PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND PROJECT RESTRUCTURING

IN THE AMOUNT OF US$ 16.71 MILLION

TO THE

REPUBLIC OF BANGLADESH

FOR A

SKILLS AND TRAINING ENHANCEMENT PROJECT

September 25, 2013
CURRENCY EQUIVALENTS  
(Exchange Rate Effective June 30, 2013)

<table>
<thead>
<tr>
<th>Currency Unit</th>
<th>Equivalent</th>
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</thead>
<tbody>
<tr>
<td>Taka</td>
<td>77.97</td>
</tr>
<tr>
<td>US$1</td>
<td>1.50</td>
</tr>
<tr>
<td>SDR 1</td>
<td></td>
</tr>
</tbody>
</table>

FISCAL YEAR  
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AF</td>
<td>Additional Financing</td>
</tr>
<tr>
<td>BMET</td>
<td>Bureau of Manpower, Employment and Training</td>
</tr>
<tr>
<td>BTEB</td>
<td>Bangladesh Technical Education Board</td>
</tr>
<tr>
<td>C&amp;AG</td>
<td>Comptroller and Auditor General</td>
</tr>
<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
</tr>
<tr>
<td>CGA</td>
<td>Controller General Accounts</td>
</tr>
<tr>
<td>CONTASA</td>
<td>Convertible Taka Account</td>
</tr>
<tr>
<td>DTE</td>
<td>Directorate of Technical Education</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EMF</td>
<td>Environmental Management Framework</td>
</tr>
<tr>
<td>ERD</td>
<td>Economic Relations Division</td>
</tr>
<tr>
<td>GAAP</td>
<td>Governance and Accountability Action Plan</td>
</tr>
<tr>
<td>GOB</td>
<td>Government of Bangladesh</td>
</tr>
<tr>
<td>GPPA</td>
<td>Government’s Public Procurement Act</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFRs</td>
<td>Interim Financial Reports</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labor Organization</td>
</tr>
<tr>
<td>IPP</td>
<td>Indigenous Peoples Plans</td>
</tr>
<tr>
<td>ISC</td>
<td>Industry Skills Councils</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MOEWOE</td>
<td>Ministry of Expatriate Welfare and Overseas Employment</td>
</tr>
<tr>
<td>MOLE</td>
<td>Ministry of Labor and Employment</td>
</tr>
<tr>
<td>NSDC</td>
<td>National Skills Development Corporation</td>
</tr>
<tr>
<td>PAD</td>
<td>Project Appraisal Document</td>
</tr>
<tr>
<td>PDO</td>
<td>Project Development Objective</td>
</tr>
<tr>
<td>PIM</td>
<td>Project Implementation Manual</td>
</tr>
<tr>
<td>PPA</td>
<td>Public Procurement Act -2006</td>
</tr>
<tr>
<td>PPR</td>
<td>Public Procurement Rules</td>
</tr>
<tr>
<td>SMF</td>
<td>Social Management Framework</td>
</tr>
<tr>
<td>STEP</td>
<td>Skills and Training Enhancement Project</td>
</tr>
<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President</td>
<td>Philippe H. Le Houerou</td>
</tr>
<tr>
<td>Country Director</td>
<td>Johannes C.M. Zutt</td>
</tr>
<tr>
<td>Sector Director</td>
<td>Jesko S. Hentschel</td>
</tr>
<tr>
<td>Sector Manager</td>
<td>Amit Dar</td>
</tr>
<tr>
<td>Task Team Leader</td>
<td>Md. Mokhlesur Rahman</td>
</tr>
</tbody>
</table>
BANGLADESH

RESTRUCTURING AND ADDITIONAL FINANCING
SKILLS AND TRAINING ENHANCEMENT PROJECT

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### Basic Information - Additional Financing (AF)

- **Country Director:** Johannes C.M. Zutt
- **Sector Director:** Jesko S. Hentschel
- **Team Leader:** Md. Mokhlesur Rahman
- **Project ID:** P145118
- **Expected Effectiveness Date:** October 7, 2013
- **Lending Instrument:** IPF
- **Additional Financing Type:** Scale up

**Sectors:** Vocational training (100%)

**Themes:**
- Education for the knowledge economy (75%)
- Technology diffusion (10%)
- Export development and competitiveness (10%)
- Decentralization (5%)

**Environmental category:** B

**Expected Closing Date:** June 30, 2016

### Basic Information - Original Project

- **Project ID:** P090807
- **Project Name:** Skills and Training Enhancement Project
- **Lending Instrument:** SIL

**Environmental category:** B

**Expected Closing Date:** June 30, 2016

### AF Project Financing Data

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Amount (US $m)</th>
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</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
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</tr>
<tr>
<td>Co-financing: MDTF Borrower</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

### AF Estimated Disbursements (Bank FY/US$m)

<table>
<thead>
<tr>
<th>FY</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>5.1</td>
<td>9.5</td>
<td>1.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Cumulative</td>
<td>5.1</td>
<td>14.6</td>
<td>16.1</td>
<td>16.7</td>
</tr>
</tbody>
</table>
Project Development Objective and Description

Original project development objective: The Project Development Objective (PDO) is to strengthen selected public and private training institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds. The PDO of the project will remain unchanged.

