



Report and Recommendation of the President to the Board of Directors

Project Number: 38298
January 2007

Proposed Asian Development Fund Grant
Kyrgyz Republic: Vocational Education and Skills
Development Project

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 18 December 2006)

Currency Unit	–	som (Som)
Som1.00	=	\$0.0259
\$1.00	=	Som38.60

ABBREVIATIONS

ADB	–	Asian Development Bank
DVTE	–	Department for Vocational Training and Education
EA	–	executing agency
EFA	–	Education for All
GDP	–	gross domestic product
GTZ	–	Deutsche Gesellschaft für Technische Zusammenarbeit
HELVETAS	–	Schweizer Gesellschaft für Internationale Zusammenarbeit (Swiss Association for International Cooperation)
HRD	–	human resources development
ICB	–	information and communication technology
ICT	–	information and communication technology
ILO	–	International Labour Organization
M&E	–	monitoring and evaluation
MDG	–	Millennium Development Goal
MIS	–	management information system
MLSP	–	Ministry of Labor and Social Protection
MOE	–	Ministry of Education
NCB	–	national competitive bidding
NGO	–	nongovernment organization
NSCME	–	National State Committee for Migration and Employment
O&M	–	operation and maintenance
OP	–	Office of the President
PEE	–	public expenditure on education
PIU	–	project implementation unit
PPTA	–	project preparatory technical assistance
PSC	–	project steering committee
PVE	–	primary vocational education
PVS	–	primary vocational school
QCBS	–	quality and cost-based selection
SVE	–	secondary vocational education
TA	–	technical assistance
TPE	–	total public expenditure
VESD	–	vocational education and skills development

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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GRANT AND PROJECT SUMMARY

Recipient	Kyrgyz Republic
Classification	Targeting classification: Targeted intervention Sector: Education Subsectors: Technical education, vocational training and skills development Themes: Inclusive social development, capacity development Subthemes: Human development; client relations, and partnership development
Environment Assessment	Category C
Project Description	The Vocational Education and Skills Development Project (the Project) will assist the Government in reforming the primary vocational education (PVE) system and increasing skill training opportunities for adults and out-of-school youth. The Project has four components: (i) consolidation of the PVE system, (ii) improving teaching and learning environments, (iii) modernization of curriculum and assessment and development of learning materials, and (iv) human resource development.
Rationale	<p>The economy in the Kyrgyz Republic is recovering and forecasts project an average GDP growth of 7.5% for the period 2006–2010. While the Government is set to improve the enabling conditions for private sector growth, lack of skilled labor is a key issue for the business community. In line with economic growth projections, feedback from employers confirm the strong demand for quality skilled labor particular for (i) service sectors, including tourism, information technologies and repair services; (ii) construction related occupations, including electricians, welders, plumbers, carpenter, and bricklayers; and (iii) non-mining industries.</p> <p>The current vocational education system that is largely based on the former Soviet system, is neither responsive to labor market demands nor cost-effective. While there is a growing need for skilled workers in the formal and informal labor market, graduates from vocational schools have difficulty finding jobs because they lack employable skills. The key issues of the current vocational education system are (i) poor linkages to the labor market, which results in poor quality and relevance of training courses, (ii) lack of practical training and hands-on experience for students, (iii) weak learning and teaching environment in schools, (iv) underutilized facilities and inefficient staff deployment, and (v) inefficient management of schools.</p> <p>In addition, the current system performs poorly in terms of providing relevant quality skills training for adults and out-of-school youth. Most adults, particularly the poor in rural areas lack access to skills training that enhances earning capacity. At present, the provision of skills courses to train and retrain adults is limited to a small number of skill areas mainly in urban areas. Only a few private training providers are engaged in vocational education and skills training.</p>

In order to address the mismatch in the labor market the Project will assist the Government in (i) creating flexible mechanisms with active industry participation to regularly adapt training programs to new business circumstances, (ii) preparing flexible graduates who are able to adjust to changing demands in the labor market quickly, and (iii) consolidating the current primary vocational education (PVE) system.

A consolidated and modernized PVE system will improve utilization of facilities and ensure a more efficient deployment of staff. Reorganized PVE schools with efficient staff structures will be more flexible to respond to changing demands of labor market. The project will promote an entrepreneurial approach to managing schools and program delivery in order to (i) increase income generation through marketing of short term skills training courses, selling of services and production of basic goods, and (ii) provide an environment for students which will demonstrate the principles of entrepreneurship.

Asian Development Bank's (ADB) assistance to the education sector in the Kyrgyz Republic has evolved since the mid 1990s to support the Government in different stages of reforming and strengthening the general education system. The Project is the first intervention in the vocational education sector. By reforming the current PVE system to become demand-driven and efficient, the Project will assist the Government in complementing the transition of the education system from the Soviet model to a system that is responsive to the requirements of a market-based economy and consistent with the internationally accepted education standards.

Impact and Outcome The impact of the Project will be improved employability and income-earning opportunities of graduates from PVE. The project outcome is more equitable access to and improved quality and relevance of PVE.

Cost Estimates The total project cost is estimated at \$13 million equivalent.

Financing Plan

(\$ million)		
Source	Total	Percent
Asian Development Bank	10.00	77
Government of the Kyrgyz Republic	3.00	23
Total	13.00	100

Source: Asian Development Bank estimates.

To further support project activities, Germany development cooperation through Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and the Swiss Association for International Cooperation (HELVETAS) have indicated that they would provide additional consulting inputs on a grant basis.

Grant Amount ADB will provide a grant of \$10.0 million from ADB's Special Funds resources to finance 77% of the total project cost. The remaining \$3.0 million (23%) will be provided by the Government.

Period of Utilization Until 30 September 2011

Estimated Project Completion Date 31 March 2011

Executing Agency	The Executing Agency (EA) will be the Ministry of Labor and Social Protection (MLSP).
Implementation Arrangements	<p>The EA will appoint the project director who will coordinate the overall implementation of project activities. A project steering committee (PSC) will be established to provide strategic guidance and monitor the implementation of the Project. The PSC will be chaired by the Vice Prime Minister of the Kyrgyz Republic and consist of representatives of MLSP, Ministry of Economy and Finance, Office of the Prime Minister, Chamber of Industry and Commerce, Confederation of Employers, and the Civil Association Forum of Education Initiatives. The PSC will meet quarterly, or as often as required.</p> <p>The Project will be implemented through a project implementation unit (PIU), staffed by a project manager, a procurement specialist, a finance specialist, a monitoring and evaluation (M&E) specialist, an administrative assistant, an accountant, and part-time interpreters. The project manager will be responsible for the overall implementation of project activities. The PIU will report to the project director and provide quarterly progress reports to the PSC, EA, and ADB.</p>
Procurement	Goods, works, and related services financed by ADB will be procured in accordance with its <i>Procurement Guidelines</i> (April 2006, as amended from time to time). Procurement of civil works will be carried out through national competitive bidding. Procurement of equipment will be performed through international competitive bidding, national competitive bidding, and shopping. Before commencement of procurement, ADB and the recipient will review the recipient's procurement procedures to ensure consistency with ADB requirements. Any necessary modifications or clarifications to the recipient procedures will be documented in the procurement plan.
Consulting Services	A total of 35 person-months of international and 107 person-months of national consulting services will be contracted from grant funds under the four components. This will include experts in the field of vocational education and skills development (VESD) policy development, organizational development, curriculum and standards development, entrepreneurship promotion, development of learning materials, procurement of training equipment, labor market assessment, and legislative reform. Consultants will be recruited in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (April 2006, as amended from time to time).
Project Benefits and Beneficiaries	<p>The Government is instituting a number of reforms to improve the business climate, and create a supportive enabling framework for the private sector. Transforming the current PVE system—from one that is supply-driven and inefficient to one attuned to labor market needs, capable of producing better equipped and skilled workers, and providing training and retraining opportunities for out-of-school youth and adults—will complement the Government's strategic thrust to promote private sector growth.</p> <p>Direct beneficiaries of the Project will include all students enrolled in</p>

PVE schools. Nationwide, about 24,300 students (including about 10,000 students from poor families) will benefit from new demand-oriented training programs, modern student-centered teaching techniques, and practical hands-on training in rehabilitated workshops.

At the end of the Project, more than 6,000 adults and out-of-school youth will benefit from relevant short-term skills training provided by vocational schools.

About 1,300 instructors, 500 teachers, and 200 school managers will benefit from staff development programs conducted under the Project.

The combined effects of the following will ensure cost-effective improvements in providing VESD services: (i) restructuring and rationalizing the current PVE system, which will result in reduction of expenditures and more efficient utilization of funds, infrastructure, and human resources; and (ii) applying an entrepreneurial management approach that will increase revenue generation at school level. Establishing strong links with industry/employers will make certain that training courses will be relevant, and increase job chances and income opportunities for graduates

Labor force entrants who graduate from modernized PVE schools will possess knowledge and skills in line with market requirements, contribute to higher labor productivity, and increase private sector growth.

Risks and Assumptions

Successful implementation of the Project rests on the assumption that the Government will (i) maintain the high commitment to reform the PVE system and approve the strategy to consolidate the current school structure; (ii) ensure that “efficiency gains” through consolidation and school mergers will be kept within the system and be utilized for incentive schemes for instructors and teachers, purchase of consumables required to conduct practical training, and investment in new equipment; (iii) provide adequate budget for operation and maintenance of rehabilitated schools; and (iv) in-service training for all instructors. To achieve its impact, the Project assumes that further steady economic growth will create new job opportunities.

Project risks include (i) limited institutional capacity of the EA, (ii) resistance of school staff in the process of restructuring the PVE system, and (iii) adequate provision of funds for operation and maintenance (O&M).

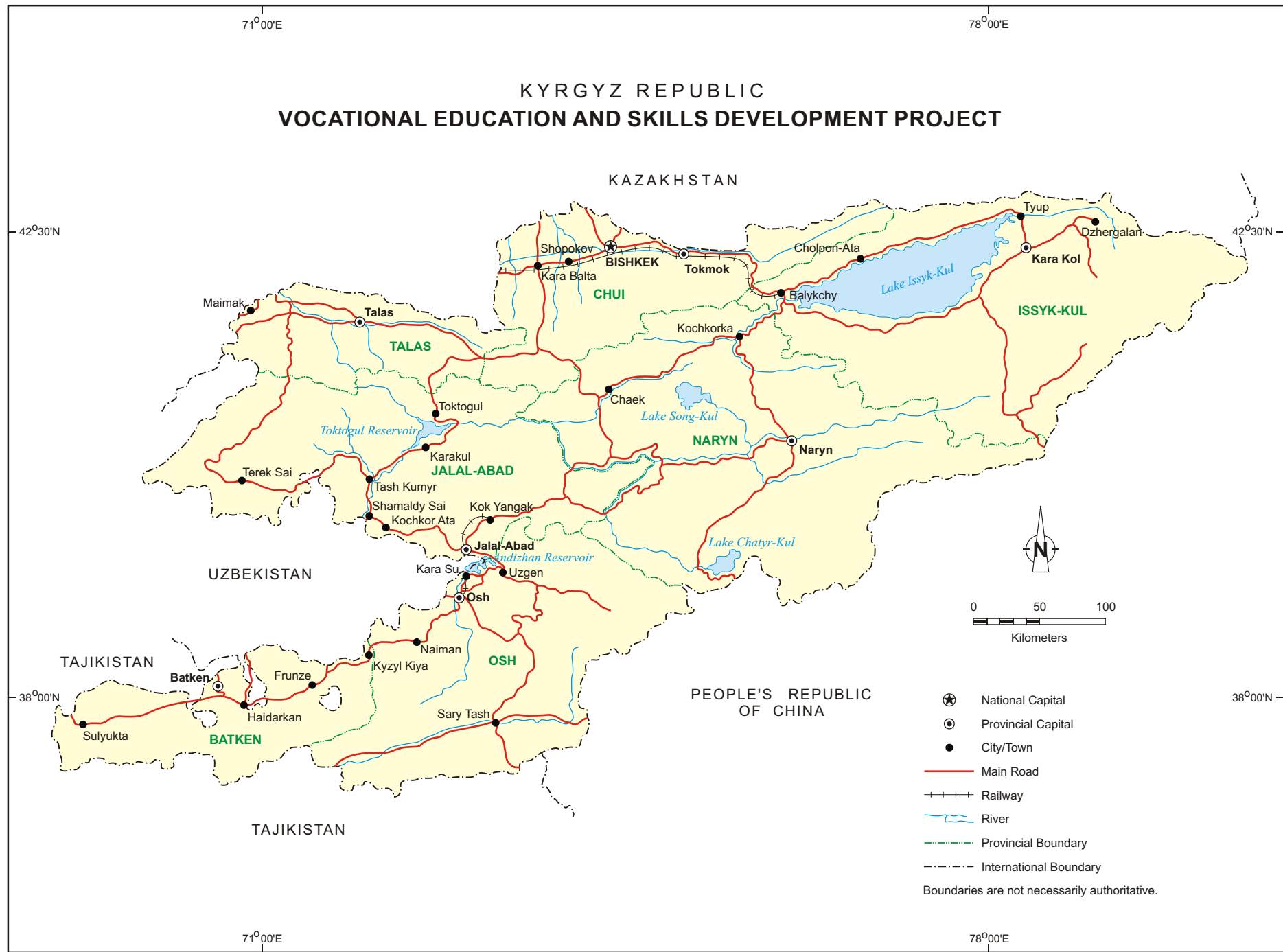
The managerial and technical capacities of the MLSP and PVE institutions are limited and might affect the smooth implementation of the consolidation strategy. The risk will be mitigated through capacity building within the Department of Vocational Education and Training (DVET) under the MLSP. At the school level, the Project will strengthen management capacities of school principals and provide training for instructors, curriculum developers and teachers.

The impact of school mergers and the introduction of a new entrepreneurial culture and uniform assessments, will be significant. Risks include resistance from instructors, teachers and school directors to accept changes. The risks will be mitigated by adopting a participatory approach to project implementation that actively involves school directors, instructors, and teachers.

Financial risks involve potential difficulties in the provision of incremental recurrent costs for operation and maintenance (O&M) of rehabilitated schools. To mitigate risks of insufficient public funds for O&M, the Project's strategy aims at reducing the dependency on public allocations through promoting an entrepreneurial approach and strengthening income generation at PVS level.

KYRGYZ REPUBLIC

VOCATIONAL EDUCATION AND SKILLS DEVELOPMENT PROJECT



Boundaries are not necessarily authoritative.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed grant to the Kyrgyz Republic for the Vocational Education and Skills Development (VESD) Project.

II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

2. In 2004, the Government of the Kyrgyz Republic requested the Asian Development Bank (ADB) to provide technical assistance (TA) to support reforming and modernizing the current system for primary vocational education and prepare the VESD Project (the Project).¹ In accordance with the Government's development strategy, the Project is included in the country strategy and program update 2006–2008.² The project design and monitoring framework is in Appendix 1.

A. Performance Indicators and Analysis

1. Socioeconomic Context

3. In 2003–2005, annual economic growth was 4.4% on average, per capita gross domestic product (GDP) increased from \$384 to \$475, and real incomes of population have grown over the last 3 years by 5% on average. However, about 37% of the population still lives below the national poverty line (\$225 per year) and about 13% are considered to be extremely poor (income less than \$140 per year). The experience of the Kyrgyz Republic suggests that economic growth does not immediately translate into poverty reduction; the benefits of GDP growth are not equally distributed among the population, as revealed by income inequality.

4. In 2005, the estimated population of the Kyrgyz Republic was about 5.1 million, with a population growth rate of about 1.1%. The Kyrgyz Republic has a relatively young, economically active population—about 56% of the total population is of working age and 45% of the population is from 5 to 19 years of age. Over the next 4 years, about 115,000 to 120,000 young people per year will enter the labor market, which will need to absorb an additional 4% of the working age population.³ At the same time, despite economic growth, registered unemployment rose to 10% in 2005. However, official data provide only a partial picture of the unemployment problem; more comprehensive figures suggest that the unemployment rate is almost 20% of the workforce. As in other former Soviet economies, a large number of those without work do not register themselves as unemployed, given the negligible benefits available and limited usefulness of state unemployment services. The number of underemployed could be even higher, given that many people who are technically “employed” are actually working part-time in the informal sector. Unemployment among youth remains one of the most problematic issues—over 50% of the unemployed are under 30 years old.

5. The collapse of public industries after 1991, combined with lack of access to effective social security payments and lack of formal employment opportunities, has contributed to the emergence of a widespread informal sector in the Kyrgyz Republic. Based on the Household Survey carried out by the National Statistical Committee in 2004, it is estimated that more than 50% of the economically active population is employed or self-employed in the informal sector,

¹ ADB. 2005. *Technical Assistance to the Kyrgyz Republic for Preparing the Vocational Education and Skills Training Project*. Manila.

² ADB. 2005. *Country Strategy and Program Update (2006–2008): Kyrgyz Republic*. Manila. During the Country Strategy and Programming (CSP) Mission in October 2005, the Government and ADB agreed to finance the ensuing project from grant funds.

³ About 24,000 workers per year will exit the labor market during the same period.

mainly engaged in agriculture and trade-related activities. Employment in the agriculture sector is disproportionately high. While agriculture contributes only one third of GDP, around 50% of the workforce was employed in the sector in 2004.

2. Education Sector

6. The education system in the Kyrgyz Republic follows the Soviet model and comprises (i) pre-schooling; (ii) 11 years of general education, including primary education from grades 1–4, lower secondary from grades 5–9, and upper secondary education from grades 10–11; (iii) primary vocational education (PVE); (iv) secondary vocational education (SVE); and (v) higher education. Primary and lower secondary education is compulsory. The constitution stipulates free basic education (grades 1–9) to all children. In 2003, net enrollment was 98.6% in primary grades and 72.2% in upper secondary grades. The Ministry of Education (MOE) is responsible for setting education policy and standards in general education, and controls implementation through *oblast* (province) and *raion* (district) departments of education. The structure of the education system is in Appendix 2.

7. The Kyrgyz Republic has two separate systems of vocational education: PVE and SVE. SVE is provided by various ministries and agencies, which offer programs at the post-school level but below the level of higher education. The SVE institutions do not represent a “system” in the same way as the other sectors of education. In total, 70 institutions offer SVE programs⁴ and about 27,000 students were enrolled in 2005. No comprehensive tracer studies are available but anecdotal evidence suggests that a large number of SVE graduates have difficulties finding employment after course completion. Linkages among SVE institutions and between SVE, PVE, and industry are weak. A comprehensive VESD policy—linked to a national human resource development plan and to present and future labor market needs—is not in place.

3. Primary Vocational Education

8. The PVE system was developed under the Soviet era to become a principal training network for skilled workers, and was well linked to industry needs. Many primary vocational schools (PVSs) were located next to large factories and specialized in providing qualified workers for particular trades. At its height, the PVE system provided training for up to 90,000 students. However, after 1991, PVE has become one of the most neglected areas of education in the Kyrgyz Republic. The Government reduced its support significantly—funds for operation and maintenance and reinvestment in training equipment decreased, buildings deteriorated, and enrollment fell substantially.

