

Afghanistan Reconstruction Trust Fund (ARTF)

Afghanistan Skills Development Project - National Institute of Management and Administration

Proposal to the ARTF Management Committee August 26 2008.

Applicant:	Islamic Republic of Afghanistan
Brief Description:	The Project will provide for the renovation of existing buildings and the development of new infrastructure for the proposed National Institute of Management and Administration (NIMA). Infrastructure will include academic buildings, residential accommodation for men and women, recreational buildings, utility buildings etc. The project will also support consultancy costs for academic management and for student scholarships. All other recurrent costs will be borne out of the ordinary budget of the Government of Afghanistan to ensure sustainability in a few years time. The project will be implemented in conjunction with the on-going IDA funded Afghanistan Skills Development Project (H352-AF)
Project Development Objective:	The Project Development Objective (PDO) is <i>to increase access to high quality vocational education and training in the areas of Management, Administration and ICT in a manner that is equitable, efficient and sustainable.</i>
Performance Indicators:	PO[1]: NIMA will increase the size of the available pool of qualified and readily employable junior management level personnel in Management, Administration and ICT by 1500 every year over the project implementation period; PO[2]: A third of the students at NIMA are women; PO[3]: At least 80% of graduating students will be employed within 6 months of completion of their program
Sector:	Education/Training
Location:	Kabul
Total Project Cost:	USD 18 million.
Amount Requested from MC	Blanket approval of USD18 million. Immediate allocation of USD 9 million.
Implementing Agency	Ministry of Education
Implementing Period:	September 1, 2008 to February 28, 2013
Contact for further information	Salim Qayum, Deputy Minister, Department of Technical Vocational Education and Training Ministry of Education Deh Buri, Kabul

I. Strategic Context and Rationale

A. Key Development Issues

1. A properly functioning Technical Vocational Education and Training (TVET) system is a key driver of economic growth. In Afghanistan, where years of strife have left the country devoid of skilled human capital at all levels and in all trades, TVET can be an important input to recovery and stability. Continued reconstruction efforts will likely increase the demand for skilled labor in the country. The demand for skilled labor, particularly for white-collar type occupations, is being met through labor importation. However, this is both an expensive and unsustainable model and these positions will eventually have to be taken over by Afghans themselves.

2. Reforming the existing TVET system should provide the skilled human resources in essential areas needed to revive the private sector and support the functioning of the public sector as well. The Government in its National Development Strategy has laid emphasis on the development of vocational and technical skills under the overall Education Strategy. The Government recognizes the weaknesses in the current TVET system, including: (i) access to training opportunities; (ii) the poor quality of existing training, (iii) relevance of available training to the needs and requirements of the labor market, and (iv) weak institutional arrangements for planning, managing, regulating and financing of training opportunities. It is based on these concerns that the Government has approached the Bank and other donors for support to this key subsector.

3. The World Bank has responded with development of a project referred to as the Afghanistan Skills Development Project, funded by IDA, which begins to rebuild the TVET system under a broader TVET reform program of the Government which is still being finalized. The Bank project includes *inter alia* the rationalization and reform of the existing 44 schools under the Ministry of Education (MOE). A key aspect of this is the rationalization of the three High Schools for Commerce, Accounting and Public Administration into a single institute under the banner of the National Institute of Management and Administration. In addition to the trades specified above, this Institute will also provide training in the area of ICT. NIMA has attracted the support of the Governments of Norway and the United States (through USAID) and this proposal is to channel such support through the ARTF mechanism. Both the donors and the Government expressed a preference for such financing to be channeled through the ARTF as an on-budget mechanism.

4. NIMA will primarily offer two year diploma programs for graduates of Higher Secondary schools (Grade 12) in the areas/trades specified earlier. The programs will be offered in English. In the first few years of operations, it is anticipated that NIMA students will be chosen through the *Concours* examinations and directly following recommendations from provincial authorities and followed by an *in-situ* examination conducted by DTNET. The programs will not be time bound, but will be based on acquiring the competencies specified for each module. Program details will be developed in the coming months. It is anticipated that students will spend 4-6 months on refresher programs every year prior to taking up full studies to enable them to succeed in the two-year program where the medium of instruction will be English. Furthermore, for the first few years of operation, the Government will obtain the services of an internationally recognized training provider to provide training at NIMA and to ensure that the programs offered are well accredited, allowing students to graduate with certificates and diplomas that are internationally recognized, and with standards at par with international and regional standards.

5. **This proposal as stated above is to seek the approval of the ARTF Management Committee to finance NIMA.** Specifically, the MC is requested to approve a blanket proposal of USD18 million with immediate allocation to the project of USD9 million. The project team will provide an update on implementation progress when the next tranche is needed and available.

B. Rationale for ARTF Involvement

6. ARTF support for the Skills Development Sector is in line with the policies and strategies of the Government and is integrally linked to the policies and strategies of other major supporters of the Afghan Government. Furthermore, the allocation is also in line with the National Budget for SY1387.

7. While the ARTF has been extensively involved in the education sector in Afghanistan since 2002 (with three IDA projects – Emergency Education and Rehabilitation, Education Quality Improvement Project and the Strengthening Higher Education Project), this is the first time ARTF support is being sought for the TVET sub-sector. The on-budget support allowed by the ARTF provides transparency, accountability and a more efficient and coordinated use of resources. Furthermore, with increasing interest from donors in this sub-sector, the ARTF provides the most powerful mechanism to develop large, nation-wide programs of support to the Afghan Government.