Project description: The proposed Additional Financing would provide additional support to the original project and will support the following components:

Component 1: Improve the Quality and Relevance of Training
Component 2: Pilots in Technical and Vocational Education and Training (TVET)
Component 3: Institutional Capacity Development
Component 4: Project Management, Communications, and Monitoring and Evaluation

Safeguard and Exception to Policies

<table>
<thead>
<tr>
<th>Safeguard policies triggered:</th>
<th>[x]Yes [ ] No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
<td>[ ]Yes [x] No</td>
</tr>
<tr>
<td>Natural Habitats (OP/BP 4.04)</td>
<td>[ ]Yes [x] No</td>
</tr>
<tr>
<td>Forests (OP/BP 4.36)</td>
<td>[ ]Yes [x] No</td>
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<tr>
<td>Pest Management (OP 4.09)</td>
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<tr>
<td>Physical Cultural Resources (OP/BP 4.11)</td>
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<tr>
<td>Indigenous Peoples (OP/BP 4.10)</td>
<td>[x]Yes [ ] No</td>
</tr>
<tr>
<td>Involuntary Resettlement (OP/BP 4.12)</td>
<td>[ ]Yes [x] No</td>
</tr>
<tr>
<td>Safety of Dams (OP/BP 4.37)</td>
<td>[ ]Yes [x] No</td>
</tr>
<tr>
<td>Projects on International Waterways (OP/BP 7.50)</td>
<td>[ ]Yes [x] No</td>
</tr>
<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)</td>
<td>[ ]Yes [x] No</td>
</tr>
</tbody>
</table>

Does the project require any waivers of Bank policies? [ ]Yes [x] No

Have these been endorsed or approved by Bank management? N/A [ ]Yes [ ] No
1. This Project Paper seeks the approval of the Regional Vice President for an Additional Financing (AF) Grant in an amount of US$16.71 million through the Multi Donor Trust Fund support for the Bangladesh Skills and Training Enhancement Project (STEP) (P090807). The paper also seeks approval of Level-II restructuring of the original project. The proposed restructuring entails changes to the Results Framework and a reallocation of Credit proceeds which are described in Section III below.

2. The project interventions are fully in line with the country’s sector strategy and the Bank’s Country Assistance Strategy (CAS). The CAS¹ (2011-14) recognizes the challenge of skills gaps and needs in Bangladesh, its impact on Bangladesh’s competitiveness in the global market, and its effects on Bangladesh’s export led growth, as a mainstay of the Bangladeshi economy. The National Skill Development Policy of Bangladesh (2010-2015) clearly mentions the need to view the Technical and Vocational Education and Training (TVET) sector with an integrated approach where public, private and other organizations work in a coordinated fashion towards better delivery of skills in the country. Through poverty targeted demand interventions, the project contributes to eliminating extreme poverty and boosting shared prosperity for the bottom 40% people of Bangladesh.

3. The proposed AF would help finance the costs associated with the need to provide additional resources under the original components of the project: (i) to scale up ongoing institutional grants to additional public and private institutions, (ii) to fill the funding gap for stipends which emerged as a result of higher demand for the poverty-targeted stipends than originally estimated, and (iii) to scale up capacity building, studies, communications and monitoring and evaluation activities. The Project Development Objective (PDO) would remain unchanged.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

4. The original STEP was approved on June 10, 2010 and the Credit became effective on August 22, 2010. The Closing Date is June 30, 2016. The PDO is to strengthen selected public and private training institutions to improve training quality and employability of trainees, including those from disadvantaged socioeconomic backgrounds. The original project includes the following four components:

5. **Component 1: Improve the Quality and Relevance of Training (Total original estimated costs US$72.9 million - IDA US$65.4 million).** This component has two subcomponents: (i) Support to Public and Private Institutions offering Diploma Programs (Window 1), and (ii) Support to Public and Private Institutions offering Short-Term Programs (Window 2). Window I supports about 25-30 public and private institutions’ offering diploma level programs. The support includes grants for institutional development, stipends for disadvantaged students, and filling up the vacant positions of teaching staff. These institutions are chosen on the basis of well-defined eligibility and selection criteria. Window II supports about 40-50 public and private institutions providing short-term vocational and technical training. Eligibility and selection criteria, similar to those used under Window I, are also used to identify institutions that receive financing under this project.

