



Completion Report

Project Number: 29637
Loan Number: 1706-PNG (SF)
December 2008

Papua New Guinea: Employment-Oriented Skills Development Project

CURRENCY EQUIVALENTS

Currency Unit	–	Kina (K)
		At Appraisal (15 September 1999)
		At Project Completion (16 October 2008)
K1.00	=	US\$0.340
US\$1.00	=	K2.941
		US\$0.392
		K2.546

ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
DCD	–	Department for Community Development
DNPRD	–	Department for National Planning & Rural Development
DoE	–	Department of Education
EntMan	–	Entrepreneurship and management
GDS	–	German Development Services
ManCom	–	Managing community based
MOU	–	Memorandum of Understanding
NGO	–	nongovernment organization
ONP	–	Office of National Planning
PIU	–	project implementation unit
PARD	–	Pacific Department
PNG	–	Papua New Guinea
PNRM	–	Papua New Guinea Resident Mission
PCR	–	Project Completion Report
PSC	–	project steering committee
SDTF	–	Skills Development Trust Fund
SoE	–	statement of expenditure
STRU	–	skills training resource unit
SDR	–	Special Drawing Rights
VTC	–	vocational training center

NOTE

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.

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CONTENTS

	Page
BASIC DATA	i
MAP	vi
I. PROJECT DESCRIPTION	1
II. EVALUATION OF DESIGN AND IMPLEMENTATION	1
A. Relevance of Design and Formulation	1
B. Project Outputs	2
C. Project Cost and Financial Plan	4
D. Disbursements	5
E. Project Schedule	5
F. Implementation Arrangements	6
G. Conditions and Covenants	6
H. Consultant Recruitment and Procurement	6
I. Performance of Consultants, Contractors, and Suppliers	7
J. Performance of the Borrower and Executive Agency	7
K. Performance of the Asian Development Bank	9
III. EVALUATION OF PERFORMANCE	9
A. Relevance	9
B. Effectiveness in Achieving Outcomes	10
C. Efficiency in Achieving Outcomes and Outputs	11
D. Preliminary Assessment of Sustainability	11
E. Impact	11
IV. OVERALL ASSESSMENT AND RECOMMENDATIONS	12
A. Overall Assessment	12
B. Lessons Identified	12
C. Recommendations	13
APPENDIXES	
1. Summary of Achievements per the Project Framework	14
2. Yearly Disbursements of ADB Loan	17
3. Project Implementation Schedule	18
4. Status of Compliance with Loan Covenants	19

BASIC DATA

A. Loan Identification

1.	Country	Papua New Guinea
2.	Loan Number	1706-PNG(SF)
3.	Project Title	Employment-Oriented Skills Development Project
4.	Borrower	Independent State of Papua New Guinea
5.	Executing Agency	Department for Community Development
6.	Amount of Loan	SDR14,591,000
7.	Project Completion Report Number	1082

B. Loan Data

1.	Appraisal	
	– Date Started	10 June 1999
	– Date Completed	10 July 1999
2.	Loan Negotiations	
	– Date Started	13 September 1999
	– Date Completed	19 September 1999
3.	Date of Board Approval	28 October 1999
4.	Date of Loan Agreement	29 October 1999
5.	Date of Loan Effectiveness	
	– In Loan Agreement	27 January 2000
	– Actual	26 June 2000
	– Number of Extensions	2
6.	Closing Date	
	– In Loan Agreement	30 June 2006
	– Actual	25 September 2008
	– Number of Extensions	1
7.	Terms of Loan	
	– Interest Rate	1% during grace period and 1.5% thereafter
	– Maturity (number of years)	32
	– Grace Period (number of years)	8
8.	Disbursements	
	a. Dates	

Initial Disbursement	Final Disbursement	Time Interval
19 July 2000	23 September 2008	97 months
Effective Date	Original Closing Date	Time Interval
30 June 2000	30 June 2006	72 months

b. Amount							
Category	Currency	Original Allocation	Last Revised Allocation	Net Amt Available	Amount Disbursed	Un-disbursed Balance	
01 Civil Works for Skills Training Resource Unit	US\$	102,803	189,527	189,527	157,048	32,479	
02 Equipment, Vehicles, Furniture	US\$	1,110,273	790,136	790,136	634,437	155,699	
03A Consulting Services International	US\$	3,467,891	4,255,010	4,255,010	3,516,749	738,261	
03B Consulting Services-Local	US\$	842,985	1,066,174	1,066,174	483,789	582,385	
04 Staff on Secondment	US\$	34,268	0	0	0	0	
05 Staff Development /Training	US\$	3,447,331	2,812,971	2,812,971	2,406,162	406,809	
06 Skills Development Trust Fund	US\$	5,996,847	8,639,352	8,639,352	8,518,940	120,412	
07 Study Tours, Workshops, Research & Development	US\$	1,199,369	994,616	994,616	324,104	670,512	
08 Operation & Maintenance	US\$	952,642	924,050	924,050	263,124	660,926	
09 Review, Reporting, & Audit	US\$	130,217	146,343	146,343	24,038	122,305	
10 Interest Charge	US\$	1,166,474	1,294,053	1,294,053	522,539	771,514	
11 Unallocated	US\$	1,548,900	179,632	179,632	0	179,632	
99 Imprest Account	US\$	0	0	0	0	0	
TOTAL	US\$	20,000,000	21,291,864	21,291,864	16,850,930	4,440,934	

*An undisbursed balance of SDR2.85 million (US\$4.44 million) was cancelled at the time of loan closing.

9. Local Costs (Financed)	
Amount (US\$)	2,857,039
Percent of Local Costs	47.44
Percent of Total Cost	13.44

C. Project Data

1. Project Cost (US\$'000 equivalent)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	19,699	18,920
Local Currency Cost	19,298	8,709
Total	38,997	27,629

2. Financing Plan (US\$'000)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	12,099	5,083
ADB Financed	20,000	16,851
Beneficiaries	1,962	768
GDS	2,446	0
AusAID Financed	2,490	4,927
Total	38,997	27,629

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, GDS = German Development Services, IDC = interest during construction.

3. Cost Breakdown by Project Component (US\$'000)

Component	Appraisal Estimate	Actual
A. Legal and Policy Framework	2,799	1,493
B. Institutional Capacity Building		
B.1 Establishment of Skills Training Resource Unit	2,535	1,660
B.2 Improvement of Human Resource Development	11,279	4,107
C. Sustainable financing mechanism	15,021	18,397
D. Project Implementation	925	1,449
Total Base Cost	32,559	27,106
E. Physical Contingencies	1,028	0
F. Price Contingencies	4,303	0
G. Interest during Project Implementation	1,107	523
Total Project Cost	38,997	27,629

Source: Appraisal estimates - Staff estimates; Actual figures - ADB Records.

4. Project Schedule

Item	Appraisal Estimate	Actual
A. Legal and Policy Framework		
1. Refine and implement skills development policies	Apr 00 to Dec 02	Jun 00 to Dec 02
2. Establish coordination mechanism	Apr 00 to Jun 01	Jun 00 to Jun 01
3. Design framework and skills standards	Apr 00 to Dec 04	Jun 00 to Dec 04
4. Reduce impediments to informal sector	Apr 00 to Sep 02	Jun 00 to Sep 02
5. Adjust regulation framework for VTCs	Apr 00 to Mar 02	Apr 00 to Mar 02
B. Capacity Development		
1. Establish STRU	Jun 00 to Jun 01	Jun 00 to Jun 01
2. Design and install computerized database	Jun 00 to Sep 01	Sep 01 to Dec 03
3. Design and implement training materials	Jun 00 to Dec 05	Dec 05 to Mar 07
4. Upgrade provincial education staff	Jun 00 to Mar 02	Mar 02 to Jun 05
5. Upgrade VTC managers	Jun 00 to Jun 01	Jun 01 to Dec 03
6. Develop provincial cadre of master trainers	Oct 00 to Sep 01	Sep 01 to May 07
7. Technical and pedagogical upgrading of instructors	Jul 00 to Sep 05	Sep 05 to Dec 06
8. Training in application of SDTF	Nov 00 to Jun 05	Jun 05 to Jun 07
C. Support for Skills Development		
1. Set up of structure of SDTF	Apr 00 to Sep 00	Sep 00 to Dec 03
2. Guidelines and criteria for SDTF	Apr 00 to Sep 00	Sep 00 to Dec 02
3. Tender financial management	Apr 00 to Sep 00	Sep 00 to Jun 06
4. Award of contracts	Sep 00 to Dec 05	Dec 05 to Jun 07
5. Performance Monitoring and Evaluation	Sep 00 to Dec 05	Dec 05 to Dec 07
6. Replenishment of SDTF	Jan 01 to Jan 05	Jan 05 to Dec 07

SDTF = Skills Development Trust Fund, STRU = Skills Training Resource Unit, VTC = vocational training center.