II. Project Description

8. The IDA-financed project, the Afghanistan Skills Development Project (ASDP - H352-AF) aims to begin the reform of the TVET system as a whole, and specifically, of the forty-four institutions under the Ministry of Education's (MOE) Department of Technical Vocational Education and Training (TVET). The overall project envisages the following: (i) development of the regulatory, legislative and institutional structures for TVET; (ii) improvement of the relevance, efficiency and quality of post-higher secondary TVET institutions; and (iii) development of vocational training with a rural focus.

9. The proposed support to be provided through ARTF constitutes one part of this project which is related to Component 2.1 of the ASDP and falls under (ii) in the above paragraph. The Component aims to establish a new Institute, the National Institute of Management and Administration (NIMA) through the rationalization of three existing institutes, the Institute for Commerce; Accounting; and Public Administration; into one new institute: NIMA. It is anticipated that NIMA will address the shortage of junior management personnel and administrators, accountants, and computer personnel in both government and the private sector.

10. The proposed ARTF financing is expected to cover the following areas: (i) physical infrastructure including classrooms, libraries, and computer centers; (ii) academic software such as partner institutions to carry out training for a period of 3-5 years while the local capacity is developed to take over the teaching and training activities; and (iii) cost of goods and equipment for running the schools. In addition, ARTF financing is also expected to support some recurrent expenditures such as scholarships for students from disadvantaged backgrounds.

A. Project Development Objectives

11. The activities under the proposed grant (or “the project”) will help to improve access to quality vocational education and training, in a demand-responsive manner, which is equitable, of high quality and sustainable. The choice and design of the project made by the Government is in line with its stated national development goals as enshrined in the Afghanistan National Development Strategy (ANDS) and more specifically the Government’s education sector strategy, NESP (2008).

12. The Project Development Objective (PDO) is *to increase access to high quality vocational education and training in the areas of Management, Administration and ICT in a manner that is equitable, efficient and sustainable*¹.

13. The Project Components are as follows:

- **Development of the NIMA Campus (USD 6.5 Million)** Construction of (a) Learning spaces in the Campus, (b) Men and Women’s Residential Facilities, (c) Library and Auditorium, (d) Computer Labs and Investments on infrastructure and utilities including water supply, power sub-station, boilers and central heating, landscaping and building of sports and recreational facilities.
- **Equipping a Quality Training Institution (USD 2.0 Million)** including classroom and dormitory furniture and fixtures, office equipment and computers, etc.
- **Provision of Quality Academic and Training Services through an International Partner (USD 8.5 Million)** for fees to international academic partner of NIMA and other academics-related support.
- **Scholarship Support** In addition, ARTF support will also be used to cover some recurrent costs such as student scholarships estimated at USD 1.33 per day for students who have completed their higher secondary schools from outside of Kabul (**USD 1.0 Million**).

B. Development of NIMA

14. Given the fundamental objective of the project to increase access to quality Vocational Education and to provide links with the labor market so that graduates from the vocational schools will be employable and can be absorbed into the labor market, a number of alternate investment options were considered. These range from providing supportive investment for the renovation and reorientation of vocational schools (as in the ASDP itself), to supporting a range of short term vocational training programs (allied to that what is being done by the National Skills Development Program in the Ministry of Labor, Social Welfare, Martyrs and Disabled), to supporting vocational teacher training programs. What has guided the particular choice expressed in this proposal has been the factor of demonstrability of investment effectiveness within a defined period of time.

15. The proposed Institute has received the Cabinet level approval from the Afghan Government. The Institute will be headed by a Board of Trustees represented by the Ministries of Education; Higher Education, Economy and Finance. This will constitute the oversight

¹ While this PDO is specifically related to the grant through ARTF, it is entirely consistent with the PDO for the overarching IDA supported project on Skills Development.

committee for NIMA and will be integral in providing overall policy guidance and direction to the institute.

16. A new, fully equipped, campus will be developed and is expected to cater for an intake of about 2000 students per year across all proposed areas of focus. The Government is already funding the preliminary renovation work of some of the buildings in an existing facility. The Government has also identified the first batch of students for the proposed institute and is in the process of identifying key staff for the running of the Institute. The Government has committed to financing O&M costs of NIMA through the Ordinary Budget.

17. The project phases are (1) renovation of existing hostels at Jangalak (already in progress with funds from the Ministry of Education's Budget), (2) renovation of the Dar-ul-aman campus and shifting of the existing vocational education school at Jangalak to Dar-ul-aman (already in progress with funding from IDA financed ASDP), (3) new construction at Jangalak, particularly women's hostels and learning spaces, library and computer lab and renovation work on existing learning spaces (architectural plans and engineering plans already in progress), (4) hiring of international implementation partner for academic management (Expression of Interest responses already received and evaluation in progress), and (5) starting of classes at the new campus from March 22, 2009.

18. The students identified till date are enrolled for a refresher course for the next 4-6 months aimed at improving numeracy skills, English language skills and computer skills. Additional teachers are currently being recruited for these refresher courses and as of August 3, 2008, the refresher program had already commenced with over 1600 students registered.

