



Project Administration Memorandum

Project Number: 36611
Loan Number: 2111
September 2006

Nepal: Skills for Employment Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank



Asian Development Bank

PROJECT ADMINISTRATION MEMORANDUM

FOR THE

LOAN

TO THE

GOVERNMENT OF NEPAL

FOR THE

**SKILLS FOR EMPLOYMENT PROJECT
(Loan 2111-NEP)**

29 September 2006

CURRENCY EQUIVALENTS

(as of 18 October 2004)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.0138
\$1.00	=	NRs72.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	community-based organization
CSIDB	–	Cottage and Small Industries Development Board
CTEVT	–	Council for Technical Education and Vocational Training
DCSI	–	Department of Cottage and Small Industries
DOLEP	–	Department of Labor and Employment Promotion
GCE	–	gender, caste, and ethnicity
EIRR	–	economic internal rate of return
GIS	–	geographic information system
LMI	–	labor market information
LMIS	–	labor market information system
MOICS	–	Ministry of Industries, Commerce, and Supplies
MOST	–	market-oriented short term
NGO	–	nongovernment organization
PCC	–	Policy Coordination Committee
PIU	–	project implementation unit
PoSC	–	Policy Steering Committee
ProSC	–	project steering committee
SDC	–	Swiss Agency for Development and Cooperation
SLC	–	school leaving certificate
TEVT	–	technical education and vocational training
TMIS	–	training management information system
TNA	–	training needs assessment
TSLC	–	technical school leaving certificate

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July.
- (ii) In this report, "\$" refers to US dollars.

This Project Administration Memorandum was prepared by Leah Gutierrez, Krishna Panday and Fe E. de Leon

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LOAN PROCESSING HISTORY

Approval of PPTA	:	4 December 2002
Fact-Finding Mission	:	8 March – 24 March 2004
Management Review Meeting	:	3 May 2004
Appraisal Mission	:	2 August – 17 August 2004
Staff Review Committee Meeting	:	17 September 2004
LTACC/MRM II	:	Not Required
Loan Negotiations	:	4 – 6 October 2004
Board Circulation	:	4 November 2004
Board Consideration and Approval	:	25 November 2004
Loan Agreement Signing	:	29 January 2005
Loan Effectiveness	:	28 February 2006

Conditions for Loan Effectiveness (in addition to submission of the Legal Opinion):

- (i) the PIU shall have been established in accordance with paragraph 2 of Schedule 6 to this Loan Agreement, with the Project Director and all other staff in place; and
- (ii) The ProSC shall have been established in accordance with paragraph 3 of Schedule 6 to this Loan Agreement, and its members shall have been notified.

KEY PERSONS INVOLVED IN THE PROJECT

A. Asian Development Bank

The Department responsible for the implementation of the Project is the South Asia Department (SARD), represented by the Agriculture, Natural Resources and Social Services Division (SANS). SANS has the overall responsibility for the implementation of the Project in ADB.

Headquarters

Mr. Frederick C. Roche
Director, Agriculture, Natural Resources, and Social Services Division (SANS)
Fax No. (632) 636 2391; 636 2444
e-mail: froche@adb.org

Ms. Leah Gutierrez
Sr. Social Sectors Specialist, SANS
Tel.No. (632) 6325936
Fax No. (632) 6362391; 636 2444
e-mail: lgutierrez@adb.org

Ms. C. Vandenabeele
Senior Counsel
Office of the General Counsel
Tel. No. (632) 6324682
cvandenabeele@adb.org

Ms. Yongbo Zhao (Jane)
Financial Control Specialist,
Controller's Department, CTLA-FIS
Tel. No. (632) 632 5273
e-mail: yzhao@adb.org

Ms. Fe E. De Leon
Associate Project Analyst, SANS
Tel. No. (632) 632 6617
e-mail: fedeleon@adb.org

Asian Development Bank
No. 6 ADB Avenue, Mandaluyong City
1550 Metro Manila
P.O. Box 789
0980 Manila, Philippines
ADB's websites:

Main	: http://www.adb.org
Procurement	: http://www.adb.org/procurement/bidding/asp
Loan Financial Information System:	http://www/lfis.adb.org
Consulting	: http://www/adb.org/consulting/documents.asp

Nepal Resident Mission (NRM)

Country Director
 Srikunj Kamaladi Ward 31
 Block 2/597, Ka Na Pa
 Kathmandu, Nepal
 PO Box 5017 K. D. P. P. O.
 Tel. No. (977-1) 227 779-227-784
 Fax No. (977-1) 225-063
 e-mail: adbnrm@adb.org

K. R. Panday
 Sr. Project Implementation Officer
 NRM

B. Executing AgencyMinistry of Education and Sports

Prof. Dr. Mangal Sidhi Manandhar
 Minister
 Ministry of Education and Sports
 Keshar Mahal
 Kathmandu, Nepal
 Tel No. (977-1) 4-411499
 Fax No: (977-1) 4-414887

Mr. Bala Nanda Paudel
 Secretary
 Ministry of Education and Sports
 Keshar Mahal
 Kathmandu, Nepal
 Tel : (977-1) 4-411599
 Fax: (977-1) 4-412460

C. Implementing AgencyCouncil for Technical Education and Vocational Training

Mr. Jirel
 Project Manager
 Tel No. (977-1) 635125
 Fax No. (977-1) 6630294

D. Exchange of Communication

All official letters/correspondence/fax messages, etc. must be signed by designated contact person, and addressed to the Director, Agriculture, Natural Resources and Social Services Division, South Asia Department.

I. PROJECT DESCRIPTION

A. Project Area and Location

1. The Project will be implemented in all districts of Nepal.

B. Objectives and Scope

2. The goal of the Project is to promote poverty reduction and stability by increasing engagement in wage and international employment, and self-employment. The purpose is to increase opportunities for MOST skills training by improving the relevance of and increasing the delivery of MOST skills training, particularly to women, *Dalits*, and the disadvantaged. The Project aims to (i) increase access to MOST skills training, particularly by women, *Dalits*, and the disadvantaged; (ii) strengthen the capacity of key agencies to enhance their services, particularly to the vocational training sector, and hence improve relevance and quality; (iii) strengthen training providers to enhance access and improve the relevance and quality of training; and (iv) develop and articulate a new national policy to achieve greater integration, relevance, and efficiency in the TEVT sector. The Project will serve beneficiaries from all districts of the country. The Project framework is in **Appendix 1**. The sector analysis is attached as **Appendix 2**.

C. Project Components and Outputs

3. The Project will support the goals of the Tenth Plan by assisting the delivery of MOST training, particularly to women, *Dalits*, and the disadvantaged; strengthening the capacity to facilitate and deliver short-term training; and helping articulate a new TEVT policy. The Project comprises three components: (i) increasing access to MOST skills training; (ii) capacity strengthening; and (iii) supporting policy development, articulation, and implementation.