9. At present, the PVE system is administered by the Department for Vocational Training and Education (DVTE) under the Ministry of Labor and Social Protection (MLSP), and consists of 112 PVSs. In 2005, 24,148 students were enrolled in PVSs, of which 36% were female students. According to DVTE data, about 10,000 students are from low-income families. Anecdotal evidence and surveys in rural areas suggest that the number of poor students is much higher, and up to 70% of PVE students belong to poor families. Currently, PVSs offer three types of courses: (i) three-year programs combine a vocational specialty with general education, providing students with the necessary certificate to study further in a higher education institution. More than half of PVE students are enrolled in the 3-year program; (ii) two-year programs are designed for

⁴ Sponsors of SVE institutions include: MOE (22 SVE institutions), Ministry of Health (10), State Commission on Culture (9), Ministry of Labor and Social Protection (MLSP) (3), Kyrgyz Union of Consumers (2), Ministry of Economics and External Trade (1), State Commission Tourism and Sports (1), Ministry of Interior (1), Ministry of Transport (1), Association of Cooperatives (1), SVE institutes attached to Higher Education Institutions (11), and private institutions (8).

students from grade 9 and provide vocational education with some general education, but this program does not provide the general education components required for higher education; and (iii) 10-month courses that strictly target vocational skills, and are marketed to both youth and adults. In addition, some PVSs offer short-term skills courses for adults, mainly sponsored by the Employment Services. However, in 2005, only about 500 adults were enrolled in short courses. A description of the PVE system is in Appendix 3.

10. Public expenditure on education has been on average about 4% of GDP for the past 3 years (4.12% in 2005). PVE's share of the education budget is low—6.6% in 2005.⁵ In 2005, 45% of the PVE budget was spent on salaries and allocations to the social fund; 31% for social protection, including school food and student allowances; 11% for heating, electricity, water supply, and other utilities; and only 13% remained for operation and maintenance (O&M) of school facilities, provision of training materials, and investment in new equipment. In 2005, about 12% of the total budget was generated by schools' income earning activities of schools. This was mainly spent on incentive schemes for instructors and teachers to improve their low salaries, and the purchase of urgently needed consumables and materials for training courses. The Government has indicated that it will increase PVE funding during 2006–2008. However, its commitment to meet salaries and provide social protection will continue to absorb most of the annual PVE budget. A description of PVE financing is in Appendix 4.

B. Analysis of Key Problems and Opportunities

1. Key Issues and Challenges

11. **Reform Context.** Private sector growth and the level of investments are both rising in 2006. After the 2005 political turmoil that led to a fall of 0.6% in GDP, the economy is recovering; estimates by the International Monetary Fund (IMF) and the Ministry of Economy and Finance forecast average GDP growth of 7.5% for the period 2006–2010. According to these projections, the construction sector is expected to grow annually at 13% on average, industry production (excluding mining) at 9.4%, service sector at 8.2%, and agriculture at a slower pace of 4.5%. To stimulate sustainable economic growth further and create employment opportunities, the Government has launched a series of reforms, including improving governance, introducing a flat corporate and personal income tax, simplifying tax administration, improving access to financial services, streamlining operational licensing, and strengthening the enforcement of contracts.

12. **Dynamic Labor Sectors.** While the Government is set to improve the enabling conditions for private sector growth, lack of qualified personnel is a key issue for the business community. In the absence of reliable labor market information and employment forecasts, possible information on skill requirements was gathered through focus group discussions with local employers, farmers, and nongovernment organizations (NGOs) at *raion* level; and feedback from the Chamber of Industry and Commerce and its regional offices, National State Committee for Migration and Employment (NSCME) and its *oblast* offices, and MLSP. In line with economic growth projections, the feedback from employers, NGOs, NSCME, and chamber members confirmed the strong demand for quality skilled labor in the service and construction sectors and non-mining industries. The construction sector is expected to grow in line with the rapid development for new housing and increased road construction. Quality skilled workers in construction-related occupations will be in demand, including electricians, welders, plumbers, carpenters, and bricklayers. The service sector, accounting for 45% of GDP, will account for substantial job growth. Employment potential and income earning opportunities are expected in

⁵ In 2005, the total budget for PVE was at about \$7.9 million—\$6.9 million through public allocations and \$1.0 million from income generation from schools.

skill areas related to repair of vehicles and home appliances. Tourism is estimated to expand following the success of the Government in attracting a growing number of visitors annually, and recent developments of the tourist infrastructure. Job growth will be concentrated in food services, hotel management, recreation, and entertainment activities. IT-service industries are expected to grow over the medium term, stimulating jobs for office and management services. Increased demand for telecommunications services, Internet connections, and software applications will further stimulate job opportunities among these industries. Industry production (excluding mining) will require broad skilled labor in small and medium-sized enterprises.⁶ The Government also highlights the potential of the textile sector, which provides additional income earning opportunities in rural areas. Increases in population and personal income will contribute to employment growth in retail trade, as consumers demand more goods.

13. While by far the largest source of employment, the capacity of the agriculture sector to create additional employment is limited. To improve productivity and income opportunities in the sector, workers will need to diversify and upgrade their skills in agro-processing. A growing number of workers engaged in farming activities are seeking retraining opportunities to acquire skills to improve employability in other sectors. Many school graduates will seek jobs or self-employment opportunities in the informal sector because of limited formal employment opportunities. The ability to be flexible, identify business opportunities, and respond to local labor market demands in a timely manner will increase their income prospects. Entrepreneurial, multiskilled labor will have comparative advantages.

14. **Poor Quality and Relevance.** Feedback from employers revealed that the current PVE system is not able to respond adequately to emerging labor market needs. Many PVE graduates and most unemployed lack practical skills required by enterprises, and up-to-date knowledge in their areas of specialization; and do not have sufficient understanding of entrepreneurial principles. Graduates who have found employment have had to undergo additional training by their employers. Anecdotal evidence revealed that, in small towns and villages, qualified plumbers, electricians, and welders are not available; construction companies need to hire laborers from abroad because of lack of qualified national workers; and tourism and IT companies complain about under-qualified PVE graduates and unfit job applicants. The quality and relevance of PVE programs suffers from weak interaction with the private sector and lack of systematic labor market research. Although some PVSs have developed good linkages with local companies and provide relevant skills training, the majority of training programs are largely supply-driven and often based on allocated budgets and available staff and equipment rather than market demand.

15. **Poor Facilities.** The essence of vocational education and skills training is relevant practical training and hands-on experience for students. However, poor infrastructure and lack of adequate training equipment in most PVSs mean that students learn about skills in theory but are not able to put those skills into practice. The building construction and technology of PVSs which have not yet benefited from rehabilitation measures are based on 30-year old construction standards that are inefficient in terms of use of materials, structural capacity, and energy performance. PVS facilities continue to deteriorate because of inadequate maintenance and investment. Training workshops and dormitories are in poor condition. Most training equipment in PVSs was supplied during the Soviet era and is outdated or not functioning and only displayed for demonstration purposes. Hand tools, sufficient consumables, teaching aids, and learning materials are lacking in training workshops.

16. **Qualification of Instructors and Teachers.** The teaching techniques and technical skills and knowledge of most instructors and teachers are outdated and need to be upgraded. Many

⁶ The share of small and medium sized enterprises in the GDP grew to 47% in 2005.

instructors focus on delivering content, as specified in their curriculum, and not on achieving the performance expected for employment. Under the Soviet system, teachers received periodic in-service training, which has since diminished because of limited resources.

17. **Curriculum Development and Learning Materials.** Industry involvement in curriculum development is limited and current curriculum modules are not revised regularly to reflect changing technology and market demands. The curriculum needs to be adjusted to incorporate student-centered, modern teaching methods with emphasis on practical training. To enhance the flexibility of graduates to respond to labor market demands in a timely manner, a modernized curriculum should aim at providing multi-skills training and include entrepreneurial skills. Textbooks and learning and teaching materials are seriously outdated. A new, decentralized approach in training material development—involving teachers, instructors, and experts from the private sector—is required to produce modern learning materials for students, promoting independent learning and practical workshop experience.

18. **Weak Assessment.** Currently, there is no comprehensive assessment system based on agreed skills standards in place. The quality of skills training depends on the quality of instruction, which is often adversely affected by lack of training equipment, poor teaching environment, and outdated knowledge of teachers. Schools set their own examination, without formal external quality control or moderation. At present, industry is only involved occasionally in preparing and participating in examinations.

19. **Low Efficiency.** The average size of PVSs, in terms of enrollments, is very small. This raises a number of issues. The PVE system was originally designed for 90,000 students. However, many classrooms, training workshops, and dormitories are largely underutilized because of the sharp decrease in enrollment. Schools with low enrollment have considerably higher training unit costs than schools with higher student enrollment. Because of lack of an assets management strategy and restrictive legal and administrative regulations, DVTE is not in a position to manage its complex range of assets efficiently. The staff composition of the PVE system is inefficient. Senior staff is too thinly spread and the ratio of nonteaching staff to administrative and management staff is unbalanced—of about 7,400 staff engaged in PVS, only about 20% are skill instructors and 13% are general education teachers; the remaining 67% are managers, administrators, and support staff. Consolidation of the current system is necessary, including merging selected PVSs, to improve utilization of facilities and ensure more efficient deployment of staff. Reorganized and consolidated PVSs with efficient staff structures will be more flexible to respond to changing demands of the labor market.

20. **Training Provision for Adults.** The current system performs poorly in terms of providing market-oriented skills training for adults and out-of-school youth. Most adults, particularly the poor in rural areas, lack access to skills training that would enhance their earning capacity. Relevant short-term training programs are offered in a limited manner by public training institutions and a few private providers, mainly in urban areas. Currently, no skills development strategy is in place to address adult training and retraining needs.

2. Government Policy

21. The Comprehensive Development Framework (CDF), Millennium Development Goals for education, and Country Development Strategy for 2007–2010 currently under preparation, describe the Government's development strategy. The overarching goal of the CDF is to achieve political and social well-being, economic prosperity of the people of the Kyrgyz Republic, together

with freedom, human dignity, and equal opportunities for all.⁷ The Government considers reforming the current PVE system an integral part of its (i) economic growth strategy, aimed at steady, private sector-led growth; (ii) social strategy, aimed at improving access of the poor to income generating opportunities; and (iii) approach to remove disparities between rural and urban regions and improve living conditions in rural areas.

22. The Law on Education, the Education Development Concept until 2010, and the National Action Plan on Education for All (EFA) describe the Government's policy and strategies in the education sector. Strengthening vocational education and developing an adult education and training system are considered key development areas in the National Plan of Action on EFA.

3. External Assistance to the Sector

23. ADB has been the major development partner in the education sector since the mid-1990s. Complementing ADB's support to the education sector, the World Bank provided a grant of \$15.5 million in 2005 to support rural basic education. The Organization of the Petroleum Exporting Countries (OPEC) Fund supported initial improvements of general education services. The United States Agency for International Development (USAID) supports legal reforms, capacity building, improvement of selected curriculum areas, teacher training, and community participation in rural basic education. The Soros Foundation supports teacher training and learning development and overseas scholarships. The United Nations Children's Fund (UNICEF) provides assistance in capacity development of local administrators and policy development in general education. The United Nations Educational, Scientific and Cultural Organization (UNESCO) promotes the EFA strategy. Save the Children supports nonformal education for poor children. With the exception of the assistance provided by ADB and the World Bank, inputs by these agencies have been relatively modest in financial terms and mainly target general education.

24. The major development partners in vocational education are Swiss Association for International Cooperation (HELVETAS) and German development cooperation through Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). Swiss Association for International Cooperation (HELVETAS) has been active in agricultural training and supports selected PVSs in rural areas. It has developed a large number of excellent training materials; and provides training for teachers, instructors, and school principals on modern teaching methods and entrepreneurial management approaches. Germany (GTZ) has provided support to PVE since the end of the 1990s. GTZ focuses on curriculum development for selected trades, supports the establishment of a national policy framework for VESD, and promotes training and retraining opportunities for adults. In addition, the International Labour Organization (ILO) has developed an entrepreneurial training package which has been piloted at some PVSs.

4. ADB's Sector Strategy

25. ADB's country strategy and program update (2006–2008) highlights the importance of reducing poverty by promoting private sector-led economic growth and human resource development, including promoting general and vocational education. ADB assistance to the education sector in the Kyrgyz Republic has evolved since the mid-1990s to support the Government in different stages of reforming and strengthening the education system. Assistance included program and project loans for the Education Sector Development Program⁸ approved in 1997, which supported policy reforms and initial improvements in delivering education services.

⁷ Kyrgyz Republic. 2001. *Comprehensive Development Framework of the Kyrgyz Republic to 2010*. Bishkek.

⁸ ADB. 1997. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan and Technical Assistance to the Kyrgyz Republic for the Education Sector Development Program*. Manila.

Building on lessons and achievements from the Education Sector Development Program, the Second Education Project⁹ was approved in 2005. The Second Education Project supports the Government's efforts in modernizing the curriculum, strengthening teacher training, promoting incentive schemes for teachers in rural areas, and rehabilitating and upgrading rural schools. The Social Services Development and Finance Project,¹⁰ approved in 1998, provided support for rehabilitating education and health facilities in Jalal-Abad and Osh *oblasts*. The Community-Based Early Childhood Development Project,¹¹ which was approved in 2003, focuses on improving health, nutrition, and educational development for children below 8 years of age in the 12 poorest *raions* of the country.

26. The VESD Project is ADB's first intervention in vocational education. The Project's focus is consistent with ADB's *Policy on Education*.¹² Activities are aimed at reducing poverty and providing knowledge and skills essential to meet the needs of a demand-driven modern economy. The Project will address unemployment issues caused by a mismatch between existing knowledge and skills and labor market needs, which is considered a major cause of poverty.

5. Lessons

27. Reform of the current PVE system will complement ADB's development assistance, supporting the Government in completing the transition of the education system from the Soviet model to a modern demand-driven system consistent with internationally accepted education standards and labor market needs. As this is ADB's first intervention in the vocational education sector, the project design takes into consideration experiences from other development partners, particularly GTZ and HELVETAS, that indicate the urgent need to (i) consolidate and rationalize the existing PVE structure; (ii) launch an entrepreneurial culture in school management and delivery of training programs; (iii) introduce new teaching techniques and upgrade training workshops and equipment to strengthen practical, hands-on training; and (iv) involve communities and employers to strengthen the quality and relevance of training programs. Another lesson relates to the importance of donor coordination to generate synergies. The project design will involve key development partners in steering and coordination committees to improve harmonization and information sharing.

III. THE PROPOSED PROJECT

A. Impact and Outcome

28. The impacts of the Project will be improved employability and income-earning opportunities of graduates from PVE, and strengthened private sector-led economic growth. The expected project outcome is more equitable access to and improved quality and relevance of vocational education and skills training.

B. Outputs

29. The Project has four components: (i) consolidation and modernization of the PVE system, (ii) improving teaching and learning environments, (iii) modernizing curriculum and learning assessment and developing learning materials, and (iv) human resource development.

⁹ ADB. 2005. *Report and Recommendations of the President to the Board of Directors on a Proposed Asian Development Fund Grant to the Kyrgyz Republic for the Second Education Project*. Manila.

¹⁰ ADB. 1998. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan to the Kyrgyz Republic for the Social Service Delivery and Finance Project*. Manila.

¹¹ ADB. 2003. *Report and Recommendations of the President to the Board of Directors on a Proposed Loan to the Kyrgyz Republic for the Community-Based Early Childhood Development Project*. Manila.

¹² ADB. 2002. *Policy on Education*. Manila.

1. Component 1: Consolidation and Modernization of the PVE System

30. Reforming the current PVE system toward a demand-driven, entrepreneurial system with active industry participation that will provide relevant programs to youth and increase training and retraining opportunities for adult and out-of-school youth is the major feature of the Project. Under component 1, the Project will provide assistance in (i) consolidating and modernizing the current PVE structure gradually; (ii) creating a legal and administrative framework conducive to enable school management to engage in entrepreneurial activities and administer their assets and income; and (iii) developing a national policy framework for VESD linking PVE, SVE, and private training provision. The Project will address policy issues to enhance the contribution of private training provision by creating incentives and ensuring that the regulatory framework does not raise unreasonable barriers to entry.

31. **Consolidation and Restructuring.** The Project will support the Government in developing and implementing a strategy to consolidate assets and staff structure of the current 112 PVE schools. Based on a comprehensive review of the existing school structure, labor market assessments, and enrollment trends, “complex schools”¹³ will be established by merging selected schools. PVSs that will not participate in mergers will be restructured to enhance the efficiency and improve the relevance and quality of training programs. A reformed system will improve utilization of existing classrooms, training workshops, dormitories, and equipment; ensure more efficient deployment of staff; and strengthen training provision in rural areas. International and national consultants will provide support in developing and implementing a strategy to consolidate the PVE system step-by-step, including reforming legal, regulatory, and administrative arrangements.

32. To improve the flexibility of the PVE system to adjust training programs to changing requirements of the labor market in a timely manner, the Project will assist MLSP in strengthening labor market research and employment forecasts. Results of labor market assessments will be regularly reviewed by the NSCME, Chamber of Industry and Commerce, and selected industry representatives to guide curriculum development. Arrangements to establish a regular review mechanism will be formalized within 6 months of grant effectiveness. To further strengthen the relevance and quality of training programs, complex schools and other PVSs will establish school advisory boards consisting of local employers and civil society representatives. Advisory boards will (i) guide school management in developing annual business plans, (ii) support schools in identifying skill demands and adjusting training programs accordingly, (iii) participate in the moderation of training courses and examinations, and (iv) promote on-the-job training and apprenticeship opportunities. The Project will provide support in preparing detailed procedures for the operation of advisory boards, which will be formalized by MLSP within 6 months of grant effectiveness.

33. Currently, DVTE has at its disposal a complex range of assets, including buildings, land, and equipment. Much of the equipment is not functioning or outdated; many buildings are underutilized and have major defects. The Project will help to improve the management of these resources, and assist in setting up an assets management system and legal and administrative framework which will allow selling, renting out, or closing down assets, with proceeds to be used within the PVE system.

¹³ A “complex school” will consist of a number of merged schools under one management, with infrastructure and staff on a shared basis.

34. **Entrepreneurial Culture.** At the school level, the Project will promote an entrepreneurial approach to managing schools and program delivery to (i) increase income generation through marketing short-term skills training courses for out-of-school youth and adults, selling services, and producing basic goods; and (ii) provide an environment for students that demonstrates the principles of entrepreneurship. Students who will seek jobs in the informal sector or as self-employed, will benefit from a learning environment that practices and teaches entrepreneurship. The Project will (i) provide training to school principals and administrators to strengthen their management capabilities; (ii) support instructors to adjust training programs based on demand assessments; and (iii) assist curriculum developers, instructors, and teachers to incorporate entrepreneurial skills in curriculum modules. The Project will help to revise administrative regulations to allow PVSs to manage income for the benefit of their schools.

35. **Certification.** As part of the modernization process, the Project will provide support to establish a certification scheme with appropriate mechanisms for skills assessments. Certificates will be issued to students and workers who will pass examinations and skills assessments conducted jointly with the private sector. Assessment centers will be established at selected complex schools.