C. Institutional Autonomy for NIMA and related operational issues

19. To date the academic management as well as administrative management of all the institutions under the DTVET is achieved in a centralized manner. However, it is recognized by the Government that if the new institution is to become the driver of change NIMA will have to be given operational autonomy and the Government has agreed through a Cabinet decision that the proposed Institute will be established as an autonomous one with no role of the two oversight bodies on its day to day functioning, as long as the Institute functions within the overall legal framework established by the Afghan government. The day to day operational autonomy of the Institute will ensure the management's complete and sole responsibility and accountability for its functioning, performance and the outcomes achieved. All Institute level decisions including faculty hiring and replacement, student selection procedures and systems, assessments, course content, identification and procurement of teaching learning materials, and numerous other decisions to be taken in the running of an institution of this kind will be at the sole discretion of the Institute's management. The SC and the MOE together will approve the annual or multi-year work plans of the Institute and monitor progress carefully to ensure that the planned targets are being met.

20. Contract-Out Management and Operation: In the initial years of the Institute's operation, the program will be managed by contracting out to experienced, reputed, international training providers. The agency contracted to run this institute will be given the freedom to devise the details of the curriculum. However, the structure of courses will follow a modular, competency based model. All programs offered by the Institute will conform to the developments in the overall structure being institutionalized through Component 1 of the Afghanistan Skills Development Project, and in particular, all the courses/ programs offered by the Institute will be mapped on to the National Qualifications Framework (NQF).

21. It is expected that the Institute will primarily provide three types of training programs – (i) a one year Certificate Program, (ii) a two year Diploma Program and (iii) a host of short courses aimed at individuals who are unable to participate in longer term programs due to work commitments. The proportion of these courses will be determined by the Institute’s management as a response to the perceived demand for various program lengths.

22. Accreditation and Professional Certification: It is expected that any provider selected to manage and run the Institute will itself be accredited and recognized by relevant international institutes. The awarding of certificates/diplomas will be done by the Awarding Bodies that are being established under Component 1 of the Afghanistan Skills Development Project. Till these Awarding Bodies are fully established certificates and diplomas will be awarded by the Institute and endorsed by the Ministry of Education. While this will greatly increase the mobility of the Institute’s graduates, students will also be encouraged to obtain professional certification through industry or professional bodies, such as, the various chartered accounting institutes and other professional bodies (e.g., ACCA, ICASL, etc.), and in the area of ICT through Microsoft or Cisco Certification programs. The Institute’s management will be responsible for developing the necessary linkages needed for professional certification with the help of the donor partners. The percentage of graduates of these programs who obtain professional certification is one of the key indicators of the success of this Institute.

23. Imprest Account and Cost Recovery: Along with the need for institutional autonomy, it is expected that an Imprest Bank account will be opened to permit flexibility in the day to day functioning of the Institute. All the courses offered at the Institute will be costed-out and a fee plan prepared and students interested in attending the Institute without financial support from the MOE or Institute, will become eligible for participation on a fee paying basis. Financing from such sources or from the sale of shorter term programs will be retained within the Institute for future investments.

24. Medium of Instruction: The medium of instruction will be English. However, care shall be taken to see that this does not have a significant impact on equity. This will require the implementation of affirmative action programs and the introduction of bridging courses in English and Computer Literacy, as well as refresher programs in basic mathematics and other relevant subjects.

D. Provincial and Gender Equity in NIMA

25. The GOA wishes to ensure equity both along lines of provincial representation and gender equality. The initial desire was to ensure representation of 15 men and women from each of the country’s 34 provinces. However, the government has now seen that there is over-representation from some provinces and under-representation from others. While efforts are being made to encourage participation from across the country, this may not be possible in the early years. Since obtaining women’s participation from across the country is proving difficult, the Government has chosen a second best option and has sought to ensure that at least a third of the students are women. Residential facilities are being provided to make it more likely to ensure female participation and completion. It is expected this approach would also help in addressing concerns of gender equity.

III. Implementation

A. Institutional and implementation arrangements

26. Institutional Set-Up The project will be implemented by the Department of Technical Vocational Education and Training (DTVET) of the Ministry of Education (MOE). The Ministry has already issued necessary orders decentralizing implementation functions to the DTVET in order to assure smooth execution of the project

27. Implementation Arrangements: the Project does not envisage the establishment of any new Project Management Unit. Existing functional units within the DTVET and the Ministry of Education, will implement financial and procurement actions for the Project. Teams have been built within the DTVET to implement the projects and further external support has been brought into to reinforce existing capabilities within the department.

28. Implementation arrangements are described in detail in **Annex 1**.

B. Procurement arrangements

29. The Ministry of Education (MOE) will have overall responsibility for all procurement under the project. Initiation and processing will be done by the Procurement Unit within the DTVET. The overall project envisages strengthening of the procurement unit within the DTVET through the hiring of Procurement Specialist and several Procurement Officers². Guidance will be provided by an international Procurement Adviser from the Procurement Unit of the Ministry of Education itself.

30. All procurement will be in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" (dated May 2004; revised October 2006); "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" (dated May 2004; revised October 2006); and the provisions stipulated in the Development Grant Agreement. In addition, the World Bank's "Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" (dated October 15, 2006), has been shared with the recipient. Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Civil works and goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. In case of conflict/contradiction between the Bank's procurement procedures and any national rules and regulations, the Bank's procurement procedures will take precedence as per the Article 4(3) of the Procurement Law of the Islamic Republic of Afghanistan (IROA) dated October 2005.

C. Financial management arrangements

31. While it was initially envisaged that the Ministry of Education's Grants Management Unit (GMU) will undertake full responsibility of the financial management functions, now this function too has been decentralized to the line department. The Finance unit of the DTVET has been strengthened in the last couple of months with the hiring of an FM Specialist, a Finance

² Both Procurement and Financial Management teams are already in place at the DTVET through the IDA financed ASDP. The teams are wholly Afghan and this helps in building sustainable systems within Ministries.