1. Increasing Access to Market-Oriented, Short-Term Skills Training (MOST)

4. This component provides support to increase the delivery of and access to MOST skills training, particularly to the poor. The Project targets the poor to receive subsidized training. Overall, at least 60% of the trainees will be women, *Dalits*, or disadvantaged—ensuring that 50% of all trainees are women and 25% are *Dalits*. The Project will provide about 80,000 beneficiaries with access to short-term training.

a. Disseminating Information on Short-Term Training and Employment

5. The Project will support the development and implementation of a TEVT awareness plan employing the mass media. An information dissemination plan for skills training activities and resources in districts will be developed and implemented in districts and wards using a network of government and nongovernment groups. The gender, caste, and ethnicity (GCE) specialist will help develop plans to ensure they reach women, *Dalits*, and the disadvantaged.

b. Supporting Delivery of Short-Term Skills Training for Formal and International Labor Markets

6. The Project will support the analysis of labor market demand for formal and international labor markets. Based on this, it will prioritize occupational areas for training and prepare training specifications through consultancies, workshops, and incremental recurrent cost financing. The

Project will provide resources for the development of standards and sample curricula for skills associated with these occupational areas, where none exists. The Project will increase access to MOST by providing training development costs and training delivery recurrent costs, which include instructor fees, rent, consumables, and learning materials for about 55,000 beneficiary trainees. Training programs will include elements of life skills and entrepreneurship, as appropriate. Training delivery will be tendered and will include both center-based and enterprise-based training. CTEVT/PIU will consider providing stipends to cover transportation expense for those who live away from the training sites and to reimburse some of the wages lost while attending training along, guidelines to be approved by the project steering committee (ProSC). Training proposals from employers and training providers for the delivery of MOST for formal and international employment, specifically for targeted beneficiaries, are welcome and subject to the same criteria as described for selecting training programs and training providers. Criteria for selecting training providers will include price, capacity, and posttraining support such as on-the-job training and employment.

c. Supporting the Delivery of Community-Based, Market-Oriented, Short-Term Skills Training

7. The Project will support community-based delivery of MOST training. The Project will contract international and local NGOs, with continuing work and presence in the district, to mobilize communities and undertake TNA; prepare training proposals; identify potential beneficiaries; and partner, where available, with a training provider. Local and international NGOs will be provided with capacity strengthening in TNA including TNA assessor training. Training proposals will be assessed and the Project will provide support to deliver the training in the community for about 25,000 beneficiaries. The Project will provide for training development costs and training delivery recurrent costs, which include instructor fees, consumables, and training materials. The delivery of training programs will be tendered. Training programs will include elements of life skills and entrepreneurship, and will provide posttraining services, including linkages with employers, marketers, and local financing groups, as well as basic tools. Community contributions such as training venue and accommodations for trainers will be requested. Provision of stipends to reimburse some of the wages lost while attending training will be considered along the guidelines to be approved by the ProSC. For center-based training, the Project will provide the cost of the training program, transportation expenses, and, in recognition of the opportunity costs of labor, provision of living allowances will be considered for eligible trainees along approved guidelines. Employers and training providers may submit specific proposals for targeted beneficiaries subject to ProSC-approved guidelines.

8. Nepal's conflict situation and complex social structure present risks to implementing community-based training programs. In this connection, this subcomponent will adopt a phased approach. Implementation in the first year will be initiated in five districts: Achham, Dhanusha, Humla, Kapilbastu, and Panchthar. At the end of the first year, project experience with the criteria, implementation procedures, and approaches, focusing on the TNA, beneficiary selection, and stipends, will be assessed and refinements will be made as necessary. In the second year, five more districts will be added; the ProSC will identify these during the first year. This project component will be progressively implemented in the remaining districts during project implementation.

2. Capacity Strengthening

a. Strengthening Key Agencies to Serve the TEVT Subsector

9. Key government agencies have the potential to improve their service to the TEVT subsector, particularly for MOST skills training. Framework mechanisms and services, such as coordination and facilitation, planning, labor market information analysis, skills standards, and accreditation, will need to be in place to facilitate skills training, particularly for MOST. While these mechanisms exist, they are neither adequate nor accessed by many TEVT providers.

10. **Strengthening CTEVT in Planning, Coordination, and Facilitation.** CTEVT will be strengthened to coordinate, facilitate, and undertake planning in the subsector. To aid the analyses of available resources and gaps vis-à-vis the needs in specific geographic areas, the Project will develop and implement a geographic information system (GIS) to map public and private training institutions and resources throughout the country. The Project will provide consulting services, equipment, software and materials, incremental recurrent costs for data collection, publication costs, and refurbishment of the GIS office. To assist training program monitoring and assessment and to help employers identify trained potential employees, a training management information system (TMIS) will be developed and installed at CTEVT, CSIDB, DCSI, DOLEP, public training institutions, CTEVT-affiliated institutions, and training providers of the Project. Data collected by the TMIS will include GCE statistics. The Project will provide consulting services, equipment, software and materials, incremental recurrent costs for data collection, and publication costs. Staff of recipient institutions of GIS and TMIS will be trained in data collection, data manipulation, database maintenance, and utilization of this information for planning and research, as appropriate.

11. To assist subsector planning and the development and delivery of MOST training, CTEVT personnel will receive training in labor market information analysis. The Project will also provide resources for workshops, reference materials, and data to produce labor market analysis papers in four sectors. To prepare (i) a minimum of four discussion papers analyzing various mechanisms employed by public and private training providers in designing and delivering short-term training, (ii) four tracer studies for the Project, and (iii) annual progress reports of the TEVT subsector, CTEVT will receive support for workshops, reference materials, data, and publication. CTEVT will also receive staff development for planning, research and analysis, TNA, and networking to serve training providers; computing and office equipment; incremental recurrent cost for data collection; and support for dissemination through seminars and publication.

12. The Project will support the review and refinement of the current skills level and qualifications equivalence into a training qualifications framework, including for short-term training. The Project will provide for the services of a training qualifications framework specialist, workshops, reference materials, publications, and incremental recurrent costs. The Project will provide CTEVT resources to annually review and refine, as necessary, the skills standards, training standards, and curricula of at least 20 MOST training programs in consultation with stakeholders, including CSIDB, DCSI, DOLEP, professional/crafts associations, employer groups, and recruitment agencies. For 20 new short-term training programs in skill areas with no standards, CTEVT will develop competency-based skills and training standards and sample curricula. These will reflect a change in focus from curricula based on job analyses to those based on skills standards. CTEVT will maintain a library of training curricula; a copy of all developed curricula will be provided to CTEVT to be used as references by other training providers, public and private, and for monitoring purposes. The Project will support annual

national workshops on curriculum development and skills standards for short-term training programs, and training workshops on new or revised skills and training standards and short-term training programs. The Project will provide support to procure sample curricula, competency-based skills standards, and curriculum development packages, consulting services, workshops, staff development, office equipment, reference materials, and incremental recurrent costs.