5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 31 October 1999 to 31 December 2000	S	S
From 31 December 2000 to 30 April 2001	S	HS
From 31 May 2001 to 31 May 2004	S	S
From 30 June 2004 to 31 July 2004	S	PS
From 31 August 2004 to 30 September 2007	S	S
From 31 October 2007 to 31 December 2007	S	U
From 31 January 2008 to 25 September 2008	S	S

HS = highly satisfactory, PS = partially satisfactory, S = satisfactory, U = unsatisfactory.

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Fact-Finding Mission	19 Apr-7 May 1999	2	20	a, l
Pre-Appraisal Mission	11 June to 10 Jul 1999	3	80	a, c, d
Loan Negotiation Mission	13 to 19 Sept 1999	5	35	a, b, e, f
Inception Mission	1 Aug to 8 Aug 2000	2	8	a,g
Review 1	17 Jan to 21 Jan 2000	1	5	a
Review 2	21 Jan to 30 Jan 2001	2	8	a, g
Special Mission Contract Negotiation	4-6 Sept 2000	1	3	h
Review 3	21 Jan to 30 Jan 2001	2	13	a, g
Review 4	18 Mar to 22 Mar 2002	2	5	a, g
Review 5	6 May to 17 May 2002	1	6	a
Review 6	11 Nov to 15 Nov 2002	2	10	a, g
Review 7	20 Feb to 24 Feb 2003	2	4	a, g
Midterm review	9 Jun to 25 June 2003	4	18	c, g, i,
Review 8	6 May to 15 May 2004	4	10	i*, j
Review 9	21 Sep to 27 Sep 2004	2	7	i, j
Review 10	1 Sep to 9 Sep 2005	4	7	l, j
Review 11	30 Jan to 9 Feb 2007	1	9	f
Project Completion Review	11 Apr to 23 May 2008	2	26	k, j

*The Senior Country Programs Specialist undertook review in conjunction with the Loan Administration Review of Loan 1768-PNG (SF): Microfinance and Employment Project.

a = senior project economist/project economist, b = senior programs officer, c = education specialist, d = financial analyst, e = counsel, f = project implementation officer, g = associate operations analyst, h = senior consulting services specialists, i = senior country programs specialists, j = operations officer, k = governance officer, l = project implementation specialists, j = others.

PAPUA NEW GUINEA EMPLOYMENT-ORIENTED SKILLS DEVELOPMENT PROJECT (as completed)



I. PROJECT DESCRIPTION

1. At project appraisal, both the urban and rural informal¹ sector populations in Papua New Guinea (PNG) had limited exposure to formal education, low levels of literacy, poor levels of numeracy, and very limited vocational skills. It was expected that the Employment-Oriented Skills Development Project² (the Project) would improve socioeconomic conditions and living standards by increasing access to self-employment and wage employment opportunities. Urban and rural women and youth were targeted by the Project because of their lack of employment-oriented skills, particularly limited their income-generating opportunities. The Government of Papua New Guinea planned to address this development issue by upgrading and improving informal skills training to an integrated and acceptable national standard. The overall rationale for the Project thus focused on the human dimensions of economic growth by generating appropriate informal skills training for unemployed and underemployed women and youth in an open market.

2. The Project's objective was to improve income earning opportunities for unemployed and underemployed people in rural and urban areas, with a special emphasis on women and youth. To achieve this objective, the Project aimed to increase the availability of quality short-term employment-oriented skills training (including entrepreneurship), and to enable participants to apply these skills to self- and wage employment opportunities. The project design followed a three-tier approach: (i) fostering a legal and policy environment conducive to short-term skills training (component 1); (ii) enhancing the technical, managerial, and entrepreneurial competencies of vocational training centers (VTCs), churches, nongovernment organizations (NGOs), and individual trainers (component 2); and (iii) establishing a sustainable financing mechanism to support short-term employment-oriented skills training to be conducted by VTCs, churches, NGOs, and private trainers (component 3).

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

3. At appraisal, the Asian Development Bank's (ADB's) Country Strategy and Program for PNG³ emphasized the need to stimulate nonmining sectors so as to generate broad-based income and employment growth. The Project formulated policies associated with vocational training and informal sector activities, and enhanced national and provincial government institutional competencies to generate more income for unemployed and underemployed women and the youth population in the urban and rural communities. The quality of short-term vocational skills training was improved and the quantity of training initiatives increased, through the participation of government and nongovernment trainers. The project design and formulation was consistent with ADB's Country Strategy and Program for PNG.

4. The Government's 1997–2002 Medium-Term Development Strategy highlighted the need for human resource development on technical vocational skills training to support sustainable economic development. It was a national priority to get the unemployed and

¹ The informal sector refers to the urban and rural population of women and the youth who are unemployed and underemployed and might do work outside the formal ways of employment and self employment earning opportunities of improvement for better living standards (see DCD Enactment of the 2004, Informal Sector Development and Control Act).

² ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Papua New Guinea for the Employment-Oriented Skills Development Project*. Manila.

³ ADB. 2002. *Papua New Guinea: Country Strategy and Program (2003–2005)*. Manila.

underemployed working. Accordingly, the Project supported: (i) a shift in budget allocations from technical education to vocational training; (ii) reassignment and preparation of staff from the VTC to deliver vocational training; (iii) provide the flexible entry requirements for the recognition of skills acquired between vocational training and national skills standards; (iv) devise flexible training-delivery models for vocational training; and (v) adoption of industry and community-linked training in compliance with the nationally recognized trades testing standards in order to meet the apprenticeship requirements.⁴ The Project was relevant because it responded to the needs of women and youth for informal skills development training. In addition, the Project (i) supported the implementation of the Informal Sector Development and Control Act and development of the Integrated Community Development Policy, the National Youth Policy, and the National Education Plan, (ii) improved competencies of VTCs, churches, NGOs, and private organizations in the delivery of short-term skills training for both wage-paying jobs and self-employment opportunities; and (iii) established a sustainable financing mechanism for informal employment-oriented skills training delivered by VTCs, churches, NGOs, and individual trainers on a demand and cost-sharing basis. The project design was relevant.

B. Project Outputs

5. Project outputs focused on (i) legal and policy framework, (ii) enhancing capacity building, and (iii) establishing a sustainable financing mechanism. This section describes and evaluates the implementation of each component. A summary of the achievements in accordance with the Project Framework is in Appendix 1.

1. Component 1: Legal and Policy Framework

6. This component was to be achieved by undertaking the following activities through the Department for Community Development (DCD): (i) refining and implementing a policy framework for informal education and skills development plans; (ii) establishing a national coordination mechanism; (iii) establishing interfaces with national skills standards; and (iv) reducing regulatory impediments to informal sector development. The Project design was consistent with Government education policies that encouraged civil society actors to deliver community services to supplement Government provision of services, including vocational training. The key achievements were: (i) enactment of the 2004 Informal Sector Development and Control Act to legalize operations of the informal sector; (ii) development of the Integrated Community Development Policy, which established DCD as the focal point for informal sector activities and training; (iii) endorsement of the National Youth Policy, which established “youth” as a special group of people in the development process; and (iv) establishment of the National Education Plan in compliance with the government’s Medium-Term Development Strategy.

2. Component 2: Institutional Capacity Building for Training Providers

7. Component 2 was implemented by the Department of Education (DoE). It focused on strengthening the institutional capacity and professional competencies of training providers in all provincial agencies, including VTCs, churches, NGOs, and individual training providers. The component was designed to strengthen trainer competencies by: (i) establishing a skills training resources unit (STRU); and (ii) delivering train-the-trainer instruction.

⁴ ADB. 1981. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Papua New Guinea for the Technical Education Project*. Manila.

