence based policymaking in these areas.

International data and evidence suggest that various market failures can contribute to under-investment in skills of employees by firms, including externalities, financial constraints, and lack of information, among others. Externalities occur when the company paying for the training does not reap the benefits due to “poaching”<sup>20</sup>, i.e. when a non-training firm hires the trained worker away from the firm that trained him. Financial constraints arise since human capital cannot be used as collateral in borrowing funds to pay for training. No insurance market exists to compensate for the risks associated with investments in human capital. Capital market failure in this sense provides primarily a rationale for subsidies to individuals.<sup>21</sup> Under-investment in training could be caused by lack of information and perception problems: lack of awareness of the benefits or knowledge of available incentives.<sup>22</sup>

Available evidence points to an under provision of in-service training in Kazakhstan today, suggesting that at least some of these constraints may be binding. Access to training opportunities appears to be limited, as very few people receive formal training in the workplace. In 2013 only 3.4 percent of the employed undertook training, retraining or upgrading qualification courses in the last 12 months (Figure 14). Further, there is a large gap between urban and rural areas, where only 2.4 percent of employees received training compared to 4.2 percent in urban. These differences are consistent with the fact that in-service training is largely unavailable for non-wage workers, since less than 1 percent of self-employed took training in comparison to 4.6 percent of wage employees. Incidence of training is much higher among public enterprises compared to private ones (7 percent compared to 2.4 percent). Not surprisingly more educated employees (those with tertiary education) had more access to training than those with lower levels of education. This suggests that some of the market failures identified above may be binding for certain type of employees and firms. For instance, smaller firms appear to be less able to train their workers likely due to financing or information constraints.

**Figure 14: Training incidence by size of firm in the last 12 months (training, retraining, upgrading qualification) in 2013**

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<sup>20</sup> “The poaching of workers creates an externality because when knowledge is partially transferable, some of the returns from enterprise-based training are captured by future employers and thus are not internalized by the firm undertaking the initial investment.” (Almeida and Cho: 128). This is also called the “free-rider” problem. (Müller and Behringer: 22).

<sup>21</sup> Müller and Behringer: 21; Torres: 8; Stone 11.

<sup>22</sup> Smith and Billett 2004; Müller and Behringer: 45; NCVER: 109.



Source: Author calculations based on LFS 2013.

### *Social benefits*

An educated and well-trained labor force is one of the major drivers of firm productivity and country growth. When making educational and training choices, individuals do not account for the externalities produced by education and training may lead to underinvestment in education and training. Creating incentives for individuals to invest in training, e.g., public provision of skills training, and stipends for economically and socially disadvantaged groups and for private providers to expand training provision, may help to optimize the supply of educated and trained workers.

#### ***A. The project's development impact***

The project's development objective is to *improve employment outcomes and skills of target beneficiaries and to improve access to relevant TVET and higher education programs*. It will, therefore, contribute to addressing the need for improved quality and relevance of pre-employment training provision as well as expand access to improved skills development programs (training, retraining and upgrading qualifications) for the low skilled. It will also help modernize and better equip the public employment services to provide better services to the unemployed and those in low-productive self-employment to upgrade their skills and earning or find better employment.

Establishing the key building blocks of a national qualifications system that is well aligned with labor market demand is expected to improve quality assurance and relevance of pre-employment vocational and technical education and in-service training. This, in turn, is expected to lead to better employability of TVE graduates or productivity of those who take job-relevant, in-service training. Returns to such training in terms of wages could increase if it leads to higher on-the-job productivity. However, it should be noted that possible market failures also exist, including a weak linkage between performance and pay. Finally, improving quality assurance could also

help make the TVE system more efficient by reducing unnecessary or irrelevant training provision.

*Improved labor market services* will also produce economic benefits such as better job matching and reduced unemployment spells. Job-search assistance programs tend to have positive short-term impacts (for a one-year post-program horizon), unlike subsidized public sector employment efforts, which are less likely to yield positive impacts.<sup>23</sup> The proposed innovations, such as a profiling and targeting tool for the unemployed can increase efficiency of labor market services as well as their effectiveness. Several OECD countries, including the United States and Australia, have successfully incorporated statistical profiling to increase the accuracy of predicting employment outcomes for individuals in terms of the spell of unemployment benefits (US) or the outflow from unemployment (Australia) (Konle-Seidl, 2011). European countries, such as Denmark and Sweden, have also used profiling tools with high forecasting accuracy – roughly 70 percent; however, these are often not sophisticated statistical tools, and tend to rely on a caseworker’s judgment.