6. **Component 2: Pilots in Technical and Vocational Education and Training (TVET) (Total original estimated costs US$5.5 million - IDA US$5.3 million).** This component supports two types of pilot activities in the TVET sector. These pilots are aimed at strengthening the overall TVET system through (i) direct start-up and operational support to Industry Skills Councils (ISC)² and to the National Skills

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¹ Pillar 3, Outcome 3.4 of the CAS.
² Private institutions must share 10% of expenditure in cash or kind.
³ Established through the EC-ILO Project.
Development Council (NSDC); and (ii) support to Secondary School Certificate (Vocational) schools to determine the most effective means by which these programs can be strengthened.

7. **Component 3: Institutional Capacity Development (Total original estimated costs US$4.7 million - IDA US$4.4 million).** This component focuses on strengthening the capacity of the government to manage the TVET sector as a whole by way of institutional capacity development of the Directorate of Technical Education (DTE), the Bangladesh Technical Education Board (BTEB) under the Ministry of Education (MOE), and the Bureau of Manpower Employment and Training (BMET) under the Ministry of Expatriate Welfare and Overseas Employment (MOEWOE).

8. **Component 4: Project Management, Communications, and Monitoring and Evaluation (Total original estimated costs US$4.9 million - IDA US$3.9 million).** This sub-component finances key consultants and operational staff for project management and monitoring and evaluation, and supports improvements in system management and implementation of reforms through training of policy planners, managers, and administrators, and enhanced communication with key stakeholders.

9. The total project cost is US$88 million, of which IDA commitment is US$79 million equivalent. Of the total IDA Credit, US$26 million (33%) has been disbursed and the pending balance of US$53 million is fully committed.

### Table 1. Progress as of June 2013

<table>
<thead>
<tr>
<th>PDO</th>
<th>Project Outcome Indicators</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project development objective is to strengthen selected public and private training institutions to improve training quality and employability of trainees, including those from disadvantaged socioeconomic backgrounds.</td>
<td>Pass-rates of supported polytechnic students</td>
<td>Pass rates of supported polytechnic students reached to 68% which is above the end of project target of 60%.</td>
</tr>
<tr>
<td></td>
<td>Employment rates for trainees of Short-term Courses within 6 months of course completion</td>
<td>Data is expected to be available in November 2013</td>
</tr>
<tr>
<td></td>
<td>Number of students supported by stipends</td>
<td>The number of stipend beneficiaries reached 68,000 as opposed to the original target of 40,000</td>
</tr>
<tr>
<td></td>
<td>Achievements in vocational competencies assessed on a sample basis</td>
<td>This activity will be implemented as part of Recognition to Prior Learning (RPL) activities by the academic year of 2014</td>
</tr>
</tbody>
</table>

#### Status of Legal Covenants

10. All covenants, except one, have been complied with satisfactorily. The covenant relating to “…additional amount equivalent to the revenues generated by the public training institution in the previous year to the respective training institution” has been delayed due to the requirement of change in treasury laws and cannot be resolved through decision-making at the Directorate of Technical Education or Ministry of Education level. This is being discussed with the government to find a workable resolution. The detailed status of covenants is given in Annex 7.
Mid-Term Review

11. Mid-Term Review for the Skills and Training Enhancement Project (STEP) was carried out from February 17-28, 2013. The progress towards achievement of PDO was rated Satisfactory. Based on project implementation experience since effectiveness, this MTR recommended that a second order restructuring with adjustments in the components and sub-components was necessary to improve implementation performance of the project. Proposed restructuring mainly include reallocation of resources from Category II to Category I towards filling the funding gap under the stipend program due to greater than estimated demand from target beneficiaries. Based on the findings from the evaluation of the SSC (Voc) program, the MTR recommended downsizing of the proposed SSC (Voc) pilot towards an operational pilot aiming to establish an institutionalized apprenticeship program that will strengthen the labor market linkages of SSC (Voc) institutions. The MTR also recommended allowing all female students in eligible institutions for stipend support, which would increase the participation rate of female students in technical education, and will also help decrease their drop-out rate (Annex 8).

Rationale for AF Support:

12. STEP’s contribution has been significant, and the project contributes to Bangladesh’s medium to long-term objective of developing its human resources as a cornerstone of its strategy for poverty alleviation and economic growth. The proposed additional financing would allow the project to further contribute towards scaling up the number of institutional grants to additional public and private institutions to meet greater demand, and to fill the funding gap towards stipends, which emerged as a result of higher demand for the poverty-targeted stipends than originally estimated.