8. Achievements by the STRU included (i) production of 100 training modules in both English and *Tok Pisin*; (ii) a new, independent mentoring system for hands-on skills materials for enhancing quality standards for trainers; (iii) development and production of 140 competency-based curriculum materials to support vocational skills for at least 14 skills areas in the informal sector; (iv) assembling a wide range of additional curriculum materials from local and international sources for short-term programs for training of trainers at the community level; (v) agreement for Divisions of DCD to be focal points for storing and distributing skills-training materials in the provinces; (vi) revising and producing 34 modules in community-based training; (vii) capacity building and skills enhancement for STRU staff, and (viii) construction of a new administration building for STRU. The unit prepared eight stand-alone short-term training modules suitable for delivery of technical skills for women and the youth who had no previous training experience or qualifications on the particular skill. Significant though these achievements are, the STRU was not able to achieve all of the Project's targeted outputs (see Appendix 1). This was attributed to (i) inefficient, time-consuming bureaucratic procedures for staff secondment from DOE; (ii) long delays in the advertisements for recruitment of staff; and (iii) inefficient production and long delays in the distribution of training materials.

9. Capacity building of training providers focused on enhancing their technical, managerial, and entrepreneurial competencies. Training packages were developed for short-term courses on managing community-based (ManCom) skills training programs and entrepreneurial management (EntMan) training skills for informal training for trainers. In addition, a wide range of staff development training programs were formulated and delivered through the PNG Education Institute. In 2001–2003, up to 89 VTCs, including church organizations, and individual trainers, participated. The training programs in conjunction with the capacity building had the following outputs: (i) approximately 187 managers undertook EntMan skills training; (ii) 891 teachers and instructors undertook ManCom skills training; (iii) 496 technical instructors took part in training-of-trainer programs; (iv) 44 core trainers took EntMan/ManCom-Pedagogy courses; (v) 25 core trainers participated in the EntMan training program from churches, nongovernmental organizations, and individual trainers; and (vi) 109 trainers undertook training in preparing proposals for the Skills Development Trust Fund (SDTF). In the Project's pilot provinces (including Western Highlands Province, West New Britain Province, East New Britain Province, and National Capital District), approximately 240 provincial and district education advisors and 20 provincial commerce advisors benefited from the project training courses. Also, STRU provided training-of-trainer courses with the support of 40 instructors with the following break-ups: National Capital District (7), East New Britain Province (10), West New Britain Province (8), Western Highlands Province (7), and, Milne Bay Province (8). The training-of-trainer courses were attended by 580 males and 137 females. Following the Project's midterm review, the project scope was changed to include the establishment of pilot tourism and hospitality training facilities in Limana and Badili (both in National Capital District) for short-term training courses, which were cofinanced by the Australian Agency for International Development (AusAID). The pilot tourism and hospitality courses were well attended by many out-of-school and unemployed youths from the local settlements.

3. Component 3: Skills Development Trust Fund

10. Establishing a sustainable financing mechanism was to be achieved through the SDTF, which was established in 2005. SDTF is managed by DCD as the Executing Agency. SDTF served as the financing mechanism for informal employment-oriented skills training delivered by VTCs, churches, NGOs, and individual trainers on a demand and cost-sharing basis. The cofinanciers for the SDTF comprised ADB, AusAID, the Government of PNG, and participating

provinces, including National Capital District, East New Britain Province, West New Britain Province, Western Highlands Province, and the Autonomous Region of Bougainville.

11. The SDTF awarded 423 training contracts with 8,207 participants comprising 2,621 male youth and 5,586 females. SDTF spent K1,655,897.08 on the contracts. Contracts were awarded after reviewing: (i) the quality of training proposals, including the program delivery capacity of trainers; (ii) the viability of funding under the project accounts; and (iii) the distribution of STRU-developed skills-training courses. By the end of 2007, the SDTF had benefited more than 10,000 people, 40% of them women. About 75% of participants found self- or wage employment within 1 year of completing their training programs.

C. Project Cost and Financial Plan

12. Table 1 compares the Project's actual costs with the appraisal estimates.

Table 1: Project Cost Comparisons
(US\$'000)

Component	Appraisal			Actual			Variance Total
	Foreign	Local	Total	Foreign	Local	Total	
A. Legal and Policy Framework	1,761	1,038	2,799	1,020	473	1,493	1,306
B.1 Establishment of STRU*	1,588	947	2,535	852	808	1,660	875
B.2 Improvement of Human Resource Development	5,522	5,757	11,279	1,782	2,325	4,107	7,172
C. Sustainable Financing Mechanism (SDTF)*	8,014	7,007	15,021	13,726	4,671	18,397	-3,376
D. Project Implementation	567	358	925	1,017	432	1,449	-524
E. Physical Contingencies	573	455	1,028	0	0	0	1,028
F. Price Contingencies	567	3,736	4,303	0	0	0	4,303
G. Interest During Construction	1,107	0	1,107	523	0	523	584
Total	19,699	19,298	38,997	18,920	8,709	27,629	11,368

Source: Project records. Note: The "actual" amounts for physical and price contingencies are incorporated in the "actual" costs for each project component.

* STRU = skills training resource unit; SDTF = Skills Development Trust Fund

13. At the time of appraisal, the total cost of the Project was estimated at approximately US\$39.0 million, comprising US\$19.7 million in foreign exchange costs and US\$19.3 million in local costs. Local costs would be financed by the Government of PNG (71.4%) and ADB (28.6%). ADB provided a loan of US\$20.0 million equivalent (SDR14.591 million) from its Asian Development Fund (ADF) resources to finance 73.5% of the foreign exchange component, and 28.6% of the local currency requirement. The Government of PNG allocated US\$5.0 million toward the Project.

14. Table 1 presents the actual project cost of US\$27.6 million, realizing overall savings of approximately US\$11.4 million. This was mainly attributed to the savings (US\$7.2 million) from non-recruitment of international consultants because of the additional contributions (office space, staff, office equipment, etc.) made by the provincial governments and international experts who worked as volunteers. The overutilization of US\$3.4 million for the SDTF component is attributed to operational costs (trainers' travel costs, etc.) not budgeted for and an additional contribution of US\$2.5 million by ADB to SDTF.

15. AusAID provided an untied grant of US\$5.5 million equivalent (AUD\$9.2 million) toward the Project. AusAID cofinanced the establishment of the SDTF and funded the civil works projects to establish two tourism and hospitality vocational training centers. The actual amount disbursed from AusAID funds amounted to US\$4.4 million. A parallel grant of US\$2.5 million from the German Development Services (GDS) was withdrawn because the provincial governments provided additional staffing and project offices from their resources. As a result, there was a lesser need for GDS volunteers, hence, the withdrawal of the GDS grant.

D. Disbursements

16. The loan amount at appraisal was SDR14,591,000 (US\$20.0 million equivalent), of which SDR11.7 million (US\$16.9 million equivalent) was disbursed and the undisbursed balance was cancelled (Appendix 2: Yearly Disbursements of ADB Loan). The Government promptly replenished the counterpart funds, with only some minor delays experienced around the loan closing period. The project accountant attended ADB in-house training workshops and seminars on ADB disbursement procedures. The Project established compliant accounting procedures and proper internal control systems. Overall, compliance with ADB disbursement procedures was satisfactory.

17. The ADB imprest account was established in 2000 with an initial advance of US\$195,000. In order to fast-track loan disbursements and achieve timely implementation of planned activities, ADB approved the use of statement of expenditure (SoE) procedures for individual payments up to US\$20,000. The project accounts received unqualified audit opinions on the SoE procedures and the project imprest account transactions. However, in 2006, the frequency of replenishing the imprest account was slow, thereby affecting disbursements and project implementation activities. After the acceptance of the 2007 ADB review mission recommendations, liquidation of the imprest account improved and the final liquidation of expenditures was completed on 23 September 2008.

E. Project Schedule

18. The Project was approved on 28 October 1999 and loan closing was extended once, from the original closing date of 30 June 2006 to 31 December 2007. The actual financial closing of the loan account was on 25 September 2008. The delay in project implementation was due to: (i) a delay in meeting the loan effectiveness conditions; (ii) the delay of release in the counterpart funding contributions; (iii) the Executing Agency's failure to make timely decisions; (iv) the withdrawal of the GDS grant; (v) delays in recruiting the international consultants; (vi) late receipt of national and provincial government contributions for SDTF; (vii) the change in Executing Agency from the Department of National Planning and Rural Development (DNPRD) to DCD, which disrupted implementation activities; (viii) changing the project pilot location from Morobe Province to West New Britain Province; (ix) the failure of participating provinces to take full ownership of the informal skills training; and (x) the failure of

the SDTF National Secretariat to take full ownership and responsibility over its programs on a timely basis (see Appendix 3 for the implementation schedule).