Officer and two Assistant Finance Officers to work with project implementation and ensure over sufficient oversight. A key task of the FM specialist is to ensure a seamless integration of activities using Ordinary Budget and those using the Development Budget. This will help ensure project sustainability when development budget gives way to increasing amounts of support through the Ordinary Budget.

32. Quarterly Financial Monitoring Reports will be prepared by the Finance team in place at the DTVET. Consolidated project reports will be prepared, reviewed, and approved by the MOE, and sent to the ARTF.

33. A Designated Account (DA), has been opened at Da Afghanistan Bank (DAB, Central Bank) in the name of the project. The DA will be maintained by the MOF. Withdrawal applications for replenishment will be submitted monthly by the Finance team in place at the DTVET premises.

46. Disbursement Method - Disbursements from the ARTF grant will make use of advances, reimbursement, direct payment, and payments under Special Commitments including records or against summary reports (statements of expenditures), as appropriate.

47. Audit of Project Funds - The Auditor General, supported by the Audit Agent, is responsible for auditing the accounts of all ARTF-financed projects. Annual audited project financial statements will be submitted within six months of the close of GOA's fiscal year. It is also proposed to have an independent audit of Project financial activities and to consider the reports thereof to further closely monitor the use of Grant Funds

D. Monitoring and reporting

34. The overall project has a separate component on Monitoring Evaluation and Reporting which will be funded by IDA. As part of this project, the DTVET/MOE have committed to strengthening the M&E of TVET programs through a centralized M&E department for the whole ministry, rather than a stand-alone M&E unit for the DTVET department. The DTVET will become the repository of this information, but the collection, processing, analysis, and interpretation of this data will be done by the more centralized M&E unit within the MOE. This will enable a regular updating of records of all students in the programs and proper accounting of their performance during the program and a follow-up of graduates with respect to their labor market outcomes through tracer studies 6-9 months after program completion.

E. Key Performance Indicators

35. The Key Performance Indicators for the project are as follow:

PO[1]: NIMA will increase the size of the available pool of qualified and readily employable junior management level personnel in Management, Administration and ICT by 1500 every year;

PO[2]: A third of the students at NIMA are women;

PO[3]: At least 80% of every graduating will be employed within 6 months of completion of their program

36. The Performance indicators provided above relate to the effectiveness of the project in meeting the imperatives as earlier discussed. It is to be noted that the project itself, within the broader context of the Afghanistan Skills Development Project, is expected to yield outcomes that

relate to the broader Sectoral Objective of an overhaul of the TVET system as a whole. The linkages are shown in the Table below:

F. Results Framework and Monitoring

37. The Results Framework is shown below:

<p>PDO <i>is to increase access to high quality vocational education and training in the areas of Management, Administration and ICT in a manner that is equitable, efficient and sustainable</i></p>	<p>Project Outcome Indicators</p> <ul style="list-style-type: none"> ▪ Accretion to pool of skilled accountants, junior level managers and ICT software technicians ▪ Increase in employed pass-outs of the National Institute of Management and Administration ▪ Labor market outcomes, both in terms of employment and earnings of trainees, are superior to the outcomes of comparable control groups 	<p>Use of Outcome Information</p> <ul style="list-style-type: none"> ▪ Determine the extent to which imported skilled-manpower can be replaced by well-trained Afghans ▪ Assess the sustainability of the institution ▪ Assess the demand for quality vocational education ▪ Demonstrate to Afghan stakeholders that a new institutional framework is being established that has the capacity to successfully promote demand-oriented TVET ▪ Send signals to potential employer of graduates with an outcome-oriented qualifications standards
--	--	--

G. Critical risks

38. The overall project risk rating is Substantial.

39. The listing of Risks and Risk Mitigation Measures are given in the following table.

Risks	Mitigation measures	Risk Rating with Mitigation
Security		
The political and security situation in Afghanistan remains volatile. This may interfere with development and reconstruction efforts.	The project design is flexible enough to be able to react and adjust to realities.	Substantial
Institutional Capacity		
1) Weak capacity of the implementing agencies (MOE, DTVET 2) Weak capacity of the private sector to execute construction and ICT projects	The project will fill capacity gaps by using experienced international/regional/national consultants. In addition, the project supports capacity building in the implementing institutions. Close cooperation and coordination with other donors who rely heavily on international assistance should also help to address this weakness. Finally, with respect to Procurement and Financial management, the Ministry of Education as well as the DTVET have already been substantially strengthened.	Medium