36. **Career Guidance.** The Project will support the establishment of mechanisms to inform students from grades 9 to 11 and their parents about income earning and employment opportunities of PVE graduates. A professional media company will be engaged to prepare and conduct awareness campaigns. A time-bound action plan will be developed during the first year of project implementation. Qualified staff from MLSP and selected teachers and instructors from schools will be trained in counseling methods and networking with employers.

37. **Skills Training and Retraining for Adults.** At present, the provision of skills training courses to train and retrain adults and out-of-school youth is limited to a small number of skill areas and offered by only a few training providers, mainly in urban areas. To promote employment and income earning opportunities for unemployed and underemployed adults and youth, the Project will provide support in increasing the availability of relevant short-term skills training courses. Based on the results of labor market surveys and employment forecasts, the Project will assist in developing short-term courses to be conducted at complex schools and PVSs during evenings, weekends, and school holidays. The Project will also develop strategies to stimulate private training provision.

2. Component 2: Improving Teaching and Learning Environments in PVSs

38. Once an approved consolidation strategy is in place, the Project will provide assistance to improve the teaching and learning environment in schools. This will include (i) rehabilitation and upgrading of training workshops of up to 20 selected PVSs, (ii) rehabilitation of up to 20 dormitories, and (iii) provision of training equipment for basic priority skill areas¹⁴ that offer the best employment prospects for students. The Project will also provide 14 mobile training units to service remote rural areas.

39. Rehabilitation priorities include: (i) provision of adequate heating systems and insulation; (ii) improvement of roof structures; (iii) repair of sanitation systems; (iv) repair of defective walls and ceilings; and (v) replacement of damaged floors, doors, windows. To improve access for disabled students who may have faced exclusion, rehabilitation works will include provision of facilities for wheelchair-bound students, adjusted and accessible furniture, equipment, and

¹⁴ Skills areas include: (i) agriculture, (ii) basic IT services, (iii) automotive, (iv) carpentry, (v) welding, (vi) electrical, (vii) metalwork, (viii) garments, and (ix) hospitality.

improved sanitary facilities. To improve teaching conditions, the Project will provide teaching aids to each rehabilitated workshop. School management and community members will be involved in the planning of rehabilitation works, and participate in the day-to-day supervision to make certain that contractors implement rehabilitation works as specified in the contracts.

40. Once the consolidation strategy is approved, packages of new training equipment will be provided to selected PVSs, including equipment for (i) benchwork, (ii) carpentry, (iii) basic information and communication technology (ICT), (iv) construction works (masonry and bricklaying), (v) agriculture, (vi) cooking, (vii) electrical and electronics, (viii) heavy and light vehicle repair, and (ix) welding (arc and gas). To start practical training, each rehabilitated and upgraded training workshop will be provided with a lump sum for consumables and materials to support the first year of its operation. In the following years, schools will finance procurement of consumables and materials from their own income generation.

41. The selection mechanism to identify schools for rehabilitation and training equipment will be based on a competitive and demand-oriented approach. Schools will be invited to submit a proposal, including a business plan, that will provide information on (i) planned training courses, number of potential participants, and income earning opportunities for skills trained; (ii) availability of qualified teachers and instructors; (iii) partnership arrangements with local industry and potential employers; (iv) plans for utilization of training workshops and new equipment; and (v) availability of adequate funding for consumables and O&M costs. Based on the results of labor market research and employment forecasts, MLSP will undertake its own analysis and make proposals to optimize facilities and equipment, ensure that training programs will meet current and future demands, and guarantee that students from poor families will benefit.

42. Within 2 months of grant effectiveness, MLSP will establish a selection committee that will review proposals received from schools and select schools for inclusion in the Project. The committee will consist of five members, including one representative each from DVTE, MLSP, Chamber of Industry and Commerce, civil society, and development partners. The key criterion for the selection of schools will be the potential impact of the training courses on the employability and income earning opportunities of students. The final selection of schools, scope of rehabilitation works, and equipment packages will be submitted by MLSP to ADB for concurrence. National and international consultants will provide support in identifying adequate training equipment and prepare technical specifications for the tenders. To support the preparation of tender documents for rehabilitation works and supervise all civil works, the Project will provide budget to engage an engineering consulting firm.

43. Mobile training workshops will be provided to serve schools not covered under the Project, particularly schools in remote villages, and will be based in and managed by a complex school to be chosen by the selection committee. The mobile training workshop will be equipped with training equipment for priority basic skills areas that will be identified during the first year of project implementation. Further administrative arrangements for operation of the mobile training workshops will be agreed by the selection committee.

3. Component 3: Modernizing the Curriculum and Learning Assessment and Developing Learning Materials

44. The Project will help develop a competency-based and modularized curriculum¹⁵ with related skills and education standards. Curriculum modules will be refocused on the demand of

¹⁵ A competency-based training system will emphasize on students' abilities to perform tasks at a specified proficiency level according to industry standards, and provide a wide range of opportunities for students to practice and acquire skills and knowledge to become competent skilled workers.

the formal and informal labor market. The new curriculum will foster a student-centered learning approach and ensure that practical training is embedded into training programs. The revised curriculum will aim at producing multiskilled graduates. Curriculum modules will incorporate entrepreneurial principles to prepare students for self-employment and jobs in the informal sector. There are three interrelated activities under this component: (i) revision of the current curriculum, (ii) development and production of teaching and learning materials, and (iii) development of assessment guides.

45. **Curriculum Modernization.** The Project will provide resources to upgrade the capacity of DVTE to manage the process of curriculum revision. The Project will assist in establishing expert groups consisting of curriculum developers, selected school instructors, and subject experts from the private sector. The expert groups will assess current skill standards and revise curriculum modules in the following vocational areas: (i) agriculture,¹⁶ (ii) construction, (iii) basic IT services, (iv) automotive, (v) carpentry, (vi) electrical, (vii) metalwork, (viii) garments, and (ix) hospitality. The new curriculum will integrate entrepreneurship development in all vocational areas to train students to understand the principles and practices of entrepreneurship. The Project will support on-the-job and apprentice schemes as integral parts of the curriculum to enable students to acquire relevant skills, knowledge, work discipline, and real work experience. The Project will provide training to instructors to prepare lessons and instructional material according to the revised curriculum and implement competency-based curriculum modules.

46. **Material Development.** The development of teaching and learning materials will follow a decentralized approach. Selected complex schools with strengths in particular training areas will be nominated as centers for material development in their area of specialization. The Project will provide an equipment package for each of the nominated complex schools. Based on the revised curriculum and supported by consultants and graphic designers, expert groups—consisting of instructors, specialists from the private sector, and curriculum developers—will prepare learning materials. Once the preparation of specific course materials has been completed, it will be made available through the internet for downloading and printing at each school. Additional printing and distribution of materials will be arranged through tendering. All tenders will comply with ADB *Procurement Guidelines* (April 2006, as amended from time to time) as the basis for procurement.

47. **Learning Assessment.** Currently, there is no agreed national examination system in place. The Project will provide assistance to introduce a uniformed assessment system with emphasis on skills tests and practical examinations, in addition to theoretical exams. Examinations will be prepared and conducted by instructors and subject specialists from the private sector. The Project will provide support to assist school management, teachers, and instructors to improve (i) the quality of theoretical assessments; and (ii) the preparation of skill tests and practical examinations, which will include developing an examination items data bank.

4. Component 4: Human Resource Development

48. Component 4 will consolidate training needs which arise in the process of reforming the PVE system. Based on a comprehensive human resources development plan and related training needs assessments, training activities will include (i) DVTE staff, (ii) school management, (iii) schools instructors and teachers, and (iv) a specialist for curriculum and training material development.

¹⁶ HELVETAS has developed high quality curriculum and teaching/learning materials, which are used in pilot schools, for the agriculture sector. The Project will integrate lessons from HELVETAS in the curriculum and material development process to roll out successful materials nationwide.

49. **Strengthen Professional Development for Instructors.** The Project will assist in establishing an in-service training system which will provide continuous training opportunities for instructors, with focus on student-centered teaching approaches and practical training for students. International and national consultants will train and supervise a group of 60 core trainers who will, in turn, conduct training programs for instructors to improve teaching methods and assessment techniques. Special emphasis will be given to entrepreneurial approaches in teaching. Core trainers will be given 3 weeks of training and equipped with manuals. Training programs will be conducted at complex schools and will include all instructors currently in service. DVTE will assign a team to plan, organize, and follow up on training programs with the support of the project implementation unit (PIU).

50. **Strengthen Management Capacities.** To promote an entrepreneurial culture in schools, the Project will provide training for school management and selected DVTE staff on assets management, financial management, basic IT skills, development of business plans, and human resources development planning. Financed by the Project, training will be conducted by national and international consultants and private training providers. The Project will establish a system to provide regular management support and follow-up training measures for school principals and administrators. DVTE will identify suitable national training providers and develop criteria to select trainees.

51. **Curriculum and Material Development and Assessment Methods.** Supported by international and national consultants, capacity will be built throughout the PVE system to ensure regular update of training modules and continued provision of learning materials. Selected groups of skill specialists will receive on-the-job training in curriculum design and development of materials. Training programs will be conducted at schools to introduce new assessment methods. In addition to in-service training conducted by core trainers and private training providers, the Project will provide support to establish a training platform based on ICT, which will offer updated information on education content, modern pedagogy, and reference and learning materials. The IT capacity of complex schools will be strengthened to provide additional options for teachers and instructors to engage in interactive self-learning.

C. Special Features

52. The Project has two key strategies to address the mismatch in the labor market: (i) creating flexible mechanisms with active industry participation to adapt training programs to new business circumstances regularly, and (ii) preparing flexible graduates who are able to adjust to changing demands in the labor market quickly.

53. To adjust training programs to changing demands of the formal and informal labor market in a timely manner, the Project will support MLSP in strengthening labor market research and employment forecasts and involve private sector participation at all levels. At the national level, labor market research results and training programs will be regularly reviewed by the Chamber of Industry and Commerce, civil society organizations, and selected business associations. At the school level, advisory boards will be established, comprising local employers and NGOs, to provide guidance on the local skill demand and review school training programs. Industry and NGOs will participate in the project steering committee (PSC) and be involved in the selection committee to identify schools to be included in the Project. Skill specialists from companies will participate in curriculum development, learning material design, and learning assessments; companies will provide opportunities for on-the-job training and apprentices schemes.

54. The combined effects of restructuring and rationalizing the current PVE, and applying an entrepreneurial management approach, will ensure cost-effective improvements within the current budget allocation. Adopting an entrepreneurial approach to managing schools and program delivery will create an environment for students that demonstrates the principles of

entrepreneurship. Graduates who will seek jobs in the informal sector or as self-employed will benefit from a learning environment that practices and teaches entrepreneurship. Becoming more entrepreneurial will enable schools to increase income generation and reduce dependency on public allocations.

55. In broadening the scope of the PVE system—by introducing short-term skills courses—the Project will contribute to provide training and retraining opportunities for numerous youth who have left school without marketable skills, and unemployed and underemployed adults who are seeking job opportunities. Active industry participation in the design of short courses will ensure that training programs are demand-driven, and will improve the employability of trainees.

D. Project Investment Plan

56. The total project cost is estimated at \$13.0 million equivalent. Project cost estimates by expense category are in Table 1. Detailed cost estimates are in Appendix 5.

Table 1: Project Investment Plan
(\$'000)

Item	Total Cost
A. Base Cost	
1. Consolidation and Modernization of the PVE System	460
2. Improvement of Teaching and Learning Environment	7,469
3. Modernization of Curriculum and Learning Assessment and Material Development	826
4. Human Resource Development	801
5. Project Management	313
6. Taxes and Duties	1,856
Total Base Costs	11,725
B. Contingencies	
1. Physical Contingencies	493
2. Price Contingencies	782
Total Contingencies	1,275
Total	13,000

PVE = primary vocational education.

Notes: (i) Custom duties at 0.2% for furniture, equipment, and instructional materials. Taxes calculated at 22.3% of civil works and 20% of equipment, materials, consulting service, and vehicle. Taxes and duties will be financed by the Government.

(ii) Physical contingency is computed at 5% for all categories; price escalation is computed at 4%.

Source: Asian Development Bank estimates.

E. Financing Plan

57. The Government has requested a grant of \$10 million from ADB's Special Funds resources to finance 77% of the total project costs. The remaining \$3.0 million, or 23% of the total project cost, will be provided by the Government. The financing plan is in Table 2.

Table 2: Financing Plan
(\$ '000)

Source	Total	Percent
Asian Development Bank	10,000	77
Government	3,000	23
Total	13,000	100

Note: Government financing is included in the budget and consists of taxes and duties; contributions of managers, teachers, instructors, and administrators within the PVE system; provision of workshop and office facilities; and contingencies.

Source: Asian Development Bank estimates.

58. To further support project activities, Germany (GTZ) has indicated that it will provide additional consulting inputs on a grant basis in the areas of development of a VESD policy framework, entrepreneurial training, curriculum revision, and development of short-term skills training courses for adults. HELVETAS has indicated that it will provide consultancy inputs on a grant basis to strengthen school management and promote material development and teacher training related to agriculture.

59. **Grant Financing.** The Kyrgyz Republic is one of the poorest countries in Asia, facing serious debt stress. The Project is closely aligned with ADB's poverty reduction strategy and the Government's country development strategy (CDS). The CDS overall objectives include improvement of living standards by achieving sustainable economic growth, creation of conditions for full employment, providing high and stable incomes, and availability of a wide spectrum of social services. Since more than 50% of students enrolled in PVE schools are from low-income families, and the vast majority of adults participating in training and retraining programs are expected to be unemployed or underemployed, the Project will contribute directly to poverty reduction through increasing income generation opportunities. While public funding is expected to be sufficient to cover recurrent expenditure of the PVE system, it is unlikely that the Government will be able to finance the urgently needed rehabilitation and modernization of PVE facilities from its own resources. Given the high level of capital investment needs, grant financing of the Project will ease the costs of external financing.

F. Implementation Arrangements

1. Project Management

60. The Executing Agency (EA) of the Project will be MLSP. The EA will appoint the project director who will coordinate the overall implementation of project activities. A PSC will be established to provide strategic guidance and monitor the implementation of the Project. The PSC will be chaired by the Vice Prime Minister of the Kyrgyz Republic and consist representatives of MLSP, Ministry of Economy and Finance, Office of the Prime Minister, Chamber of Industry and Commerce, Confederation of Employers, and the Civil Association Forum of Education Initiatives. OP will identify one industry and one NGO representative. The PSC will meet quarterly, or as often as required. GTZ and HELVETAS will participate as observers in the PSC.

61. The Project will be implemented through a PIU, staffed by a project manager, a procurement specialist, a finance specialist, a monitoring and evaluation (M&E) specialist, an administrative assistant, an accountant, and part-time interpreters. The project manager will be responsible for the overall implementation of project activities. Office space for the PIU will be provided within DVTE. The PIU will report to the project director and provide quarterly progress reports to the PSC, EA, and ADB.

2. Implementation Period

62. The Project will be implemented over 4 years from March 2007 to March 2011.

3. Procurement

63. All ADB-financed civil works, goods, and related services will be procured in accordance with ADB's *Procurement Guidelines* (April 2006, as amended from time to time). Civil works will involve rehabilitation of existing facilities, but there will be no construction of new facilities. Civil work contracts will be less than \$1.0 million. National contractors are capable of carrying out all rehabilitation works, so civil work contracts estimated to cost \$1.0 million or less will be procured

through national competitive bidding (NCB) procedures acceptable to ADB. Before commencement of NCB procurement, ADB and the recipient will review the recipient's procurement procedures to ensure consistency with ADB requirements. Any necessary modifications or clarifications to the recipient's procurement procedures will be documented in the procurement plan.

64. The Project will provide training equipment, computer and related ICT equipment, teaching aids, classroom furniture, learning materials, and manuals. Equipment and goods estimated to cost more than \$500,000 will be procured under international competitive bidding procedures. Equipment and materials estimated to cost \$500,000 or less will be procured under NCB procedures acceptable to ADB. Learning materials and other equipment and materials valued at \$100,000 or less will be procured by shopping. Before the commencement of any procurement activity under NCB procedures, ADB and the Government will review the public procurement law to ensure consistency with ADB's *Procurement Guidelines*. Any necessary modifications or clarifications will be reflected in the procurement plan. The Government has prepared a procurement plan for the initial 18 months (Appendix 7). The procurement plan includes (i) particular contracts for the goods, works, and related services required to carry out the Project, (ii) proposed methods for procuring contracts that are permitted under the grant agreement, and (iii) related ADB review procedures. The Government will update the procurement plan annually or as needed throughout project implementation.

4. Consulting Services

65. All consulting services will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (April 2006, as amended from time to time). Under the four project components, a total of 35 person-months of international and 107 person-months of national consulting services will be contracted, financed by ADB funds. International and national consultants financed from ADB funds will be recruited as a firm under quality and cost-based selection methods, using full technical proposals. In addition to consultants contracted through a firm, the Government has requested advance recruitment of one individual international organizational development specialist and one individual national legal specialist. The Government has agreed to recruit individual national consultants for the PIU in accordance with ADB's procedures for recruiting individual consultants. Consulting services under the four components will include experts in the field of (i) organizational development, (ii) legal advice, (iii) management information system, (iv) career guidance, (v) equipment selection and procurement, (vi) curriculum and training material development, (vii) graphic design, (viii) teacher training, and (ix) entrepreneurship. In addition, the Project provides budget for engaging (i) an engineering consulting firm, (ii) an IT consulting firm, and (iii) national training providers. The outline terms of reference and a personnel schedule for the project consultants are in Appendix 8.

5. Anticorruption Measures

66. ADB's policy on *Anticorruption* (1998, as amended to date) was explained to and discussed with government officials. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's policy on *Anticorruption* are included in the grant regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

6. Capacity Building, Staff Development, and Training

67. The Project will provide in-country training to upgrade the skills and knowledge of selected staff from the EA, school managers and administrators, instructors, and teachers. The EA will prepare the selection criteria for training candidates for ADB approval. The PIU will provide ADB with (i) a list of nominated candidates, (ii) proposed training institutions, and (iii) detailed costing of the proposed training programs. Training measures to upgrade the capacities of instructors will be conducted by international and national consultants and a group of core trainers. The Project will finance national and international consultants to design and conduct training programs. Facilities of complex schools will be used to conduct in-service training programs. In addition, the Project will finance (i) a national engineering consulting firm to support in preparing tender documents for rehabilitation and repair works, and supervise all civil works; (ii) national private training providers to conduct management training; and (iii) a national IT consulting firm to support the establishment of computerized management information systems, including adequate training of staff to operate these systems.

7. Disbursement Arrangements

68. The proposed grant will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2001). An imprest account will be established to expedite disbursement of the project funds. The PIU will open the account in a commercial bank selected by the Government, acceptable to ADB. The ceiling of the imprest account will not exceed estimated ADB-financed expenditures for 6 months, or 10% of the grant amount, whichever is lower. The initial amount to be deposited in the imprest account will not exceed \$500,000.