13. The Project will support the review, adjustment, and dissemination of the accreditation process at CTEVT. An accreditation specialist will review the accreditation process for greater transparency and incorporation of skills and training standards, including for short-term training programs. Adjustments will be recommended to current procedures and requirements, including minimum standards for training facilities and employed trainers. Staff will be trained to carry out these new procedures. Information on the accreditation procedure will be disseminated through workshops, the media, and the Internet. Throughout implementation, the Project will provide support for seminars and workshops, reference materials, publications, information dissemination, incremental recurrent costs, and refurbishment of the accreditation office to implement the accreditation process for a minimum of 40 MOST programs.

14. **Strengthening DOLEP in Labor Market Information Systems and Employment Services.** DOLEP will be strengthened in labor market information, employment services, and loan schemes for workers for international employment. A labor market information specialist will be supported by the Project to assess the status of the labor market information system and the status of activities to disseminate and analyze labor market information. The Project will support data collection, computing equipment, staff development, the publication of semi-annual labor market reports, and the development of a website to increase access to up-to-date labor market information. The Project will support, through an employment services specialist, the preparation of an action plan for establishing employment service centers to serve as one-stop shops for a variety of advice and services, including information on training, employment opportunities in the formal and informal sectors, job applications, and establishing a business. The Project will support pilot activities to develop three functioning employment service centers in Kathmandu and two large urban areas. Staff development, statistical software, office and computing equipment, and repair and refurbishment will be provided as necessary. The Project will support the preparation and printing of brochures with departure information for international employment in various countries. The Project will also provide consulting services to review ongoing loan schemes for trainees and workers for international employment, and make recommendations for sustainability and targeting.

15. **Strengthening DCSI and CSIDB to Better Serve Communities and Economic Groups.** As the Government office that deals with skills training and is present in all districts, DCSI and CSIDB will be strengthened in their liaison and facilitation roles. Staff in all districts will receive training to improve TNA, market needs analysis, targeting of disadvantaged groups, and provision of useful posttraining information and services. Training will include a GCE sensitization module. DCSI and CSIDB staff will prepare strategic plans for their districts, and identify their requirements for repair, refurbishment, and office equipment. The Project will provide staff development, training materials, refurbishment, and office equipment to the skills training section.

b. Strengthening Short-Term Skills Training Provision

16. This component will strengthen the capacity of training providers, public and private, to meet the requirements of a national TEVT policy. The shift to market-oriented quality training

will require many training providers to transform their practices. All training packages for staff of training providers will include a GCE module. The facilities of selected public training institutions will be strengthened as necessary.

17. Training the Personnel of Training Providers. Through the Project, training providers will receive training in the management of education and training institutions, leadership in education, and instructional skills supporting the TEVT policy and training frameworks. The Project will prepare a training plan and develop three training packages. The first training package will be for managers of training providers and will include training in working with communities to identify needs and opportunities, beneficiary targeting, and partnership arrangements; and develop posttraining services. The second training package will be for training supervisory staff and will include TNA; participatory approaches; and overviews of trainer training, skills testing, training for entrepreneurship, student selection and targeting approaches, and curriculum and materials development. To ensure staff availability to train new training staff, selected instructors will also receive this package. The third package is for full-time and part-time instructors, working under the direction of other staff and will be in vocational education pedagogy, training delivery approaches, and occupational skills. Where appropriate, training of trainers in the context of developed/refined short-term skills training programs will be undertaken three times annually in various parts of the country. An estimated 200 managers, 200 training/education supervisors, and 1,000 trainers/instructors will be trained using these packages.

18. Strengthening Selected Public Training Providers. Based on criteria, including need and location, to be developed by the ProSC, selected public training providers will be strengthened. Public training providers will be requested to submit proposals for strengthening their respective institutions. Selected proposals will demonstrate, among others, a clear linkage to the delivery of MOST skills training and the inadequacy of current equipment and facilities. Project support will be extended, as appropriate, for (i) repair and refurbishment of nonrented facilities; (ii) staff development; (iii) curriculum development; (iv) consulting services for training program development; (v) equipment, instructional, and training materials and supplies; and (vi) incremental recurrent cost of utilities, marketing, and promotion. New civil works will be supported when they are absolutely essential, but will require prior Asian Development Bank (ADB) approval and must comply with environmental and resettlement safeguards. Evaluators will conduct site evaluations and appraise the proposals. The ProSC will approve the proposals to be supported on the recommendation of a project implementation unit (PIU) working group.

3. Supporting Policy Development, Articulation, and Implementation

19. Aimed at coordinating activities in the TEVT subsector with a common purpose and comparable outcomes and increased relevance and efficiency, the Project will support drafting and articulating a new TEVT policy by developing action plans and implementation plans and consulting widely with stakeholders. The Project will provide consulting services and support for meetings, materials, and seminars and workshops. The Government will adopt the TEVT policy within 1 year of loan effectiveness.

20. The Project will review the roles, mandates, responsibilities, and ongoing activities of government TEVT stakeholders, including central agencies and training providers, to develop options for a coordinated public TEVT subsector. The options will consider, among others, a redistribution, consolidation, and/or separation of mandates in the context of efficiency, governance, and the Government's vision of decentralization. A recommendation will be made and a time-bound implementation plan will be developed. The Project will support the review

and feasibility assessment of mechanisms to increase the financial sustainability of the subsector; and increase the efficiency, equity, and market-orientation of training budgets allocated in the government and semi-government sector. These mechanisms include the establishment of a skills development fund, performance-based budgeting, levy/grant scheme, other nontraditional sources of funds, and granting full or partial autonomy to public training institutions. After the adoption of mechanisms for sustainable and efficient TEVT subsector financing, the Project will support the development of an action plan and initiate its implementation. The development of financing mechanisms will include a wide consultation of stakeholders and will be guided by the Policy Coordination Committee (PCC) and Project Steering Committee (PoSC). The Project will provide consulting services and support for meetings, materials, and seminars and workshops.

D. Special Features

21. The present conflict situation is partly due to poverty; unemployment and underemployment; and lack of economic opportunities for the poor and the disadvantaged. Particularly for the unemployed and underemployed, skills needed to secure jobs or generate incomes are lacking. The Project supports providing the unemployed and underemployed with more market-oriented training in skills areas needed by the domestic and international labor markets. Training programs to be supported are short-term and are thus accessible to more trainees, especially those with less than SLC qualifications. Training for international jobs will include positions that would employ more women. Community-based training will be accessible to the less educated and located locally where appropriate and feasible. In addition, upgrading facilities in public training institutions to make them more accessible to women and the handicapped is eligible for project support.