13. Scaling-up Components 1 and 2. With AF, STEP would scale up implementation in three ways. First, 3 to 5 private diploma institutions for implementation grants and stipends will be added. STEP has supported a mix of public and private institutions—both short-term training and long-term formal Diploma level training. The weight of support in the original project has been towards public sector institutions under both Windows of Component 1. The AF has provided the means to bring support to more private training institutions. This is especially pertinent for private Diploma offering institutions as they find it difficult to raise sufficient resources on their own due to the costs associated with overheads such as machinery and equipment. Second, additional public and private short-term training providers will also be supported through AF, as there is greater demand for short-term training as evidenced by the higher number of applicants than training seats available. Third, based on experience under Component 2, the AF will cover the establishment of the specific offices of a few additional ISCs or NSDC.

14. Only one out of ten students is female in polytechnic institutes, and the female drop-out rate is almost twice as much as that of males. In contrast, only 12 percent of the stipend beneficiaries are girls; most girls who apply do not get selected for stipend support as very few of them are from extremely poor families. Apparently, the high opportunity cost of studying for four years given the availability of jobs in garments and in other industries is the biggest reason for the high drop-out rate of girls. Therefore, the MTR recommended allowing all female students in eligible institutions for stipend support, which would increase the participation rate of female students in technical education, and will decrease the drop-out rate.

15. Scaling-up Components 3 and 4. The original project included the development of Recognition of Prior Learning (RPL) programs, however, the specific interventions and costs were to be reviewed and confirmed during the MTR. The MTR confirmed that additional financing will be required to finance the establishment of about 10 small skills testing centers as this was not covered under the original project. Further, the AF will help in enhancing the capacity of DTE, BTEB, and BMET and enhancing project capacity to undertake more communication and mobilization activities, including enhancement of the
social profile of technical and vocational education and training. It will continue to support the monitoring and evaluation of project progress and outcomes.

16. **Restructuring of Component 2.2 - Strengthening the Secondary School Certificate (Vocational) – SSC (Voc):** The original aim of the component was to design a pilot and conduct a rigorous impact evaluation of different interventions and strategies to improve the effectiveness of SSC (Voc) training opportunities. For the MTR, STEP conducted a situation analysis of the SSC (Voc) system for assessing strengths and weaknesses of these programs that could be used to design the pilot and evaluation. Based on the findings of the study, it was agreed during the MTR that STEP would finance an operational pilot whose design would respond to one of the key findings of the assessment study – the disconnect between SSC (Voc) programs with employers’ skill needs. The operational pilot aims to establish an institutionalized apprenticeship program that will strengthen the labor market linkages of SSC (Voc) institutions, by mobilizing various stakeholders, preparing operations manuals, and initiating the necessary legal environment.

III. **PROPOSED CHANGES**

17. **Results Framework.** The Results Framework has been reviewed and revised to reflect the proposed restructuring and the expanded scope of the project due to AF (Annex 1). The following five indicators would be the revised:

   (i) PDO Indicator - Number of students supported by stipends: (a) This indicator will be revised as “Number of disadvantaged students supported through stipends selected based on household information based selection criteria”; (b) the target number of total of beneficiaries will increase from 32,000 to 97,000 (or 160,000 student years to 250,000 student years);

   (ii) PDO Indicator - Achievements in vocational competencies assessed on a sample basis. This indicator will become an intermediate outcome indicator because the nature of this activity is testing a new assessment concept and is part of the larger system improvement rather than an objective itself under the STEP.

   (iii) An intermediate outcome indicator - Internal revenue generated as a share of recurrent expenditure (%) - will be dropped. This indicator was originally introduced for making the provision of autonomy to the technical institutions more meaningful, and to reduce the fiscal burden on the government. However, as it requires a change in the law that is expected to take a relatively long time, it is unlikely that such a revision to allow public institutions to levy own fees will take place during the project period.

   (iv) An intermediate outcome indicator - Reduction in share of vacancies in sanctioned faculty posts in supported courses within 18 months of project effectiveness - is reworded as “Reduction in share of vacancies in sanctioned faculty posts in supported courses” to show that the indicator monitors progress throughout the project period.

   (v) Targets for two intermediate outcome indicators - evaluation of SSC (Voc) pilot and impact evaluation - have now been set for these.

18. **Components costs (Original + AF):** The AF would support the four original project components. Annex 3 outlines the estimated costs for the proposed additional activities. The table below provides a comparison between the original and revised project structure and costs:
<table>
<thead>
<tr>
<th>Original Components</th>
<th>Original Estimated Costs (US$ million)</th>
<th>Proposed restructuring</th>
<th>Total Updated Project Cost (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IDA Credit</td>
<td>Revised Estimated Costs (US$ million) IDA Credit</td>
<td>Additional Project Costs (AF US$ million) MDTF</td>
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<tr>
<td>Component 1: Improve the Quality and Relevance of Training</td>
<td>65.4</td>
<td>68.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Component 2: Pilots in TVET</td>
<td>5.3</td>
<td>2.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Component 3: Institutional Capacity Development</td>
<td>4.4</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Component 4: Project Management, Communications, and Monitoring and Evaluation</td>
<td>3.9</td>
<td>3.9</td>
<td>1.4</td>
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<tr>
<td>Total:</td>
<td>79</td>
<td>79</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Note: above costs do not include the contribution by GoB.