69. Statement of expenditure procedures will be used to reimburse eligible expenditures under ADB-financed activities and liquidate advances provided to the imprest account, in accordance with procedures satisfactory to ADB and consistent with ADB's *Loan Disbursement Handbook*. Each individual payment reimbursed or liquidated under the procedures will not exceed \$100,000 equivalent for each item of expenditure.

8. Advance Contracting and Retroactive Financing

70. The Government has requested advance contracting and retroactive financing for (i) the recruitment of PIU staff, including a project manager, financial specialist, M&E specialist, and office assistant; (ii) the recruitment of two consultants to support the preparation of the consolidation strategy; and (iii) the procurement of PIU office equipment and a vehicle. The advance contracting will be undertaken in accordance with *ADB's Procurement Guidelines and Guidelines on the Use of Consultants*. Retroactive financing will apply to such expenses incurred after 1 December 2006 until the date the grant becomes effective and for an amount not exceeding \$100,000. The Government was advised that ADB Management's approval of advanced contracting will not commit ADB to subsequently approve the project or to finance the procurement costs, and retroactive financing approved by Management "in principle" is subject to approval by the Board, and as such does not commit ADB to financing the Project.

9. Accounting, Auditing, and Reporting

71. The EA will maintain the project accounts and prepare financial statements according to international accounting standards. The EA will have the project accounts and related financial statements audited annually by independent auditors acceptable to ADB. Certified copies of the audited project accounts and audited financial statements (including the auditor's opinion on the use of grant proceeds, compliance with covenants, and the use of the imprest account under

ADB's statement of expenditure procedures) will be submitted to ADB in English not later than 6 months after the end of each financial year.

72. The PIU will prepare quarterly reports on project implementation to be approved by the PSC and submit them to ADB within 30 days after each quarter. Reports will be in a form acceptable to ADB and will indicate, among other matters, progress made against established targets, problems and constraints encountered during the last quarter, steps taken and proposed to be taken to resolve problems, compliance with covenants, and the proposed program of activities for the succeeding quarter. Within 3 months after completion of the Project, the PIU will submit a project completion report to ADB providing details about project implementation, accomplishments, costs, impacts, and other information requested by ADB.

10. Project Performance Monitoring and Evaluation

73. Within the first month of implementation, the PIU will prepare a project performance management system in accordance with ADB's project performance management system. In addition to the performance targets and indicators specified in the project design and monitoring framework (Appendix 1), the Project will develop a monitoring mechanism to (i) evaluate project impacts on the participation of disabled students and students from poor families, (ii) assess whether new equipment is fully integrated in curriculum and lesson plans and utilized by students for practical training, and (iii) review whether managers and instructors trained under the Project apply their new knowledge and skills. Monitoring results will be used to adjust the annual implementation plans.¹⁷ A regular tracer system will be established to monitor whether graduates from PVS have found employment or started their own income-earning activities. Feedback from employers and parents will be collected to monitor and adjust training programs and implementation schedules regularly, if necessary. Rehabilitation works will be monitored by the EA and reports will be submitted to the PSC and ADB on an annual basis.

11. Project Review

74. ADB and the Government will jointly undertake semiannual reviews of the Project. The reviews will assess progress in each component, identify issues and constraints, and determine necessary remedial action and adjustments. A midterm review will be conducted at the end of the second year of implementation. The midterm review will (i) review the scope, design, and implementation arrangements; and identify adjustments required; (ii) assess progress of the project implementation against performance indicators; and (iii) recommend changes in the design or implementation arrangements, if necessary.

IV. PROJECT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS

75. **Project Benefits and Impacts.** The Government has launched a number of reforms to improve the business climate and create a supportive enabling framework for the private sector. Transforming the current PVE system—from one that is supply-driven and inefficient to one attuned to labor market needs capable of producing better equipped and skilled workers, and providing training and retraining opportunities for out-of-school youth and adults—will complement the Government's strategic thrust to promote private sector growth.

76. The close link between educational development and reduction in the incidence of poverty, improvement of productivity, economic growth, and improving general living conditions is

¹⁷ During the appraisal mission, a draft plan of operation to prepare for consolidation of the PVE system was approved for the first year of implementation (Supplementary Appendix B). For each year of project implementation, the PIU will prepare a detailed implementation plan to be approved by the PSC and submitted to ADB.

well established. About 24,000 students will benefit from the reform of the PVE system. New demand-driven curriculum modules, rehabilitated and upgraded training workshops, and practice-oriented training programs, will improve their employment and income-earning opportunities after graduation. In addition, at the end of the project duration, it is assumed that at least 6,000 adults and out-of-school youth will benefit annually from relevant short-term skills training courses conducted by PVE schools. Considering that more than 50% of youth and adults participating in training programs belong to low-income families, the Project will contribute to enhancing income opportunities of the poor. About 1,300 instructors, 500 teachers, and 200 school managers and administrators will benefit from in-service training programs. Companies will benefit from improvements in the relevance and quality of training programs that will result in better prepared skilled workers and contribute to higher productivity.

77. To improve gender responsiveness, the Project will develop strategies to address gender stereotypes in curriculum and material development. The Project was designed through a participatory process involving key government stakeholders, business associations, companies, and civil society groups. During implementation, the Project will maintain broad stakeholder participation in its activities.

78. **Sustainability.** The Government's contribution to the Project is included in the budget and estimated at \$3.0 million, which will be from 0.4% to 0.5% of the total expenditure on education. It can be assumed that the project activities are sustainable, taking into account (i) anticipated increased proceeds through income generation activities from schools, which are expected to double within the Project's duration; and (ii) cost-effective improvements of the PVE system through consolidation and rationalization. The Government is strongly committed to reform the PVE system. The Mid Term Budget Framework 2006–2008 indicates that PVE funding will increase during 2006–2008. The major share of increases in PVE funding is committed to raise teachers' salaries and increase daily allowances for school food, which will improve the working and learning environment in PVSs.

79. An examination was made to assess whether there will be sufficient funds available to cover expenditures of a consolidated system including costs for utilities, O&M and purchase of consumables to operate training workshops. Details are provided in Appendix 4. It can be assumed that from 2010 onwards—when the consolidation and rationalization measures and the introduction of an entrepreneurial culture at school level will show impacts—sufficient funds will be available to cover training measures and operate and maintain training workshops and other facilities. However, the examination indicates that funds required for further capital investments to rehabilitate and equip all schools within the system will not be sufficient. The Government will depend on external assistance to meet future challenges in rehabilitating and upgrading all schools in the PVE system.

80. **Environmental and Social Safeguards.** The Project will carry out minor rehabilitation and repairs of existing school buildings and facilities; there will be no land acquisition required, and no negative environmental or resettlement impact. Some school rehabilitation works will include improved water supply and sanitation and sewage systems, which will promote good health and have a positive environmental impact. There are no issues of ethnic minority language of instruction, so ADB's *Policy on Indigenous Peoples* (1998) is not applicable.

81. **Assumptions.** Successful implementation of the Project assumes that the Government will (i) increase the budget allocation for PVE as indicated, (ii) be committed to consolidate and modernize the PVE system, and (iii) provide adequate budget to finance in-service training as planned. To achieve its impact, the Project assumes that further steady economic growth will create new job opportunities.

82. **Risks.** At present, MLSP's managerial and technical capacity is limited, and might affect the smooth implementation of reforming the PVE system. This risk will be mitigated through training and capacity building under the Project. The impact of consolidating schools and introducing a new entrepreneurship approach will be significant. Risks include resistance from teachers and school directors to accept changes. The risks will be mitigated by adopting a participatory and transparent approach to project implementation—actively involving school directors, instructors, teachers, and employers.

83. Financial risks involve potential difficulties in the provision of recurrent costs for O&M and funds for consumables. During project implementation, the Project will mitigate the risk by providing a lump sum to rehabilitated workshops to support the first year of operation. In addition, the Project's strategy aims at reducing the dependency on public allocations by promoting an entrepreneurial approach and strengthening income generation at PVS level.

V. ASSURANCES

84. In addition to the standard assurances stipulated in the Grant Agreement, the Government has given the following assurances, which will be incorporated in the legal documents.

85. **Counterpart Funding.** Throughout project implementation, the Government will allocate and release in a timely manner adequate budget funding for (i) the costs in support of training programs; and (ii) incremental recurrent costs of O&M of all selected schools under the Project.

86. The Government will also allocate and release in a timely manner adequate budget and provide sufficient and qualified staff to the Research and Methodology Department so that it will be able to regularly review and update curriculum and ensure that training programs are refocused on the needs of the formal and informal labor market. Throughout project implementation, the Government will provide ADB with information on allocations and actual expenditures for PVE system through submission of annual reports, in a form acceptable to ADB.

87. **Consolidation Strategy.** The Government will approve a consolidation strategy for the PVE system, satisfactory to ADB not later than 6 months after grant effectiveness and will implement measures identified in the strategy within 3 years after grant effectiveness. The Government will ensure that the amount of annual budget allocation for PVE system throughout project implementation will be increased to cover the O&M costs.

88. The Government will ensure that, by no later than 12 months after the grant effectiveness, the legal environment is established to enable (i) the EA to manage, sell, and rent out current assets and reallocate staff of schools; and (ii) PVS to keep revenues earned through training courses and marketing of services and goods.

89. **Schools Selection Process.** The Government will ensure that only schools selected through a competitive process will be eligible for rehabilitation and provision of equipment under the Project. Selection will be based on the assessment of business plans prepared by schools providing information on (i) planned training courses for skills in demand and number of potential participants, (ii) availability of qualified teachers and instructors, (iii) partnership arrangements with local industries, (iv) plans for utilization of new equipment, and (v) availability of adequate funding for consumables and O&M costs. The EA will establish, within 2 months of grant effectiveness, a selection committee that will review proposals and select schools. The committee will consist of five members, including one representative each from DVTE, from MLSP, employers, civil society, and development partners. The key criterion for the selection of schools

will be the impact of the training courses on employability and income earning opportunities of participants.

90. The Government will ensure that all rehabilitation works under the Project are undertaken within the existing school facilities, which will not require any land acquisition. All project facilities will be operated and maintained in accordance with government environmental and safety rules and regulations.

91. **Project Performance Management System.** The Government will ensure that, within 3 months of the grant effectiveness, the PIU establishes the project performance management system to monitor progress of project implementation and evaluate project impacts based on the key baseline indicators agreed between the EA and ADB.

92. **Transparency and Anticorruption.** The Government will ensure that (i) relevant provisions of ADB's policy on *Anticorruption* are included in all bidding documents; (ii) all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project; and (iii) an audit of procurement activities is carried out at least twice during the project implementation. The cost of the audit will be financed by the Project provided that the auditor is selected through a competitive process and has qualifications and terms of reference acceptable to ADB.

93. The Government will establish, within 6 months from grant effectiveness, a website that will present information on the project progress, including information on, among other things, schools selected under the Project, current training programs of the PVE system, procurement activities, including the list of participating bidders, names of the winning bidders, basic details on the adopted bidding procedures, amounts of the contracts awarded, the list of goods and/or services purchased, and their intended and actual utilization.

94. **Conditions for Contract Awards.** Prior to award of any contract for civil works and provision of equipment, the Government will present to ADB documents confirming that (i) a consolidation strategy for the PVE system has been approved, (ii) all schools selected under the consolidation process are duly registered by the respective registration authority, and (iii) sufficient budgetary resources for O&M costs of those schools for the next year are allocated.

95. **Effectiveness Conditions.** Prior to grant effectiveness, the Government will establish and make operational the PIU within DVTE in a manner satisfactory to ADB, including the appointment of the project director, acceptable to ADB.

VI. RECOMMENDATION

96. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the grant not exceeding the amount of \$10,000,000 to the Kyrgyz Republic, from ADB's Special Funds resources for the Vocational Education and Skills Development Project, upon terms and conditions as are substantially in accordance with those set forth in the draft Grant Agreement presented to the Board.

3 January 2007

Haruhiko Kuroda
President

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <ul style="list-style-type: none"> • Employability and income earning opportunities of graduates from primary vocational schools improved • Private sector led economic growth strengthened through availability of multiskilled labor 	<ul style="list-style-type: none"> • 75% of PVE graduates obtaining work in the formal sector or start their own businesses within 6 months of graduation • Industry reports that time required to train/retrain graduates from PVE schools is reduced • Youth unemployment rates reduced by 10% by 2011 • 75% of adults participating in short skills training find employment or self-employment within 6 months after course completion. • GDP share of small and medium-sized enterprises increased to 50% by 2011. 	<ul style="list-style-type: none"> • National Statistical Committee data • MLSP research studies on PVE graduates • Gender-disaggregated tracer studies • Satisfaction survey reports from employers of PVE graduates • Progress reports on MDGs 	<p>Assumption</p> <ul style="list-style-type: none"> • Steady economic growth creates new job and income earning opportunities in the formal and informal sector
<p>Outcome</p> <p>Enhanced equitable access to and improved quality and relevance of primary vocational education and short term skills training</p>	<ul style="list-style-type: none"> • Enrollments in PVS increased by 15% by 2012 • Participation of adults and out-of school youth in short skills training courses increased to 6,000 participants by 2012 • Employers actively involved in skill identification and course development • Enrollment of females increased to 45%. 	<ul style="list-style-type: none"> • Annual reports generated through MIS • Curriculum modules revised in accordance to results of labor market surveys 	<p>Assumptions</p> <ul style="list-style-type: none"> • Consolidation strategy is endorsed by mid-2007 and implemented • Public expenditure on PVE is sufficient to finance planned reforms
<p>Outputs</p> <p>1. PVE system consolidated and modernized</p>	<ul style="list-style-type: none"> • Consolidation strategy in place by 06/2007 • PVE schools consolidated/merged according to the strategy by 12/2010 • New assets management system in place by 12/2007 • All PVE schools develop annual business plans by 12/2009 • Income generated by PVE schools increased to Som100 million by 2011 • A new certification system established by 12/2009 • Consolidated and rehabilitated facilities will be 100% utilized during the school year and further operated during lean periods for short courses by 2011 • 50% of all PVS have established 	<ul style="list-style-type: none"> • Revised legislations and administrative procedures • New operation procedures in PVSs • Balance sheets providing information on income generation at PVSs • Feedback from industry and employers • Regional employment statistics • Regular inspection visits • Information on facility utilization provided by MIS 	<p>Assumptions</p> <ul style="list-style-type: none"> • Government supports the reform process • Government provides sufficient budget for O&M <p>Risks</p> <ul style="list-style-type: none"> • Management capacity of MLSP is limited, which might affect the smooth implementation of the reform • Professional staff remain in the PVE system after upgrading qualifications

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>2. Teaching and learning environment in PVSs are rehabilitated and upgraded.</p> <p>3. Curriculum and teaching and learning materials developed.</p> <p>4. Human resource development plan implemented.</p>	<p>advisory boards by 2009; 100% by 2011</p> <ul style="list-style-type: none"> • 200 training workshops rehabilitated and equipped by 2010 • Improved access for physically disabled in 20 rehabilitated PVE schools by 2010 • 20 dormitories are rehabilitated by 2009 • A system to regular revise and update curriculum modules is established by 08/2007 and new curriculum modules are introduced by 12/2007 • New skills and education standards for 10 trades developed by 05/2008 • Active industry participation in development of curriculum and standards at national and school level • A system to revise and develop training material regularly is established by 09/2007 and new training materials are developed and distributed by 05/2008 • HRD plan developed by 06/2007 • 200 school principals, deputies and administrators trained by 2010 • 1,300 instructors trained by 2010 • 50 curriculum and training material specialists trained by 12/2009 	<ul style="list-style-type: none"> • School mapping reports produced through MIS • Surveys carried out by PIU and MLSP • Feedback reports from teachers and students • Feedback collected from industry, students, teachers • New curriculum models approved by industry 	<ul style="list-style-type: none"> • Resistance from school principals, teachers and instructors to support the reform • Hesitation from industries to actively participate in strengthening PVE

<p>Activities with Milestones</p> <p>Component 1</p> <ol style="list-style-type: none"> 1.1 Develop consolidation strategy by 06/2007 1.2 Establish and register pilot complex schools by 09/2007 1.3 Introduce a new assets management system by 09/2007 1.4 Develop a strategy to increase short-term skills courses for out-of-school youth and adults by 10/2007 1.5 Establish school boards at PVS by 09/2007 1.6 Develop and establish a certification scheme system by 12/2008 <p>Component 2</p> <ol style="list-style-type: none"> 2.1 Agree on selection criteria for rehabilitation and upgrading of schools and establish the selection committee by 06/2007 2.2 Identify priority schools for rehabilitation according to agreed criteria by 08/2007 2.3 Prepare tender documents and contract companies for first set of rehabilitation works by 11/2007; start rehabilitation works six months after contract completion 2.4 Conduct tender and procure equipment and teaching aids by 11/2007 and install equipment 1 month after rehabilitation of workshops is completed <p>Component 3</p> <ol style="list-style-type: none"> 3.1 Establish teams to review curriculum modules of specific trades by 07/2007 3.2 Develop new curriculum and aligned skills and education standards by 08/2007 3.3 Select schools and establish teams for material development by 10/2007 3.4 Develop and distribute new training materials by 12/2007 3.5 Establish a new assessment system by 05/2008 <p>Component 4</p> <ol style="list-style-type: none"> 4.1 Develop a comprehensive HRD plan by 08/2007 4.2 Establish a nation wide in-service training system for instructors by 12/2007 and start training programs by 03/2008 4.3 Develop and conduct training programs to utilize new training equipment by 03/2008 4.4 Develop entrepreneurship training programs and start implementation by 10/2007 4.5 Develop training programs to introduce the new assessment system by 08/2008 4.6 Develop a monitoring system to assess whether practical training and student centered teaching methods are applied and conduct regular inspection by 06/2008 	<p>Inputs</p> <ul style="list-style-type: none"> • ADB: \$10.0 million • Government: \$3.0 million • Communities: participation in school rehabilitation and supervision • Private sector: active involvement in labor market reviews, training program design, and school management
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ADB = Asian Development Bank, GDP = gross domestic product, HRD = human resources development, MDG = Millennium Development Goal, MIS = management information system, MLSP = Ministry of Labor and Social Protection, O&M = operation and maintenance, PIU = project implementation unit, PVE = primary vocational education, PVS = primary vocational school.

Matthew Westfall
Director, CWSS

Juan Miranda
Director General, CWRD

EDUCATION SECTOR DESCRIPTION

1. The Ministry of Education (MOE) is the central government agency that formulates national education policy and set the standards for each level of formal education. MOE also administers curriculum development and teacher training for general education, directs state examination procedures, and is responsible for the accreditation of higher education institutions. The current structure of the education system is described in Table A2.1. The Law on Education, the Education Development Concept until 2010, and the National Action Plan on Education for All (EFA) define the framework for the Government's education policy. The National Action Plan on EFA aims at universal enrollment in general education and highlights the importance of primary vocational education and the development of an adult education system.

Table A2.1: Structure of the Education System

Education Stage		Grade	Age	Institutions
Postgraduate Education			>23	
Higher Education			17–24	49 universities and other higher education institutions
Secondary Vocational Education			17–18	22 secondary vocational education institutions
General Secondary Education	Primary Vocational Education	10–11	16–18	116 gymnasiums/lyceums 112 primary vocational education institutions
General Education		1–9	7–15	2,045 general education schools
Preschool			3–6	416 kindergartens/preschools

Source: Asian Development Bank estimates.

