REPORT NO.: RES40519

DOCUMENT OF THE WORLD BANK

Restructuring Paper

On a

Proposed Project Restructuring

Of

KZ Skills and Jobs Project

Approved on March 30, 2015

To

Republic of Kazakhstan

Education

Europe and Central Asia

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Country Director: Lilia Burunciuc
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Practice Manager/Manager: Harry Anthony Patrinos
Task Team Leader(s): Alexandria Valerio
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P150183</td>
<td>Investment Project Financing</td>
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<th>Original EA Category</th>
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<td>Partial Assessment (B)</td>
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<table>
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<tr>
<th>Approval Date</th>
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<td>30-Mar-2015</td>
<td>30-Jun-2020</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>REPUBLIC OF KAZAKHSTAN</td>
<td>Minister of Labor and Social Protection of Population</td>
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</table>

Project Development Objective (PDO)

Original PDO

The proposed Project Development Objectives (PDO) are to improve employment outcomes and skills of target beneficiaries and to improve the relevance of technical and vocational education and training and higher education programs.

Summary Status of Financing

<table>
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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Net Commitment</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
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1. This restructuring seeks an eighteen-month extension of the Project closing date from June 30, 2020 to December 31, 2021, following the request of the Ministry of Finance (MoF) dated January 22, 2020. This would be the first extension beyond the original closing date. It will allow the Project to complete on-going and planned activities that are necessary to achieve the Project Development Objective (PDO).

2. The Project was designed to assist the Government of Kazakhstan (GoK) to improve employment outcomes and skills of target beneficiaries and increase the relevance of technical and vocational education and training (TVET) and higher education (HE) programs. The Project is implemented by the Ministry of Labor and Social Protection of the Population (MLSP). The original Project budget was USD 137 million (73 percent or USD 100 million - IBRD loan, and 27 percent or USD 37 million - co-financing from the GoK).

3. On September 17, 2018 the GoK sent a request to the World Bank (the Bank) to reduce the scope of the project for better alignment with all programs and activities under the MLSP’s mandate. In line with the request, the Bank cancelled an amount of the Loan equal to USD 55.2 million from Category (1) Goods, non-consulting services, consultants’ services, Operating Costs and Training. The current Project budget is now USD 61.4 million (USD 44.8 million - Loan, and USD 16.6 million - co-financing).

4. Although the Project has faced several delays since its effectiveness and its PDO and Implementation Progress (IP) ratings remain MU, over the last eight months the Project has demonstrated encouraging progress. Recent developments suggest strong potential to achieve project objectives, although on a smaller scale than originally envisioned. Below is a detailed description of project implementation status by components:

5. Component 1 “Building the Foundation of a National Qualifications System (NQS)” aims to enhance the institutional capacity for improving the relevance of TVET, HE and in-service training. Activities are implemented within the respective subcomponents: 1.1. Occupational Standards (OS), 1.2. Educational Programs, and 1.3. Qualifications Assessment and Certification System. Subcomponents 1.1 and 1.2 are progressing steadily towards reaching the PDO indicators. Project extension is required to achieve PDO objectives related to Subcomponent 1.3.
   • Subcomponent 1.1. Enhancement of OS, including improvement of approval and updating processes. Activities under this subcomponent were completed. This includes update of guidelines and development and approval of 550 OS. The final batch of OS was approved by the National Chamber of Entrepreneurs “Atameken” (NCE) in January 2020. In addition, 36 Sector Qualifications Frameworks (SQF) were developed and approved by respective sectoral ministries.
   • Subcomponent 1.2. Development and implementation of a framework to review and update educational and training standards and curricula for TVET and HE. To date, 70 out of 115 educational programs (EPs) for TVET and HE based on OS were developed. Procurement for the development and approval of the final 45 EPs is in the final stages. Project extension is needed to finalize development of the EPs.
   • Subcomponent 1.3. Development of a roadmap for establishing an independent qualifications assessment and award system through provision of technical support for piloting sector-specific skills testing and certification centers. Activities related to the development of the independent qualifications system are delayed, as MLSP terminated a large contract for this activity due to non-delivery of the tasks by the contractor. Per an agreed action plan and consistent with the subcomponent design, the MLSP moved forward with several procurement packages to replace this assignment. The ToRs were approved by the Bank in August 2019, and the Project extension is needed to finalize procurement processes.
6. Component 2. “Enhancing Skills for Improved Employment Outcomes and Productivity”. The component aims to improve public employment centers (ECs), assess training providers (TPs) and to provide Skills Enhancement Training Programs (SETP) to the unemployed, unproductively self-employed and current employees in need of training (target beneficiaries).

   • Subcomponent 2.1. Improvement of public employment services for unemployed and unproductive self-employed individuals. The subcomponent focuses on implementing the action plan developed after extensive needs assessment of the ECs that was carried out in 2017-2018. The central activities are focused on equipping the EC with IT items and conducting extensive capacity building training for EC staff. In 2019, a server was installed, and IT equipment was delivered to ECs and rayon akimats within the framework of two large-scale contracts. Capacity building of EC staff is implemented according to schedule and will be completed by May 2020.