F. Implementation Arrangements

19. The Project commenced with the Department of Treasury and Planning as the Executing Agency, responsible for overall coordination and carrying out of the Project. The Department of Treasury and Planning was subsequently restructured and the Project's Executing Agency became the new DNPRD. The Office of National Planning within the Department of Treasury and Planning was the original Implementing Agency for project components 1 and 3. The Implementing Agency for component 2 was DoE, which included the STRU, headed by a Director. After the 2003 Project Midterm Review, ADB, cofinanciers, and the Government agreed in 2004 to change the Executing Agency from DNPRD to DCD. This was in line with DCD's new responsibility as focal point for the informal sector, including informal skills training. DCD became the Implementing Agency for component 1. DoE remained the Implementing Agency for component 2. With the establishment of SDTF, the National Board of Trustees became the Implementing Agency for component 3. The new implementing arrangements were not wholly satisfactory as they required DCD to undertake tasks outside its normal role.

20. Within 3 months of loan effectiveness, the project steering committee (PSC), under the chairmanship of the Office of National Planning was established to coordinate the large number of parties involved in informal skills training and ensure effective participation of nongovernment organizations and private representatives. The PSC membership included representatives from both the public and private sector, including NGOs and community-based organizations. These interests have now been institutionalized by the appointments made to the national and provincial Boards of Trustees. The trustees included representatives from the Department of Employment and Youth, DoE, the National Training Council, the Department for Provincial Affairs and Local Level Government, the Department of Commerce and Industry, development partners, and the National Capital District representative representing the interests of the provinces. Initially, the PSC met regularly, but reorganizations within and amongst agencies disrupted the availability of senior officials to attend PSC meetings. As a result, the PSC was not always able to resolve project issues that arose.

G. Conditions and Covenants

21. There were 30 loan covenants and none of them were modified, suspended, or waived during the period of the loan. All but three of the loan covenants were satisfactorily complied with. Quarterly reports were submitted by the Executing Agency, but frequently were late. The Government provided adequate counterpart funding, but often with delays. The performance targets for delivery of training were only partly achieved.

H. Consultant Recruitment and Procurement

22. The selection and engagement of consultants was done in accordance with ADB's *Guidelines on the Use of Consultants*. Most project consultants were contracted during the third quarter of September 2000, and most of these began their respective assignments in January 2001. Recruitment of remaining consultants, and procurements were disrupted and delayed by the change in implementing arrangements, and by disagreements within and between the Executing Agency and Implementing Agencies. The project implementation advisor was not recruited because no qualifying candidate could be found. Seven volunteers funded from the

GDS grant were recruited to (i) implement component 1 and strengthen the project implementation unit (PIU); (ii) assist in training the three VTC competency specialists; and (iii) assist the three specialists in the management of NGO development, monitoring, and evaluation. However, because of changes in the project financing arrangements, their services were terminated by DNPRD on 15 May 2001, and some of the volunteers were reengaged as short-term consultants. All procurements under the Project followed *ADB's Guidelines for Procurement*. Vehicles, computers, office equipment, and mobile training units were procured in accordance with the project design. All civil works contracts were awarded on the basis of local competitive bidding in accordance with the Government's standard procedures, which were acceptable to ADB.

I. Performance of Consultants, Contractors, and Suppliers

23. Project consultants were committed and dedicated. Late issuance of visas sometimes delayed mobilization of international consultants. This time was usually made up and the international consultants mostly satisfactorily fulfilled their individual terms of reference. However, in some instances, it was noted that the project consultants could have worked together more effectively to disseminate and share information. The project manager was terminated early. The training and capacity building national consultants also satisfactorily fulfilled their terms of reference. Contractors and suppliers fulfilled their terms of their contracts.

J. Performance of the Borrower and the Executing Agency

1. The Borrower

24. The Borrower largely fulfilled its responsibilities despite the unstable political situation, project delays, and change in implementation arrangements. The Borrower showed a commitment to sustain the Project with institutional and budget support. Toward project closure, there were minor delays in providing counterpart funding, caused by PIU delays in reporting implementation progress to the Executing Agency. The Borrower substantially complied with the project loan covenants. Overall, the Borrower provided adequate project implementation support. The performance of the Borrower is rated satisfactory.

2. The Executing Agency

25. The Executing Agency changed in 2004 (see para. 19). DCD, and before it the Department of Treasury and Planning, adequately fulfilled their loan covenant obligations. However, project support staffing was problematic. There were changes of personnel for (i) project directors and project managers, (ii) project accountants, (iii) trainers associated with project component 2 and other trainers, and (iv) the project coordinator of the STRU and the SDTF National Secretariat. There were also significant delays in the recruitment of international and domestic consultants and construction of the STRU facilities. The performance of the Executing Agencies is rated as partly satisfactory.

3. The Implementing Agencies

26. The Office of National Planning (ONP) within the Department of Treasury and Planning was the original Implementing Agency for project components 1 and 3. For project component 2, DoE was the Implementing Agency throughout the Project. From 2004 onwards, the Implementing Agency for project component A was DCD, and for component 3, the National Board of Trustees (chaired by DCD).

a. Office of National Planning

27. ONP effectively established the project office and provided project support staff (project manager, accounts officers, etc.). ONP also successfully started preparations for establishing a legal and policy framework for informal skills training. The performance of ONP is rated as satisfactory.

b. Department of Community Development

28. There were significant implementation delays for Project component 1 after DCD became the Implementing Agency. DCD was unable to make up for time lost when the implementation arrangements changed. Consultant recruitment decisions were late and project financial accounts were mostly submitted late. DCD was not effective in overseeing the operations of the SDTF. It had difficulty incorporating into its own operations on the training program outputs received from DoE. For instance, mechanical skills trainings offered did not conform to DCD's own national standards. There were delays in distributing the training materials prepared by DoE. The performance of DCD was partly satisfactory.

c. Department of Education

29. DoE implemented project component 2 through its technical vocational education and training unit and its skills training resource unit. The intended programs were formulated and implemented by a range of participating vocational and private training institutions. Training modules prepared by the skills training resource unit were often distributed late to the participating provinces, which reduced their effectiveness. Overall, the performance of DoE was satisfactory.

d. SDTF National Board of Trustees

30. The SDTF National Board of Trustees, via the dedicated trust fund, undertook more than 400 training courses (see para. 11) that reached 10,000 participants. However, because of the way the Deed of Trust was structured, DCD had difficulty planning and managing operations. The SDTF Board met only infrequently and there was discontent among Board Trustees about SDTF operations. This resulted in some provinces asking to withdraw their initial Fund contributions. The performance of SDTF is rated as partly satisfactory.

4. Project Steering Committee

31. The PSC was established as an advisory body to provide coordination and coherent decision making for: (i) overall policy guidance; (ii) coordinating project activities between national and provincial governments, NGOs, and private sector stakeholders; and (iii) overseeing planning, organization, administration, implementation, and monitoring procedures and processes on the operational matters of each component of the Project. The PSC members were originally drawn from stakeholders involved in formal and informal skills training, civil society, and the private sector. These representatives with their respective interests have now been institutionalized in the composition of the National Board of Trustees and the establishment of provincial committees of the SDTF. DCD continues to be the chair and also represents the National Board of Trustees in the SDTF. The PSC did not meet on a regular quarterly basis and many key decisions, such as the endorsement of a sustainable plan and

review of Deed of Trust, remain unresolved after the closing of the Project. In addition, frequent changes of deputy secretaries within the Executing Agencies and Implementing Agencies resulted in PSC meetings not being held regularly. The performance of the PSC is rated partly satisfactory.

5. Project Implementation Unit

32. The PIU was established within DCD, under the guidance of the PSC. The role of the PIU was to provide and facilitate delivery of the required goods and services to the different components, subcomponents, and related activities of the Project. The PIU comprised a full-time national project manager,⁵ an accountant, a procurement officer, and two support staff. It was also supported by two international advisors, a project implementation advisor and a management information system specialist. The PIU was not always able to fulfill its duties and responsibilities on time, sometimes because of delays in receiving Government counterpart funding. This affected: (i) liaising with ADB and other funding agencies on project matters; (ii) project budgeting and accounting, preparing loan withdrawal applications, and submission of audited accounts to ADB; (iii) recruiting and supervising consultants, and procuring equipment and other inputs; and (v) preparation and submission of consolidated data through the quarterly project reports, project midterm report, and their project completion report. The PIU was sometimes late in liquidating the project imprest account and making project payments. The performance of the PIU is rated partly satisfactory.

K. Performance of the Asian Development Bank

33. ADB undertook adequate and timely loan review missions. ADB encouraged the Government to make timely project administration and resource allocation decisions. ADB provided sufficient project implementation training to PIU staff and ADB review missions, included reviewing financial expenditure transactions. ADB helped the Implementing Agencies and Executing Agencies comply with loan covenants and ADB's relevant project implementation guidelines and procedures, including financial accountability, integrity, and governance. ADB promptly brought project implementation issues to the attention of the Government, including during and following the midterm review. The performance of ADB was satisfactory.

