

AIDE MEMOIRE OF THE ASIAN DEVELOPMENT BANK
OF
LOAN 3166/67- CAM: TECHNICAL AND VOCATIONAL EDUCATION AND
TRAINING SECTOR DEVELOPMENT PROGRAM (TVETSDP)
A Loan Review (take-over) Mission, 23-26 February 2016

I. INTRODUCTION

1. A loan review mission (the Mission)¹ of Loans 3166/3167-CAM: Technical and Vocational Education and Training Sector Development Program (the Program/TVETSDP) was fielded in Cambodia from 23 to 26 February 2016. The Mission (i) reviewed the status of the policy reform actions and progress of the investment loan activities; (ii) addressed the implementation challenges and provided the supports and advice; (iii) confirmed the safeguard compliance, loan covenants and gender aspects; and (iv) helped the Project Coordination Unit (PCU)/the executing agency (the EA) to update the key project documents including the contract awards and disbursements (CAD) projections and the procurement plan.

2. The borrower of the loan is the Ministry of Economy and Finance (MEF), and the EA of the loan is the Ministry of Labour and Vocational Training (MLVT). The implementing agency (IA) is the Directorate General of Technical and Vocational Education and Training (DGTVET) established under the MLVT.

3. This Aide Memoire (AM) records the Mission's discussions and agreements reached with officials of MEF and MLVT. This AM is subject to the approval of higher authorities of the Royal Government of Cambodia (RGC) and the Asian Development Bank (ADB). The following appendices are attached (i) Appendix 1: A List of peoples that the Mission met; (ii) Appendix 2: Updated Procurement Plan; and (iii) Appendix 3: Updated Status of the Compliance of the Loan Covenants.

II. PROGRAM PROFILE

4. TVETSDP was approved by ADB on 26 September 2014, in special drawing rights (SDR)19,428,000 (\$30.0 million at the time of loan negotiations on 2 to 3 July 2014) which consists of: SDR4,533,000 (\$7.0 million) for the policy-based loan and SDR14,895,000 (\$23.0 million) for the project loan. Both program and project loans are financed from Asian Development Fund (ADF) resources. Loan Agreements were signed on 27 October 2014. The loan declared effectiveness as of 9 January 2015. The first tranche of \$3 million was released upon the effectiveness.

¹ The Mission composed of Ms. Eiko K. Izawa, Mission Leader/Senior Education Specialist (SEHS), Mr. Sophea Mar, Co-Mission Leader/Senior Social Sector Officer, CARM, Ms. Mia Hyun, Mission Member/Social Development Specialist, CARM, Sokunthea Sok, Mission Member/Senior Procurement Officer, CARM, Ms. Mariangela Medina, Mission Member/Project Analyst, SEHS, and Mr. Sopheark Mith Chea, Mission Member/Project Analyst, CARM.

5. The TVETSDP was approved is building on satisfactory achievements made under the Strengthening Technical Vocational Education and Training Project,² which was closed on 31 July 2015. The program will assist the RGC to meet the objectives of the Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III, and its National Strategic Development Plan, 2014-2018 through (i) increased access to TVET programs, particularly for women and the poor; (ii) improved quality and relevance of the TVET system; (iii) increased involvement of employers in TVET delivery; and (iv) strengthened governance and management of TVET system.

6. The impact of the TVETSDP is increased employability of TVET-certified workers and the outcome of the program is an accessible, demand-driven TVET system responsive to continuing and emerging labor market demands. The program is expected to achieve the outcome through four outputs: (i) Output 1. Increased access to technical and vocational education and training programs; (ii) Output 2. Improved quality and relevance of technical and vocational education and training system; (iii) Output 3. Increased involvement of employers and vocational education and training delivery; and (iv) Output 4. Strengthened governance and management of the TVET system.

7. The Program has been administered by the Human and Social Development Division (SEHS) since its effectiveness. However, to provide tailored supports, it is decided that the responsibility of the administration will be delegated to ADB's Cambodia Resident Mission (CARM). The Mission is a take-over mission and the new project team members joined the mission from CARM. Currently the additional co-financing from the AFD has been processed and \$15 million will be provided to the RGC upon ADB's board approval. It is also agreed with the RGC that administration of the additional co-financing loan will also be delegated to the CARM upon the approval of the financing. Subject to the approval of the ADB management, it was agreed with the RGC and ADB that the project will be delegated to CARM effective 1 April 2016. After this date, all project documents and queries will be submitted from the RGC primarily to the CARM.