2. **General Education.** The education system in the Kyrgyz Republic still follows the Soviet model and includes (i) pre-schooling, (ii) 11 years of general education (primary: grades 1–4; lower secondary: grades 5–9; and upper secondary education: grades 10–11), (iii) primary vocational education (PVE), (iv) secondary vocational education (SVE) and (iv) higher education. Primary and lower secondary education is compulsory. The Government is currently considering extending general education by 1 year to 12 years. The Constitution stipulates free basic education (grades 1–9) for all children. In 2003, net enrollment rate was 98.6% in primary grades and 72.28% in upper secondary grades. Enrollment in primary education was 96.8% (97.8% of boys, 95.8% of girls); 92.8% in lower secondary education (92.6% of boys, 93.0% of girls); and 72% in upper secondary education (68% of boys, 76.1% of girls). In the 2005/2006 school year, about 1.12 million students were enrolled in 2,066 general education schools, of which 351 were urban and 1,694 were rural. Table A2.2 provides basic enrollment and staffing data for general education.

Table A2.2: Students and Staff in General Education, 2001–2005

Item	2001	2002	2003	2004	2005
Enrollment in basic education (1–9 year of schooling)	1,013,700	1,006,965	996,352	984,099	969,331
Enrollment in secondary education (10–11 year of schooling)	97,674	106,991	119,673	161,666	152,314
Enrollment in general education schools (1–11 year of schooling)	1,111,374	1,113,956	1,116,025	1,145,765	1,121,645
Number of basic education schools (1–9 year of schooling)	1,850	1,874	1,889	1,908	1,925
Number of teachers in general education schools	72,383	72,771	73,739	74,067	73,846

Source: Ministry of Education.

3. **Secondary Vocational Education.** The Kyrgyz Republic has two separate systems of vocational education—primary vocational education (PVE), described in Appendix 3, and secondary vocational education (SVE). SVE is provided by various ministries and agencies, including private training providers, which offer programs at the post-school level but below the level of higher education. SVE institutions do not represent a “system” in the same way as the other education subsectors. In total, 70 institutions¹⁸ offer SVE programs and about 27,000 students were enrolled in 2005. No tracer studies are available but anecdotal evidence suggests that a large number of SVE graduates have difficulties finding employment after course completion. Linkages are weak among SVE institutions and with PVE and industry. A comprehensive vocational education and skills development (VESD) policy—linked to a national human resources development plan, and present and future labor market needs—is not in place. Table A2.3 provides data on the nature of SVE programs and details SVE enrollment by area of study and gender.

¹⁸ Sponsors of SVE institutions include the Ministry of Education, Science and Youth Policy (22 SVE institutions), Ministry of Health Care (10), State Commission on Culture (9), Ministry of Labor and Social Protection (MLSP) (3), Kyrgyz Union of Consumers (2), Ministry of Economy and Finance (1), State Commission on Physical Training and Sports (1), Ministry of Internal Affairs (1), Ministry of Transport and Communications (1), Association of Cooperatives (1), SVE institutes attached to higher education institutions (11), and private institutions (8).

Table A2.3: Enrollment in SVE by Area of Study and Gender, 2003–2004

Area of study	Total	Enrollments		
		% of total	Females	% of total
Natural science	190	0.7	169	83.7
Humanities and social studies	787	2.9	204	26.0
Education (General education teachers)	2,389	8.8	2,113	88.0
Public health	8,200	30.2	7,387	90.2
Culture and art	1,357	5.0	856	63.0
Economics and administration	5,865	21.6	3,885	66.3
Geology and mineral exploration	81	0.3	15	18.5
Mining	27	0.1	0	0.0
Energy	706	2.6	168	24.1
Heavy industry and metal filing	217	0.8	26	12.3
Technological machines and equipment	1,222	4.5	39	3.2
Electrical engineering	81	0.3	0	0.0
Instrument making	27	0.1	23	92.0
Electronic equipment: Semi-conducting devices	625	2.3	273	44.4
IT services	271	1.0	74	26.06
Other Services	543	2.0	411	74.6
Transport	543	2.0	90	16.5
Chemical technology	27	0.1	0	0.0
Timber processing	81	0.3	6	8.6
Food technology	597	2.2	391	65.9
Mass production technology	869	3.2	865	99.0
Construction and architecture	706	2.6	109	15.7
Geodesy and mapping	109	0.4	29	30.2
Agriculture and fishery	1,303	4.8	274	20.9
Environment	380	1.4	82	22.3
Total	27,154	100.0	17,489	64.4

IT = information technology, SVE = secondary vocational education.

Source: Ministry of Education.

4. **Higher Education.** Higher education is offered by 49 institutions, and the number of students has increased over the past 5 years. However, academic quality has deteriorated significantly because of lack of connection between higher education institutions and industry; and the cumulative effects of corruption, low faculty salaries, an insufficient supply of appropriately qualified faculty, shortages of learning materials and technology resources, and inadequate facilities. The proliferation of new and weak higher education institutions has exacerbated this problem. Increasing enrollment in higher education demonstrates that many young people and their parents perceive a university education to be a worthwhile investment. However, the rising level of enrollment in higher education has important implications in terms of

the size of the population and economic structure of the Kyrgyz Republic. The capacity of the economy cannot absorb the increasing number of graduates in jobs that match their academic backgrounds. Table A2.4 provides information on enrollment and number of higher education institutions. Out of about 231,000 students enrolled in 2005, about 105,000 were enrolled in distance learning programs.

Table A2.4: Enrollments and Number of Higher Education Institutions

Number	2000	2001	2002	2003	2004	2005
Institutions	45	48	46	47	49	49 ^a
Students ('000)	188.8	207.4	199.1	203.0	218.3	231.1

^a 34 are public institutions; 17 are private.

Source: National Statistic Committee (NSC).

5. **Private Training Providers.** The Ministry of Education has a system which registers institutions, firms, and individual businesses that provide education and training. However, the ministry concedes that its registration process does not cover all such institutions and that some would operate outside the registration system. Most of the private providers are located in urban areas and offer programs in areas such as driver training, language tuition, short management courses, art and craft, and computer training. Some private training providers are also involved in “civics” education and other programs that assist people to adjust to the new economic realities of the Kyrgyz Republic and participate in democratic processes. However, the overall quality of the programs was rated poor.

PRIMARY VOCATIONAL EDUCATION

1. The primary vocational education (PVE) system was developed under the Soviet era to become a principal training network for skilled workers. It was well linked with industry needs and many of the primary vocational schools (PVSs) were located next to large factories, specialized in providing qualified workers for particular trades. At its height, the PVE system provided training for up to 90,000 students. However, since 1991, PVE has become one of the most neglected areas of education in the Kyrgyz Republic. The Government reduced its support funds for operation and maintenance (O&M) and reinvestment in training equipment decreased significantly, buildings deteriorated, and enrollment fell substantially.

2. At present, the PVE system is administered by the Department for Vocational Training and Education (DVTE) under the Ministry of Labor and Social Protection (MLSP) and consists of 112 PVSs. In 2005, 24,148 students were enrolled in PVSs; 36% were female students. According to DVTE data, about 10,000 students are from low-income families. Anecdotal evidence and surveys in rural areas suggest that the number of poor students is much higher, and that up to 70% of PVE students belong to poor families. Currently, PVSs offer three types of courses: (i) three-year programs combine a vocational specialty with general education, providing students with the necessary certificate to study further in a higher education institution (56% of PVE students are enrolled in the 3-year program); (ii) two-year programs are designed for students from grade 9 and provide vocational education with some general education, but this program does not provide the general education components required for higher education; and (iii) 10-month courses that strictly target vocational skills, and are marketed to both youth and adults. In addition, some PVSs offer limited short-term skills courses for adults, mainly sponsored by the Employment Services. However, in 2005, only about 500 adults were enrolled in short courses.

3. **Nature of PVE courses.** Table A3.1 provides a picture on enrollments in PVS by length of course.

Table A3.1: Enrollment in Primary Vocational Schools by Length of Course, 2005

Course Length	3 years	2 years	10 months	Short-Term	Total
Enrollment	13,823	3,650	6,166	509	24,148

Source: Department of Vocational Training and Education.

4. Table A3.2 shows the distribution of students by vocational specialty and gender. Agriculture dominates enrollment, as more than 50% of the workforce is engaged in this sector.

Table A3.2: PVS Enrollment by Vocational Specialty and Gender, 2005

Vocational Specialty	Number of School Providers	Number of Trainees				Total
		Males	% of Total	Females	% of Total	
Agriculture	65	6,161	86	965	14	7,126
Dressmaking	66	144	4	3,802	96	3,946
Cooking	31	865	41	1,270	59	2,135
Automotive	23	1,433	100	6	0	1,439
Electrotechnology	26	1,400	98	34	2	1,434
Welding	32	1,269	99	17	1	1,286
Accounting	16	406	38	663	62	1,069
Woodwork	15	1,045	100	4	0	1,049
National Handicrafts	10	202	32	434	68	636
Industry	6	415	78	115	22	530
Office Management	6	165	30	381	70	546
Construction	6	469	99	3	1	472
Housekeeping Maintenance	9	379	84	73	16	452
Computer Technology	11	200	51	192	49	392
Transport	2	233	65	128	35	361
Personal/Domestic Services	11	62	22	226	78	288
Forestry	6	253	94	16	6	269
Herbal Medicine	2	22	15	121	85	143
Retail Services	4	148	81	35	19	183
Printing	1	52	47	59	53	111
Tourism	3	58	52	53	48	111
Other ^a		132	78	38	22	170
Total		15,513	63	8,635	36	24,148

^a Areas with less than 100 students.

Source: Department of Vocational Training and Education.

5. **PVS Staff.** The staff composition of the PVE system is inefficient. Senior staff is too thinly spread and the ratio of nonteaching staff to administrative and management staff is unbalanced. Out of about 7,400 staff engaged in PVSs, only about 20% are skills instructors and 13% are general education teachers; the remaining 67% are managers, administrators, and support staff (including 332 directors and deputy directors). Only 89 senior skills instructors are engaged in 112 PVSs. Staff salaries are extremely low—the scheduled salary for instructors and teachers is Som1,400 (\$35) per month, which is well below a living wage. The scheduled salary for a school director is less than Som2,000 (\$50) per month, which is very low compared with a skilled trades wage of around Som6,000 per month. Salary increases are vital for improving the motivation of instructors and teachers and attracting new qualified faculties. The Government has acknowledged the need to address the low salary level and has indicated that it will raise salaries each year over the next 3 years.

6. Discussions with PVS directors revealed that a wide variety of techniques are used to recruit staff. For example, retired trade workers supplement their incomes by passing on their skills, albeit with little or no pedagogical training. However, they are reported to perform better than pedagogically trained instructors who have no real skills experience. In view of this, the Project will provide in-service training for instructors to improve teaching techniques.

Table A3.3: Primary Vocational School Staffing, 2006

Position Name	Staff Positions	Positions Filled
A. Teaching Staff		
1. Senior Instructors	92	89
2. Instructors	1,595	1,519
3. Teachers	1,020	999
Subtotal (A)	2,707	2,607
B. Nonteaching Staff		
1. Directors	113	113
2. Deputy Directors	223	219
3. Dormitory Tutors	96	90
4. Physical Training Instructors and Military Instructors	104	104
5. Administrative Staff and Support Staff	4,277	4,277
Subtotal (B)	4,813	4,803
Total Staff	7,520	7,410

Source: Department of Vocational Training and Education.

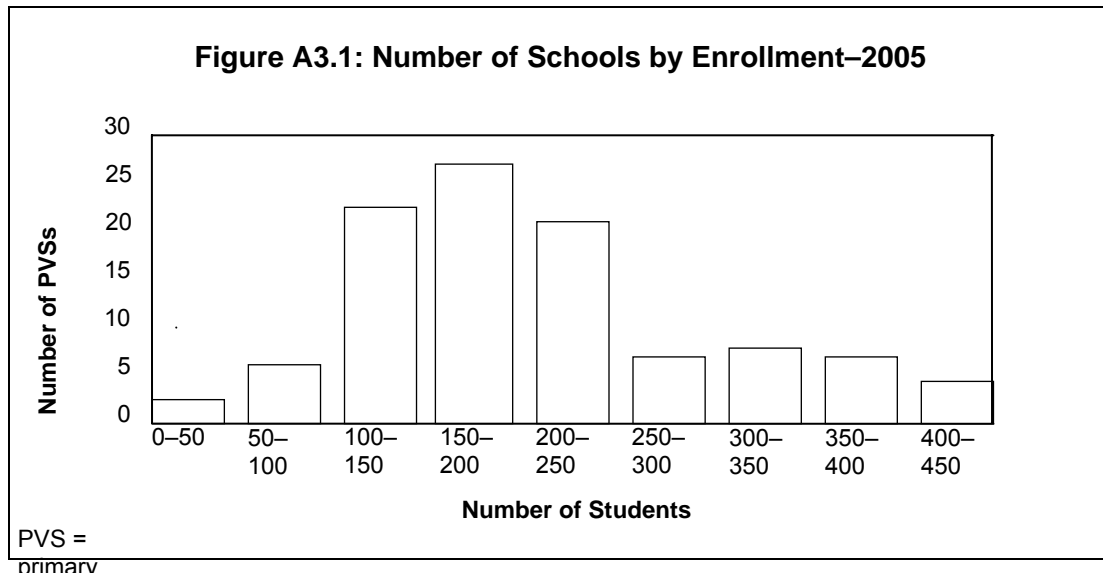
7. **Location and Size of PVSs.** Table A3.4 provides an overview of the number of schools in each *oblast* (province) and their respective enrollment. Figure A3.1 illustrates the number of schools by size of enrollment.

Table A3.4: Primary Vocational Schools by Location, 2005

<i>Oblast</i> ^a	Urban Schools		Rural Schools		Total	
	Number of Schools	Enrollment	Number of Schools	Enrollment	Number of Schools	Enrollment
Jalal-Abad	6	1,580	15	2,778	21	4,357
Osh	3	915	12	1,806	15	2,721
Batken	3	916	7	1,440	10	2,356
Issyk-Kul	3	872	6	1,312	9	2,184
Naryn	1	226	8	1,498	9	1,724
Talas	1	156	5	975	6	1,131
Chuy	7	1,839	17	2,943	24	4,782
Bishkek City	18	4,893	0	0	18	4,893
Total	43	11,397	70	12,752	112	24,148
Average Size		265		182		214

^a Provincial level administrative unit.

Source: Department of Vocational Training and Education.



8. The average size of PVSs, in terms of enrollment, is very small. The PVE system was originally designed for 90,000 students but many classrooms, training workshops, and dormitories are largely underutilized because of a sharp decrease in enrollment. Lack of an assets management strategy and restrictive legal and administrative regulations mean that DVTE is not in a position to manage its complex range of assets efficiently. A revision of the current legislative and administrative framework conditions is needed to enable DVTE to improve the management of its resources, including merging schools, selling obsolete equipment, and closing down and renting out underutilized buildings. Schools with small enrollment have considerably higher training unit costs than schools with higher student enrollment.

9. **Poor Quality and Relevance.** The quality and relevance of PVE programs suffers from weak interaction with industry and communities, and lack of systematic labor market research. Although some PVSs have developed good linkages with local companies and provide relevant skills training, the majority of training programs are largely supply-driven and are often based on allocated budgets and available staff and equipment rather than market demand. Failure to share information and resources between companies and PVSs creates a gap between supply and demand of skilled labors, and lowers the quality and relevance of training programs. Instructors, teachers, and school managers are often unable to fully explore ways to involve local employers and communities in skills identification, design of training programs, provision of on-the-job training, and apprentice schemes.

10. **Qualification of Instructors and Teachers.** The teaching techniques and technical skills and knowledge of most instructors and teachers are outdated and need to be upgraded. Many teachers focus on delivering content, as specified in their curriculum, and not on achieving the performance expected for employment. Under the Soviet system, teachers received periodic in-service training. However, the current in-service training has become infrequent because of limited resources. Instructors have no benchmarks to measure their own technical and instructional capability, so they have no means of determining the gap between their current performance and their desired capability. Performance specifications and skills standards are needed as benchmarks for delivery and assessment. A systematic monitoring system—to ensure the quality of training programs—is not in place.

11. **Curriculum Development.** The PVE curriculum is developed by the Research and Methodology Department under DVTE. Industry involvement in curriculum development is limited and current curriculum modules are not revised regularly to reflect changing technology and market demands. The curriculum needs to be adjusted to incorporate student-centered modern teaching methods and emphasis on a stronger practical training approach. Many graduates will find jobs or start self-employment in the informal sector, so entrepreneurship will be one of the most important skills for many young people and entrepreneurship skills need to be incorporated in the curriculum. To increase job opportunities, particularly in the informal sector, a modernized curriculum should support PVSs to produce multiskilled graduates.

12. **Learning Material.** Textbooks and learning and teaching materials in use are obsolete. More than 90% of 1,100 textbook titles were developed before 1980, and less than 5% of current textbooks have been revised since 1990. A new approach in training material development—promoting independent learning and practical workshop experience with the involvement of teachers and instructors from PVSs and experts from the private sector—is required to produce modern learning materials for students.

13. **Weak Assessment.** Currently, no comprehensive system for skills standards and assessment is in place. The quality of skills training depends on the quality of instruction, which is often adversely affected by lack of training materials and equipment, and poor teaching environment and outdated knowledge of teachers. PVSs set their own examinations, without formal external quality control or moderation. Industry is only involved occasionally in preparing and participating in examinations.

14. **Low Status.** The status of PVE is low, and information among grade 8–11 students and their parents about job and income-earning opportunities for skilled workers in the informal and formal sector is poor. At present, the Youth Labor Exchange is the only organization that provides job orientation programs in secondary schools and placement support for youth. However, the capacity of the Youth Labor Exchange is very weak, so only a limited number benefit from its services.

15. **Training Provision for Adults.** The current system performs poorly in terms of providing market-oriented skills training for adults and out-of-school youth. Most adults, particularly the poor in rural areas, lack access to skills training that could enhance their earning capacity. Relevant short-term training programs are offered in a limited manner by DVTE, other line ministries, and a few private providers—mainly in urban areas. Currently, no skills development strategy is in place to address adult training and retraining needs.

16. **Poor Facilities.** Very poor infrastructure and lack of adequate training equipment in most PVSs mean that students only “learn” about skills in theory but are not able to put them into practice. This lack of practical training reduces their employment opportunities after graduation. The PVE system consists of 112 schools with 1,603 classrooms, 437 training workshops, 56 computer classrooms, and 72 dormitories. A survey revealed that 41% of the training workshops are in poor condition, 19% in very poor condition, and only 40% in good condition. Fifty-seven percent of the classrooms are considered to be in good condition. The building construction and technology of PVSs that have not yet benefited from rehabilitation measures, are based on 30-year old construction standards which are inefficient in terms of use of materials, structural capacity, and energy performance. PVS facilities continue to deteriorate because of inadequate maintenance and investment. Roofs, doors, floors, walls, windows, electrical lighting, and heating and ventilation systems are in poor condition and in need of urgent repairs or rehabilitation. Exhaust systems in the welding and carpentry workshops of

many PVSs do not function, which allows fumes and dust particles to linger inside training workshops during practical exercises. Workbenches, worktables, and furniture in the workshops are also in dilapidated condition. Poor sanitation facilities pose significant hygiene and health risks, especially for students in dormitory facilities.