III. EVALUATION OF PERFORMANCE

A. Relevance

34. Approximately 80% of PNG's workforce is engaged in the informal sector. The original rationale for the Project was strong at appraisal and remains so. Since appraisal, analyses of development constraints in PNG, and policy responses by the Government, development partners including ADB, and other actors, reinforce the need to equip the majority of Papua New Guineans to exploit opportunities for wage and self-employment. This remains particularly true for women and young people. The Government's Medium-Term Development Strategy 2005–2010 cites as the first of its "Ten Guiding Principles" the following: *'To trigger the private sector, including ordinary Papua New Guineans in rural communities, to become productively engaged in growing the economy....'* The ninth guiding principle is "Empowering Papua New Guineans and Improving Skills." Private sector development is one of four priority areas in ADB's Country Strategy and Program for PNG (2006–2010), which makes special reference to improving employment-oriented skills. There is also a strong demand for informal skills training and short-

⁵ The previous Project Manager was asked to resign because of unsatisfactory performance.

term vocational skills training, as demonstrated by the high take-up of training courses during project implementation.⁶ Enhanced informal and vocational skills are relevant, as demonstrated by the large number of project participants who found wage employment after they had completed training. The Project is rated “relevant.”

B. Effectiveness in Achieving Outcomes

35. The purpose of the Project was to provide quality informal competency-based skills training and opportunities to apply acquired skills in wage and self-employment. The Project had four overall performance targets: (i) By December 2005, at least 40,000 people will have received training. This target was not achieved. Approximately 10,000 people received training, and by 2008; (ii) At least 40% are female participants. This target was achieved, with the female participation rate being estimated at 40–50%; (iii) At least 40% of the participants are male youth between 16 and 28. This target was not achieved, with male youth participation estimated at 10–15%; and (iv) At least 75% of the beneficiaries will have increased their income within the first year after training. This target was not achieved, as only an estimated 20–30% of trainees increased income after training. The Project is rated as “less effective.” The following provides a more detailed analysis of project effectiveness.

1. Development of Legal Policy Framework

36. The Project completed the national and provincial skills development plans by December 2000 and implemented by December 2002. The policies that were unveiled included the (i) Informal Sector Development and Control Act, (ii) the Integrated Community Development Policy, (iii) the National Youth Policy, and (iv) the National Education Plan.

2. Institutional Capacity Building for Training Providers

37. Between 2006 – 2008, up to a 50% increase in requests for short-term skills training was received and 80% compliance with the set guidelines and requirements of the SDTF operations. Inadequate distribution of skills-training materials developed by the STRU and poor planning limited the effectiveness of the delivery of training resources and materials published to be distributed to all provinces. The uncertain status and limited capacity of the STRU reduced project achievements. Other adverse factors included: (i) limited basic understanding of English and limited mathematics skills by course participants; (ii) a poor standard of submitted proposals from training providers; (iii) limited capacity of training providers, (iv) lack of adequate labor market analysis by SDTF Secretariat; and (v) a lack of corresponding set of acceptable PNG training and education standards for short-term vocational technical skills training courses. This outcome was not fully achieved.

3. Skills Development Trust Fund

38. The SDTF was signed on 18 December 2002 with the intention of ensuring project sustainability. However, the Project’s sustainability plan remains incomplete as it was rejected overwhelmingly by Management Steering Committee. In addition, because of the ongoing administrative disagreement between the SDTF Trustees and DCD, the functions of the SDTF were severely curtailed. The Government is currently reviewing the SDTF Deed of Trust to bring it into line with DCD operations. In addition, various provincial governments that have

⁶ The take-up was below target, but the target appears to have been highly optimistic.

contributed to the SDTF are now reviewing their continuing participation in the SDTF. This outcome was not fully achieved.

C. Efficiency in Achieving Outcomes and Outputs

39. The Project missed its key training delivery target, achieving only 25% of the 40,000 participants' target. Two other key performance targets were also missed (see para. 32). Although there were project savings of US\$11.4 million (29%), the underperformance of the training program alone renders the Project "less efficient." The efficiency of the training programs was reduced markedly by the substitution of West New Britain province for Morobe province as a pilot province. West New Britain province is sparsely populated and lacks a major urban center, whereas Morobe province contains PNG's second largest city, Lae. Delays in project implementation also reduced project efficiency. The Project period had to be extended by more than 2 years. Other factors that reduced project efficiency were (i) the major change in implementation arrangements, (ii) frequent changes in Implementing Agency and PIU personnel, which led to confusion, (iii) disagreements and slow decision making, and (iv) logistical bottlenecks, which, for instance, delayed the distribution of training materials (refer to Section III.B and Appendix 5 for more detail). It is possible that the original training program targets were unrealistically high. Nevertheless, without further analysis, the Project is rated "less efficient."

D. Preliminary Assessment of Sustainability

40. The loan administration reviews undertaken by ADB missions highlighted the complexities and challenges of coordination and implementation amongst the Executing Agency, Implementing Agencies, the PIU, and the participating provincial governments. The Project was able to support the establishment of an enabling policy and legal framework for both the informal and formal sectors in relation to skills development activities. It was also supported by a cadre of sufficiently trained instructors, and it successfully trialed teaching modules for the technical and vocational education and training unit for church organizations and nongovernment organizations and individual skills trainers. Moreover, the Project's long-term financial sustainability is supported by the SDTF. The SDTF was established in 2005 as a Government mechanism for financing training courses for trainers. The SDTF has approximately K53 million as of 31 August 2008. However, an urgent review of the reporting and administrative arrangements associated with the STDF and DCD operations needs to be undertaken to ensure the sustainability of the skills-training courses offered, and the financial sustainability of the trainers. The Project is rated as "likely to be sustainable."

E. Impact

41. The intended project impact was to realize the income-earning potential of the unemployed and underemployed population in rural and urban areas. The Project resulted in the establishment of more than 100 vocational training centers, and trained more than 1,500 instructors. The Project's skills-training courses benefited 10,000 participants. More than 213 informal skills-training packages were developed. A validation panel to oversee the development of training modules was established to ensure that acceptable quality standards were maintained by the STRU. The Project prepared the following training modules: (i) frontline management⁷ courses, (ii) ManCom training programs, (iii) EntMan informal training programs,

⁷ The Frontline management courses build competency-based and work-related skills training courses at the provincial and national level within the DCD. There were 3 levels and each of them consists of 5-11 units which the

and (iv) tourism training facilities. The participants included unemployed and underemployed youths, retrenched public servants, and private employees. The increased availability of quality short-term employment-oriented skills-training courses for self- and wage employment opportunities provided many opportunities for participants to achieve better living standards on a sustainable basis. The Project's skills testing and certification program also benefited and will continue to benefit many disadvantaged women and youth who would otherwise would have no access to formal training. The Project has increased the income-earning potential of the unemployed and underemployed population in rural and urban areas, albeit not at the scale intended.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

42. The Project is considered relevant and is consistent with ADB's Country Strategy and Program for PNG and the Government's Medium-Term Development Strategy. The Project was less effective in delivering the desired goal of providing quality informal competency-based skills training to improve wage employment and self-employment opportunities. The Project achieved only one out of three purpose-level performance targets and is rated less effective. It is also rated less efficient, primarily because it trained only 10,000 participants, well short of the target of 40,000 participants. Key institutional arrangements are in place and funding is available to sustain employment-oriented skills development. The Project achieved its overall intended impact, but at a lesser scale than planned. The overall project rating is "partly successful."

B. Lessons Identified

43. Lessons identified are as follows:

- (i) **Institute stable and appropriate counterpart and project management arrangements.** Major changes in implementation arrangements midway through project implementation had a destabilizing and delaying impact on the Project. Changes may be unavoidable, especially if they result from Government institutional restructuring. But implementation arrangements for such a challenging project as this, must be thoroughly considered and designed well in advance by completing policy dialogue on institutional arrangements before a project commences than during implementation.
- (ii) **Project Coordination.** Especially for institutionally complex projects such as this, executing agencies should institute the steering or coordination committee early in the project. Particular care is required to ensure relevant and inclusive representation on the committee.
- (iii) **Sustainability Plan.** A detailed, well-considered sustainability plan is particularly important for institutionally complex projects such as this. Ongoing funding of service delivery is key. The sustainability plan should be prepared and adopted well before project completion.