III. PROGRAM STATUS AND MISSION FINDINGS

A. Status of the Actions Required by Loan Agreements

8. The project loan agreement requires the following time-bound actions to be taken.

9. **Establishment of Project Coordination Unit, PCU (Fully complied).** The Mission confirmed that the PCU was established in June 2015. The policy document was also submitted and approved by ADB.

10. **Selection of 4 TVET Institutions to Host Centers of Excellence, COEs (Fully complied).** The four beneficiary training institutions have been selected since April 2015. The Mission was informed that there are still some more paper works needed within the RGC.

² ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Kingdom of Cambodia for the Technical and Vocational Education Sector Development Program*. Manila (Loans 3166/3167-CAM).

11. **Establishment of Project Steering Committee, PSC (Fully complied).** The Mission confirmed that the PSC was established in May 2015 and the 1st general meeting was held on 22 June 2015.

12. **DGTVET's Recurrent Budget (Being complied).** The Mission has confirmed that the EA has committed to securing the necessary recurrent budget for the implementation of the Project. The Mission noticed that the EA is in the middle of discussion with MEF in terms of the cost norm which includes provision for (a) start-up cost associated with delivery of training courses for certificate training program (CQF levels 2-4) and operations and maintenance costs for women's dormitories, (b) Centers of Excellence, and (c) assessment management centers. The Mission explained that the unit cost of the project activities should have been agreed with the RGC in the project preparation stage and the amount of supports was technically identified as necessary to address the demand-side issues of limited access of the disadvantaged groups to the TVET. The Mission suggested the EA to prepare the Training Plan of the whole training activities under the Project as well as the detailed implementation plan (DIPs) for some major training activities including the cost estimates for approval of the RGC.

13. **Grievance Redress Mechanism. Website created under developed under NTB website (Fully complied).** As stipulated in Schedule 5 of the Loan Agreement, a grievance redress mechanism should be developed to manage and resolve project-related complaints within 6 months of the Effective Date. The EA confirmed that the TVETSDP webpage has been created as part of the National Training Board's (NTB) website which used to be utilized for the previous ADB Grant and TA projects. The Mission recommended that the updated procurement information, good governance framework, the project progress reports, and other project related information should be uploaded in the website regularly.

B. Progress of the Policy Reform Actions

14. **Status of Policy Reform Actions for the 2nd Tranche under Policy-based Loan (PBL).** The policy-based loan (Loan 3166) has two tranches. The first tranche of SDR2,266,500 (\$3.0 million) was released on 13 April 2015 after MLVT fully complied with all five policy actions. The release of the second tranche, which is equal amount to the first but depending on SDR to US Dollar conversion at the disbursement time, is conditioned full compliance of five policy actions by end 2017. A summary of progress for each policy action for the second tranche release is provided below:

- (i) **Policy Action T2.1.** Draft parakas (Minister Order) to approve the Vocational Skills Certificate (VSC) at Level 1 of the CQF as an alternative entry requirement into the formal TVET system (Level 2 of CQF) has been drafted. The expected schedule is the same before. The Paraks will be ready Q3 2016 and the guidelines by Q2 2017. DGTVET's Department of Standards and Curriculum Development is assigned to be responsible for this policy
- (ii) **Policy Actions T2.2 and T2.3.** While the reform has been initiated, the EA/IAs need the technical inputs from the loan implementation consultants. The Mission suggested the EA confirm with the loan implementation consulting firm to field the respective consultants as soon as possible. The DGTVET's Department of Standards and Curriculum Development is assigned to be responsible for this policy actions.

- (iii) **Policy Action T2.4.** DGTVET has been working on establishment an interagency working group for development a national TVET policy. The Mission was informed that the CDTA8942-CAM: Strengthening Capacity Development for National Skills Development processed by CARM has been assisting DGTVET to comply with this reform action. It is expected that the policy will be approved by the Government in 2017. DGTVET's Policy and Strategy Department is responsible for this policy action.
- (iv) **Policy Action T2.5.** It is confirmed that technical expertise from the project implementation consultants are needed to support DGTVET to develop an internship policy to be approved by the National Training Board for submission to ADB in 2017. The Mission suggested that not only the Department of Training but also the National Technical Training Institute (NTTI) should proactively involve in this reform. DGTVET's Department of TVET Institution is responsible for this policy action.