*Increased access to relevant training* for the working age population is expected to yield economic benefits to the individuals taking the training, to firms employing these individuals, as well as to society overall. Unemployed and unproductively self-employed beneficiaries are expected to be more employable in the formal sector, as well as to earn higher wages. Firms can increase productivity and gain higher profits with a more productive cadre of workers, even though the evidence is mixed regarding returns to training (employment) and returns to employees (wages). Experimental and non-experimental evaluations of youth programs in Latin America indicate generally positive results for program participants when assessing the chances of job placement of participants, and the quality of their jobs (Table 2) (Almeida et al. 2010). The effect on wages appears quite mixed given the lack of significance observed in three of them. However, the cost-benefit analysis of each indicates a generally positive yield. Classroom and on-the-job training programs are not likely to yield positive impacts in the short-term, but they do in the medium term (2 year horizon) (Card et al. 2010).

**Table 2: Labor Market Impacts and Cost-Benefit Analysis of Job Training Programs in Latin America**

	Employment Rate <sup>a</sup>	Formality (Quality of Job)	Wages <sup>b</sup>	Cost-benefit Analysis <sup>c</sup>
Colombia	5% (w); none (m)	6-7% for (w); 5-9% (m)	22% (w) 10% (m)	IRR: 13.5% (w) 4.5% (m)
Panama	Overall not significant; 10-12% (w) and in Panama City	Overall not significant, probably higher outside Panama City	Not significant	NPV > 0 if 1 year of positive benefits (IR = DR)*
Peru	Large, 13% (much higher for women [20%], than for men negligible)	Large: overall 11%, 14% (w) 5% (m)	12 - 30%; 18% (hourly)	NPV > 0 if 7 years of positive benefits IRR > 4%
Argentina	0% - 11%, 10-30% for youngest	0-3%, 6-9% for youngest in one	No significant	NPV > 0 if 12 years of positive benefits

<sup>23</sup> Card, D., Kluve, J., and Weber, A. 2010. Active Labor Market Policy Evaluations: A Meta-Analysis. NBER Working Paper No. 16173.

	(<21)	cohort	pattern	
Chile	18-22% (larger for youngest groups)	15-23% larger for youngest groups	22-25%, imprecisely estimated	N/A

Notes:

<sup>a</sup>Differences in percentage points relative to the comparison group

<sup>b</sup>Percentage differences

<sup>c</sup>DR: discount rate = 5 percent except for Panama; unknown for Colombia;

IR: interest rate; IRR: internal rate of return; NPV: net present value

Sources: Card et al. 2010; Ibarra and Rosas 2009; Jaramillo 2006; Puerto 2007;

Similarly, effects of training on wages of employees who take on-the-job training vary (Table 3), but a recent meta-analysis<sup>24</sup> of the average wage effects of on-the-job training shows that they tend to be positive. Specifically, the average reported wage effect of on-the-job training, corrected for publication bias, is 2.6 per cent per course. However, the analyses reveal a substantial heterogeneity between training courses, while wage effects reported in studies based on instrumental variables and panel estimators are substantially lower than estimates based on techniques that do not correct for selectivity issues.

**Table 3: Effects of On-the-Job Training on Wages: Evidence from Selected Countries**

Country	Magnitude of effects
United States (Lynch 1992)	OJT: 0.20% to 0.36% wage increase per week of training Apprenticeship: 0.10 % to 0.26% wage increase per week of training
United States (Bartel 1995)	OJT: Increases in wage growth and a rate of return of about 13%.
United States (Frazis and Loewenstein 2005)	Formal training: Median of 60 hours increases wages by 3% to 4%
Republic of Korea and Malaysia (Middleton, Ziderman, and Van Adams 1993)	Republic of Korea: 28% rate of return Malaysia: 21% rate of return
Kenya and Zambia (Rosholm, Nielsen, and Dabalén 2007)	Formal training: 20% wage increase

Sources: Robalino et al. (2012).

## **B. Cost-benefit analysis<sup>25</sup>**

The economic value of the project has been assessed through a cost-benefit analysis of one sub-component, where economic benefits are more attributable and quantifiable than in other components, which have more systemic character<sup>26</sup>. Specifically, **Sub-component 2.3: Establishment and implementation of a skills enhancement training program (US\$60m)**, which establishes and then finances training offered through the Skills Enhancement Training Program (SETP) via a demand-driven approach to financing training activities to target beneficiaries. Target beneficiaries are: (i) unemployed; (ii) unproductively self-employed; and (iii) current employees in need of training. Of the funds allocated for training, the breakdown

<sup>24</sup> Carla Haelermans & Lex Borghans, 2012. "Wage Effects of On-the-Job Training: A Meta-Analysis," British Journal of Industrial Relations, London School of Economics, vol. 50(3), pages 502-528, 09.