22. The Project adopts a strategy that addresses GCE (**Appendix 3**). Target groups to receive subsidized training and posttraining services will be the poor and include overall project target group quotas. At least 60% of all trainees in project-supported MOST training programs will be women, *Dalits*, or disadvantaged. At the same time, at least 50% of all trainees will be women and at least 25% *Dalits*. Training packages for staff of training providers will include a module on building awareness on GCE and social inclusion issues. The Project will maintain a GCE-disaggregated TMIS data.

23. In view of the implementation difficulties posed by the conflict situation, the Project adopts a phased approach in expanding to different districts. Implementation of training programs will commence in five districts in the first year. Experiences and results of Project implementation will be reviewed at the end of the first year, with emphasis on the mechanisms to increase access to MOST skills training. Implementation will be refined as necessary before Project implementation is expanded to more districts in subsequent years.

24. Training programs to be offered under the Project will be market-oriented. For international and formal employment, employers, manpower agencies, and relevant Government stakeholders will together identify the areas of training demand. Local and international NGOs and various community groups, in cooperation with economic groups in the community and its immediate vicinity, will identify income-generating opportunities that can be profited from with appropriate training provision.

25. The project design includes participation of the private sector during implementation. The PCC and ProSC include representatives of the various TEVT stakeholders, including employers and manpower agencies. The private sector will be represented in developing

training standards and curricula, and in identifying skills training needs. Relevant personnel of private training providers will receive training through the Project. Delivery of training under component 1 is not limited to public training providers, but is open to both public and private training providers through contracting arrangements. Capacity building activities and contracting of training programs to private providers will contribute to the development of a private training market.

II. COST ESTIMATES AND FINANCING PLAN

A. Detailed Cost Estimates

26. The total cost of the Project, including physical and price contingencies, and taxes and duties, is estimated at \$25.0 million equivalent. Of this amount, \$2.3 million equivalent, or 9% of the total cost, is the foreign exchange cost, and \$22.7 million equivalent, or 91% of the total cost, is the local currency cost. The cost estimates are summarized in Table 1. Detailed cost estimates are in **Appendix 4**.

Table 1: Cost Estimates
(\$ million)

Component	Foreign Exchange	Local Currency	Total Cost
A. Base Cost^a			
1. Increasing Access to Market-Oriented Short-Term Skills Training	0.0	14.6	14.6
2. Capacity Strengthening	1.4	4.2	5.6
3. Supporting Policy Development, Articulation, and Implementation	0.2	0.3	0.5
4. Project Management	0.0	0.1	0.1
Subtotal (A)	1.6	19.2	20.8
B. Contingencies			
1. Physical Contingency ^b	0.0	0.5	0.5
2. Price Contingency ^c	0.2	3.0	3.2
Subtotal (B)	0.2	3.5	3.7
C. Interest on Loan	0.5	0.0	0.5
Total	2.3	22.7	25.0
Percent	9	91	100

Note: Totals may not add up due to rounding.

^a Inclusive of taxes and duties that will be financed by the Government (\$3.0 million equivalent in local currency).

^b Estimated at 2.5% for civil works, equipment, furniture, materials, training, consulting services, studies, and operation and maintenance.

^c Estimated at an annual factor of 3.3% of both foreign and local project costs in dollar terms.

Source: Asian Development Bank estimates.

B. Financing Plan

27. The Project will have a total cost of \$25.0 million equivalent. ADB will provide a loan of \$20.0 million in various currencies equivalent to Special Drawing Rights 13,615,000 from its Special Funds resources to finance 80% of the project costs. This covers \$2.3 million equivalent of the foreign exchange cost and \$17.7 million equivalent of the local currency cost. ADB financing will be used to finance a portion of the costs relating to civil works, procurement of equipment, training resources, training, consulting services, and research, but will exclude salaries of regular government staff, rental of office space, and taxes and duties. The term of the proposed loan will be 32 years, including a grace period of 8 years, with an interest charge of 1% per annum during the grace period and 1.5% per annum thereafter. The indicative financing plan is presented in Table 2.

Table 2: Financing Plan
(\$ million)

Source	Foreign Exchange	Local Currency	Total Cost	%
Asian Development Bank	2.3	17.7	20.0	80
Government	0.0	5.0	5.0	20
Total	2.3	22.7	25.0	100

Source: Asian Development Bank estimates.

C. Allocation of Loan Proceeds

28. The categories of goods, services and other items to be financed out of the proceeds of the loan and the allocation of amounts to each category are shown in Attachment to Schedule 3 of the Loan Agreement and Table 3 below.

Table 3: Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Skills for Employment Project)				
CATEGORY			PERCENTAGE OF BANK FINANCING	
Item	Amount Allocated SDR		Percentage	Basis for Withdrawal From the Loan Account
	Category	Subcategory		
1 Civil Works	196,000		49%	percent of total expenditure
2 Equipment, Computer, Peripherals and Software	906,000		100%	0% for foreign and 49% for local
3 Furniture, Learning Resources, Research and Development, Workshop	810,000		100%	percent of foreign expenditure
4 Staff Development	303,000		100%	percent of local expenditure*
5 Market-Oriented Short-Term Training	7,575,000		100%	percent of local expenditure*
6 Consulting Services	733,000		100%	percent of foreign expenditure
7 Project Administration	451,000		100%	percent of local expenditure*
8 Unallocated	2,320,000		49%	percent of local expenditure
9 Interests	321,000		100%	percent amount due
Total	13,615,000			

*Exclusive of local taxes.

29. Notwithstanding the allocation of loan proceeds and withdrawal percentages in Table 3, (a) if the amount of the Loan allocated to any category appears to be insufficient to finance all the agreed expenditures in that category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and (b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

30. No withdrawals from the Loan Account shall be made in respect of any local taxes. The amount allocated to Category 9 is for financing interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge following the loan amortization schedule (Schedule 2 of the Loan Agreement).

31. Table 4 is presented below in support of Table 3 above to show the corresponding percent of local taxes against the items where 100% of local expenditures are considered for Bank Financing, exclusive of local taxes for each category of expenditures. This table will assist the PIU/CTEVT during preparation of withdrawal application to ensure that local taxes are deducted. (An analysis of the ADB financing as per the Financing Arrangement is also attached as Appendix 27).

