

AFGHANISTAN RECONSTRUCTION TRUST FUND

SECOND AFGHANISTAN SKILLS DEVELOPMENT PROJECT (ASDP II)

Project Preparation Application to ARTF Management Committee

MC Meeting Date: September, 11, 2012

Applicant:	Islamic Republic of Afghanistan
Brief Description:	<p>The Ministry of Education (MOE) and the Ministry of Labor, Social Affairs and Martyred and Disabled (MOLSAMD) are currently jointly preparing the Second Afghanistan Skills Development Project (ASDP II). Broadly, this follow-on project to the ongoing ASDP, will scale up certain activities of ASDP that have already shown tangible gains, and introduce interventions designed to obtain rapid qualitative up-gradation in Technical Vocational Education and Training (TVET) delivery through both formal (Vocational Education Schools under MOE) and informal (Short Term courses under MOLSAMD) channels. The requested Grant will finance preparation activities including a set of Surveys that are needed to establish hard baseline data for the proposed project's Results Framework.</p>
Project Development Objective (PDO):	The proposed Project Development Objective for ASDP II is to <i>increase employability of a skilled workforce</i> .
Performance Indicators:	<p>The proposed key performance indicators PDO are as follows:</p> <ul style="list-style-type: none">• <i>Direct improvement in employability</i> as measured by (1) the Number of skilled persons who obtain certifications from an internationally recognized institution/Agency, and (2-a) Percentage of fresh formal VET graduates who find employment within six months of passing out from project supported institutions, (2-b) Percentage of fresh informal TVET graduates who find employment within six months of passing out, from project supported programs,• <i>Institutional strengthening of TVET system to respond to demand</i> as measured by (3) Number of Occupational Skills Standards developed, endorsed by an internationally recognized agency and implemented across both formal and informal streams, and (4) Degree of satisfaction of employers' representatives in service delivery activities in TVET as determined by an independent agency,• <i>Increased attractiveness of TVET</i>, as measured by increased number of beneficiaries from project funded activities/institutions, showing also diversity disaggregated figures.
Sector:	Education

Location:	Kabul, Afghanistan
Total Project Cost:	The proposed budget for implementation of the ASDP II is US\$ 75 million (excluding preparation costs).
Amount Requested for ARTF MC Approval	US\$ 500, 000 for preparation costs only.
Implementing Agencies:	Ministry of Education (MOE) & Ministry of Labor, Social Affairs and Martyred and Disabled (MOLSAMD).
Implementing Period	ASDP2 is expected to be implemented during a period of four years (April 2013-June 2017). This grant to finance the preparation of the main project is expected to close on April 30 2013.
Contact for further information	Md. Asif Nang, Deputy Minister of TVET
Reviewed and cleared by the Administrator:	Country Management and Sector Management Units; Legal Department; Loan Department; Financial Management; Procurement.

I. Proposal Summary

1. In July, 2012, the Ministry of Education (MOE) and the Ministry of Labor, Social Affairs and Martyred and Disabled (MOLSAMD) of the Islamic Republic of Afghanistan requested the World Bank for technical and financial assistance in the preparation and subsequent implementation of the Second Afghanistan Skills Development Project (ASDP2). The request is consistent with the National Education Strategic Plan (NESP II, 2010) and the Interim Strategy for Education (2010-11), and very recently, the National Priority Program on sustainable livelihoods through decent work (NPP1) has incorporated a specific VET component. Each one of the Government's strategies established a link between the efforts at promoting economic growth and the need to develop a large pool of skilled workforce.

2. IDA has been working in close collaboration with MOE to develop the documentation for the ASDP II as required by the ARTF. A Project Concept Note (PCN) was developed in close cooperation with MOE and MOLSAMD and endorsed by both Ministers. Subsequently IDA on one hand, MOE and MOLSAMD, on the other hand, have been working to further develop the ASDP II's main components and implementation arrangements, including an identification mission held from May 16-24, 2012, followed by a preparation mission between July 3-10, 2012. The two Missions revealed the need to conduct preparatory surveys to establish Baselines that will be used for Results Monitoring of ASDP II. The request for the Project Preparation Grant (PPG) arises from the need to finance the cost of these surveys and related incremental operating costs.

3. This request is for an ARTF grant for the total amount of US\$ 500,000 to be used by MOE and MOLSAMD for preparing the ASDP II.

5. The proposed ASDP II project, once prepared, will consist of investments in the formal and informal TVET sectors to develop a skilled labor force that will be employable immediately. ASDP II has three identified components. The first component will support quality enhancement of formal¹ TVET service delivery, including improved quality of teacher training and institutional reform of selected TVET institutions. The second component will support improvement of service delivery in the informal TVET sector. And the third component is concerned with Project Management, Monitoring and Evaluation, and Development of the Qualifications Framework for TVET and certification of the Occupational Skills Standards.