<sup>25</sup> Full methodology and assumptions will be filed under project documents.

<sup>26</sup> For Component 1, the TVEM Project PAD notes that "there is no literature that could provide solid guidance on how the returns to TVE education are expected to change as the result of reforming the TVE system and the evolving structure of the economy." Although the net present value of the TVEM project's overall costs is estimated, this was not broken down by the activities that are taken up under the Skills and Jobs Project.

among unemployed, unproductively self-employed, and current employees in need of training is 25 percent, 50 percent, and 25 percent. Given the cost-sharing by firms for the current employees, the number of beneficiaries for this group is anticipated to be large relative to the amount of financing allocated. The SETP will first be piloted in three regions (in South Kazakhstan, North Kazakhstan, and Astana) and then rolled out nationally. The pilots will be evaluated and lessons learned will be used to improve operational guidelines and procedures.

As shown earlier, international evidence suggests that the proposed interventions have the potential to increase the employability and earnings of those who take training. Building on analyses for comparable interventions that include training for the unemployed or low-skilled workers, a standard cost-benefit approach has been used to calculate the total costs and benefits and convert them to a Net Present Value (NPV) of US\$ 66.5 million, when a 6 percent discount rate is used (Table 4). The NPV of expected quantifiable benefits from project components described above is US\$ 122 million from the following benefit streams: US\$ 66.1 million from increased wages and probability of employment of the unemployed; US\$ 43.6 million from increased wages of the self-employed, and US\$ 12.7 million from increased wages of the employees. Costs include Sub-component 2.3 costs at NPV (US\$ 55.9 million). The benefit to cost ratio is 2.2 and the Internal Rate of Return (IRR) is 15 percent under baseline scenario. A low case scenario which assumes half potential wage increases and increased probability of employment yields a cost ratio of 1.2 and IRR of 3 percent.

**Table 4. Summary of base case**

Benefits from increased wages and probability of employment for the unemployed	\$ 66,145,660
Benefits from increased wages of the self-employed	\$ 43,577,674
Benefits from the increased wages of the employees	\$ 12,700,027
<i>Total benefits</i>	<i>\$ 122,423,361</i>
Cost of Project disbursements and service charges	\$ (55,940,198)
<i>Total costs</i>	<i>\$ (55,940,198)</i>
NPV (benefits-costs)	\$ 66,483,163
Benefit to cost ratio	2.2
IRR	15%

### ***C. The World Bank's value added***

The World Bank has actively supported Kazakhstan's education initiatives through sustained multi-sectoral engagement, primarily through the Technical & Vocational Education Modernization (TVEM) Project and technical assistance and analytical work through the Joint Economic Research Program (JERP). The World Bank is also working closely with the GOK supporting its overall efforts to diversify the country's economy and to improve governance, including creating favorable business climate and promoting SME development.

The World Bank's global and local analytical, technical and operational experience in the education and training sector can bring useful lessons to the GOK in its attempts to design

innovative instruments for the skills development sector. The World Bank has carried out a large number of relevant analytical work on education and skills development in the transition economies of the former USSR and it has also supported a wide range of operational projects in the region, from which lessons can be learned. Given the World Bank's global presence, it can also bring international expertise and best practice from other regions, such as Eastern Europe, East and South Asia, Latin America, and Australia.

The proposed project will leverage the regional and global experience added by the World Bank's financial, operational, and analytical models. These models include a field-tested mix of monitoring and evaluation mechanisms, regulatory and financial safeguards, as well as overarching transparency in these processes. In particular, the World Bank's safeguards include high standards on protecting the environment, local populations, and indigenous groups.

The project's specific focus, and the emerging value-added of the World Bank, would result from three main channels. First, the World Bank's innovations informed by international best practices aim to introduce a job-seeker profiling tool to address how students are sorted in training, which tends to have long-term labor market implications for the economy and an individual's employment prospects. Second, the World Bank will also promote the development of a stronger monitoring and evaluation framework, necessary to provide quality monitoring data, but also critical to develop rigorous impact evaluations. Lastly, the World Bank adds value through its ability to convene a wide array of stakeholders and international experts to advance policy.



## Annex 6: Map of Kazakhstan

### KAZAKHSTAN: Skills and Jobs Project