Detailed Description of Activities supported by AF and proposed restructuring

**Component 1- Improve the Quality and Relevance of Training (US$10.6 million; cumulative US$79.0 million)**

19. This component will continue to be implemented through two windows. Under Window I, the AF will support about 3 additional private institutions offering diploma level programs. These institutions will be chosen on the basis of same eligibility and selection criteria as were applied in selecting institutions under the original project. Under Window II, the AF will support about 10 additional institutions (5 public and 5 private) providing short-term vocational and technical training. Eligibility and selection criteria similar to those employed under Window I, will be used to identify institutions that will receive financing under this project.

20. **Sub-component 1.1: Window I: Support to Public and Private Institutions Offering Diploma Programs.** Under Window I, 3 additional private institutions will be supported for improving the quality and relevance of diploma level technical education courses. Cumulatively, the scale of support under this Window (original project plus additional financing), will become 25 Public and 8 Private Diploma level institutions. The new institutions will be eligible for both implementation grants and stipends. These private institutions will be competitively selected based on the original eligibility and selection criteria described in the PAD. Original ceiling of US$1 million and original list of eligible activities along with all other conditions as described in the PAD and in the Project Implementation Manual (PIM) will remain unchanged, and will be effective for these new institutions as well. The implementation grant will finance: (i) infrastructure rehabilitation and refurbishment (only 10% of the total grant can be used for civil works); (ii) modernization of equipment and teaching and learning instruments in the technology courses identified for up-gradation; (iii) capacity development in the form of course training materials, training, study tours, and exposure visits, (iv) remuneration for guest faculty from industry; (v) teacher training; (vi) students training materials and cost towards industry visits; and (vii) improvements in institute administration, outreach, communications and placement improvements.

21. **Stipends:** The proposed AF would (a) provide for the funding gap, and (b) allow the opportunity for expanding the stipend program in the additionally supported institutions to be realized. The project has
already surpassed the original target, and currently 51,000 students are receiving stipends through the project. Moreover, the MTR recommended covering all the girls who enroll in eligible diploma level institutions under the stipend program in order to tackle extremely low participation and high drop-out rate by female students in technical education. In addition, students from the newly added private institutions will also be eligible for stipend support. During the MTR, it was estimated that a total of 97,000 students and 250,000 student years will be supported by the end of the project for which additional resources will be required.

22. Selection criteria for the beneficiaries as well as the performance and compliance criteria will remain same as described in the PAD and the PIM for the male students while for the female students there will be no selection criteria.

23. **Sub-Component 1.2: Window II: Support To Public and Private Institutions Offering Short-Term Programs.** Currently, 50 institutions (42 public and 8 private) are providing short-courses in vocational training and technical education under the project. An additional 10 institutions (5 public and 5 private) will be identified for participation in Window II which will support training programs with a minimum of 360 hours within a duration of six months or less. Original selection criteria and list of eligible activities along with all other conditions as described in the PAD and in the PIM for this Window will remain unchanged, and will be effective for these new institutions as well.

**Component 2: Pilots in TVET (US$ 1 million; Cumulative US$3.3 million)**

24. The AF will continue to support pilots in the TVET sector. The project has already established four ISCs whose role is to guide the overall regulatory and legislative framework for TVET and skills development in Bangladesh. An additional two will be financed through AF – in addition to all the outreach activities expected of the ISCs. This will entail interactions with key training providers and agencies such as BTEB and BMET, and to establish linkages of these institutions with industry leaders and supporters. It is anticipated that over time, support to ISCs will largely be drawn from the industry and business houses, and ISCs will gradually become independent of public financing. The eligible expenditure would include initial establishment costs of ISCs, operating and training costs.

25. Instead of undertaking the original SSC (Voc) pilot as an impact evaluation, STEP would finance an operational pilot aiming to establish an institutionalized apprenticeship program that will strengthen the labor market linkage of SSC (Voc) institutions, by mobilizing various stakeholders, preparing operations manuals, and initiating the necessary legal environment.

**Component 3: Institutional Capacity Development (US$ 3.7 million; Cumulative US$8.1 million)**

26. Under this component, the AF will also focus on strengthening the capacity of the government to manage the TVET sector as a whole by way of institutional capacity development of the Directorate of Technical Education (DTE), the Bangladesh Technical Education Board (BTEB) under the Ministry of Education (MOE), and the Bureau of Manpower Employment and Training (BMET) under the Ministry of Expatriate Welfare and Overseas Employment (MOEWOE).