	The construction department of the MoE has also been strengthened with dedicated Engineers and Architects only for this project	
Commitment to Reforms		
The current top management of the Ministry, including the Minister, is committed to the Reform of the TVET Sector and the setting up of NIMA. However, next year is an election year and political changes may take place which may lead to setting of priorities different from the current ones.	Donor commitment to this project has already been expressed through relevant Grant Agreements. The administrative system for executing the project is also in place. Consulting and other services procurement processes have already begun. Even if there is a change of priority, committed funds cannot be utilized by the Ministry otherwise. The administrative personnel in place will ensure that the project proceeds as scheduled.	Medium
Coordination		
(i) Education Sector		
The proposed institute is planned to have a much higher degree of autonomy. This may lead to conflicts with the Ministry itself because the Ministry has been totally centralized till date and very well autonomy had been given to the DTVET and the schools under its purview.	Through TA the project will increase the understanding of the concepts of independence and accountability. The TA provided under the project should result in more transparent and better informed managerial decisions. The Minister of Education has already issued written orders formalizing the concept of decentralization to the DTVET and from DTVET to the schools.	Medium
(ii) Donors		
The current project was also supposed to have been supported by donors other than the IDA. However such other donors have not yet made their commitments clear. Although donor coordination has improved in recent years, the legacy of patchy and inconsistent reform interventions will be hard to overcome.	Donor coordination at the top level will also generally be overseen by a Committee of Ministers which is directly under the Chairmanship of the First Vice President. The committee has donor representation. This will help to ensure that there are no gaps in communication with the donors. Further the Steering Committee of the NIMA also has sufficient donor representation and therefore there will be another level where donor related issues can be dealt with.	Medium
Implementation Arrangements & Capacity		
Implementing agencies have limited capacity for the procurement and financial management that will be necessary to implement the project activities. They do not have sufficient experience implementing the World Bank Procurement Guidelines and associated procedures.	As earlier stated the implementing agencies have already been strengthened with the induction of Afghans who have already worked in the implementation of ARTF aided projects. Together with the support of international TA that is already inducted in procurement, this is considered to be a reasonable mitigation measure.	Medium
Corruption		

<p><i>Corruption at the project level.</i> Close monitoring of project management will assist the institutions' implementation capacity and develop systems to ensure transactions are carried out in a transparent and clear manner.</p> <p>A weak understanding of Bank procurement and FM practices further exacerbate the risk on fiduciary matters. Construction contracts and purchases of goods are prone to corruption risk and efforts are being undertaken to address these concerns.</p>	<p>1) Given that the over-arching guidelines used for all fiduciary matters in the utilization of this grant are those that conform to IDA's requirements, this will help increase transparency and accountability in the project.</p> <p>2) Strong management structure, transparent procedures, information sharing, and close cooperation with larger constituencies (especially with donors), and intensive supervision of the project should mitigate the risk. Additional financial controls and audits can help mitigate corruption.</p> <p>3) In addition, through the IDA support the Bank has instituted third party involvement in both goods procurement and in the hiring of personnel. Such methods have helped ensure that contracts are not given to relatives and that there is an independent verification of market prices.</p>	<p>High</p>
<p>Overall</p>		<p>S</p>

H. Social Issues

40. Investment in human capital, especially of the kind that is currently taking place in Afghanistan, will have an impact on a wide-variety of social and economic outcomes. This will be a key measure in helping individuals and families come out of poverty and for laying the foundations for an inclusive growth trend. It is widely recognized that a trained and educated workforce is a necessary component of the process of economic growth, though not necessarily a sufficient one.

41. The benefits of the project are assumed to accrue in three ways: (a) increased number of graduates being put through the system, (b) children access training programs that are of a higher quality, and (c) improved internal efficiencies with lower dropout rates, absence rates, etc.

42. It is anticipated that with the specific focus sectors of training identified under this project, *viz.*, management and administration, accounting and financial management, ICT, basic engineering, and agriculture, and the level at which the training is being conceived (post-grade 12), there will be a shift towards wage employment for most trainees emerging from two-year, post-grade 12 institutions under the MOE's DTVET. This would considerably improve their chances for salary/wage employment and hence lead to predicted higher income levels. For people seeking second chance opportunities, and who are trained through the NSDP facilitated training programs, it is anticipated that the training would increase their opportunities for wage employment or bring them to a higher income bracket within the self-employed categories.

I. Environmental Issues

43. Environmental Issues are discussed hereunder in terms of the World Bank's Environmental and Social Management Framework.

44. Activities under the project should not entail significant and negative environmental and social impacts, provided they are designed and implemented with due consideration of environmental and social issues. Construction activities may cause limited, temporary, and localized negative impacts due to depletion or degradation of natural resources such as stone, earth, water etc. used for school construction if proper environmental management is not carried out at design, construction and operation stages. This can be mitigated through the implementation of an appropriate social and environmental management plan. Capacity building of the construction and design unit of the MoE including physical and institutional management, are likely to have a positive impact on social and physical environment.

45. The project does not involve rehabilitation of any chemical or other plant and therefore a full EIA is not necessary.

46. OP/BP 4.01 is triggered because of vocational institutions building or rehabilitation activities. The project will apply the principal Environmental and Social Safeguards Framework (ESSF) for emergency projects in Afghanistan. To limit the extent of these risks, the Framework provides guidelines and codes of practice for an environmental mitigation measures to be incorporated in the design, contracting and monitoring of sub-projects, along with an implementation structure assigning responsibilities to implementing agencies and their consultants, and a capacity building program for social and environmental management.

47. There will be no land acquisition under the project as all the physical works relate to renovation/rehabilitation of buildings belonging to existing training institutions or few new constructions within these institutions, which are all located on Ministry of Education land. All the training institutions are currently functioning, and there are thus no questions of squatters or informal settlers on these lands.

48. Chance finds of cultural property (archaeological artifacts) during implementation of sub-projects involving civil works will be handled according to provisions in the "Law on Preservation of Afghanistan's Historical and Cultural Heritage (2004)" and be reported to the provincial or district governors, who then will inform the Archaeological Committee.

49. Compliance with the safeguard provisions and the negative list will be ensured through an environmental, social and risk screening procedure (check lists) required for sub-project proposals, and by internal input, process, and output monitoring, and by Bank supervision missions.