15. Overall, the Mission considered that the policy reform actions have started being taken. The Mission assessed that with continued support from the ongoing CDTA/loan consultants, it is expected that the Program will achieve all conditions for the 2nd tranche as scheduled. The Mission explained to the EA that ADB would field the progress review mission to confirm the status of the compliance of the policy reform actions to prepare the progress report for the 2nd tranche release.

C. Progress of the Project Activities

16. **Output 1: Increased access to TVET Programs.** The Mission reviewed the progress and status of all sub-outputs under Output 1. Most of the activities are still under the preparation. As mentioned under the policy action T2.1, the Minister Order on the VSC is being prepared, and the department of standards and curriculum development is reviewing the required qualifications for training pathways between VSC and certificate level 1 training program. The Mission recommended that the competency profiles of VSC for five sectors³ should be the completed prior the commencement of VST and SB training programs. The Mission was also informed that the draft recognition prior learning and current competency (RPL/CC) and outlining the rational for conducting competency assessment are being prepared. The Mission has also recommended that some civil works which are not linked to the policy-based loan and no need consultants' inputs should start immediately.

17. **Output 2. Improved quality and relevance of TVET System.** Similar to the Output 1, most of the activities under Output 2 and its sub-outputs are at the initial stage of preparation. The quality assurance department informed the mission that the quality assurance (QA) framework is being review, and the QA's implementation criteria has been drafted. The standards and curriculum department reported that competency-based training for certificate instructors have been organized. The Mission recommended the training department to review the implementation manuals, developed under the STVET Project, for VST and SB programs toward ensuring the competency-based training system.

18. **Output 3. Increased involvement of employers in TVET delivery.** The TVET institutions to host the Centers of Excellence (CoEs) have been identified (2 in Phnom Penh and 2 in provinces). The Mission recommended to work with the identified host institutions toward

³ Construction, auto-mechanics, ICT/business, manufacturing, and electrical work.

realizing the COEs' objectives. The Mission was informed that draft framework and guidelines for reforming internship program has been prepared. The Mission has also requested DGTVET to start drafting the operating procedures towards establishment of the sector skills councils. MLVT the Department of Institute Management is responsible for the activities under this Output.

19. **Output 4. Strengthened governance and management of the TVET system.** The PCU reported that some capacity training activities, especially for instructors for delivering the CQF level 3 training were organized during the last quarter 2015. The Mission was informed that the capacity assessment on result-based planning and budgeting and some pilot training for DGTVET staff responsible for planning and budgeting at technical department and training institute have been carried out under the CDTA8942-CAM. The Mission recommended the labor market department to review the formation system toward ensuring quality and accuracy of TVETMIS.

D. Implementation Issues

20. **Financial Performance.** The financial performance of the Project is not satisfactory. As of 9 February 2016, the elapsed loan implementation period since the effectiveness is at 20% (based on the original implementation period). To date, the Project has achieved cumulative contract awards of \$8,280 (0.04% of total project loan amount) and cumulative disbursements of \$1.00 million (4.82%). The Mission requested the EA/PMU to pay attention to the decrease of the net loan amount due to the fluctuation of the SDR appreciation. Current loan amount is at \$20.8 million. The Mission and the EA have agreed to carefully review the cost estimates of all major project activities. The updated loan ledger is shown below:

Loan Ledger as of 9 February 2016

		Allocation	Allocation Percentage	Contract	CA Percentage	Disbursement	Disbursement Percentage	Uncontracted Balance
01	Works (Net of Tax)	1,978,421.96	9.52%	-	-	-	0.00%	1,978,421.96
02	Mechanical & Equipment (Net of Tax)	3,433,636.42	16.52%	-	-	-	0.00%	3,433,636.42
03	Consulting Services (Net of Tax)	3,407,127.24	16.39%	-	-	-	0.00%	3,407,127.24
04	Training (Net of Tax)	7,994,610.60	38.47%	-	-	-	0.00%	7,994,610.60
05	Start-Up Costs and Contracts (Net of Tax) (Start Up Cost for Delivery of CQF Level 2 & Training by Public	1,473,352.32	7.09%	-	-	-	0.00%	1,473,352.32
06	Incremental Operations & Maintenance Costs (excluding salary of support for borrower counterpart staff)	542,740.58	2.61%	8,280.00	1.53%	-	0.00%	534,460.58
07	Interest Charge	668,320.24	3.22%	-	-	1,978.70	0.30%	668,320.24
08	Unallocated	1,283,602.40	6.18%	-	-	-	-	1,283,602.40
99	Imprest Account	1,717.20	0.01%	-	-	1,000,000.00	58234.33%	1,717.20
	Total	20,783,528.96	100.00%	8,280.00	0.04%	1,001,978.70	4.82%	20,775,248.96