27. To ensure the development of capacities of key line agencies, such as, DTE, BTEB, and BMET to improve their ability to manage an increasingly complicated TVET sector will involve, in particular, (a) strengthening BTEB to support quality assurance activities, strengthen curriculum development, including environmental, occupational health and safety curricula through close interaction with the industry and industry skills councils and learning from good international practices, etc., the development of teaching learning materials and provision of adequate office accommodation; (b) improve monitoring and certification capabilities of the BTEB to ensure that the standards that are set by the Board are
actually transacted at the institute level and development of a job-cum-information portal with links to existing education data websites such as the BANBEIS; and (c) strengthening capacity for research and planning (including development of data-base of overseas workers and conducting appropriate labor market surveys and tracer studies etc.), curricula development and revision, standard setting, and development of learning resources and training aids, including multi-media learning resources and training aids for BMET. Both BTEB and BMET will be supported to develop “soft skills” or “life skills” such as teamwork, communication, and self-employment skills packages to be imparted as part of the polytechnic diploma education and short-term trainings. Under this component, the DTE will organize training for the instructors from Project supported polytechnics. The AF will support the development of Recognition of Prior Learning (RPL) programs by establishing about 10 small skills testing centers and providing some initial operating costs until project end.

Component 4: Project Management, Communications, Monitoring and Evaluation (US$ 1.4 million; Cumulative US$5.3 million)

28. **Sub-component 4.1: Project Management and Communications.** The AF will continue to support project management and implementation, and will help in supporting the improvement of system management and implementation of reforms through training of policy planners, managers, and administrators, and enhance communications with and between key stakeholders. The STEP Project Implementation Unit (PIU) will be adequately staffed with qualified and experienced staff to manage, coordinate, and monitor the project activities and build capacity of all implementing entities on the agreed fiduciary and safeguard arrangements and other elements of the project. The proposed AF will help in enhancing project capacity to undertake more communication and mobilization activities including enhancement of the social profile of technical and vocational education and training.

29. **Sub-Component 4.2: Project Monitoring and Evaluation (M&E).** The AF will continue to support the monitoring and evaluation of project progress and outcomes. The sub-component will support enhancing the capacities for M&E both at the level of the institution where training is delivered, and BTEB, BMET and DTE to ensure that the capacity for M&E is built into the key institutions that manage the sector. Furthermore, as part of this component, the AF will finance in-depth institutional performance audits will be conducted during the project period on a rotating sample basis. The institutional performance audits will be conducted by third parties for all the public and private polytechnics that are being supported by the STEP program.

**Reallocation of Funds by Categories**

30. Based on the proposed restructuring and additional financing through the MDTF, the reallocation of the Credit proceeds by disbursement category is presented in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Credit Allocated (in SDR)</th>
<th>Amount of Reallocated Credit (in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants and Stipends</td>
<td>45,150,000</td>
<td>47,150,000</td>
<td>100% for amounts disbursed as per the Performance Contract for grants to public institutions; 90% for amounts disbursed as per the Performance Contract for grants to private institutions; 100% for stipends</td>
</tr>
</tbody>
</table>
The following is the allocation table of Grant Proceeds under the AF through the MDTF:

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Grant Amount under AF (in US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants and Stipends</td>
<td>10,596,000</td>
<td>100% for amounts disbursed as per the Performance Contract for grants to public institutions; 90% for amounts disbursed as per the Performance Contract for grants to private institutions; 100% for stipends</td>
</tr>
<tr>
<td>(2) Goods, works, consultants' services, training, and Operating Costs under Parts A, B, C and D of the Project.</td>
<td>6,118,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>16,714,000</strong></td>
<td></td>
</tr>
</tbody>
</table>


32. **Implementation Arrangements.** There are minor changes to the implementation arrangements. The changes include (a) updating the Project Implementation Manual; and (b) inclusion of Governance and Accountability Action Plan (Annex 6).

**IV. APPRAISAL SUMMARY**

**Economic and Financial**

33. The activities financed by the proposed AF are in line with the economic analysis of the original project wherein employment rates of beneficiaries needed to be between 30%-60% for a discount rate
ranging between 5% and 10% for project investment to be justified. The success of project implementation in benefiting the poor and the disadvantaged youth of Bangladesh as intended further strengthens the case for the additional investment.

Financial Management

34. The overall initial financial management risk was rated as ‘High’ for original project. There are no changes to the financial and disbursements arrangements in the proposed AF and may continue to be adequate. Please see Annex 4 for updates.

Procurement

35. Two post-procurement reviews have been undertaken by the Bank. The reviews did not find any questionable procurement under this project.