50. The ESMF framework is given below:

Safeguard Policies Triggered (please explain why)	Yes	No	TBD
Environmental Assessment (OP/BP 4.01) This project includes building of physical infrastructure that is likely to have temporary and manageable environmental impacts during construction. Most siting and construction related adverse environmental impacts would be addressed through good engineering practices and specific actions to mitigate occupation, health and safety concerns of workers as well as students who will be residing in the campus itself. The environmental category for project is proposed to be B requiring preparation of specific EMP.	X		
Natural Habitats (OP/BP 4.04) The project is not expected to impact natural habitats		X	
Forests (OP/BP 4.36)			
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)		x	
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

Annex 1

Detailed Implementation Arrangements

51. Institutional Set-Up: The Ministry of Education has a Grant Management Unit which manages donor funding and fiduciary matters. The DTVET has been provided with direct authorization to process payments and procurement at its level and then obtain requisite approvals from the Ministry Headquarters. Thus the project will be implemented by the DTVET under the direct oversight of the Ministry of Education and its appropriate mechanisms.

Implementation Period: The project will be implemented over a period of five year and six fiscal years (World Bank) from September 1, 2008 to February 28, 2013.

52. Implementation Arrangements: The DTVET is a fully established department within the MOE with a total staff of about 2460 across the country with about 140 staff members managing the Department headquarters in Kabul. The Finance Department of the MOE and of the line department of DTVET will be responsible for all FM matters, while the Procurement department of the MOE and the corresponding office within the DTVET will be responsible for all procurement. All construction and works related aspects of this component would be handled by the Department of Construction (DOC) of the MOE. This would include overall technical guidance on institute rehabilitation and construction. While the DTVET has its own Department of Planning, the project proposes that the overall responsibility for monitoring will lie with the MOE's Department of Planning (DOP).

53. The oversight function for all projects implemented by MOE is performed by a senior management group, which consist of the Minister, the Deputy Ministers, the head of GMU, and other advisers as deemed necessary. This oversight body meets regularly (at least twice monthly) to review overall project implementation progress, and are also responsible for review and approval of annual work plans and budgets.

54. Donor support and coordination will be assured through the various oversight bodies including the CESP of which donors will be Members.

Annex 2
Estimated Project Costs (USD Million)

(1) Total Project (ASDP, including both IDA and ARTF components)

FY	2009	2010	2011	2012	2013
Annual ARTF	5.00	6.00	4.00	3.00	
Cumulative ARTF	5.00	11.00	15.00	18.00	18.00
IDA Funding	2.74	5.33	5.44	3.71	2.78
Cum. Total	7.74	11.33	9.44	6.71	2.78

(1) Total Project (ASDP, only ARTF components by Government of Afghanistan FY)

FY	1387	1388	1389	1390	1391
Annual ARTF	2.75	5.50	3.65	4.80	1.30
Cumulative ARTF	2.75	8.25	11.90	16.70	18.00

(3) ARTF Project by Type of Expenditure

FY	2008	2009	2010	2011	2012
Works		2.00	1.50	1.00	2.00
Goods		1.00	0.50		
Services		2.00	4.00	3.00	1.00
Annual Total		5.00	6.00	4.00	3.00
Cum Total		5.00	11.00	15.00	18.00

Annex 3 Initial Implementation Plan

Milestone	Responsibility	Target Date	Current Status
Contract for Dar-ul-Aman awarded	Procurement MoE	July 1, 2008	Awarded
First set of Draft Designs for Jangalak campus prepared	Design and Construction Deptt DTVET	June 30, 2008	
Drawings approved	Ministry	June 30, 2008	Approved
Existing Hostels renovated	Design and Construction Deptt DTVET	August 30, 2008	To be completed by end-August 2008
All goods for hostels and offices received	Procurement (MOE and DTVET)	Sep 10, 2008	Procurement almost complete
Emergency Water-supply energized	MOE (Construction)	Aug 30, 2008	On-going
Contracting for Campus renovation and construction of new buildings	Procurement (MOE and DTVET)	February 1, 2009	
Completion of renovation of existing learning spaces	Design and Construction Deptt DTVET	Partly by March 31, 2009 and balance by Oct 1, 2009	
Computers Received and installed	Procurement (MOE and DTVET)	May 1, 2009	
Completion of construction of new hostels including Women's hostels	Design and Construction Deptt DTVET	May 1, 2010	
Renovation of all Utility buildings completed	Design and Construction Deptt DTVET	December 31, 2009	
On-campus renovation work completed in all respects	Design and Construction Deptt DTVET	March 31, 2010	
On-campus construction work completed in all respects	Design and Construction Deptt DTVET	May 31, 2010	