6. Project preparation activities for the ASDP II will cover a eight month period (September 2012 – April 2013). The requested ARTF grant will be used by MOE and MOLSAMD for preparation and start-up activities including hiring of national and international specialists, and carrying out baseline surveys of TVET institutions (both formal and informal) of trainees and employers. These surveys will capture information about existing skills and skills demanded by employers in key economic sectors. It is foreseen that the ASDP II currently under preparation will be implemented by MOE through ASDP Implementation Unit and by MOLSAMD through its Project Implementation Unit (PIU). The NSDP unit in MOLSAMD which currently manages the MOLSAMD component of ASDP is being administratively restructured, and it will be necessary to ring-fence ASDP II activities through the establishment of a small PIU which will engage with NSDP. The GMU in MOE has long since been restructured and FM and Procurement for ASDP have been handled by the ASDP implementation unit in MOE/DMTVET. This practice will be continued.

II. Description of project preparation outputs and activities

7. The following outputs are envisaged for the ASDP II in the preparation phase:

- a) Reports from pilot village survey prepared and submitted,
- b) Reports from employer survey,
- c) Report from survey of informal TVET institutes,
- d) Development of the structure of an integrated Management Information System for tracking implementation progress of ASDP II.

8. The amount requested (US\$ 500,000) shall also be used to hire consultants' services, and incremental operating costs and include the following: (i) establishment of a small Project Preparation Team at MOLSAMD, (ii) hiring of and payments to Specialists and Consultants for the surveys, and field-level personnel. Details of procurement are provided in the Draft Procurement Plan attached.

¹ In the context of Afghanistan, 'formal' TVET means TVET delivery in schools run by the Deputy Ministry of TVET (DMTVET) under the MOE. 'Informal' means and includes short term courses under the Ministry of Labor, Social Affairs, Martyrs and Disabled (MOLSAMD)

9. *Preparatory activities*

The Project Preparation Team (PPT) will conduct the following activities:

- (i) confirm the six villages jointly identified by IDA and the two Ministries, including the respective control and treatment groups for the purposes of a pilot on skills development using a basket of training programs rather than a single one;
- (ii) identify areas covered by the employer survey;
- (iii) provide the list of all formal TVET institutions as well as a selected list of informal TVET service providers;
- (iv) Prepare a list of employers to be surveyed
- (v) conduct procurement processes for Consultants, field-level surveyors etc as per the Procurement Plan
- (vi) Monitor progress of the various surveys and other activities under the guidance and supervision of the MOLSAMD and the ASDP unit in MOE, and the Bank Team

10. All preparatory activities will be supervised by the concerned Ministries and ASDP unit in MOE, and also by the Bank Team.

III. Implementation

11. Implementation of the requested Grant will be through the MOLSAMD PPT primarily. The tasks of the PPT have been given in paragraph 9 above. In fiduciary matters, it will have the support and guidance and approval of the ASDP unit in DMTVET/MOE.

Institutional Arrangements

12. The Project Preparation Team will be housed in MOLSAMD and will report to the Deputy Minister for Labor. It will coordinate with the existing NSDP unit to use MOLSAMD human resources for field-level surveys. It will also carry out all procurement activities and FM activities as described below. The PPT will report administratively to the ASDP unit in MOE. The PPT will refer interim survey reports and analyses to a small expert committee established by MOLSAMD. Final Reports will be compiled and approved by MOLSAMD, MOE and the Bank Team.

Procurement arrangements

13. Procurement for the preparatory activities will be administrated in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, and the provisions stipulated in the 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 and Revised in January, 2011 has been shared with the recipient. The World 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/c, trainontradiction between the World Bank’s procurement procedures and any national rules and regulations, the World Bank’s procurement procedures will take precedence as per the Article 4(2) of the Procurement Law of the Islamic Republic of Afghanistan of July 2008 (Amendments in January 2009 incorporated) . The general description of various procurements under different expenditure categories and agreed procurement plan are described in Annex 1.

14. The ASDP Procurement Unit in MOE .will manage the grant preparation procurement given their experience in handling procurement under IDA financed projects. They will be suitably assisted by the PPT in the MOLSAMD, especially in the recruitment of field level personnel. They will also hire both international and national consultants. All procurement will be subject to regular assessment and review as per current IDA practice. Table 1 provides a break-down of the preparation grant request’s budget by expenditure category.

Table 1: Estimated Costs by Category of Expenditure (US\$ million)

Expenditure Category	Amount of the Grant Allocation (USD)
Consultants’ Services, training and Incremental Operating Costs for the project	500,000
Total	500,000

Financial management, disbursement and audit arrangements

18. A PFM performance rating system has been developed for Afghanistan by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program, which includes the World Bank, IMF, EC, and other agencies. Afghanistan’s ratings against the PFM performance indicators portray a public sector where financial resources are, by and large, being used for their intended purposes as authorized by a budget that is processed with transparency and has contributed to aggregate fiscal discipline.