36. Project procurement risk is measured as “substantial” mainly due to the decentralized nature of procurement. Lack of procurement knowledge at the polytechnic institute level also contributed to this risk. Several measures have been taken to reduce the procurement risks. These include: (i) conducting central procurement in PIU by consolidating similar items from the polytechnic institutes; (ii) producing Procurement Performance Monitoring Reports (PPMRs) on a semi-annual basis with indicators aimed in managing procurement-related risks; and (iii) providing hands on support and training to the procurement staffs by the PIU. Updated procurement arrangement is shown in Annex 5.

Safeguard policies

37. Environmental Safeguard: The activities of project remain unchanged under AF. Salient physical characteristics of the activities taken up under the restructuring are the same as in the original project design which will trigger Environmental Assessment OP/BP 4.01. The project will remain as a “Category B” project. Please refer to the original PAD for more details about the nature of these works. The Environmental Management Framework (EMF) developed under the original project will remain applicable. DTE will continue to follow the EMF to ensure environmental compliance in the project.

38. As DTE has no prior experience on environmental issues or presently any environmental professional for monitoring the environmental issues during planning, implementation and operation stage; the presence of an environmental specialist in DTE is essential. The environment specialist will review all institute specific documents to assess environmental safeguard issues in all institutes, monitor environmental issues during implementation and operational stages, and will help to prepare the environmental law and occupational safety courses to be incorporated in the curricula of training institutions.

39. Social Safeguards: The project triggers OP/BP 4.10. To comply with World Bank social safeguards policies and to ensure inclusiveness of approaches, a Social Management Framework (SMF) has been prepared. The SMF of the original project includes a Tribal Peoples Development Framework. Additionally, a stand-alone report on Gender Assessment will be prepared and the recommendation will be implemented under the project. The SMF includes appropriate assessment tools to demonstrate inclusion, participation and accountability. The SMF also includes a checklist to document that no land acquisition is triggered and no communities/people are displaced either physically or economically from either private or public lands and there is no adverse impact on livelihoods.

40. Risks: The summary of risk rating is given in the following table and details are in Annex 2.
<table>
<thead>
<tr>
<th>Stakeholder Risk</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implementing Agency Risk</strong></td>
<td></td>
</tr>
<tr>
<td>- Capacity</td>
<td>Substantial</td>
</tr>
<tr>
<td>- Governance</td>
<td>High</td>
</tr>
<tr>
<td><strong>Project Risks</strong></td>
<td></td>
</tr>
<tr>
<td>- Design</td>
<td>Moderate</td>
</tr>
<tr>
<td>- Social &amp; Environment</td>
<td>Low</td>
</tr>
<tr>
<td>- Program and Donor</td>
<td>Low</td>
</tr>
<tr>
<td>- Delivery Monitoring and Sustainability</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Overall Implementation Risk</strong></td>
<td>Substantial</td>
</tr>
</tbody>
</table>

41. **Governance and Accountability Action Plan (GAAP):** There was no GAAP for the original project. The project has prepared a GAAP in consultation with the stakeholders (see annex 6) which would be adopted for the reminder of the project life. Because of the nature of project activities, where the bulk of funds are flowing directly to eligible students and institutions, the risk of corruption is substantially lower than normally expected. Moreover, measures exist to mitigate potential risks, for example: (i) direct funding to beneficiary (guardians/institutions) accounts through the regular banking system; (ii) a built-in system of monitoring and validation of stipends and (iii) performance audits of the participating institutions.

**Policy Exceptions and Readiness**

42. There are no exceptions to Bank policies.
## Annex 1: Results Framework and Monitoring

**Restructuring and Additional Financing**  
**Bangladesh Skills and Training Enhancement Project**

<table>
<thead>
<tr>
<th>Revisions to the Results Framework</th>
<th>Comments/Rationale for Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PDO</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current (PAD)</strong></td>
<td><strong>Proposed</strong></td>
</tr>
<tr>
<td>The project development objective is to strengthen selected public and private training institutions to improve training quality and employability of trainees, including those from disadvantaged socioeconomic backgrounds.</td>
<td>No change</td>
</tr>
</tbody>
</table>

| PDO indicators                     |                               |
| **Current (PAD)**                 | **Proposed change***          |
| Pass-rates of supported polytechnic students | No change |                               |
| Employment rates for trainees of Short-term Courses within 6 months of course completion | No change |                               |
| Number of students supported by stipends. | Number of disadvantaged students supported through stipends selected based on household information based selection criteria | To reflect the total number of disadvantaged students. | |
| Achievements in vocational competencies assessed on a sample basis | Moved to an intermediate indicator. | The nature of this activity is piloting a new assessment concept and is part of the larger system improvement rather than an objective itself under the STEP. | |

| Intermediate Results indicators    |                               |
| **Current (PAD)**                 | **Proposed change***          |
| Enrollment as a proportion of sanctioned intake capacity in supported courses. | No change |                               |
| Reduction in share of vacancies in sanctioned faculty posts in supported courses within 18 months of project effectiveness. | Renamed as: “Reduction in share of vacancies in sanctioned faculty posts in supported courses” | “18 months of project effectiveness” referred to the original project effectiveness. The targets were specified during a supervision mission in December 2011. |
| Increase in transition rates of students from second to third semester in supported courses | No change |
| % of faculty in supported courses trained | No change |
| Internal revenue generated as a share of recurrent expenditure (%) | Removed from the Result Framework. |