Annex 4

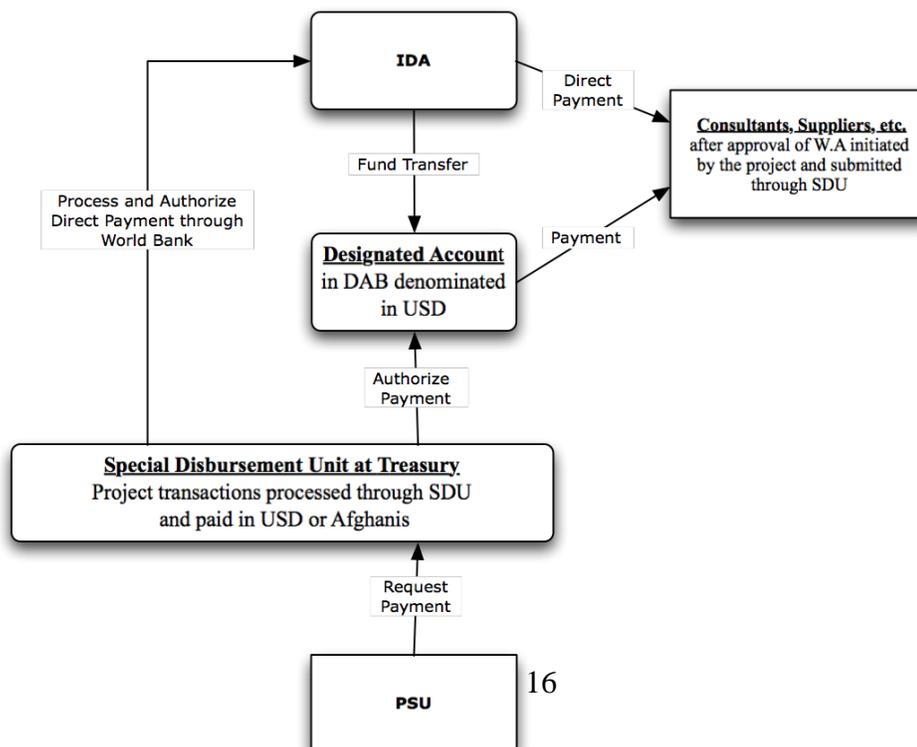
Financial Management, Accounting and Auditing

55. Budgeting - A budget committee will be appointed to coordinate preparation of the annual work plan and formulation of the annual project budget. This committee will be comprised of representatives from the MoE and the DTVET, and shall report to the Senior Management Team of the MoE which is Chaired by the Minister of Education. The Budget Committee shall also coordinate quarterly budget reviews to ensure adequate budget discipline and control. The committee will be responsible for ensuring that project expenditures for each fiscal year are captured in the Governmental Development budget of that fiscal year. The budgeting process and the key role of periodic budget reviews will also be detailed in the FMM

56. Funds Flow - The standard funds flow mechanism in Afghanistan will be followed in this project. Project funds will be deposited in the Designated Account (DA) to be opened and maintained at the Da Afghanistan Bank (DaB) or in a local commercial bank, if approved. The DA, in keeping with current practices for other projects in Afghanistan, will be operated by the Special Disbursement Unit (SDU) in the Treasury Department of MoF. Requests for payments from the DA will be made to the SDU by the project when needed, and after due approval from the head of the respective component implementing entity.

57. In addition to payments out of DA funds, the project can also request the SDU to make i) direct payments from the Grant Account to consultants, consulting firms or suppliers, and ii) special commitments for contracts covered by letters of credit. These payments will follow World Bank procedures. All project payments will be made to either international firms or local firms that have bank accounts in DAB, a local commercial bank, or an overseas bank. All payments will be made either through bank transfers into the account of such firms or by check. Expenditures for each component will be paid after relevant approvals from the component implementing entity and in accordance with the approval mechanisms documented in the project FMM

Funds Flow Chart



58. Legal requirements for authorized signature - MoF has authorization to disburse funds from the Grant. Specimen signatures of authorized signatories in MoF will be submitted to the Bank prior to commencing disbursements.

59. Accounting - The SDU will maintain a proper accounting system of all expenditures incurred along with supporting documents to enable IDA to verify these expenditures. The FM staff of the DTVET will: i) supervise preparation of supporting documents for expenditures, ii) prepare payment orders (Form M16), iii) obtain approval for M-16s from the relevant authority depending on the payment amount, and iv) submit them to the Treasury Department in MoF for verification and payment. Whilst original copies of required supporting documents are attached to the Form M16, the project is required to make and keep photocopies of these documents for records retention purposes. The FM Advisor in the MoF/SDU will use the government's computerized accounting system, AFMIS, for reporting, generating relevant financial statements, and exercising controls.

60. The DTVET FM staff will maintain essential project transaction records using accounting system/Excel spreadsheets and generate required monthly, quarterly, and annual reports.

61. The FM Manual, to be prepared by the DTVET within three months of establishment, and to be approved by the Bank, will include: i) roles and responsibilities for all FM staff, ii) documentation and approval procedures for payments, iii) project reporting requirements, and iv) quality assurance measures to help ensure that adequate internal controls and procedures are in place and are being followed.

62. The FM Manual will also establish project financial management in accordance with standard Afghan government policies and procedures including use of the government Chart of Accounts to record project expenditures. The use of these procedures will enable adequate and timely recording and reporting of project expenditures. Overall project accounts will be maintained centrally in SDU, which will be ultimately responsible for recording all project expenditures and receipts in the Government's accounting system. Reconciliation of project expenditure records with MoF records will be carried out monthly by the DTVET

63. Internal Control & Internal Auditing - The DTVET will be responsible for coordinating FM activities for the project with the SDU. Project-specific internal control procedures for requests and approval of funds will be described in the FM Manual including segregation of duties, documentation reviews, physical asset control, asset verification, and cash handling and management.

64. Annual project financial statements will be prepared by SDU/MoF detailing activities pertaining to the project as separate line items with adequate details to reflect the details of expenditures within each component. The project financial management systems will be subject to review by the internal audit departments of the three implementing entities and the internal audit directorate of the MoF, according to programs to be determined by the Director of Internal Audit using a risk-based approach. The Bank also reserves the right to conduct an external review of the project activities and financial flows.