19. Financial management and audit functions for the project preparation grant (and later for the proposed project) will be undertaken at the central level, through the agents contracted under the Public Financial Management Reform project II. These are the primary instrument for continuing to strengthen the fiduciary measures put in place for ensuring transparency and accountability of funds provided by the Bank and other donors. Under these contracts, two

advisers—Financial Management and Audit—are responsible for working with the government and line ministries to carry out these core functions. The Financial Management Agent (FMA) is responsible for helping the MOF maintain the accounts for all public expenditures, including IDA and ARTF-financed projects and for building capacity within the government offices for these functions.

20. ASDP will be responsible, during the preparation phase of the ASDP II, for the project's financial management. The Project Manager along with the nominated local counterpart for financial management will work closely with Financial Management Specialists of the project to carry out day-to-day financial management operations of the project, preparation of M-16 forms (payment orders), and overall contract and project management.

21. Quarterly Interim Unaudited Financial Reports will be prepared by the project's FM team. Annual project reports will be prepared, reviewed, and approved by the MOF, supported by the FMA.

Fund flows

22. Fund management for the project will follow existing procedures. As with all public expenditure, all payments under the project, will be routed through the MOF. The FM Adviser will assist the MOF in executing and recording project payments. In keeping with current practices for other projects in Afghanistan, the designated account (DA) will be operated by the Special Disbursement Unit (SDU) in the Treasury Department of the MOF. Requests for payments from DA funds will be made to the SDU by the project. In addition to payments from DA funds, the project can also request the SDU to make direct payments to consultants or consulting firms, and special commitments for contracts covered by letters of credit. Such requests will follow IDA procedures. All withdrawal applications to ARTF, including replenishment, reimbursement, and direct payment applications, will be prepared and submitted by the MOF.

Accounting and reporting

23. The project will maintain essential project transaction records using computerized accounting systems / Excel spreadsheets and generate required monthly, quarterly, and annual reports. During the preparatory phase, the project will prepare a financial management manual. It will include provision for: 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. 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 recording and reporting of project expenditures. Overall project accounts will be maintained centrally in SDU, which will be ultimately responsible for recording of 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 project.

Disbursement arrangements

24. Project preparation funds will be channeled through a segregated designated account in USD to be opened at the Da Afghanistan Bank (DAB, Central Bank) or a commercial bank/financial institution acceptable to IDA. Advances will be made to the designated account with a fixed ceiling calculated based on a 4-months worth of expenditures to be paid out of the designated account. Other disbursement methods, such as reimbursement, direct payment and special commitment will also be made available to the project. Given weak capacity on the ground, disbursement will be transaction based, and supporting documents, such as Statement of Expenditure or other statements in a format and content acceptable to IDA will be used to document expenditures incurred. The DA will be maintained by the MOF. Withdrawal applications for replenishment will be submitted monthly.

Audit of project funds

25. The Auditor General, supported by the Audit Agent, is responsible for auditing the accounts of all IDA and ARTF-financed projects. Annual audited project financial statements will be submitted within six months of the close of Government of Afghanistan's fiscal year. The Bank-funded projects already or currently being implemented by Ministry of Education and Ministry of Labour and Social Affairs have no overdue audit reports, ineligible expenditures and interim unaudited financial reports. The key issues raised in these projects' previous years audit reports have been resolved satisfactorily.

Audit – responsible entity

26. The responsible entity for the audit report is the Ministry of Finance.

IV. Detailed Budget

27. Table 2 below specifies the detailed preparation budget for the ASDP II.

Table 2: Preparation budget for ASDP II

Item	Unit cost (US\$)	Unit	Total cost (US\$)
Village Facilitator Survey (including rural enterprises, informal TVET and household)	15	12000	180000
Training workshop for VF survey			10,000
Monitoring of VF survey			30,000
Survey of informal TVET institutes (updating 2009 NSDP survey)	60	600	36000
Survey of formal TVET institutes	100	150	15000
Training workshop formal TVET training			5000
Monitoring of VF formal TVET training			15,000
Project Implementation Manual	800	60	48,000
Employer survey in urban areas	150	200	30,000
Training workshop for survey			10000
Monitoring of survey			20,000
Data Programmer	2500	2	5,000
Data entry clerk	1000	10	10,000
Data supervisor	1500	1	1,500
Survey consultant	2000	6	12,000
MOLSAMD Project Preparation Team			
Manager	3000	4	12,000
FM Officer	2500	4	10,000
Procurement Officer	2500	4	10,000
M&E Officer	2000	4	8,000
Total without contingencies			467,500
incremental cost (6%)		0.07	32725
Grand Total			500,225