C. Recommendations

44. Project-specific recommendations include the following:
- (i) **Institutional Capacity of the STRU:** The STRU needs to undertake the following steps to strengthen its institutional capacity: (i) streamline bureaucratic procedures for staff secondment from DoE; (ii) advertise for recruitment of staff in a more timely manner, and (iii) distribute skills-training materials more efficiently.
 - (ii) **Future Monitoring of SDTF.** The SDTF was established to provide expert advice and financial assistance for approved skills-training courses. A follow-up review should be undertaken to evaluate activities that might be able to assist the “non-piloted” provincial governments in undertaking similar skills-based training programs. To ensure the sustainability of the Project, the following actions are required: (i) the SDTF Deed of Trust urgently needs to be reviewed and amended to ensure the continuation of financing for informal capacity building programs for provincial training course providers; (ii) a nationwide awareness campaign on the importance of SDTF should be undertaken; (iii) National Board of Trustee members should be appointed on a transparent basis; and (iv) the SDTF sustainability plan needs to be finalized.
 - (iii) **SDTF Deed of Trust.** DCD noted that the SDTF is presently functioning on an autonomous basis with no direct reporting arrangement to the Government. However, the SDTF was established with funding from ADB, AusAID, the Government, and participating provincial governments (see para. 10). The Government is currently reviewing the SDTF Deed of Trust to bring it in line with present-day operating requirements. It is recommended that this task be prioritized to ensure project sustainability.
 - (iv) **Dissemination of Training Materials.** DCD and DoE should agree to delegate responsibility for disseminating the STRU materials to the provincial government focal points; DCD offices at the provincial level should also disseminate copies of all suitable training modules to informal trainers through its existing network.
 - (v) **Policy Coordination and Linkages.** To further improve the legal and policy framework, ongoing efforts are required to ensure that the Project's main achievements are embedded in Government initiatives associated with microfinance, employment generation, small business development, the National Development Bank, and cooperative societies. As the central agency, DNPRD should take responsibility and ownership to coordinate and interface with income earning opportunities offered by micro finance initiatives.
 - (vi) **Exit Strategy:** The PIU and Executing Agency should prepare an exit strategy outlining the phasing out of project activities. Sustainability of the training programs for training providers and other skills-training programs should be institutionalized in the operations of DCD and the Education Department.
45. **Timing of the Project Performance Evaluation Report:** In order to determine the impact of the project outcomes, preparation of a project performance evaluation report should be undertaken after 2009.

SUMMARY OF ACHIEVEMENTS PER THE PROJECT FRAMEWORK

Design Summary	Achievements and Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
Goal			
Increase the realization of the income earning potential for unemployed and underemployed population in rural and urban areas.	Increased rural productivity, increased informal employment, and reduced urban unemployment.	National statistical data	
Project Purpose (Outcome)			
Increase the availability of quality informal competency-based skills training and the possibilities for application of the acquired skills in wage and self-employment.	<ul style="list-style-type: none"> • Up to 12/2007, 10,000 participants (compared to an original target of 40,000) have benefited from the training and have increased their income earnings. • 40% were female participants and the other 40% were male youth participants between the ages of 16 and 28. • 75% of the beneficiaries increased their income within 1 year of completing the training. 	<ul style="list-style-type: none"> • Registration of SDTF contracts. • Performance and evaluation reports. • SDTF management information system. 	<ul style="list-style-type: none"> • The economic predictions were attained during projection implementation (Assumption). • The Government policies supported informal sector and youth activities in short-term skills training (Assumption). • The VTCs, NGOs, churches, and individual trainers were mobilized with financial support for short-term skills training (Assumption). • There was great demand for skills training (Assumption).
Output 1			
Develop a legal and policy framework conducive to skills development, provision and application for wage and self-employment.	<ul style="list-style-type: none"> • National and provincial skills development plans were refined by 12/2000 and implemented by 12/2002. • Implementation of the Informal Sector Development and Control Act. • Development of the Integrated Community Development Policy, National Youth Policy, and National Education Plan. 	<ul style="list-style-type: none"> • Policy documents with DCD and DoE • Minutes of meetings • Government gazette • Local government rules and regulations 	Government training providers and private sector stakeholders participated in formulating short-term national skills development policies which was linked to national skills standards (Assumption).

Design Summary	Achievements and Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
Output 2			
Enhance the professional competencies of VTCs, churches, NGOs, and private organizations in the delivery of short-term skills training for wage and self-employment opportunities.	<ul style="list-style-type: none"> • Requests for short-term skills training by the community increased by up to 50% per annum. 	SDTF statistics	<ul style="list-style-type: none"> • Community appreciated the quality of short-term informal skills training (Assumption). • The assumption of training providers having equal access to the national skills-training resources unit within DoE is yet to be realized (Risk). • The National Apprenticeship Trade Testing Board defined criteria for registration of industry-based trainers and informal sector trainers (Risk).
	<ul style="list-style-type: none"> • At least 80% of the project submissions to the SDTF complied with SDTF guidelines and requirements. 	SDTF statistics	
	<ul style="list-style-type: none"> • Up to 30 June 2004, 187 out of the targeted 300 VTC managers were trained. 	Project statistics	
	<ul style="list-style-type: none"> • Two master trainers trained in pedagogical and entrepreneur skills per province for 24 days each. 	Project records	
	<ul style="list-style-type: none"> • 891 vocational teachers/instructors (out of a target of 1,000) received a minimum of 65 training days of pedagogical, entrepreneurial, and trade-skills upgrading. Also, 394 teachers/instructors were trained in technical skills. 	Project records. No tracer study was conducted	

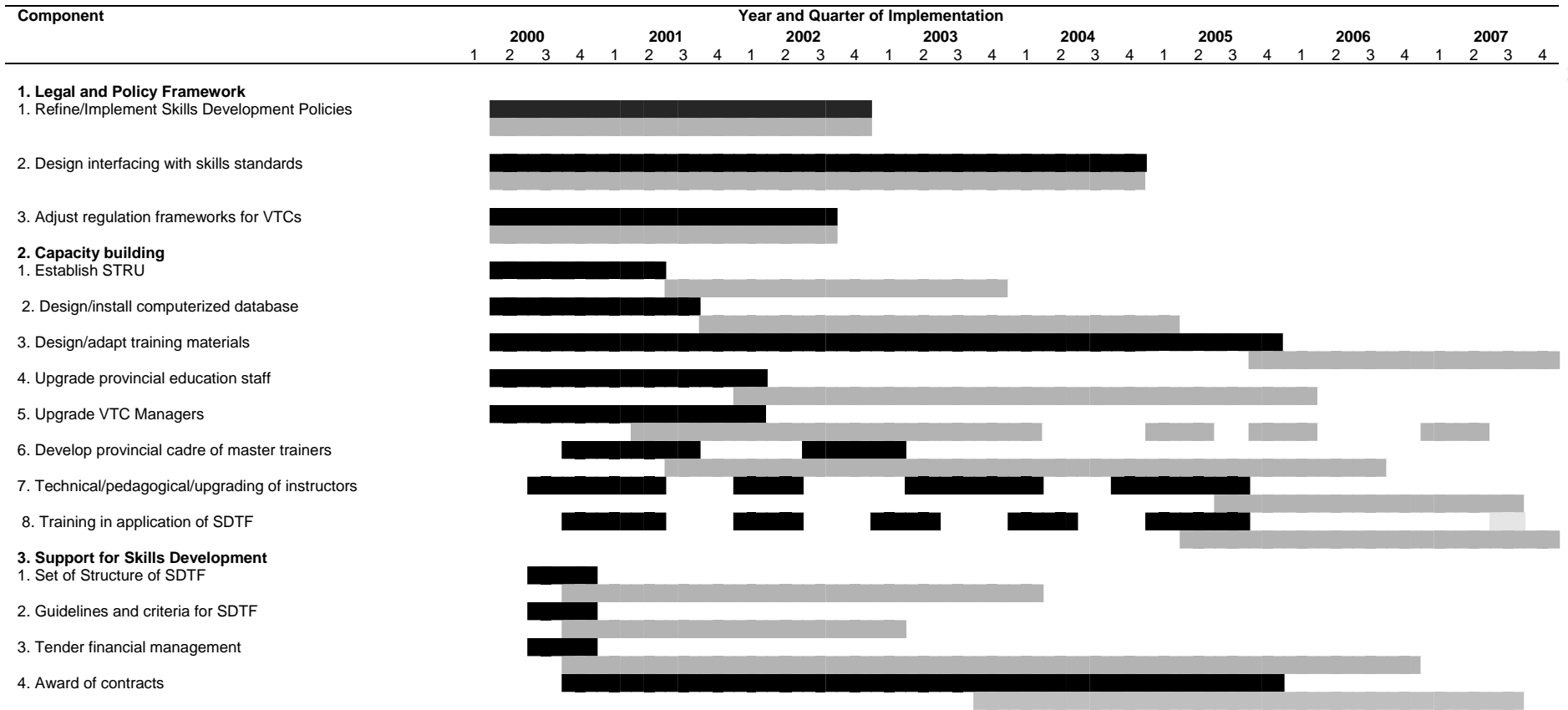
Design Summary	Achievements and Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
Output 3			
<p>Establish a sustainable financing mechanism to support short-term employment-oriented skills training to be conducted by VTCs, churches, NGOs, and individual trainers on a demand and cost sharing basis.</p>	<ul style="list-style-type: none"> • SDTF Deed signed on 18 Dec 2002. Financial contributions to SDTF completed. • SDTF active in three provinces, namely East New Britain, West New Britain, and Western Highlands Province. • Guidelines and selection criteria for funding of training programs finalized. • Information on STDF activities being disseminated to potential trainers, trainers, and general public in selected provinces. • Trainers being invited to submit proposals to be reviewed by SDTF, and awarding of contracts. 	<ul style="list-style-type: none"> • Records of SDTF Secretariat • Records of trainers • Audit reports 	<ul style="list-style-type: none"> • Participants are willing to pay training fees (Risk). • Most trainers were able to bear their respective counterpart contributions (Risk).