21. **Contract Awards and Disbursement (CAD) Projections.** The Mission pointed out the necessity of the revision of the current CAD projections due to the extension of the loan implementation period associated with the additional cofinancing from AFD. Besides, since the Project's contract awards and disbursement projections for 2015 were not achieved, after the

actualization of the eOps data, the projected CAD amount for 2016 will be unrealistic. The Mission and the EA have discussed and agreed to revise the S-curve based on the updated procurement plan, the implementation schedule and current progress of each output activity. Below is the proposed revised S-curve which will be submitted to ADB's management for review and approval.

**Revised S-Curve based on Extended Implementation Period
(As of 26 Feb 2016 - L3167 Project Loan Only)**

	Contract Awards					Disbursement				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	1.00
2016		3.00	0.05	0.10	3.15	0.00	0.00	0.05	0.10	0.15
2017	0.10	0.10	0.10	0.20	0.50	0.10	0.20	0.35	0.35	1.00
2018	0.25	0.50	1.00	1.00	2.75	0.30	0.40	0.50	0.50	1.70
2019	1.00	1.00	1.00	1.50	4.50	1.00	1.00	1.00	1.00	4.00
2020	1.70	1.80	2.00	2.00	7.50	1.50	1.50	1.70	1.65	6.35
2021	1.60	0.80			2.40	1.80	1.70	1.40	1.05	5.95
			Total		20.80					20.15

22. **Submission of the Audited Project Financial Statements.** One of the loan covenants under the project loan is the submission of the audited project financial statements (APFS) 6 months after the end of the fiscal year. However, given the low level of actual expenditure for FY2015 which is less than 3% of the loan amount (project loan), it was agreed that the RGC shall request ADB to defer the submission of the 1st APFS of the project and to combine the APFS FY2015 and FY2016. The Mission explained to the EA that the official permission of the deferment of the APFS now needs to be consulted and agreed with the respective section of ADB's OSMFD. It was confirmed with the Mission and the EA that a formal request for defer should be submitted to ADB by MLVT.

23. **Opening of Sub-accounts under the IAs.** The Mission and the EA have agreed that all participating TVET institutes in these sub-components will need to open the sub bank accounts. To confirm this arrangement, it was agreed that the EA will send the letter to ADB (CARM) including the list of the IAs which needs the sub bank accounts and the list will be approved by ADB.

24. **Procurement.** The Procurement Plan was updated during the February 2016 review mission primarily to update estimated costs, revise procurement method, as appropriate, and provide status on advertisement dates. The Mission suggested that annual update of the procurement plan is ADB's mandate requirement, but in case the change in the procurement plan is necessary, MLVT could request/facilitate the updating the procurement plan anytime.

25. Given the very low level of contract awards and disbursements, the Procurement unit has been advised to hasten the preparation of the first NCB bidding documents for civil works and submit them to ADB. With the updated procurement plan, MLVT is expected to advertise 1

civil works package by Q2 2016 and 7 civil works packages by Q3 2016. Likewise, MLVT is expected to advertise 9 goods package between Q2 and Q4 of 2016. During the course of the mission, MLVT submitted 3 negotiated goods contracts for PCSS issuance. Updated Procurement Plan is attached in Appendix 2. The revised procurement plan will be submitted to ADB OSMFD for further review and approval.

26. **Consulting Services.** Contract for the project implementation consulting package was awarded in the 2nd week of February 2016. Notice to proceed has already been issued, and the consulting firm is expected to commence services on 1 March 2016. Total contract amount is \$3.01 million.