ANNEX 1

Procurement Arrangements and Procurement Plan

1. With donor assistance, Afghanistan has made considerable efforts to establish the Legal and Regulatory Framework for public procurement over the last five years. A new Procurement Law, reflecting international best practice in public procurement was enacted in November 2005 replacing the earlier procurement regulations. While it provides a very modern legal system for procurement, effective implementation of the law may encounter difficulties in the current weak institutional structure and capacity of the Government. A Procurement Policy Unit (PPU) has now been established under the Ministry of Finance (MOF) to ensure the implementation through the creation of secondary legislation, standard bidding documents, provision of advice, and creation of the necessary information systems for advertising and data collection. “Rules of Procedure for Public Procurement” which details the better implementation of the Procurement Law has been issued by the MOF as circular number PPU/C005/1386 dated April 12, 2007. The Procurement Appeal and Review mechanism is in place and the Manual of Procedures for “Procurement Appeal and Review” has been issued by the MOF as circular number PPU/ N001/1385 dated March 18, 2007. The Procurement Law has been revised in July 2008 and amended in January 2009 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 957, 29.10.1387 (January 18,2009). The revised “Rules of Procedures for Public Procurement” has been issued as circular PPU/C027/1387 dated November 18, 2009.
2. The Special Procurement Commission, comprising of the Ministry of Education and the Ministry of Economy, under the chairmanship of the Minister of Finance approves high value contracts. The thresholds are being reviewed with consideration for an upward revision thus decentralizing the authority to the MOF. The present thresholds are available on the web site of the MOF (www.mof.gov.af).
3. For the current project, since MOE is accredited under the PP Law, no difficulties in implementation of procurement activities are foreseen, subject to regular inspection and assessment of procurement arrangements by the IDA.
4. Procurement Plan is attached herewith.

Procurement Plan

Sl .N o	Contract Referenc e	Description	Estimat ed Amount (USD)	Procurem ent Method	Revie w by Bank	Estimated date of announcem ent	Estimated date of contracting	Contra ct Period	National Preferen ce	Remarks
1	MOL/C- 1.1	Turnkey contract for Village Survey	220,000	FBS	Prior	Sept 15, 2012	Oct 15, 2012	3 month s	N	
2	MOL/C- 1.2	Turnkey contract for VET Institutional survey (VET Schools)	25,000	FBS	Post	Sept 15, 2012	Oct 15, 2012	3 month s	N	
3	MOLC/C -1.3	Turnkey contract for VET Institutional survey (informal service providers)	36,000	FBS	Post	Sept 15, 2012	Oct 15, 2012	3 month s	N	
4	MOL/C- 1.4	Turnkey contract for Employer survey	60,000	FBS	Prior	Sept 15, 2012	Oct 15, 2012	3 month s	N	
5	MOL/C- 2	Design and Structuring of MIS	10,000	IC	Post	Sept 15, 2012	Oct 15, 2012	2 month s	N	
6	MOL/C- 3	Hiring of Project Manager for PPU	12,000	IC	Post	Sept 15, 2012	Oct 05, 2012	4 month s	Y	
7	MOL/C- 4	Hiring of Finance Officer for PPU	10,000	IC	Post	Sept 15, 2012	Oct 05, 2012	4 month s	Y	
8	MOL/C- 5	Hiring of Procurement	10,000	IC	Post	Sept 15, 2012	Oct 05, 2012	4 month	Y	

		Officer for PPU						s		
9	MOL/C-6	Hiring of M&E Officer for PPU	8,000	IC	Post	Sept 15, 2012	Oct 05, 2012	4 months	Y	
10	MOL/C-7	Hiring of Survey Consultant	10,000	IC	Post	Sept 15, 2012	Oct 05, 2012	5 months	Y	
11	MOL/C-8	Hiring of Data Programmer	5,000	IC	Post	Sept 15, 2012	Oct 05, 2012	2 months	Y	
12	MOL/C-9	Hiring of Data Entry Operators-5 nos	10,000	IC	Post	Sept 15, 2012	Oct 05, 2012	2 months	Y	
13	MOL/C-10	Hiring of Data Entry Supervisor	3,000	IC	Post	Sept 15, 2012	Oct 05, 2012	2 months	Y	
14	MOE/C-1	Hiring of Consultant for PIM	48,000	IC	Post	Oct 30, 2012	Nov 30, 2012	3 months	N	

Incremental Operating Costs:

The cost which would be financed by the project would be procured using the implementing agency's administrative procedures, which were reviewed and found acceptable to the Bank. The incremental operating expenses incurred on account of Project Preparation, including car rentals, offices rentals, office supplies, communication charges, including internet charges, insurance costs, office administration costs, banking charges, utility charges, domestic travel and per diem allowances as per the GoA guidelines, but excluding salaries of officials of the recipient's civil service.