Cat.	Items	Estimated Portion of Local Taxes
02	Equipment, Computer, Peripherals and software	20%
04	Staff Development	15%
05	Market-oriented Short-term Training	15%
06	Consulting Services and NGOs	15%

III. IMPLEMENTATION ARRANGEMENTS

A. Executing and Implementing Agency

32. The Ministry of Education and Sports (MOES) will be the Executing Agency, CTEVT the implementing Agency.

B. Project Management

33. A ProSC will be established, chaired by the secretary of MOES; CTEVT will be the Secretariat. ProSC membership will comprise representatives from Ministry of Finance; Ministry of Industries, Commerce and Supplies; Ministry of Labor and Transport Management; Ministry of Local Development; National Planning Commission; development partners, as appropriate; and Federation of National Chambers of Commerce and Industry. There will also be two

representatives from participating districts on a rotating basis, four members from civil society broadly representing the target groups and their concerns, one member representing the concerns of manpower agencies, and one member representing the concerns of private training providers. At least three members will be women and at least two members will be *Dalits*. ADB and SDC will participate as observer. Other members may be co-opted as necessary. *Changes in membership will be subject to ADB approval.*

34. The ProSC will (i) approve the initial and revised criteria and procedures to (a) allocate project funds for training delivery, (b) select districts for project implementation, (c) select public training institutions to be strengthened and upgraded, (d) select training providers to deliver MOST skills training, (e) select NGOs and CBOs, and (f) select project beneficiaries of training; (ii) allocate the project funds for training delivery; and (iii) decide on the districts to which the Project is to be expanded. The criteria, resource allocations, and district selection will be subject to ADB approval. Indicative criteria for project implementation are in **Appendix 5**. The ProSC will advise the project manager of concerns and issues related to all aspects of project implementation, and facilitate coordination between ministries and agencies. In the first 2 years of project implementation, the ProSC will meet at least once every quarter. After that, the ProSC will meet as necessary, but not less than twice a year.

35. A PIU will be established in CTEVT. The PIU will be headed by a Project Director; day-to-day management will be by a full-time Project Manager. The PIU will be responsible for the administration of all project activities. The PIU will comprise a project administration section and a training secretariat. The PIU staff will include a monitoring and evaluation officer. Focal people in the implementing agencies will be appointed. Working groups will be organized, as necessary, to coordinate and guide the implementation of project subcomponents and activities, particularly *components 1(b) Disseminating Information on Short-term Training and Employment and 1(c) Supporting the Delivery of community-Based, Marketing-Oriented, Short-term Skills Training*. Members of working groups will be as agreed between CTEVT and ADB. The PIU will establish a grievance redressal mechanism for project-related activities within 6 months of loan effectiveness.

36. Community-based training will be implemented in the districts through the DCSI and CSIDB district offices. The DCSI/CSIDB district office shall report to the Project Manager. A district steering committee will be established and comprise the chairman of the district development committee, local development officer, the district education officer, representative of CTEVT training schools, a representative of the local chamber of commerce, employers, NGOs, CBOs, and three representatives from the target groups. Other members may be co-opted as necessary. The DCSI/CSIDB shall act as the member-secretary. The district steering committee shall prioritize and approve training programs proposed for communities.

37. For the policy development and articulation component, the existing committees and groups, namely, the PCC, PoSC, and Core Working Group will continue their respective roles. The PCC shall provide coordination and multi-sectoral inputs on policy development and articulation in the TEVT subsector. PCC members will represent the same stakeholders and interests as the ProSC. The PoSC will provide advice and guidance to the articulation process. The Core Working Group will continue to develop and articulate policy. Appropriate experts and stakeholders will join the group as required.

IV. IMPLEMENTATION SCHEDULE

38. The Project is envisaged to be implemented over 6 years beginning 2005, and ending 2011. The overall Project implementation schedule is in **Appendix 6** (the Project became effective only in February 2006).

V. CONSULTANT RECRUITMENT

39. The Project requires a team of consultants to provide services in a range of specialties with estimated international inputs of 21 person-months (individual consultants) and domestic inputs of 66 person-months (individual). The selection, engagement and services of consultants will be subject to the provisions of Schedule 5 of the Loan Agreement, and the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated April 2006*, as amended from time to time. These do not include services from NGOs in the districts to undertake training needs analysis, beneficiary mapping, and identification of trainees. In districts and communities, where the conflict situation warrants it, NGOs may be directly selected based on a set of minimum criteria.

40. The services of individual international consultants shall be selected and engaged by CTEVT in accordance with the following procedures:

- (a) Prepare and finalize the TOR in consultation with ADB,
- (b) Prepare a list of 3-5 qualified candidates (not more than one candidate from ADB member country).
- (c) Rank the candidates and submit their names and qualifications to ADB including the evaluation criteria and draft contract for ADB's approval.
- (d) Upon ADB's approval, CTEVT negotiates with the first-ranked candidate. If the negotiations fail, ADB's approval should be obtained to negotiate with the next-ranked candidate until agreement is reached.
- (e) Promptly after the contract is signed, ADB shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.
- (f) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

41. Domestic consultants: (i) Organizations and governance; (ii) TEVT subsector restructuring and costing; (iii) TEVT subsector financing; (iv) GIS; (v) TMIS design and development; (vi) Labor and employment analysis, will be selected and engaged as firms by CTEVT using QCBS method in accordance with the following procedures:

- a. **Invitation for technical and financial proposals.** The invitation to submit technical and financial proposals (Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP (using ADB's Standard Request for Proposals¹), the names of consultants to be short-listed, the proposed criteria

¹ ADB's Standard Request for Proposal (SRFP) must be used for engaging ADB loan-financed consulting services. The SRFP, including standardized forms of contracts, can be downloaded from ADB's website at

for evaluation of both proposals, a draft consultancy contract, and other related documents (see footnote 1) shall be submitted to ADB. A period of at least 45 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents should be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed 3 months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period (the validity period, including any extensions, should not exceed a maximum total period of 6 months). If the contract is not signed within the validity period, the selection will be invalidated and the selection and engagement process must be followed again.

- b. **Evaluation and scoring of technical proposals.** Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with 3 copies of the technical proposals.
- c. **Public opening of financial proposals.** The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.
- d. **Evaluation and scoring of financial proposals and ranking of technical and financial proposals.** After the financial proposals have been evaluated and scored, the ranking of the technical proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with 3 copies of (i) the evaluated and scored of the financial proposals and (ii) the ranking of the technical and financial proposals.
- e. **Execution of Contract.** After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with 3 copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval. If any substantial amendment of the contract is proposed after its execution, the proposed changes should be submitted to ADB for prior approval.

Domestic consultants in the following areas of expertise will be recruited as individual consultants: (i) gender, caste and ethnicity; (ii) monitoring and evaluation; and (iii) TEVT awareness. The domestic individual consultants shall be selected and engaged by CTEVT in accordance with the procedures under *paragraph 39 (a) to (f) above*. An outline of the procedures in selecting consultants are also contained in ADB's Handbook for Users of Consulting Services, which can be downloaded from ADB's website at <http://www.adb.org/Consulting/ucsvol4.pdf>.