65. External Audit - The project accounts will be audited by the Auditor General, with the support of the Audit Advisor, with terms of reference satisfactory to the Association. The audit of project accounts will include an assessment of the: (a) adequacy of the accounting and internal control systems; (b) ability to maintain adequate documentation for transactions; and (c) eligibility of incurred expenditures for Association financing. The audited annual project financial statements will be submitted within six months of the close of fiscal year. All agencies

involved in implementation and maintaining records of expenditures would need to retain these as per the IDA records retention policy

66. The following audit reports will be monitored each year in the Audit Reports Compliance System (ARCS):

Responsible Agency	Audit	Auditors	Date
MoF, supported by Special Disbursement Unit	SOE, Project Accounts and Designated Account	Auditor General	Sep 22

67. Financial Reporting - Financial Statements and Project Reports will be used for project monitoring and supervision. Based upon the financial management arrangements of this project, Financial Statements and Project Reports will be prepared monthly, quarterly, and annually by the DTVET. These reports will be produced based on records from three sources: i) PSU's accounting system ii) expenditure statements from SDU (as recorded in AFMIS) and reconciled with the PSU, and iii) bank statements from DAB.

68. The quarterly Project Reports will show: (i) sources and uses of funds by project component, and (ii) expenditures consolidated and compared to governmental budget heads of accounts. The project will forward the relevant details to SDU/DBER with a copy to IDA within 45 days of the end of each quarter. The government and IDA have agreed on a pro forma report format for all Bank projects; a final customized format for JSRP reports will be provided after project effectiveness.

69. The annual project accounts to be prepared by SDU from AFMIS after due reconciliation to records maintained at the PSU, will form part of the consolidated Afghanistan Government Accounts for all development projects. This is done centrally in the MoF Treasury Department, supported by the Financial Management Advisor.

70. Disbursement Arrangements - Disbursements procedures will follow the Bank procedures described in the *World Bank Disbursement Guidelines and the Disbursement Handbook for World Bank Clients (May 2006)* and allow for use of advances, reimbursements, direct payments and Special Commitments. Table 1 shows the allocation of IDA proceeds in a single, simplified expenditure category and Table 2 presents the expected co-financing. The single category for "goods, works, consultancy services, training and operating costs" is defined in the financing agreement to facilitate preparation of withdrawal applications and record-keeping. The final disbursement deadline will be four months after the closing date.

Table 1: IDA Financing by Category of Expenditure

<i>Expenditure Category</i>	Amount of the Grant Allocations [SDR]	Financing Percentage (inclusive of taxes)
(1) Goods, works, consultants' services, training, and Incremental Operating Costs ³	12,600,000	100 %
Total	12,600,000	100%

³ Incremental Operating Costs refers to project-related incremental expenses incurred on account of project implementation support and management including the rental of office space; the operation, maintenance, rental and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; domestic travel and per diem but excluding salaries of officials and staff of the Recipient's civil service.

Table 2: Estimated Co-financing (US \$ million)

<i>IDA</i>	<i>ARTF Support</i>		<i>Beneficiaries</i>	<i>Total</i>
	<i>USAID</i>	<i>Norway</i>		
20	6	12		38

71. During this additional 4-month grace period, project-related expenditures incurred prior to the closing date are eligible for disbursement

72. Summary Reports. Summary reports in the form of Statements of Expenditure will be used for expenditures on contracts above US\$20,000 and all training programs and operating costs.

73. Designated Account. A single designated account will be opened at DAB in US dollars for a maximum amount of US\$ 1,000,000 with the initial advance (during the first few months of implementation) not to exceed US\$ 400,000. The SDU in MOF will manage payments from and new advances/replenishments to this account. The designated account will be replenished on a monthly basis.

74. Direct Payments. Third-party payments (direct) and Special Commitments will be permitted for amounts exceeding US\$ 200,000. All such payments require supporting documentation in the form of records (copies of invoices, bills, purchase orders, etc.)

75. Preparation of Withdrawal Applications. PSU will prepare Summary Reports and forward those reports to the SDU for further processing as a reimbursement application. The SDU will review withdrawal applications for quality and conformity to Treasury procedures, and then obtain signature. Selected DTVET/MOE and SDU finance staff will be registered as users of the World Bank Web-based Client Connection system, and take an active hand in managing the flow of disbursements.

76. Financial Management Requirements

- MoF shall submit audited financial statements for the project within six months of the end of each fiscal year. The Project’s audit report will cover the financial statements, the Designated Account, and SOEs, in accordance with terms of reference agreed with the Association.
- Un-audited project interim financial reports will be submitted by MOE on a quarterly basis to the World Bank and a copy to SDU-MoF within 45 days after the end of each quarter.
- The implementing entities will ensure that key FM staff of the DTVET are retained throughout the duration of the project in order to ensure smooth project implementation.

77. Regular Supervision Plan. During project implementation, the Bank will supervise the project’s financial management arrangements. The team will:

- Review the project's quarterly un-audited interim financial reports as well as the project's annual audited financial statements and auditor's management letter.
- Review the project's financial management and disbursement arrangements (including a review of a sample of SOEs and movements on the Designated Account and bank reconciliations) to ensure compliance with the Bank's minimum requirements.
- Review agencies' performance in managing project funds to ensure that it is timely, accurate, and accountable. Review Internal Audit reports. Particular supervision emphasis will be placed on asset management and supplies.
- Review of financial management risk rating, compliance with all covenants, and follow up on the action plan.

Conclusion

The interim financial arrangements, including the systems, processes, procedures, and staffing are adequate to support this project. The updated implementation arrangements will be assessed after they are in place.