17. Most training equipment in PVSs was supplied during the Soviet era; it is outdated or does not function, and is only displayed for demonstration purposes. Hand tools, sufficient consumables, teaching aids, and learning materials are lacking in training workshops, which constrains practical skills training. Most PVSs do not have computers for either administration or teaching. Facility provision to cater to the needs of students with physical disabilities is largely nonexistent—simple facilities such as access ramps that can provide mobility to wheelchair-bound students are not available, toilet facilities are not adjusted to the needs of handicapped students, and training equipment and school furniture designed for handicapped students is lacking. Under these conditions, persons with physical disabilities are indirectly deprived of the opportunity to learn job skills.

FINANCING OF PRIMARY VOCATIONAL EDUCATION

1. The primary vocational education (PVE) sector is mainly financed from two sources: (i) public budget (including the national and *oblast* budgets),¹⁹ and (ii) income generation by primary vocational schools (PVSs). Public expenditure on education (PEE) has remained at about 4% of gross domestic product (GDP) over recent years and is expected to rise from 4.02% in 2004 to 4.93% in 2008. This is comparable with other transition economies, e.g., the education sector's share of GDP in Kazakhstan was 3.9% in 2004. However, PVE funding of PVE is very low. Teacher and instructor salaries have not been inflation adjusted since 1997, and need to be enhanced to improve motivation and attract new qualified staff. The Government has acknowledged the need for salary increases and has raised PVE budget provisions for 2006, 2007, and 2008. Table A4.1 provides an overview of education expenditures as a proportion of GDP in 2004 and 2005, and estimates from 2006 to 2009.

Table A4.1: PVE Expenditure as Proportion of GDP and Total Public Expenditure
(Som million)

Items	2004	2005	2006 ^a	2007 ^a	2008 ^a
GDP	94,078.0	102,846.2	113,372.9	124,729.4	137,282.2
TPE	27,954.1	30,654.8	33,980.1	36,616.7	39,145.1
PEE	3,784.2	4,232.3	5,521.2	6,055.0	6,765.2
PEE as share of GDP (%)	4.02	4.12	4.87	4.85	4.93
PEE as share of TPE (%)	13.54	13.81	16.25	16.54	17.28
Public Expenditure on General Education (grade 1–11)	2,080.7	2,433.9	3,326.8	3,738.9	4,023.3
Public Expenditure on Higher Education	196.5	219.0	225.1	231.2	237.5
Public Expenditure on Secondary Vocational Education	88.4	150.2	163.5	177.6	194.0
Public Expenditure on Primary Vocational Education	234.2	277.2	339.5	369.8	406.0
Other Education Expenditure ^b	1,184.40	1,152.00	1,466.30	1,537.50	1,904.40
PVE as share of PEE (%)	6.2	6.6	6.2	6.1	6.0

GDP = gross domestic product, PEE = public expenditure on education, PVE = primary vocational education, TPE = total public expenditure.

^a Ministry of Economy and Finance estimates.

^b Includes preschool education; out-of-school services; and, development of methodology and education support service, management, and administration.

Source: Ministry of Economy and Finance, Medium-Term Budget Framework 2006–2008.

2. **PVE Expenditure Categories.** In 2005, expenditures comprised (i) personnel costs, including salaries and contributions to the social security fund, allowances, and insurance schemes paid by the employer (45%); (ii) social protection expenditures, including student allowances and school food (31%); (iii) utilities, including water, electricity, and heating (11%); and (iv) 13% of the fund allocation remains to cover operation and maintenance (O&M) expenditures of training workshops, building repairs, and purchase of consumables and learning materials. Table A4.2 and Figure A4.1 provide an overview of financing sources and expenditure categories in 2005.

¹⁹ From a total of 112 PVSs, 74 are funded from the national budget and 38 from *oblast* budgets.

3. **PVS Income Generation.** Although PVSs lack adequate equipment and operate under very poor infrastructure conditions, the 112 PVSs generated revenues of Som39.8 million in 2005, or 12.6% of total PVE expenditures. The main sources of income are tuition fees (42%), production activities (15%), agriculture activities, and other service provision (32%). It can be assumed that PVS income generation will be doubled within 3 years once training workshops are rehabilitated, new equipment is in place, and the Project has provided training on entrepreneurial approaches. This is a conservative estimate, as some of the schools are now at a very low base of income generation because they do not have much to offer, and very limited capacity to make products or provide services.

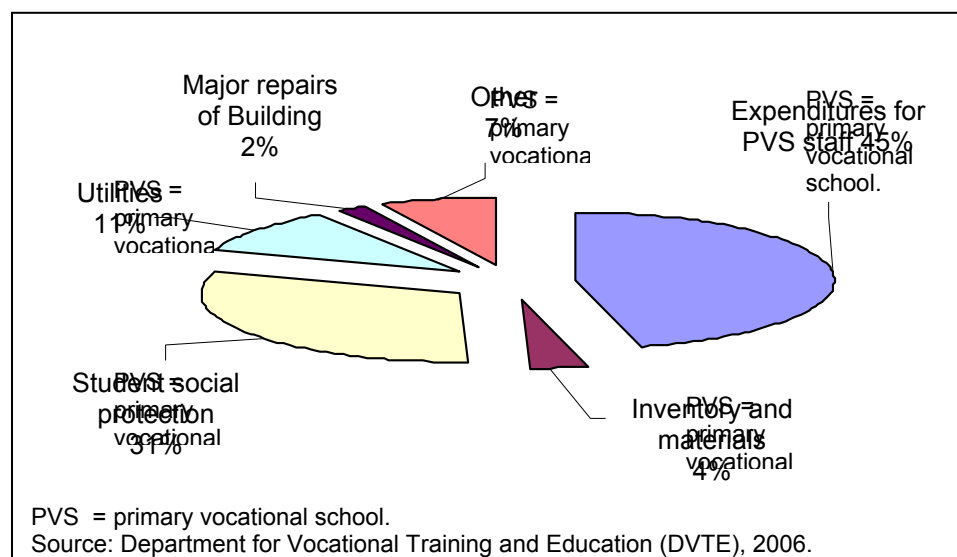
Table A4.2: Expenditure Categories in 2005
(Som'000)

Item	National Budget	Oblast ^a Budget	Subtotal Public Budget	Income-Generation Fund	Total	%
Income Generation	216,908	60,241	277,149	39,888	317,038	100
A. Expenditure for PVS Staff						
1. Salary	74,450	29,390	103,840	13,320	117,160	36
2. Allocations to the Social Fund	17,747	7,024	24,771	3,034	27,806	9
Subtotal (A)	92,197	36,414	128,611	16,354	144,966	45
B. Student Social Protection						
1. Food expenditure	59,171	11,177	70,348	620	70,968	22
2. Student allowance	21,585	5,263	26,848	157	27,005	9
3. Medical support	155	0	155	173	328	0
Subtotal (B)	80,911	16,440	97,351	950	98,301	31
C. Utilities						
1. Water Supply	2,384	62	2,446	204	2,650	1
2. Electricity	13,578	4,030	17,608	1,630	19,238	6
3. Heating	8,740	0	8,740	120	8,860	3
4. Communication	574	198	772	816	1,588	1
5. Other Utilities and Rental Fees	871	411	1,282	290	1,572	1
Subtotal (C)	26,147	4,701	30,848	3,060	33,908	11
D. Inventory and Materials						
Subtotal (D)	7,235	1,005	8,240	3,272	11,512	4
E. Major Building Repairs						
Subtotal (E)	2,576	443	3,019	2,775	5,794	2
F. Other						
1. Travel Allowance (Local)	332	219	551	2,065	2,616	1
2. Vehicle Maintenance	548	479	1,027	2,326	3,353	1
3. Other Purchases and Services	6,962	540	7,502	9,086	16,588	5
Subtotal (F)	7,842	1,238	9,080	13,477	22,557	7

PVS = primary vocational school.

^a Provincial level administrative unit.

Source: Department for Vocational Training and Education, Bishkek, 2006.

Figure A4.1: Primary Vocational School Expenditures Distribution, 2005

4. **Unit Costs.** The average size of PVS enrollment is relatively small. In 2005, 24,148 students were enrolled in 112 PVSs—an average of 215 students per school. Schools with small enrollment have considerably higher training unit costs than schools with larger student enrollment. Training unit costs in PVSs with less than 100 students are Som14.9 while training unit costs in schools with more than 350 students are only Som5.8. At present, only 15 schools out of 112 PVSs have more than 350 students enrolled. The main reason for this is the high ratio of nonteaching staff in small schools. A consolidated system will improve utilization of facilities and ensure more efficient staff deployment. Restructured and merged PVSs with efficient staff structures will be more flexible to respond to changing labor market demands. Table A4.3 compares the unit costs of schools by enrollment size. The proportion of PVE budget allocated to food and student allowances is separated to illustrate the real training costs.

Table A4.3: Unit Costs by Size of Primary Vocational School, 2005
(Som'000)

No. of Students per School	No. of PVSs	Total No. of Students	Training Unit Costs ^a	Social Unit Costs	Total Unit Costs	Total Costs
<100	7	582	14.9	3.8	18.7	10,881
100–150	24	3,057	9.6	2.5	12.1	36,969
150–200	28	4,965	8.5	3.2	11.7	58,044
200–250	23	5,090	7.2	3.5	10.8	54,769
250–300	8	2,204	7.1	4.4	11.6	25,514
300–350	9	2,962	6.2	4.8	11.0	32,683
350–400	8	3,057	6.3	4.9	11.2	34,237
400–450	3	1,276	5.3	4.7	10.1	12,832
>450	2	955	5.7	6.0	11.7	11,220
	Total	Total	Average	Average	Average	Total
	112	24,148	7.6	3.9	11.5	277,148

^a Excluding expenditure for social protection.
Source: Asian Development Bank estimates.

5. **Sustainability of the Project.** The combined effects of (i) restructuring and rationalizing the current PVE system, which will result in more efficient utilization infrastructure and staff resources; and (ii) applying an entrepreneurial management approach that will increase revenue generation at school level, will ensure cost-effective improvements of the PVE system.

6. The Government's contribution to the Project is estimated at \$3.0 million over 4 years and mainly includes (i) taxes and duties on civil works, equipment, and materials purchased under the Project; (ii) staff contributions; and (iii) provision of office facilities and workshops. To date, provisional financial projections have only been made until 2008. Although there is no financial information beyond 2008, it can be assumed that the Government is committed to reform the PVE system; it has indicated that it will increase PVE allocation after 2008 to offset inflation increases and ensure sufficient budget for O&M for rehabilitated schools. During project implementation, project costs for the Government will be from 0.4% to 0.5% of total expenditure on education; such project costs are insignificant. It can be assumed that project activities are sustainable, taking into account (i) anticipated increased proceeds from PVS income generation activities, (ii) cost-effective improvements of the PVE system through consolidation, and (iii) the strong commitment of the Government to support restructuring of the PVE system.

Table A4.4: GDP, Public Expenditure on Education, and Government Share in the Project
(Som '000)

Item	2003	2004	2005	2006	2007	2008
GDP (Som billion)	83.4	94.1	102.8	113.4	124.7	137.3
PEE (Som million)	3,555	3,784.2	4,232.3	5,521.2	6,055.0	6,765.2
Public Expenditure on PVE (Som million)		234.2	277.2	339.5	369.8	406.0
PVE Income Generation (Som million)			39.8	45	50	70
Government Share in the Project (Som million)					30	30
Government Share in the Project (% of PEE)					0.49	0.44

GDP = gross domestic product, PEE = public expenditure on education, PVE = primary vocational education.
Source: Asian Development Bank estimates.

7. **Income Generation.** Most PVSs currently operate in a difficult environment, with poor workshop facilities and lack of adequate training equipment. They have very limited means to generate income, but the PVS system managed to generate revenue of about Som40 million in 2005. It is assumed that schools will increase their revenues (Table A4.5) after (i) the PVE system is consolidated, (ii) training workshops of selected PVSs are rehabilitated and newly equipped, and (iii) school management applies an entrepreneurial management approach.

8. To project future income generation, the following potential scenario is assumed. Based on income generation in 2005, it is assumed that revenue generation through tuition fees will increase by 10% per year. For 2006 and 2007, it is estimated that income generation through production, and agriculture activities and service provision, will rise by 8%. In 2008 and 2009, after training workshops are rehabilitated and equipped, and school management operates in an entrepreneurial manner, it is assumed that income generation will increase further—production and agriculture activities, and service provision will increase by 15%. In 2010, a 20% increase is assumed in all three income areas after more schools benefit under the Project through new equipment and entrepreneurial training.

9. The Project will introduce a system of short-term skill courses for out-of-school youth and adults. After upgrading workshop facilities and developing new demand-driven short courses, it is assumed that PVS will start providing training courses for adults and out-of-school youth from 2008 onward. In 2008, it is assumed that 2,000 participants will enroll in short-term courses; in 2009, 4,000 youth and adults will enroll in courses; and in 2010, 5,000 participants will benefit from short-term skills training. Course fees will be paid partly by the participants and sponsored by the Government through the Employment Funds under the National Office of Migration and Ministry of Labor and Social Protection (MLSP). It is assumed that the course fee per participant will be about Som3,600 on average.

10. From 2008 onward, through consolidation efforts, it is assumed that the PVE system will generate income by selling obsolete equipment and renting out underutilized buildings (Table A4.5).

Table A4.5: Projections for Primary Vocational School Income Generation
(Som million)

Item	2005	2006	2007	2008	2009	2010
Tuition Fee	16.8 (42%)	18.5	20.2	22.4	24.6	27.1
Production Activities	6.0 (15%)	6.5	7.0	8.1	9.3	11.2
Agriculture Activities	4.4 (11%)	4.8	5.2	6.0	6.9	8.3
Service Provision	12.8 (32%)	13.8	14.9	17.1	19.7	23.6
Short Skills Courses				7.2	14.4	18.0
Asset Management				3.0	5.0	6.5
Total	40 (100%)	43.6	47.3	63.8	79.9	94.7

Source: Asian Development Bank estimates.

11. To determine whether there will be sufficient funds available to cover the expenditures of a consolidated PVE system, an assessment was made based on (i) the expenditure in 2005, and (ii) the draft estimated and projected budget for 2006–2008 as indicated in the Medium Term Budget Framework of the Ministry of Finance. To provide an outlook for 2010, a 6% increase of the public PVE budget was assumed for 2009 and 2010. This increase is arbitrary and is used to illustrate a potential scenario in 2009. The major share of increases in PVE funding for 2006–2008 are committed to raise teachers' salaries and increase the daily allowance for food.

Table A4.6: Projections for Allocation, Income Generation, and Expenditures
(Som million)

Item	2005	2006	2007	2008	2009 ^c	2010 ^c
A. Public Allocation	277	340^a	369^b	406^b	430	456
B. Income Generation	40	44	47	64	80	95
Subtotal (A+B)	317	384	416	470	510	551
C. Expenditures						
1. Staff	145	179	199	199	196	207
2. Social Protection	98	123	135	148	155	163
3. Utilities	34	36	34	30	27	26
4. Other Costs	23	24	28	30	33	36
5. i. O&M, Consumables	11					
ii. Minor Repairs and Building Maintenance	6					
Subtotal (C5)	17	22	20	63	99	119
Subtotal (C)	317	384	416	470	510	551

O&M = operation and maintenance.

^a Ministry of Finance estimates.

^b Ministry of Finance projections.

^c Asian Development Bank projection.

Source: Asian Development Bank estimates.

12. **Expenditures for Social Protection.** The Government has indicated that will increase allowances for school food by 26% in 2006; 9% in 2007; and 10% in 2008 (Table A4.6). In addition, an increase of 5% is assumed for 2009 and 2010.

13. **Staff Expenditure.** It can be assumed that the budget increases for 2006–2008 will be used to raise teacher salaries by 20% in 2006; 8% in 2007; and 9% in 2008. An increase of about 5% is assumed for 2009 and 2010. In addition to salary increases financed by the public budget, teachers and instructors will benefit from incentives provided through income generation at school level; it is assumed that about 10% of income generation will be utilized for staff incentives. It is expected that the number of nonteaching staff will be reduced gradually during the consolidation process, which will lead to a reduction in staff expenditure of 10% in 2008 and 2009 and 5% in 2010. It is assumed that “Other Expenditure” (including allowances and training measures) will increase by 5% in 2006 and by 10% in subsequent years to cover increased expenditure for training programs conducted under the Project. The combined effects of these assumptions are reflected in Table A4.6 under the staff and other costs expenditure category.

14. The total increases for staff expenditures will be sufficient to improve the working conditions and motivation of PVE staff, and finance training measures planned under the Project.

15. **Utility Expenditure.** Utility costs (particularly heating and electricity) will decrease because of (i) rehabilitation measures of existing workshops, classrooms, and dormitories; and (ii) consolidation of physical infrastructure. The following scenario is used to demonstrate the impact: (i) an annual inflation-related 5% increase; (ii) a 10% reduction caused by rehabilitation and consolidation of PVE infrastructure in 2007; and (iii) a 15% reduction in 2008 and 2009, and a 10% reduction in 2010.

16. **Expenditure on Repairs, O&M, and Consumables.** The current funding level for building repair, O&M, and purchase of consumables is a serious issue. In 2005, only Som17 million was available for these expenditure categories. In 2005, funds for O&M and consumables are about Som11 million, or about an average of Som460 per student. To sustain training workshops and provide adequate consumables for practical hands-on training, an average of Som4,000 per student is required. Based on the current scenario, about Som96 million would be needed for workshop operations—assuming that all workshops are rehabilitated, adequately equipped, and in full operation to provide practical training for about 24,000 students. Further, it is assumed that at least Som10 million per year is required to ensure building maintenance, including minor repairs. This scenario indicates that, from 2010 onward, sufficient funds will be available for O&M and workshop consumables—ensuring quality hands-on training. The potential surplus could be used to procure additional consumables to cater for a possible increase in student enrollment.

17. These projections indicate that caution is required with respect to fund allocations for O&M and consumables during the first 3 years of project implementation. To mitigate risks during this period, the Project will provide a lump sum to rehabilitated workshops to support the first year of operation. After project completion, the risk of insufficient public funds for O&M and adequate consumables will be addressed by the Project’s strategy to reduce dependency on public allocations by promoting an entrepreneurial approach and strengthening income generation at PVS level.

18. Additional funding needs were examined for rehabilitating and upgrading schools in a consolidated PVE system. Supplementary to the contribution of the Asian Development Bank

(ADB), \$26 million would be required to address all capital investment needs. The illustrated scenario indicates that potential surpluses are modest in terms of funds required to rehabilitate and equip all schools within the system. The Government will depend on external assistance to meet future challenges in rehabilitating and upgrading all schools in the PVE system.