42. The terms of reference of the consultants (individual and firm) shall be determined by agreement between ADB and CTEVT. **Appendix 7** summarizes the Project's consulting

<http://www.adb.org/consulting/documents.asp>. This website also contains the checklist of documents that should be submitted to ADB, as well as submission forms to facilitate ADB's review and approval.

services requirements. Sample report formats to be used for submission to ADB are also provided in the **Appendix 8**. To monitor the recruitment schedule, a Consultant Recruitment Activity Monitoring (CRAM) sheet should be prepared showing the key activities in the recruitment of a consulting firm, the time normally required for each activity and the target dates for completing each activity. A sample CRAM is shown in **Appendix 9**. The checklist for recruiting consulting firms using QCBS is attached as **Appendix 10**.

VI. PROCUREMENT

43. To minimize delays and problems in procurement, but before commencing any procurement activities under the Project, PIU should provide to ADB for approval a procurement plan for the first 18 months of the Project. The procurement plan should list the goods to be procured, the proposed grouping of these goods (consideration should be given to item compatibility, time of need, supplier capability, likelihood of wider competition, and capability of the PIU to handle a number of contracts), the proposed number and scope of civil works contracts to be awarded, and the proposed method of procurement of such contracts. In preparing the procurement plan, the PIU may use as basis the indicative procurement packages in **Appendix 11**. The same Appendix also contains a template to assist in preparing the procurement plan, which should be updated annually and therefore made part of the annual operational plans over the Project's duration.

44. For this project, all civil works contracts maybe awarded on the basis of national competitive bidding (NCB) among prequalified contractors in accordance with the standard procurement procedures of the Government acceptable to ADB, and Chapter III, paragraphs 3.3 to 3.4 of the ADB Procurement Guidelines. *Prequalification, selection and engagement of contractors shall be subject to the approval of ADB.* As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with 3 copies of (i) an account of public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

45. Shopping maybe used for minor items, costing less than \$100,000 equivalent per contract (described in Chapter III, paragraph 3.5 of the ADB's Procurement guidelines). For the procurement of items below \$10,000, the PIU may purchase the items directly from the supplier. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, 3 copies of each contract for such items shall be furnished to ADB. (Please see **Appendix 11** for the indicative procurement packages and Checklist and Procedures for Procurement).

Standard Bidding Document

46. ADB's Procurement *Guidelines* require the use of appropriate Standard Bidding Document (SBD) issued by ADB for the procurement of civil works, goods and related services. The SBD has been designed to: (i) simplify the purchaser's preparation of the specific bidding document; (ii) reduce the bidder's bidding time and effort; (iii) facilitate and simplify the purchaser's evaluation and comparison of bids and contract award; and (iv) minimize ADB's time required for prior review of the bidding documents. These SBDs and other procurement documents are posted in the internet and can be downloaded from the ADB website <http://www.adb.org/procurement/prequalification-bid-documents.asp>.

VII. DISBURSEMENT PROCEDURES

47. Disbursements of loan proceeds shall be subject to provisions of Schedule 3 of the Project Loan Agreement and ADB's *Loan Disbursement Handbook* dated January 2001, as amended from time to time. The different types of loan disbursements procedures are shown in **Appendix 12**. Withdrawal forms, advice of withdrawals and other loan disbursement information are available at ADB Controller's Department's website, <http://lfis.adb.org>. For password access please contact the Webmaster at lfis@adb.org or fill up the form in **Appendix 13** and forward this to SANS for onward transmission to Controller's Department.

48. Immediately after loan effectiveness, CTEVT will establish an imprest account for the Project at Nepal Rastra Bank. The imprest account will be established, managed, and liquidated in accordance with ADB's *Loan Disbursement Handbook*, dated January 2001, as amended from time to time, and detailed arrangements agreed to by the Government and ADB. The initial amount to be deposited into the imprest account shall not exceed \$2,000,000, or the estimated expenditure for the subsequent 6 months. ADB's statement of expenditure (SOE) procedures may be used to reimburse eligible expenditures and to liquidate advances made into the imprest account in accordance with ADB's loan disbursement guidelines. Any individual payment to be reimbursed or liquidated under the statement of expenditure procedure will not exceed the equivalent of \$50,000. CTEVT will coordinate the timely release of funds.

VIII. PROJECT MONITORING AND EVALUATION

A. Performance Monitoring and Evaluation System

49. In accordance with ADB's *Project Performance Management System Handbook*, a shortlist of verifiable indicators for monitoring and evaluation was prepared. The Project will recruit a monitoring and evaluation specialist to identify and select verifiable indicators. Within 4 months of loan effectiveness, the PIU will have collected the baseline information and submitted a detailed project implementation monitoring plan for ADB's review and concurrence. Project performance management system activities will be conducted periodically to gather information from multiple sources to determine whether the inputs for implementing program activities have rendered expected benefits to the intended beneficiaries. The Project will develop and implement a TMIS to collect trainee information, including on GCE. The PIU will submit annual benefit monitoring reports to ADB. The project performance monitoring also seeks to detect any deficiency and discrepancy between the plan and the execution of a program using resources efficiently so that timely corrections can be made to update the Project and thus improve the benefits, outcomes, and impact. Project performance management system will utilize information from the annual and semiannual reviews, midterm review, periodic evaluations and studies, and employer and trainee feedback. CTEVT will conduct four tracer studies.

B. Project Review

50. ADB will conduct detailed reviews of the Project at least three times a year before Project midterm, and at least two times a year thereafter. The reviews will cover physical progress on project implementation, financial performance, implementation of GCE strategy, progress of Project activities, and identification of problems and possible solutions. The first-year review will assess the experiences and results of project implementation with emphasis on

reviewing the effectiveness of the mechanisms utilized to increase access to MOST skills training, including in light of policy developments. Refinements on the various procedures, criteria, and mechanisms will be made as necessary. In addition, CTEVT and ADB will jointly review the Project at the end of the first year of Project implementation

C. Midterm Review

51. A comprehensive midterm review will also be conducted jointly by the Government and ADB at the end of the third year of Project implementation. Taking cognizance of the process approach adopted to monitor performance, the midterm review will (i) evaluate the project scope, design, implementation arrangements, and institutional processes; (ii) evaluate the effectiveness of the pilot employment service centers; (iii) review the progress made toward developing a sustainable TEVT financing mechanisms; (iv) review in detail the level of implementation of the GCE strategy; (v) assess implementation performance against performance indicators; (vi) review compliance with loan covenants; (vii) identify critical issues and constraints, if any; and (viii) if necessary, identify and recommend changes needed in any (or all) of these areas.