DCD = Department for Community Development, DoE= Department of Education, NGO = nongovernment organization, SDTF = Skills Development Trust Fund, VTC = Vocational Training Center.

YEARLY DISBURSEMENTS OF ASIAN DEVELOPMENT BANK LOAN
(Yearly Disbursements in US\$)

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	TOTAL
01 Civil Works for Skills Training Resource Unit	0	134,778	2,753	0	0	0	0	19,517	0	157,048
02-Equipment, Vehicles, Furniture	274,962	81,235	42,727	34,692	48,979	121,251	30,591	0	0	634,437
03A-International Consultants	400,000	362,068	759,406	478,640	180,470	396,165	424,580	515,419	0	3,516,749
03B-Local Consultants	50,333	49,115	32,340	62,934	71,933	64,826	110,936	28,050	13,327	483,793
04-Staff on Secondment	0	0	0	0	0	0	0	0	0	0
05-Staff Development and Training	11,111	116,638	301,010	561,746	458,977	61,337	414,071	368,128	113,142	2,406,161
06-Skills Development Trust Fund	4,173	0	0	0	6,000,000	2,500,000	10,451	4,316	0	8,518,940
07-Study Tours, Workshops, Research, and Development	46,849	47,064	34,615	80,102	41,803	36,857	16,582	20,232	0	324,104
08- Management and Operation	46,396	27,663	33,826	26,642	47,960	40,868	29,405	10,362	0	263,123
09- Review, Reporting & Audit	0	0	0	9,005	5,630	0	8,494	908	0	24,038
10- Interest During Construction	0	6,049	15,539	30,160	44,664	107,804	151,601	166,722	0	522,538
TOTAL	833,824	824,610	1,222,216	1,283,921	6,900,417	3,329,108	1,196,711	1,133,654	126,468	16,850,930

PROJECT IMPLEMENTATION SCHEDULE



Actual
 Appraisal

STATUS OF COMPLIANCE WITH LOAN COVENANTS

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	A. General		
1	The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, environment and employment-oriented skills development practices. Article IV Section 4.01 Para (a)	Complied.	<ul style="list-style-type: none"> • PIU, with the support and guidance of DCD, continued to ensure and enforce finance and management system to oversee project implementation.
2	In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement. Article IV Section 4.01 Para (b)	Complied	<ul style="list-style-type: none"> • DCD took over roles and responsibilities as the new Executing Agency. • PSC was established with full representation of stakeholders and chaired by Secretary, DNPRD. • PIU was established with core management personnel. • Project Performance Monitoring and Evaluation system was established. • Counterpart fund contribution to the SDTF, including payments from participating pilot provinces were secured. • Micro enterprises – the Project utilized the results of the ADB-sponsored informal sector study, which also targeted promoting informal sector. • Financial statements were prepared and submitted to the Auditor General's Office as required annually.
3	The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities. Article IV Section 4.02	Complied.	<ul style="list-style-type: none"> • There was no issue with the allocation of office and other resources such as land at PNGEI for the purposes of the project.
4	In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the	Complied.	<ul style="list-style-type: none"> • PNG consultants commenced with the PIU during the end of second quarter of 2000.

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank. Article IV Section 4.03 Para (a)		<ul style="list-style-type: none"> • Liaison Officers were deployed from January 2001 under Component 1; and due to the completion of Human Resource Development Policy and Strategy, they were redeployed to their originating departments. • STRU Director & Coordinator of Human Resource Development were deployed. • International consulting firm assisted the GOPNG in the implementation of the Project; and one international consultant remained with the SDTF Secretariat. • Other international consultants agreed to in the MOU of 09/2004 to be recruited and deployed in 2005. • Positions of local consultants including National and Provincial Skills Specialists were advertised locally and candidates were contracted in May 2005. • All SDTF Positions were filled.
5	The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request. Article IV Section 4.03 Para (b)	Complied.	<ul style="list-style-type: none"> • The pre-planning Management and Planning Workshop was held in March 2003 with no further workshops being convened due to the late signing and implementation of the MOU from the June 2003 Medium Term Review. • Draft Plans of Operations for each project component were prepared.
6	The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures. Article IV Section 4.04	Complied.	<ul style="list-style-type: none"> • The Project was executed, implemented and coordinated in accordance with Bank and GOPNG procedures and policies. • Consultations and networking with stakeholders were established. • The Public Finance Management Act and Public Service Management Act was used to guide the decision making process.

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
			<ul style="list-style-type: none"> • Transparency processes were used in all transactions of the Project.
7	The Borrower shall make arrangements satisfactory to the Bank for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice. Article IV Section 4.05 Para (a)	Complied.	<ul style="list-style-type: none"> • All assets were insured.
8	Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods. Article IV Section 4.05 Para (b)	Complied.	<ul style="list-style-type: none"> • Always complied with ADB requirement. No claims were made to date.
9	The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents. Article IV Section 4.08	Complied.	<ul style="list-style-type: none"> • First Donor Review Mission was conducted in August 2000. The Second one was in January 2001. The Joint PNG/ADB/AusAID Review Mission was conducted in August 2001. The findings and recommendations were summarized in an MOU and later were implemented. • The first ADB-AusAID Review Mission was fielded in March 2002; second in August-September 2002 resulting in a ratified MOU; and findings and recommendations were implemented. • In November 2002, ADB fielded another Review Mission which raised concern about the continuing poor performance of the management system and administration of the Project finances, which led to the recommendation by the PSC for the termination of the Project Accountant's contract. • In June 2003, the Mid Term Review was

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
			<p>fielded which resulted in an MOU recommending the transferred of Executing Agency's role from DNPRD to DCD.</p> <ul style="list-style-type: none"> • The MOU was belatedly signed in December 2003. • Another review mission was fielded in September 2003 to ensure that recommendations were implemented. • Thereafter, the administrative missions were given all the support needed to do their work efficiently until the end of the project.
10	The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, Engineering, environmental, and maintenance and operational practices. Article IV Section 4.09	Complied.	
11	It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any such lien, will make express provision to that effect. Article IV Section 4.10 Para (a)	None. Complied	
12	The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien	None Complied	

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	arising in the ordinary course of banking transactions and securing a debt maturing not more than 1 year after its date. Article IV Section 4.10 Para (b)		
13	The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Borrower and assets of any agency of any such political subdivision, including the Bank of Papua New Guinea and any other institution performing the functions of a central bank for the Borrower. Article IV Section 4.10 Para (c)	Prior to loan effectiveness Complied	
	B. Financial and Reports		
14	The borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof. L.A. Sec.4.06 (a)	Complied	<ul style="list-style-type: none"> • The PIU has established and is applying satisfactorily the project financial and management accounting system in line with PNG Public Finances (Management) Act; and consistent with conventional and sound accounting principles. • During the second quarter 2003 PIU completed setting up MYOB Accounting software; and commenced inputting financial data in the MYOB accounting software for succeeding financial year to date. • MYOB accounting software is being applied as integral part of management and administration system of the Project finances.
15	The borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are	Complied	

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	acceptable to the Bank; (iii) furnish to the Bank, as soon as available but in any event no later than nine (9) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan agreement), all in the English language; and (iv) furnish to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request . L.A. Sec.4.06 (b).		
16	The Borrower shall enable the Bank, upon the Bank's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors, and shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree. Article IV Section 4.06 Para (c)	Complied.	
17	The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project (including SDTF); (iv) the administration, operations and	Complied.	<ul style="list-style-type: none"> • The financial management of the Project is being implemented and conducted in line with the <i>Guidelines for Procurement of Goods and Services</i> under ADB Loans requirements and PNG's <i>Public Finances (Management) Act</i>. • Financial reports contained in the quarterly reports.