19. **Benefits.** Government provision of PVE is justified because of imperfect market conditions and lack of adequate private training provision and financing.²⁰ Youth training programs offered by private training institutions are limited to a few sectors in urban areas. Students from rural areas are disadvantaged in gaining access to private training, and children from poor families cannot afford training fees. As private training provision has inadequate capacity, MLSP will need to provide PVE for youth to (i) promote social equity through education, and (ii) provide the means to gain employable skills and knowledge for students who are not able to advance to higher education. Reform of the current PVE system—to become flexible and demand-driven—will enhance productivity and incomes for graduates and companies, and contribute to economic growth.

20. The major beneficiaries of the Project will be about 24,000 students enrolled in PVS. Relevant courses with practical training and hands-on experience, and improved student-centered teaching methods in an entrepreneurial environment, will (i) enhance the technical and cognitive proficiency of students, (ii) develop problem solving ability, and (iii) make students more productive in future employment. The desired impact of the Project is improved employability and income-earning opportunities for graduates. However, it is difficult to quantify benefits for PVS graduates in economic terms, as education alone is not sufficient to raise incomes. Job opportunities and salary structures depend on various other economic factors.

21. **Without the Project.** Most benefits discussed above would be forgone. There would be considerable uncertainty regarding the Government's capacity to reform the PVE system into a flexible demand-driven system. Increasing the supply of trained youth will not create employment by itself. Close linkages with the labor market are the most important economic requirements for a PVE system. The current PVE system was established during the Soviet era where supply and demand of labor was planned centrally. Without the Project, students will continue to graduate from a system that is not responsive to industry needs, suffers from outdated curriculum and training equipment, and does not provide students with adequate skills and knowledge to find jobs after graduation.

²⁰ The purchase of PVE is beyond the means of many poor families in the Kyrgyz Republic. Credit markets do not provide loans to low-income families to finance their children's education. Poor adults and out-of-school youth from low-income families with low education background are less informed than better educated parents about the benefits or quality of PVE, and may underinvest in PVE.

DETAILED COST ESTIMATES AND FINANCING PLAN
Table A5.1: Detailed Cost Estimates by Expenditure Category
(\$'000)

Item	Component 1	Component 2	Component 3	Component 4	Project Management	Total	Physical Contingencies	
							%	Amount
A. Investment Costs								
1. Materials								
a. Curriculum Materials	0	0	10	0	0			
b. Awareness Materials	40	0	0	0	0			
c. Training Materials	0	0	450	50	0			
Subtotal (A1)	40	0	460	50	0	550	5.0	28
2. Furniture								
a. Workshop Furniture	0	300	0	0	0			
b. Hostel Furniture	0	100	0	0	0			
c. Furniture for School Administration	0	20	0	0	0			
d. Furniture for DVTE	0	10	0	0	0			
Subtotal (A2)	0	430	0	0	0	430	5.0	21
3. Civil Works/Rehabilitation								
a. Rehabilitation of Training Workshops	0	1,466	0	0	0			
b. Rehabilitation of Computer Classrooms	0	60	0	0	0			
c. Rehabilitation of Hostels	0	500	0	0	0			
Subtotal (A3)	0	2,026	0	0	0	2,026	5.0	101
4. Equipment								
a. Training Equipment	0	3,919	0	0	0			
b. Equipment for sewing	0	110	0	0	0			
c. IT Equipment for School Administration	0	150	0	0	0			
d. Equipment for Curriculum and Training Materials Development	0	0	70	0	0			
e. Mobile Workshops	0	180	0	0	0			
f. Vehicle	0	0	0	0	40			
g. Training Consumables, Equipment Parts, and Supplies	0	560	0	0	0			
h. IT equipment PIU	0	0	0	0	15			
Subtotal (A4)	0	4,919	70	0	55	5,044	5.0	252
5. Consulting Services								
a. International Consultants	270	0	108	180	0			
b. National Consultants	50	44	33	16	165			
c. Contracts National Training Provider	0	0	0	95	0			
d. Contract Engineering Consulting Firm	0	30	0	0	0			
e. Contract IT Consulting Firm	15	0	0	0	0			
Subtotal (A5)	335	74	141	291	165	1,006	5.0	51
6. Training								
a. Training of Core Trainers for Instructors	0	0	0	20	0			
b. Instructor Training	0	0	0	150	0			
c. Entrepreneurial Courses	0	0	0	90	0			
Subtotal (A6)	0	0	0	260	0	260	5.0	13

Item	Component 1	Component 2	Component 3	Component 4	Project Management	Total	Physical Contingencies	
							%	Amount
7. Operation and Maintenance								
a. Office Administration	0	0	0	0	43			
b. Vehicle Maintenance and Fuel	0	0	0	0	20			
Subtotal (A7)	0	0	0	0	63	63	5.0	3
Taxes	50	1,553	133	68	52	1,856		
Total Investment Cost (A)	299	9,133	799	669	335	11,235		469
B. Recurrent Costs								
1. Staff	30	20	65	90	0			
2. Operations and Maintenance	55	0	90	110	30			
Subtotal (B)	85	20	155	200	30	490	5.0	24
Total Baseline Cost (A+B)	384	9,153	954	869	365	11,725		493
C. Contingencies								
1. Physical Contingencies	17	377	41	40	18	493		
2. Price Contingencies	28	513	127	59	55	782		
Subtotal (C)	45	890	168	99	73	1,275		
Total Project Cost (A+B+C)	429	10,043	1,122	968	438	13,000		

DVTE = Department for Vocational Training and Education, IT = information technology, PIU = project implementation unit.

Notes: (i) Custom duties at 0.2% for furniture, equipment, and instructional materials. Taxes calculated at 22.3% of civil works and 20% of equipment, materials, consulting services, and vehicle. Taxes and duties will be financed by the Government.

(ii) Physical contingency is computed at 5% for all categories; price escalation is computed at 4%.

Source: Asian Development Bank estimates.

Table A5.2: Detailed Cost Estimates by Financier

Taxes and Duties included in Base Costs

(\$'000)

Item	Total	ADB	Government
A. Base Cost			
1. Component 1			
Investment Costs			
a. Awareness Materials	48	40	8
b. Consulting Services	402	335	67
Total Investment Costs	450	375	75
Recurrent Costs	85	0	85
Subtotal (A1)	535	375	160
2. Component 2			
Investment Costs			
a. Civil Works/ Rehabilitation	2,477	2,026	451
b. Equipment	5,903	4,919	984
c. Furniture	516	430	86
d. Consulting Services	88	74	14
Total Investment Costs	8,984	7,449	1,535
Recurrent Costs	20	0	20
Subtotal (A2)	9,004	7,449	1,555
3. Component 3			
Investment Costs			
a. Materials	552	460	92
b. Equipment	84	70	14
c. Consulting Services	169	141	28
Total Investment Costs	805	671	134
Recurrent Costs	155	0	155
Subtotal (A3)	960	671	289
4. Component 4			
Investment Costs			
a. Materials	60	50	10
b. Consulting Services	349	291	58
c. Training	260	260	0
Total Investment Costs	669	601	68
Recurrent Costs	200	0	200
Subtotal (A4)	869	601	268
5. Project Management (PIU)			
Investment Costs			
a. Equipment & Vehicle	66	55	11
b. PIU consultants	198	165	33
c. Office Administration	43	43	0
d. Vehicle Maintenance	20	20	0
Total investment Costs	327	283	44
Recurrent Costs	30	0	30
Subtotal (A5)	357	283	74
Total Base Costs	11,725	9,379	2,346
B. Contingencies			
1. Physical Contingencies	493	388	105
2. Price Contingencies	782	233	549
Total Contingencies	1,275	621	654
Total	13,000	10,000	3,000

ADB = Asian Development Bank, PIU = project implementation unit.

Notes: Duties and taxes of the amount of \$1,856 are included in the base costs under Government contribution.

Custom duties are at 0.2% for furniture, equipment, and instructional materials. Taxes calculated at 22.3% of civil works and 20% of equipment, materials, consulting services and vehicle. Taxes and duties will be financed by the Government.

Physical contingency is computed at 5% for all categories; price escalation is computed at 4%.

Source: Asian Development Bank estimates.

PROJECT IMPLEMENTATION SCHEDULE

Component 1

Consolidation and Modernization of the PVE System

Major Activities	Year 1				Year 2				Year3				Year4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Develop and implement consolidation strategy																
Establish "Complex" schools																
Develop a certification system																
Establish a career guidance system																
Develop strategies to increase training opportunities for adults																
Conduct awareness campaigns																

Component 2

Improving Teaching and Learning Environments

Major Activities	Year 1				Year 2				Year3				Year4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Select schools for rehabilitation and upgrading																
Prepare technical specifications and tender documents																
Conduct tendering and conclude contracts with selected companies																
Rehabilitate schools																
Provide equipment																
Conduct supervision of rehabilitated schools and utilization of new equipment with community participation																

Component 3

Development of Curriculum and Teaching and Learning Materials

Major Activities	Year 1				Year 2				Year3				Year4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Establish expert groups for curriculum revision		■														
Revise curriculum modules			■	■	■	■	■	■	■	■	■	■	■	■	■	■
Establish expert teams for material development		■														
Develop and revise training material			■	■	■	■	■	■	■	■	■	■	■	■	■	■
Establish a new assessment system							■	■	■							

Component 4

Human Resource Development

Major Activities	Year 1				Year 2				Year3				Year4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Develop a human resource development plan		■	■													
Establish in-service training system for instructors and conduct training accordingly				■	■	■	■	■	■	■	■	■	■	■	■	■
Prepare entrepreneurship training and conduct training programs					■	■	■	■	■	■	■	■	■	■	■	■
Conduct training on new equipment				■	■	■	■	■	■	■	■	■				

Project Management

Major Activities	Year 1				Year 2				Year3				Year4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Establish PSC and PIU	■															
Annual audit												■				
Mid term review								■								
Completion review																■

PIU = project implementation unit, PSC = project steering committee.

PROCUREMENT PLAN

Project Information

Country	Kyrgyz Republic
Name of Recipient	Kyrgyz Republic
Project Name	Vocational Education and Skills Development Project
Grant Reference	[to be assigned after approval]
Date of Effectiveness	Expected in March 2007
Amount US\$	\$10 million
Executing Agency	Ministry of Labor and Social Protection
Approval Date of Original Procurement Plan	February 2007
Approval of the most recent Procurement Plan	February 2007
Publication for Local Advertisements (expected)	Expression of Interest: March 2007 General Procurement Notice: April 2007 Request for Proposals: May 2007 Invitation for Bids: June 2007
Period covered by this Plan	March 2007 – August 2008

Procurement Thresholds for Works and Goods & Related Service

Procurement Method	To be used (Value \$)
ICB Works	Above 1,000,000
ICB Goods	Above 500,000
NCB Works	1,000,000 or less
NCB Goods	500,000 or less
Shopping Goods	100,000 or less

Table: Procurement Mode

Description	Procurement Mode	No. of Package	Expected Date of Advertisement
A. Civil Works			
1. Rehabilitation of training workshops	NCB	4	Q3 2007
2. Rehabilitation of dormitories	NCB	4	Q3 2007
B. Equipment, Furniture and Vehicles			
1. ICT equipment	NCB	1	Q4 2007
2. Furniture for workshops	S	1	Q3 2007
3. Equipment for training workshops	ICB/NCB	5	Q4 2007
4. Vehicles	S	1	Q2 2007
5. Mobile training workshops	ICB/NCB	1	Q2 2008
C. Materials			
1. Awareness materials	S	1	Q4 2007
2. Material for Entrepreneurship Training	S	1	Q2 2007
3. Learning material	S	2	Q4 2007
D. Consulting Service			
1. Consultant firm	QCBS	1	Q2 2007
2. ICT consulting firm	QCBS	1	Q3 2007
3. Training providers	Individual recruitment	5	Q4 2007
4. Engineering Consulting Firm	QCBS	1	Q2 2007

ICB = international competitive bidding, ICT = information and communications technology, NCB = national competitive bidding, S = shopping, Q = quarter, QCBS = quality and cost-based selection.

Source: Asian Development Bank projections.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. A total of 35 person-months of international and 107 person-months of national consulting services will be provided to assist the EA in reforming the PVE system. This will include experts in the field of VESD policy development, organizational development, curriculum and standards development, entrepreneurship promotion, development of learning materials, procurement of training equipment, labor market assessment and legislative reform. Consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants*.

2. An international consulting firm with proven experience in VESD will be recruited under the project to assist the MLSP in reforming the PVE system. The firm will provide expert advisors to undertake the necessary work and strong backstopping support to ensure efficient and timely coordination of the work plan, including the fielding of individual consultants and reporting. The team leader of all consultants will be the international VESD specialist. The team leader will report to a project director and manage the work plans and outputs of the other consultants. Key team leader specific duties will be as follows:

- (i) Develop and supervise detailed annual project implementation plans, and provide assistance for the regular monitoring and review of such plans—in collaboration with the project steering committee, project director, project implementation unit (PIU), and other consultants and key counterparts.
- (ii) Assist the PIU in the establishment of a project performance management system in accordance with ADB standards, and produce reports on a timely basis.
- (iii) Provide professional leadership, direction and support for all consulting services extended under the Project.

3. In addition to the services secured through the international firm, it is proposed that one individual international organizational development specialist and one individual national legal specialist will be engaged under advanced contracting action. These services are necessary to support the Government in preparing a consolidation strategy for the PVE system. They will also help keep the momentum with the implementation work and pave the way for the engagement of the international consulting firm highlighted above.

4. The following consultant inputs will be required to support the EA under the four project components and accomplish the subsequent outputs:

A. Individual Consulting Services/Tasks

5. The two individual consultants will be engaged to develop the consolidation strategy and thereafter assist in consolidating and restructuring the PVE system. An international **organizational development specialist**, with sound background on vocational education systems, will be recruited on an individual basis for 6 person-months, and contracted in advance to assist the EA with the following work

- (i) Analyze existing legal, administrative, and institutional arrangements of PVE and prepare recommendations to merge schools and redeploy staff, enable schools to engage in entrepreneurial activities and manage their own income, and strengthen the assets management.
- (ii) Support the PIU in improving the asset database developed during the PPTA.

- (iii) Conduct an assessment of the current PVE staff structure; prepare recommendations for training needs and redeployment; prepare a human resources development strategy for the PVE system.
- (iv) Assist in the development of criteria for school mergers based on enrollment trends, skills needs, labor market information, and employment forecasts; recommend a step-by-step strategy to merge selected schools.
- (v) Prepare strategies to reform PVS that will not participate in school mergers.
- (vi) Recommend strategies to formalize industry/employer engagement in the management of schools.
- (vii) Recommend strategies to formalize involvement of business associations, chambers, and civil society organizations in the process, to regularly review and adjust training programs conducted by PVE schools.

6. In addition, a **national legal expert** will be recruited on individual basis for 5 person-months to assist the international organization development specialist in preparing the consolidation strategy with special emphasis on legal and regulatory aspects.

7. Expected output of the consultants is an approved consolidation strategy, including an HRD plan for the PVE system.

B. International Consulting Firm Services/ Tasks

8. It is proposed that a consulting firm will be engaged to help with the implementation of the Project. This firm will provide specialists in the following areas: (i) VESD expert, (ii) organizational development expert, (iii) legal specialist, (iv) labor market specialists, (v) MIS expert, (vi) training equipment specialists, (vii) curriculum and material development experts, (viii) pedagogical and training experts, and (ix) entrepreneurship development specialists.

9. The tasks for the focus of the consultant's work will be split between restructuring of the PVE system, strengthening legal framework conditions, labor market assessment, organizational, legal, labor market, improving MIS, PVE awareness creation, instructor training, curriculum and material development and entrepreneurship development. These functions are described in detail below:

1. Restructuring of the PVE system

10. **Consultant requirements.** In addition to the individual consultants, an international **VESD specialist** for 12 person-months and a national **organizational development** specialist for 16 person-months will support the EA intermittently in reforming the PVE system, and developing a national policy framework for VESD. Building on the work of the individual specialists, the consultants will have the following tasks:

- (i) Analyze existing policies and financing related to VESD and legal, administrative and institutional arrangements of PVE, SVE and private training provision with the view to create a national VESD system, linking public and private VESD provision and introducing transparent certification and accreditation mechanisms throughout the system.
- (ii) Develop strategies to promote private training providers to increase the availability of quality non-formal skills training.

- (iii) Monitor the implementation of the consolidation strategy for the PVE system; adjust implementation plans whenever necessary; and provide assistance in the execution.
- (iv) Assist in the implementation and adjustment of the HRD plan for the PVE system, review reporting structures, compensation schemes, and arrangements for reassigning teachers and instructors.
- (v) Develop a transparent assessment scheme for managers, teachers, and instructors and administrative staff.
- (vi) Review the current approach of school inspection, and recommend improvements.
- (vii) Ensure transparency of the consolidation process; invite participation of all government and private sector key stakeholders at national and oblast level.
- (viii) Assist school managements in preparing business plans and establish school advisory boards.
- (ix) Assist the Selection Committee in the review of business plans prepared by schools.
- (x) Assist in the selection of training equipment to be procured under the Project.
- (xi) Assist the EA and schools to set up accounting and financial reporting systems.
- (xii) Assist the EA in linking labor market research and program development.
- (xiii) Assist the EA in curriculum development and revision skills standards based on labor market surveys and internationally best practices.
- (xiv) Assist in setting up a decentralized mechanism for learning material development.
- (xv) Prepare a strategy and annual implementation plans for all training measures to be conducted under component 4.
- (xvi) Review the current assessment and certification system and prepare a strategy to improve the quality of the system with active industry participation.

11. The expected major outputs are:

- (i) Time bound annual action plan for the consolidation process and monitoring reports.
- (ii) Draft national policy framework for VESD.
- (iii) HRD Plan for PVE staff.
- (iv) Quality business plans at PVS.

2. Strengthening Legal Framework Conditions

12. **Consultant requirements.** Besides the individual legal consultant, who will be recruited in advance, the Project will provide for additional 5 person-months for national legal specialist(s) to be recruited by the international firm for the following tasks:

- (i) Analyze existing legal, administrative, and institutional arrangements of PVE and identify laws, by-laws, and administrative procedures to be modified to establish a legal environment to enable (a) the EA to manage, sell, and rent out current assets and reallocate staff of schools, and (b) the PVE schools to keep revenues earned through training courses and marketing of services and goods.
- (ii) Review legal and administrative procedures, and recommend improvements to allow flexible redeployment of staff.
- (iii) Draft relevant amendments to be submitted to approving authorities.

- (iv) Provide advice and assistance to PVSs which encounter legal or bureaucratic problems in particular aspects of the new arrangements.
- (v) Assist the EA and schools to formalize the establishment of School Advisory Boards.

13. Expected outputs include:

- (i) Draft bills
- (ii) Sound recommendations to establish a national legal framework for VESD.
- (iii) Advise on legal and administrative matters related to the PVE reform process.

3. Strengthening Labor Market Assessment and Employment Forecasts

14. **Consultant Requirements.** Two national **labor market specialists** for 14 person-months will assist MLSP to strengthen mechanisms for labor market assessments and employment forecasts in order to guide PVE training program development. The specialist will

- (i) Review current mechanisms to conduct labor market research and employment forecast and recommend improvements.
- (ii) Conduct training seminars on research methods, training needs assessments, and analysis of relevant labor market information.
- (iii) Assist in the establishment of a system to provide updated information on labor market developments and employment trends, and launch a mechanism to regularly review labor market review information by relevant government and private sector stakeholders in order to guide training program development.