D. Contract Awards and Disbursement Projections

52. To effectively monitor Project implementation, it is necessary to have accurate projections of contract awards/commitments and disbursements. Accurate disbursement projection also helps ADB in its cash flow and portfolio management. A comparison of such projections with the actual achievements will reveal impediments to smooth implementation and help determine the remedial measures. For this purpose, annual projections of contract awards and disbursements with quarterly breakdowns for each contract for the entire project period shall be prepared and submitted by CTEVT to ADB **every 15 December**.

IX. PROJECT BENEFITS, IMPACTS AND RISKS

53. The Project supports Government's efforts to reduce poverty and redress factors sustaining the conflict. The main project benefits include more skilled Nepalese who can gain employment locally and abroad, more Nepalese given the opportunity for self-employment through skills training, increased market-relevance and improved quality of short-term training programs, and increased in-country capacity to develop and deliver MOST skills training. The direct beneficiaries of the Project will be the unemployed and underemployed who would like to gain skills for employment and income generation, particularly women, *Dalits*, and the disadvantaged; various ministries supporting short-term training and CTEVT; and public and private training providers.

54. **Social Benefits.** The Project supports national efforts to reduce poverty and provide stability, especially in the context of the current conflict. The Project aims to improve access to employment or self-employment for women, socially excluded *Dalits*, and disadvantaged groups, as well as poor socioeconomic groups in general. The Project targets to have women, *Dalits*, and members of disadvantaged groups make up at least 60% of the trainee beneficiaries, while ensuring that at least 50% are women and at least 25% are *Dalits*. In community-based training, associations of disadvantaged groups, *Dalits*, NGOs, and CBOs will be consulted to identify potential beneficiaries in their communities and constituencies. In training leading to self-employment, trainees will be provided linkages to available posttraining services, e.g., microfinance, marketing groups, and employers. This targeting by social grouping, as well as awareness-raising of gender equity and social inclusion issues among

institutions, is expected to contribute to conflict resolution efforts, by addressing some of the primary root causes—poverty and social exclusion.

55. The Project is aimed at increasing access to market-oriented training with a view to increasing participation of trainees in formal and foreign employment and self-employment activities. For foreign employment, the focus is on delivering short-term training for semiskilled and skilled occupations, as well as increasing awareness and access to information on foreign employment. The focus on short-term training implies that the required qualifications for training programs will be less than SLC pass, and, in many instances, will require only basic literacy and numeracy. By increasing the capacity in-country for expanded short-term training provision and supporting increased access to short-term training programs through the Project, the unemployed and underemployed, particularly women, *Dalits*, and disadvantaged groups, will have a greater opportunity to increase their incomes.

56. **Economic Benefits.** With improvements in relevance and quality of skills training programs, and increasing access to short-term training programs, the Project will generate increases in labor productivity that will increase the competitiveness of Nepalese locally and abroad. This should increase their probability of employment, decrease the job search time, and increase offered wages. The involvement of various line ministries, the private sector, and manpower agencies in determining the human resource needs in selected sectors and in developing needed training programs will yield higher quality labor market information and more appropriate training programs. The coordination efforts among these various stakeholders will improve the matching of labor supply with labor demand, especially for international work. As some training will be oriented toward international work, remittances from employed trainees would contribute not only to national income, but also to reducing pressures on the balance of payment. Increased incomes from employment also have economy-wide multiplier effects as these are spent on consumption goods, house construction, and education, among others. Through the Project, about 80,000 trainees, including women, *Dalits*, and disadvantaged groups, will receive market-oriented and community-based skills training. Under the assumption that 60% will find international or local employment, or engage in self-employment, the project investment would be economically justified with an economic internal rate of return of 28% (Appendix 14).

57. **Institutional Benefits.** Through a national TEVT policy based on wide consultation, fragmentation and duplication of training activities will be reduced as a result of nationally agreed coordination mechanisms allocating clear-cut roles, responsibilities, and jurisdictions to training providers. The Project will refine skills standards and training standards for short-term training delivery that will contribute to a coordinated approach in its management and delivery for all stakeholders, with less diversity in duration and content of training programs. This will increase the capacities of training providers and community organizations to engage in effective skills formation and achieve employment outcomes. A revised accreditation system will also contribute to ensuring that the various training providers adhere to the standards.

58. Through the Project, CTEVT's capacity to coordinate across ministerial lines and with employers, to serve the TEVT sector, and to provide quality assurance will be enhanced. CTEVT would thus be able to offer a package of services and products to both public and private training providers to support their delivery of skills training that meets market needs and quality standards. Training providers will have greater access to materials developed at CTEVT that should contribute to enhancing the credibility of their programs. The Project will strengthen the capacity of training providers to deliver skills training that is market-oriented and more relevant to the needs of the industry, employer, and community. With this, training participants

will more likely find employment or enter self-employment. Other government and private training providers' capacity to offer more short-term training programs will be enhanced through capacity strengthening; selected government training providers will receive assistance to refurbish their facilities. With capacity-building activities extended to staff of private providers and contracting of project training activities open to private providers, the Project will stimulate development of the private training market.

A. Project Assumptions and Risks

59. **Security Situation.** The conflict situation and armed insurgency in the country represent major risks to achieving the Project's development goals. The Project's ability to identify and deliver training in communities could be hindered by disruptions caused by the insurgency situation. The project design incorporates lessons learned from implementation in Nepal's conflict areas (**Appendix 15**). The Project emphasizes local participation in TNAs, in the organization of training activities, and the use of NGOs or CBOs in the communities. Women, *Dalits*, and disadvantaged groups are targeted to comprise at least 60% of training beneficiaries in communities. District officials will be given training in liaising with communities to increase their responsiveness to communities' needs. Implementation will also be phased; lessons learned during implementation of skills training activities in the first year will contribute to fine-tuning implementation arrangements, procedures, and criteria to better achieve project goals.

60. **Coordination.** The Project supports the development, articulation, and initiation of implementation of a new TEVT policy. The establishment of a new national TEVT policy to underpin coordination and quality improvements across the whole subsector depends on the commitment of government providers of skills development training. There is the risk that line ministries' commitment to a coordinated approach to skills training would waiver. Under the Project, through their representation in the Core Working Group, PCC, and PoSC, and regular meetings of these groups, cooperation and coordination of activities through the Project will be encouraged. The Project supports a wide stakeholder consultation in the articulation of the new TEVT policy. CTEVT's capacity to more effectively undertake policy development and provide coordination and facilitation in the subsector will be strengthened through the Project. CTEVT's coordination and accreditation role, and administration of training delivery may present a conflict of interest. However, CTEVT is presently moving toward a greater facilitation and coordination role. Its draft 5-year plan proposes granting autonomy to selected CTEVT training institutions. The new TEVT policy will also directly address this issue.