27. MLVT has encountered difficulties in the recruitment of the national environment and safeguards specialist. The 1st ranked candidate negotiated for a very high rate that could not be accommodated by the consulting service assignment budget. The 2nd and 3rd ranked candidates were no longer available for the assignment. MLVT will be requesting for ADB's approval for the termination of the ongoing bid. The Mission noticed that the additional cofinaicng from AFD will also finance the civil works of the new buildings whose construction sites are not cleared by the safeguard experts. It was agreed with RGC and ADB that the TOR and estimated cost of the safeguard consultants will be reviewed and revised. The CARM's safeguard officer will support the MLVT to finalize the bid document. Upon ADB approval, the package will newly be bid.

28. The recruitment of the site engineers (Phase 1, 3 experts) is on-going. Negotiated contract is expected to be submitted to ADB by 1st week of March. MLVT is also expected to start advertising for consulting services packages for the Social Marketing, and Studies on the Skills Bridging Program and Urban VSTP training by end of Q2 2016. The EA would explore a possibility in piloting the Women's Career Mentorship Program prior to the actual implementation.

E. Assurances

29. **Social Safeguards.** Based on the agreement during the loan inception mission in May 2015, the EA/IA have been recruiting a national safeguard consultant. However, as explained in the paragraph on the Consulting Services above, the recruitment of the safeguard consultant has been delayed and the site clearance reports are not ready yet. The Mission explained to the EA that the recruitment should be expedited and while the EA/IA are organizing the first bid on the civil works (up to the awarding the contracts), the safeguard reports need to be prepared and this is pre-requisite for awarding of the civil works contract. The TOR of the consultants should be reviewed and updated to include the necessary safeguard requirements under the additional cofinancing loan.

30. **Gender.** While the loan implementation consultant package includes a gender consultant, since the Project has not started major activities yet, the review and update of the Gender Action Plan will be discussed upon the fielding of the consultant. The Mission suggested the EA collect the gender-disaggregated data on the project activities from the beginning and agreed to provide sample of the updated GAP.

31. **Loan Covenants.** DGTJET and the Mission jointly reviewed the updated status of the loan covenants. The Mission assesses that the status for the project start-up covenants are generally satisfactory while many of the covenants are not year due. Updated status of the loan covenants for the program and project loans are shown in Appendix 3.

IV. CONCLUSION AND FUTURE ARRANGEMENTS

32. **General Conclusion.** The Mission assessed that overall the progress of the Program is slow while the Policy-based Loan (PBL) has shown some progress. There are several delaying factors for the implementation including the organizational restructuring of the MLVT carried out in June 2015, which has still affected the implementation framework. It is understandable that MLVT/DG TVET have been busy with discussing the processing of the additional co-financing from AFD. Yet, many project activities remain at planning/preparatory stage and the EA will urgently need to develop the DIPs of major workshops/training activities. Additional financing of \$15 million is expected to be released within Q1 2016 and MLVT/DGTVET are expected to implement both original loan and additional co-financing activities in a timely and effective manner. The Mission has agreed with the RGC that ADB will continue to provide intensive supports to the EAIAs.

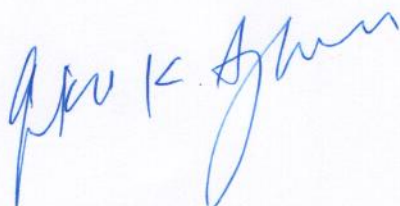
33. As explained above, the implementation period of the original loan will be extended by 18 months upon approval of the additional cofinancing and the adjustment of the CAD projections will be done shortly. In this regard, the performance rating of the Program is expected to be upgraded from 'the project with potential risk' to 'project on track' in Q2 2016. It is also expected that the loan consultants will be fielded and start supporting to the complex activities from March 2016. The Mission considers that the Program will physically catch up with the implementation schedule in early 2017.

34. **Next Mission Schedule.** Subject to approval of the Government and ADB management, it was agreed that ADB would field the next review mission in June 2016 while the CARM project team will start frequent review meetings with MLVT/DG TVET until the project will be on track. Originally the Mid-term review mission was scheduled in 2017, but since the implementation period of the loan will be extended, the Mission and the RGC have agreed that the MTR will be fielded in 2018.

V. ACKNOWLEDGEMENTS

35. The Mission extends its sincere appreciation for the support provided by MLVT, MEF, DGTNET and all technical departments and other TVET institutes in Phnom Penh, which were essential for the successful completion of the Mission.

Signed in Phnom Penh on 26February,2016



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