15. Expected outputs include the following:

- (i) A labor market information system is established.
- (ii) A mechanism to guide training program development is in place.

4. Management Information System (MIS) for PVE

16. **Consultant requirements.** A national consultant will assist the EA intermittently for 12 person-months to establish a management information system. The consultant will

- (i) identify information requirements at national and school level and assess current data collection, processing procedures, and IT standards.
- (ii) develop an action plan to establish a MIS including a asset management system.
- (iii) Advise on all aspects of selection and procurement of information and communication technology (ICT) equipment and software procurement.
- (iv) Identify IT training needs at EA and school level, including database management, security, and documentation issues and recommend training strategies and suitable training providers.
- (v) Develop procedures for regular update and distribution of information.
- (vi) Assess current labor market information system at MLSP in terms of relevance to guide the design and revision of training programs, and prepare strategies to disseminate relevant information to guide training program development at national and school level.
- (vii) Develop a uniform tracer system at school level.

- (viii) Review the current accounting systems at school level and recommend improvements.

17. Expected major outputs include

- (i) On action plan to establish the MIS system.
- (ii) An operational MIS system, including an assets management system.

5. PVE Awareness Creation

18. **Consultant requirements.** A national consultant will assist the EA intermittently for 6 person-months to establish a mechanism for career guidance for grade 9–11 students and their parents providing information on employment and income opportunities of skilled labor in various trades. The Consultant will

- (i) Design an action plan for student counseling and awareness campaigns.
- (ii) In cooperation with a professional media company prepare information materials.
- (iii) Prepare a training program for teachers and instructors to conduct student counseling and local awareness measures.
- (iv) Facilitate awareness measures.

19. Expected outputs are

- (i) An action plan for awareness campaigns.
- (ii) Awareness materials.
- (iii) Training programs for instructors and teachers.

6. Selection and Installation of Training Equipment

20. **Consultant requirements.** A team of consultants will assist the EA in the process to select appropriate equipment packages to be purchased under the Project. A **team of national training equipment specialists** with technical knowledge on equipment related to (i) bench work, automotive and welding, (ii) carpentry and construction, (iii) electric, (iv) IT, (v) agriculture, and (vi) tourism will be required intermittently for 12 person-months. The consultants will

- (i) Review curriculum modules and recommend appropriate training equipment, including detailed technical specifications.
- (ii) Assist in setting up Equipment Selection Panels, including members from the private sector, to review equipment lists to be purchased under the Project.
- (iii) Assist in preparing tender documents compliant with the *ADB Procurement Guidelines*.
- (iv) Assist in the evaluation of proposals and bid documents.
- (v) Supervise the delivery and installation of the equipment.
- (vi) Prepare training programs to operate new equipment and facilitate induction training of instructors and teachers
- (vii) Prepare guidelines on equipment maintenance.
- (viii) Provide advice if warranty repairs and replacements are required.
- (ix) Conduct random audits to review whether training equipment is integrated in lessons and properly used.
- (x) Advise on purchase of consumables and spare parts for operation and maintenance of equipment.

- (xi) Advise on the disposal of equipment items for which there may be a recycling or scrap metal value.

21. Expected major outputs are

- (i) Training equipment lists linked to curriculum modules.
- (ii) Tender documents.
- (iii) Training materials.
- (iv) Audit reports.

7. Curriculum and Material Development

22. **Consultant requirements.** A team of consultants will be required to assist the EA intermittently in curriculum and material development; including (i) 1 **international curriculum and material development specialist** for 6 person-months, (ii) 1 **international specialist on entrepreneurship training for students** for 2 person-months, (iii) 3 **national curriculum specialists** for 12 person-months, (iv) 2 **national material development specialists** for 10 person-months, and (v) 1 **national graphic design specialist** for 6 person-months. The team of consultants will undertake the following tasks:

- (i) Based on labor market assessments, assist in defining skills requirements.
- (ii) Review current curriculum modules and establish mechanisms to adjust current curriculum modules
- (iii) Establish guidelines for the development of modular curriculum framework, promoting multi-skills, hands-on training, integration of entrepreneurship and learner centered methods; and revise curriculum modules and develop new training courses in selected trades with active participation from the private sector.
- (iv) Prepare training programs for curriculum developers and instructors on modern curriculum design based on international accepted education standards
- (v) Advise on integrating entrepreneurship skills in curriculum design and material production.
- (vi) Establish a mechanism for moderation of training programs jointly with private sector stakeholders.
- (vii) Develop strategies to establish a national assessment system, including skills tests and practical examinations.
- (viii) Develop short-skills training courses for adults in selected areas.
- (ix) Ensure that the curriculum framework is gender-sensitive and curriculum development specialists and material developers are aware how to address gender stereotypes and gender issues in education.
- (x) Advise curriculum developers and instructors how to incorporate entrepreneurial approaches into training programs, and develop sample modules.
- (xi) Prepare an action plan to establish a decentralized system for material production; select schools with strengths in particular training areas as center for material development.
- (xii) Provide technical assistance on preparing learning materials consistent with revised curriculum modules.

23. The expected outputs include

- (i) Skill specifications for selected trades.
- (ii) Revised and new curriculum modules.

- (iii) Guidelines for modern curriculum development.
- (iv) Training programs for curriculum and material developers.
- (v) Action plan to establish a uniform assessment system.
- (vi) Moderation panels established.
- (vii) Action plan for decentralizing material development.
- (viii) Quality teaching and learning materials for selected training programs.

8. PVE Instructor Development

24. **Consultant requirements.** A consultant team will assist the EA in establishing an in-service training system for instructors to strengthen student-centered teaching approaches, apply modularized curriculum, and promote practical training. The team will consist of (i) 1 **international pedagogical specialist** for 3 person-months, and (ii) 3 **national instructor trainers** for 9 person-months. Specific tasks will include the following:

- (i) Conduct training needs assessment for instructors.
- (ii) Prepare training programs for instructors, considering the new curriculum framework and in-service programs and lessons from other projects, particularly from Swiss Association for International Cooperation (HELVETAS).
- (iii) Prepare training programs and conduct training workshops for 60 core trainers.
- (iv) Assist core trainers in induction training programs for instructors.
- (v) Prepare training and self-learning material for core teachers and instructors.
- (vi) Prepare a strategy to establish a training and information system based on ICT technology, providing support for teachers on education content, modern pedagogy, support for lesson plans, and reference material; assess the most cost-efficient solutions.
- (vii) Develop an evaluation system for training programs and an assessment scheme to review instructors at schools.
- (viii) Work with the Ministry of Education in the preparation of new in-service training techniques (i.e., ICT usage, distance learning for teachers in service).

25. Expected outputs include

- (i) Time bound action plan to establish an in-service training system for instructors, including cost estimates.
- (ii) Detailed training programs and quality training materials.
- (iii) Formation of a trainer core group.

9. Strengthening Entrepreneurship in School Management

26. **Consultant requirements.** An international **specialist on entrepreneurial management of schools** will support the EA intermittently for 6 person-months in preparing a program and related materials to train school principals and school management to apply an entrepreneurial culture in managing their schools. The training program will aim at strengthening capacities of school managements in financial management, improving utilization of staff and assets, developing market-oriented short skills courses, identifying products and services to be marketed locally, and preparing business plans. To ensure systematic follow-up of entrepreneurial training courses for school management, the consultant will train a group of 20 management core trainers who will provide follow-up training on financial management, revision of business plans, and ad hoc advice on all management matters. The consultant will

- (i) Conduct training needs assessment of school management.

- (ii) Prepare and conduct training program, promoting an entrepreneurial approach to manage schools.
- (iii) Assist school management to develop business plans for schools; review and update these plans regularly.
- (iv) Prepare training and self-learning material for principals and school administrators.
- (v) Consider management training programs and lessons from other projects, particularly from the International Labor Organization (ILO), German Agency for Technical Cooperation (GTZ), and HELVETAS.

27. Expected outputs include

- (i) Establishment of a core trainer team.
- (ii) Detailed entrepreneurship training programs, including materials, training lessons and games.
- (ii) Quality business plans of schools.
- (iv) Follow-up system established to provide advise to schools.

C. National Consulting Firms

28. In addition to consulting services provided by a firm and individual consultants, the Project provides budget for engaging an (i) engineering consulting firm, (ii) IT consulting firm, and (ii) national training providers.

1. Engineering Firm

29. The engineering consulting firm will support the EA and the PIU on all activities relating to the planning and implementation of rehabilitation of training workshops and hostel facilities. Specific duties and responsibilities are as follows:

- (i) Assist in preparing the technical documentation for selection of construction companies, provide technical support to the bidding and selection process; prepare budget estimates for civil works, assess tender documents and related budgets for rehabilitation works.
- (ii) Conduct detailed technical evaluation of areas for comprehensive rehabilitation, assess the extent of works required, and prepare cost estimates—once workshops, computer classrooms, and hostels for rehabilitation are selected.
- (iii) Prepare civil works plans and designs, including detailed specifications for the rehabilitation of selected physical facilities; prepare list and specifications of materials to be used and the bill of quantities.
- (iv) Provide advice on modern construction technology, and recommend suitable energy systems.
- (v) Provide technical advice to address needs of disabled students.
- (vi) Assist in the preparation of the bidding documents in accordance with ADB's *Procurement Guidelines*, and in the prequalification of contractors.
- (vii) Supervise and monitor the rehabilitation works at each school and ensure quality and timely completion.

30. Expected outputs includes

- (i) An action plan for rehabilitation works.
- (ii) Quality bidding documents.
- (iii) Evaluation reports on rehabilitation works.
- (iv) Assessments of facility rehabilitation.

2. IT Consulting Firm

31. The IT consulting firm will provide support to the EA which includes the following:
- (i) Establish and maintain the assets information system.
 - (ii) Provide support in trouble shooting.
 - (iii) Conduct computer training.
 - (iv) Provide advice on a suitable accounting software.
 - (v) Assist in the process of establishing an ICT-based training platform for teacher training.
 - (vi) Assist in the establishment and maintenance of a Project web site.
32. Expected outputs include
- (i) Quality maintenance of the MIS system and responsive trouble shooting services
 - (ii) Quality training
 - (ii) Technical support services in the process of MIS establishment

3. National Training Provider

33. The Project will contract national training providers to conduct training for school principals and administrators, DVTE management, and teachers and instructors in the areas of (i) financial management, (ii) entrepreneurship business development, and (iii) skills needs assessment. Expected output of the training provides would be quality training programs and training materials.

D. Project Implementation Unit (PIU)

34. The Project provides budget to engage the following national consults to operate the PIU: 1 project manager for 52 person-months, 1 procurement specialist for 48 person-months, 1 financial specialist for 48 person-months, 1 M&E specialist for 36 person-months, 1 accountant for 48 person-months, 1 administrative assistant for 52 person-months, 2 part-time interpreter for 25 person-months, 2 drivers for 80 person-months.

Draft Terms of Reference for Key PIU Staff:

1. Project Manager

35. The consultant will do the following tasks:
- (i) Coordinate with PIU staff, consultants, and project steering committee (PSC) in developing a comprehensive plan of activities, with a detailed plan on project management, finance, and procurement for the entire project period—including, as necessary, the development of a financial reporting system and financial management guidelines.
 - (ii) Provide guidelines to responsible staff members and consultants of the PIU in the areas of project management, finance, consulting services, and procurement to expedite project implementation and strengthen PIU capacity.
 - (iii) Facilitate and supervise all rehabilitation works; ensure that tender process is in accordance with ADB guidelines.
 - (iv) Conduct an annual project performance review and assist concerned staff in adjusting the plan of activities, as necessary, and in developing an annual plan of activities.

- (v) Conduct an in-depth review of project finance and management of the Project as preparation for regular semiannual ADB project review missions.
- (vi) Monitor the timeliness of project implementation, ensuring accountability and transparency at all levels.
- (vii) Advise PIU staff on all matters related to project administration, including preparation of progress and financial reports.
- (viii) Ensure that a project performance management system is established and continuously updated.

2. Procurement Specialist

36. The procurement specialist will do the following tasks:

- (i) Prepare a procurement plan in accordance with the project implementation plans in a form and manner acceptable to ADB and the Government.
- (ii) Prepare the budget for the procurement packages by component basis, including the procurement list, procurement mode, and distribution list.
- (iii) Draft the necessary procurement documentation including bidding documents for international competitive bidding, local competitive bidding, and international shopping; prequalification documents; and contract documents.
- (iv) Review the installation of equipment and its utilization, delivery of materials, and quality of civil works.
- (v) Monitor quality control of procured items.
- (vi) Ensure that payments are made for contracts entered into by the PIU.

3. Financial Specialist

37. The financial specialist will do the following tasks:

- (i) Provide overall financial oversight of the Project, including developing, guiding, and directing financial management and accounting systems to support deployment of funds—ensuring efficiency and effectiveness in the delivery of outputs required to achieve the objectives of the Project.
- (ii) Ensure that accounting of resources received, reporting on receipt and use of expenditures is in compliance with the requirements of the Government and ADB.
- (iii) Make arrangements for audit of project funds and ensure that report produced is in compliance with audit requirements of the Government and ADB.
- (iv) Maintain and update the project financial management system to track and report on project resources and expenditures, and generate the necessary reports.
- (v) Prepare monthly reconciliation statements for all bank accounts on a timely basis, including preparation of withdrawal applications, to ensure steady flow of funds needed.
- (vi) Manage financial aspects of the contracts under administration, including payment terms, purchase orders, variation orders.

4. Monitoring & Evaluation (M&E) Specialist

38. The M&E specialist will do the following tasks:

- (i) Assist the EA and project manager in the establishment of a project performance management system to monitor progress of project implementation, and evaluate project impacts.

- (ii) Oversee and report on the project monitoring and evaluation activities.
- (iii) Conduct school visits to monitor the utilization of training equipment.
- (iv) Advise school management on establishing tracer studies and assist the EA to prepare consolidated tracer reports.
- (v) Advise on mechanisms to ensure relevance of training programs and close interaction with employers and school management.
- (vi) Prepare M&E reports as required by the EA and ADB.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

A. Linkages to the Country Poverty Analysis

Is the sector identified as a national priority in country poverty analysis? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Is the sector identified as a national priority in country poverty partnership agreement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Contribution of the sector or subsector to reduce poverty in the Kyrgyz Republic:	
<p>According to the Government's National reduction strategy a key priority is improvement of the quality and access to general education and primary vocational education, to support employment and income-generating activities, thereby improving the social safety net and supporting sustainable human development. In implementing these activities, the Government will ensure that the poor and vulnerable groups of society have equal access to basic social services, thus supporting their opportunities for employment and participation in economic activities.</p> <p>Surveys in rural areas where the majority of the population lives suggest that up to 70% of PVE students belong to poor families. Given the evidence in poverty and low level of education, the Project will contribute to increase income earning opportunities for poor students by reforming the current PVE system to become relevant and demand driven. Improving the teaching and learning environment through school rehabilitation and upgrading of facilities and strengthening the system of professional development for teachers, the Project will contribute towards ensuring that educational services are accessible in all areas, particularly in rural areas, and for poor groups. Improving dormitory accommodation in PVS will give better opportunities for children from poor remote households to attend vocational education.</p> <p>The introduction of short-term skills courses strengthening entrepreneurship skills and providing training that promotes multiskilled workers will particularly help out-of-school youth and unemployed or underemployed adults to improve their income earning opportunities in the informal sector.</p>	

B. Poverty Analysis

Targeting Classification: Targeted Intervention (MDG)

<p>In 2005, 36% of the total population lived in poverty with an annual income below \$225 per year and about 13% of the population are considered to be extremely poor with an income less than \$140 per day. Poverty in rural areas was higher than in urban areas.</p> <p>The recent analysis finds that the negative impact of poverty on a child's dropout from school is significant at every level of schooling, even at the primary level where completion rates are near universal, and it has the largest effect on upper secondary dropout. Poverty directly, through out-of-pocket and opportunity costs, as well as indirectly, through family/parental background, affects children's educational outcomes. Furthermore, educational quality as measured by examination results is significantly lower in rural areas and the quality of teaching influences parental decisions whether to keep their children in school or not.</p> <p>In effect, poverty is an important factor in determining whether a child is enrolled in school or not. Yet without unhampered access to quality education, opportunities for earning a reasonable income and rising above the poverty line are restricted: indeed, those with at least completed secondary education are significantly less likely to be poor.</p>

C. Participation Process

Is there a stakeholder analysis? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>The main institutional stakeholders include DVTE, MLSP, <i>oblast</i> (province) and <i>raion</i> (district) authorities (especially those with an education department), PVS management, local employers, industry associations, private training providers and civil society groups. The primary stakeholders are instructors, teachers and students.</p>
Is there a participation strategy? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>The Project was designed in a participatory process involving major government and nongovernment stakeholders at national and <i>oblast</i> level, school directors, instructors and teachers, students and parents, community leaders, private training providers, local employers and industry representatives from various trades, and development partners. Participation took place through regular consultations, series of workshops and presentations. During the implementation, the Project will maintain broad stakeholder participation. Nongovernmental stakeholders will participate in the Project Steering Committee and in the Selection Committee for school rehabilitation and up gradation.</p> <p>Further, the Project will encourage (a) wide consultation in the development of new curriculum modules and training materials, (b) greater community and employer participation in supervising and ensuring the quality of (i) school</p>

rehabilitation work and equipment procurement and (ii) school facilities maintenance, and (iii) partnership between local employers and PVS in developing and delivering market-oriented training programmes for out-of school youth and adults.

D. Gender Development

Strategy to maximize impacts on gender:

The Kyrgyz Republic is a signatory to all important international labor conventions including those pertaining to child labor and gender equality. No gender bias in access to general education exists in the Kyrgyz Republic. Children of both genders have equal opportunity to receive basic education, which is granted free under the Constitution. Traditionally more male youth enroll in PVE than female. The ratio in PVE is 63%:37%. To address the gender issues in PVE, the Project will carry out awareness campaigns that reinforce the right of all boys and girls to attend PVE schools and inform parents and grade 8-11 students about employment and income opportunities of girls. Labor market surveys will assess areas which have high employment potential for female students.

Curriculum and learning material development will examine the issue of gender stereotyping through analysis of curriculum content and identify strategies for improving portrayal of gender in curriculum content and training for instructors and teachers in techniques for dealing with presentation of gender roles and issues.

Has an output been prepared? Yes No

E. Social Safeguards and Other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	The Project will carry out minor rehabilitation and repairs within the existing school buildings and facilities with no land acquisition required.	<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
Affordability	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Affordability is not considered to be a major concern. Government's Social Protection Scheme ensures that students from poor households can attend PVS.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Labour	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	No labor retrenchments are envisaged as a result of the Project. Procurement of goods and services complies with national labor legislation.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Indigenous Peoples	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	The Project is not expected to have any adverse effects on indigenous people.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Other Risks and/or Vulnerabilities	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	No other social risks are anticipated as a result of the Project.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No