61. **Participation of Private Training Providers.** The Project aims to improve the quality of short-term training not only among public training providers, but also among private providers, by providing training to trainers, education managers, and senior staff. To boost the attendance of participants from private providers, the Project will publicize the training among the providers. In addition, the training will be implemented across the country, bringing it closer to prospective participants. Quality benchmarks established through the framework may drive up costs of training delivery such that training providers may opt not to seek accreditation and quality remains low. The representation of multiple stakeholders on the various committees and working groups of the Project is one measure that will mitigate this risk, as will broad community and industry consultation in the development of the TEVT standards. Capacity-building activities will aid providers in meeting standards. In addition, project monitoring data will help identify the benefits of compliance and be disseminated to providers and trainees alike.

62. **Posttraining Services.** The success of the Project in meeting its goal depends on the increased ability of training recipients to enter employment or self-employment, or generate

income as a result of skills training. Posttraining services, however, such as microfinance and product marketers, may not be available. To minimize this, TNAs will take into consideration local economic opportunities. The Project will also build the capacity of training providers to identify posttraining support services, including linking with employers, marketers, NGOs, and other CBOs.

63. **Safeguards.** The Project's environmental impacts were reviewed, and no significant adverse impacts were identified. However, environmental considerations will be incorporated to avoid significant environmental impacts during refurbishment of training institutions and in the disposal of training materials. The Project includes no new construction and is unlikely to trigger ADB's *Involuntary Resettlement Policy*. Also, the Project is unlikely to have adverse impact on indigenous peoples; project benefits should accrue to them. The summary poverty reduction and social strategy is in **Appendix 16**.

X. REPORTING REQUIREMENTS

64. The following reports should be submitted to ADB in a timely manner.

A. Progress Report

65. The CTEVT/PIU will prepare and submit progress reports every 4 months. The reports will be in a format acceptable to ADB and will indicate, among other things:

- (i) progress against established targets, both technical and financial;
- (ii) status of performance indicators;
- (iii) delays and problems encountered during the quarter, and steps taken and proposed to be taken to speed up delays and solve problems identified;
- (iv) local counterpart budget requested and the amount approved;
- (v) compliance with loan covenants; and
- (vi) program activities proposed for the succeeding quarter.

66. The purpose of the progress report is to enable the borrower, EA, IA, and ADB to monitor the latest progress, become aware of current problems, and assess whether the project's immediate objectives will be met. The format and content of the progress report should permit ADB staff to readily capture key information for inputting into the project performance report (PPR), the main tool for monitoring project implementation performance within ADB. The PPR format is shown in **Appendix 17**. Start date and completion date of each major activity under each component shall be indicated in the Report complemented by simple charts such as a bar or milestone charts to illustrate implementation progress. A worksheet showing actual versus planned expenditures should be attached as an appendix to the progress report. Detailed information such as background to a particular problem and percentage calculation of project progress should also be attached as Appendixes to the progress report. **Appendix 18** shows the suggested progress report format while **Appendix 19** shows the suggested format for calculating Project progress. **Appendix 20** is the framework and guidelines for calculating project progress.

B. Project Completion Report (PCR)

67. **Within 3 months of physical completion, the PMU will submit a project completion report to ADB.** The project completion report will highlight the development impacts achieved by the Project, give the details of project implementation, costs, benefit monitoring and

evaluation activities, and other relevant information. A PCR format and outline of suggested topics for this report are given in **Appendix 21**. All reports and the associated financial accounts and data will be presented to ADB in English language.

XI. ACCOUNTING AND AUDITING REQUIREMENTS

68. ADB requires the EA to establish and maintain separate project accounting system exclusively for the Project. The adequacy of the accounting systems to be established should be assessed against the checklist for accounting system and internal control provided in **Appendix 22**. The *Guidelines for the Financial Governance and Management of Investment Projects financed by ADB (the Guidelines)* set out ADB's requirements and procedures for the financial management of projects financed by ADB. The Guidelines are available in the internet at <http://www.adb.org/documents/guidelines/financial>.

69. The PIU shall maintain separate records and accounts for all expenditures financed out of the proceeds of the loan proceeds. The Project records should be periodically reconciled with ADB records (i.e, ADB's advice of withdrawals and other loan disbursement information which are available in the website, <http://lfis.adb.org>).

70. The PIU shall submit the Audited Project Accounts (APA) not later than 12 months after the close of each fiscal year. The Sample Audit Letter in **Appendix 23** spells out ADB's financial and auditing requirements. Attached to Appendix 20 is an Audit Completion Checklist to be completed by external auditor and attached to the auditor's report. The penalties for non-submission of Audited Project Accounts (APA) are as follows:

- (i) **Six Months after Due Date.** When the APA is not received within six months after the due date ADB will hold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters.
- (ii) **Nine Months after the Due Date.** When the APA is not received within 9 months after the due dates ADB will determine whether the loan is to be suspended.

XII. MAJOR LOAN COVENANTS

71. The major loan covenants for the execution of the Project and other matters are detailed in Schedule 6 of the Loan Agreement and in **Appendix 24**. The status of compliance including actions taken to comply with the covenants should be indicated in the appropriate column. These should also be updated and appended to the Quarterly Progress Report.

XIII. ANTICORRUPTION

72. The ADB Office of the General Auditor is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Within that office, the Anticorruption Unit is responsible for dealing with all matters related to allegations of fraud and corruption. Please refer to the ADB's Anticorruption Policy handbook attached as **Appendix 25**. Anyone coming across evidence of corruption associated with the Project may contact the Anticorruption Unit, as follows:

Anticorruption Unit
Office of the General Auditor
Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines

Telephone: (632) 6325004
Facsimile: (632) 2152
Email: anticorruption@adb.org

XIV. OTHER MATTERS

73. This Project Administration Memorandum (PAM) should be read in conjunction with the RRP, Loan Agreement, and relevant ADB documents/reference materials listed in **Appendix 26**. The PAM contains project data and information that allows the Borrower, EA, IAs, and ADB to monitor project implementation and evaluation project impact. The PAM is a very important tool for monitoring the implementation and compliance with the agreed upon implementation arrangements and covenants. It is being provided to the Government to facilitate intervention in project implementation issues, should the need arise. To maintain its usefulness, the PAM shall be an active document, progressively updated and revised as and when necessary, particularly during midterm review and following any changes in project costs, scope, or implementation arrangements. Such a change should be added to the PAM as an addendum, rather than replacing the earlier portion. This will help in reconciling historical records and preparing the future project completion report.

74. In case of discrepancies between the PAM, RRP and the Loan Agreement, the Loan Agreement always prevails.