   • Subcomponent 2.2. Improving the relevance of workforce training. The project developed a large-scale assessment tool to evaluate the capacity of more than 700 TPs in the country. The project design envisaged that TPs would receive support through the project to improve their performance. However, this was stalled given the delays in implementing the SETP, which are meant to be in line with training for TPs. It was agreed with the MLSP that TPs enhancement will be envisioned in the SETP implementation contracts. Project extension is needed to implement this activity.

   • Subcomponent 2.3. Establishment and implementation of the SETP. The implementation of Schemes A (training for the unemployed and unproductively self-employed) and B (current employees in need of training) of the SETP is substantially behind schedule. The MLSP was not satisfied with the deliverables provided by the contracted firm hired to assist in the design and launch of the SETP and terminated the firm’s contract. Several options to reactivate the design of new training schemes have been discussed; and after some deliberations, the MLSP has decided to align the new training schemes with the OS component focusing on several priority economic sectors and regions. A central feature of the newly proposed training scheme entails linking the results of the Component 1 (NQS) with the training programs. Currently, none of the government financed short-term training schemes incorporate elements of the NQS. The MLSP jointly with the Bank team will work on developing an operational plan to turn OS into short-term training within the SETP framework and launch sector-specific training pilots by the end of March 2020.


   • Overall, 53 large consultancy contracts were implemented and closed, seven ongoing contracts are expected to close by June 2020, procurement for four packages is ongoing, and procurement for eight more packages will be initiated after project extension.

   • Project Management Unit (PMU) strengthening. The PMU has been operating below its technical and operational capacity throughout 2019; however, the MLSP is currently finalizing the selection processes to hire the required technical specialists for the pending activities.

   • Contract management and problem contracts. As of December 2019, there were eight contracts with unresolved issues that have been pending for over 18 months. Since then, moderate progress has been made to resolve contracts with pending issues.

   • Monitoring and Evaluation (M&E) and Outreach. The subcomponent implements outreach and information communication campaign (ICC), M&E and Feedback and Response Mechanism (FRM). The ICC and FRM contracts are in place. The M&E contract was awarded in 2018, however, due to restructuring and subsequent scaling down of the activities, the contract was re-negotiated and reduced in scale. The contracting company agreed to reduction in scope. The contract signing is contingent on project extension.
8. The extension of the Project is essential for the achievement of the PDO, namely: (a) finalize development of educational programs for TVET and education based on OSs (subcomponent 1.2); (b) design a master plan for establishing the National Qualifications Authority (subcomponent 1.3), (c) provide technical support to training providers (subcomponent 2.2); and (d) provide SETP for the unemployed, unproductively self-employed and current employees in need of training (subcomponent 2.3).

9. Critical conditions for the success of the extended project. During the discussions with the MLSP it was stressed that the following actions are taken as a matter of priority before the Bank management approves the request for extension of the closing date: (i) time-bound plan to resolve problem contracts; (ii) strengthened PMU, with enough technical staff to supervise each subcomponent; and (iii) official plan and timeline to implement the project-financed SETP to be prepared by the end of March 2020. As of today, MLSP is finalizing the SETP timeline and the PMU staff selection process is nearly complete. Decisions on the remaining six problem contracts are expected by March 2020.

10. Project financial management (FM) arrangements, including budgeting and planning, accounting, financial reporting, external audit, funds flow and staffing will not change during the extended period. The last risk-based FM Implementation Support and Supervision mission confirmed that FM arrangements established by the PMU with respect to the project, are overall adequate and acceptable to the Bank. The Project is in compliance with FM conditions of the legal agreement, including timely submission of the IFRs and annual audited financial statements. There are no overdue audits under the Project.

11. The counterpart acknowledged the need to further improve procurement arrangements. A lack of coordination among the relevant departments of the MLSP and the PMU as well as inadequate contract management (CM) continue to impact negatively the procurement/contract management process. There is a need to establish the effective CM process for all consultancy assignments. This is a critical tool for ensuring that the consultant and the client meet their contractual commitments to time, cost, quality and other agreed matters. It requires systematic and efficient planning, execution, monitoring, and evaluation to ensure that both parties fulfil their contractual obligations with the ultimate goal of achieving value for money and contractual results. To this end, the MLSP has hired an experienced procurement specialist, who had earlier worked extensively on the Project. The next procurement post review mission (April-May 2020) will verify the implementation of recommendations related to the CM process.

12. Disbursement: The estimated disbursement in 2020 is USD 9.1 million (USD 6.7 million (Loan), USD 2.4 million (co-financing)) in FY 2020, and the loan disbursement ratio is expected to increase from current 32.8 percent to 47.8 percent.

13. Decision. In view of the above, the team requests an eighteen-month extension of the Loan Closing Date to December 31, 2021. This will significantly increase the likelihood that the Project meets its development objectives.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)
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