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	financial conditions of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan. Article IV Section 4.07 Para (b)		
18	Without limiting the generality of the foregoing, the Borrower shall furnish, or caused to be furnished, to the Bank quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Article IV Section 4.07 Para (b)	Partly Complied.	<ul style="list-style-type: none"> Quarterly reports have been produced, however, monthly reporting were not consistent.
19	Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in detail as the bank, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan. Article IV Section 4.07 Para (c)	Complied.	<ul style="list-style-type: none"> Report received in August 2008.
20	Without prejudice to the generality of Section 4.06(b) of the Loan Agreement, for the purposes of audits of accounts and financial statements carried out pursuant thereto, the Borrower shall ensure that any independent auditors financed under the Loan shall be selected and engaged in accordance with competitive selection procedures acceptable to	Complied.	

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	the Bank. L.A. Schedule 6, para.12.		
	C. IMPLEMENTATION ARRANGEMENTS		
21	As Project Executing Agency, DTP shall be responsible for overall coordination and carrying out of the Project. ONP shall be responsible for day-to-day implementation of Parts A and C of the Project and DoE shall be responsible for day-to-day implementation of Part B of the Project. Within 3 months of the Effective Date, ONP shall establish a PSC which shall (i) provide overall policy guidance; (ii) coordinate Project activities between national, provincial and local government agencies, NGOs and private sector stakeholder group concerned; and (iii) oversee Project planning, organization, administration, implementation and monitoring. The PSC shall be chaired by the Director, ONP and shall include senior representatives from relevant departments and agencies of the Borrower, including DoE, Department of Employment and Youth, Department of Commerce and Industry, Department of Provincial Affairs and Local Level Government, National Training Council, the Department of Personnel Management and the Office of Family and Church Affairs. The PSC shall also include senior representatives from NGOs, church groups, women's groups, private sector and the European Union. The PSC shall meet at least once every quarter. L.A. Schedule 6, para. 1	Complied.	<ul style="list-style-type: none"> ▪ DCD implemented components 1 & 3 and DoE participated in the implementation of Component 2 ▪ DCD established the PSC with representatives from stakeholders including NGOs and churches. ▪ The PSC membership comprised; Department of National Planning and Rural Development; Department of Education; Department of Labor and Employment; National Training Council; Department for Community Development. ▪ The selection and appointment of the membership to the National Board of Trustees has been accomplished; and the Board has appointed its office bearers for Chairperson, Deputy Chairperson and Treasurer.
22	Within 1 month of the Effective Date, the Borrower shall cause ONP to establish a Project Implementation Unit (PIU) with staff	Complied.	

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	and resources satisfactory to the Bank. L.A. Schedule 6, para. 2		
	D. Other Matters		
23	<i>Project Monitoring and Evaluation</i> The Borrower shall ensure that the implementation of the Project, and the benefits resulting there from, are monitored and evaluated on an annual basis. L.A. Schedule 6, para. 4	Complied.	PME system implemented.
24	<i>Counterpart Funds</i> Without prejudice to the generality of Section 4.02 of the Loan Agreement, the Borrower shall ensure, and cause to ensure in the case of the Participating Provinces, timely and regular: (a) submission of necessary requests for annual budgetary appropriations and disbursements of funds; and (b) release of funds by the relevant authorities, in each case for approved Project activities .L.A. Schedule 6, para. 5	Complied.	
25	<i>Micro-enterprises</i> The Borrower shall ensure, and cause to ensure, that: (a) within 12 months of the Effective Date, a review of laws and regulations regulating micro enterprise activities, particularly with regard to registration, licensing, taxation, health and safety, construction and town planning, shall be completed; and (b) within 24 months of the Effective Date, the applicable laws and regulations referred to in (a) shall be amended or repealed, as necessary, taking into account the recommendations submitted by the consultants engaged for completion of activities for Part A of the Project, to facilitate micro enterprise development. L.A. Schedule 6, para. 6	Complied.	<ul style="list-style-type: none"> Issues relating to micro enterprises addressed as part of phase 2 of the ADB-sponsored Informal Sector Study and the Project conducted a survey on the rural informal sector. The Informal Sector Bill was passed by the Government and micro-credit facilities have now been established in PNG.

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
26	<p><i>Promotion of SDTF-financed Skills Training</i> Within 6 months of the Effective Date, the Borrower shall: (a) complete its review of the application of VAT on amounts payable under, or in connection with, training contracts financed by SDTF; and (b) take measures, as appropriate, to promote SDTF-financed skills development training. L.A. Schedule 6, para. 7</p>	Complied.	<ul style="list-style-type: none"> • National Board of Trustees has been established and performing; and Deed of Trust has been executed by the State on 18/12/02. • The SDTF is now operational in PNG
27	<p><i>Co-Financing</i> In the event the Borrower is unable to obtain the GDS Grant and/or the OPEC Fund Loan within 6 months of the Effective date, the Borrower shall: (i) enter into other arrangements satisfactory to the Bank, to obtain the required additional funding necessary for timely and effective implementation of the Project; or (ii) without prejudice to the obligations of the Borrower under Section 4.02 of the Loan Agreement provide additional counterpart funds to finance any shortfall which results from the Borrower's inability to obtain the GDS Grant and/or the OPEC Fund Loan or the alternative funding referred to in subparagraph (i) above. L.A. Schedule 6, para. 8</p>	Complied.	<ul style="list-style-type: none"> • AusAID replaced OPEC as one of the project co-financiers.
28	<p><i>Special Reviews</i> The Borrower shall undertake special reviews, with particular reference to Part C of the Project. In order to assess the status and achievements of the Project in relation to its objectives, focusing on key Project performance indicators, and to identify needed remedial measures, (i) prior to any disbursements for contributions to</p>	Complied.	<ul style="list-style-type: none"> • The SDTF Trust Deed was executed on 18 December 2002 by the Minister for Finance and Treasury and witnessed by the Minister for National Planning and Monitoring and the Minister for Community Development. • The government of PNG is now reviewing the Trust Deed to bring it in line with Government present day priorities and operations. The Project under

	COVENANT AND REFERENCE	PROGRESS INDICATOR	COMMENTS
	the SDTF; (ii) at the end of the second year of Project implementation; and (iii) at such other intervals as the Borrower and the Bank may agree. During such special reviews, the Borrower shall also assess the appropriateness of measures taken, and the adequacy of the revenue sources earmarked, by the Borrower and the Participating Provinces to provide annual replenishments to the SDTF as referred to in paragraph 8(d) (iii) of Schedule 3 of the Loan Agreement. L.A. Schedule 6, para. 12		Component 3 continues to fund pilot training courses in the participating provinces. It had co-financed and conducted more than 100 short courses in National Capital District; Western Highlands Province; West New Britain Province and East New Britain Province; with a good number pending for final approval. Awareness campaign was undertaken Milne Bay province.
29	<i>Performance Targets for Women and Youth.</i> The Borrower shall ensure that the following performance target is achieved by the end of Project Implementation: a minimum of 40,000 persons to be trained in employment oriented skills of which at least 40 percent shall be women of all ages and 40 percent shall be male youth between the ages of 16 and 28 years. L.A. Schedule 6, para. 12	Partly Complied.	<ul style="list-style-type: none"> The initial project site was Morobe Province but it was subsequently shifted to West New Britain Province. This resulted in only 10,000 persons benefiting from the wide range of development skills training provided by the Skills Development Trust Fund.
30	<i>Skills Training Resource Unit</i> The borrower shall ensure equal access of all training providers: (i) to the training materials and related resources provided by STRU; and (ii) to all training courses provided under Part B of the Project. L.A. Schedule 6, para. 11	Complied.	<ul style="list-style-type: none"> The STRU Office has been operational since October 2001 and training materials are being distributed to provinces.