<table>
<thead>
<tr>
<th>Sub-Component 1.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion rates for trainees in supported short-term training courses</td>
</tr>
<tr>
<td>Share of girl trainees in supported courses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-Component 2.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Industry Skills Councils functioning supported by the project</td>
</tr>
<tr>
<td>Evaluation of the SSC (Voc) Pilot</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of staff trained in core expertise areas in DTE, BTEB and BMET</td>
</tr>
<tr>
<td>Establishment of Central Job and Information Portal in DTE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-Ministerial Project Steering Committee established</td>
</tr>
<tr>
<td>Number of awareness raising campaigns per year</td>
</tr>
<tr>
<td>Impact evaluation study</td>
</tr>
</tbody>
</table>
## Results Framework and Monitoring

Restructuring and Additional Financing: Bangladesh Skills and Training Enhancement Project

<table>
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</thead>
<tbody>
<tr>
<td>1 Pass rates of students from supported Diploma programs (%)</td>
<td>☐</td>
<td>50</td>
<td>52</td>
<td>54</td>
<td>68</td>
<td>68</td>
<td>68</td>
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<td>STEP PIU</td>
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<tr>
<td>Achieved</td>
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<tr>
<td>2 Employment rates for trainees of short-term courses within 6 months of course completion (%)</td>
<td>☐</td>
<td>30</td>
<td>32</td>
<td>35</td>
<td>38</td>
<td>41</td>
<td>44</td>
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</tr>
<tr>
<td>3 Number of disadvantaged students supported through stipends selected based on household information based selection criteria</td>
<td>☐</td>
<td>0</td>
<td>32,000</td>
<td>40,000</td>
<td>66,000</td>
<td>82,000</td>
<td>97,000</td>
<td>Bi-annual</td>
<td>Monitoring Data</td>
<td>STEP PIU</td>
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<tr>
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<tbody>
<tr>
<td>Sub-Component 1.1</td>
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<td>57</td>
<td>59</td>
<td>61</td>
<td>63</td>
<td>65</td>
<td>Bi-annual</td>
<td>Monitoring Data</td>
<td>STEP PIU</td>
</tr>
<tr>
<td>Enrollment as a proportion of sanctioned intake capacity in supported courses</td>
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<td></td>
</tr>
<tr>
<td>2 Reduction in share of vacancies in sanctioned faculty posts in supported courses</td>
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<td>Assessment</td>
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<td></td>
</tr>
<tr>
<td>3 Increase in transition rates of students from second to third semester in supported courses</td>
<td>☐</td>
<td>80</td>
<td>82</td>
<td>84</td>
<td>86</td>
<td>88</td>
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<tr>
<td>4 % of faculty in supported courses trained</td>
<td>☐</td>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
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<td>Monitoring Data</td>
<td>STEP PIU</td>
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<tr>
<td>Achieved</td>
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<tr>
<td>Completion rates for trainees in supported short-term training courses</td>
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<td>Component</td>
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<td>Monitoring Data</td>
<td>STEP PIU</td>
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<tr>
<td>6</td>
<td>Share of girl trainees in supported courses</td>
<td>□</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>15</td>
<td>20</td>
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<tr>
<td>7</td>
<td>Sub-Component 2.1</td>
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<tr>
<td></td>
<td>Number of Industry Skills Councils functioning supported by the project</td>
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<td>-</td>
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<td>-</td>
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<td>8</td>
<td>Sub-Component 2.2</td>
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<tr>
<td></td>
<td>Evaluation of the SSC (Voc) Pilot</td>
<td>□</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Operational Pilot designed.</td>
<td>Operational Pilot started.</td>
<td>Operation Pilot Completed</td>
<td>Project Life</td>
<td>Evaluation Study</td>
</tr>
<tr>
<td>9</td>
<td>Component 3</td>
<td>□</td>
<td>-</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>Bi-annual</td>
<td>Monitoring Data</td>
</tr>
<tr>
<td></td>
<td>Number of staff trained in core expertise areas in DTE, BTEB and BMET</td>
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<td>Need assessment completed</td>
<td>Need assessment completed</td>
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<tr>
<td>10</td>
<td>Establishment of Central Job and Information Portal in DTE</td>
<td>□</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Completed</td>
<td>Project Life</td>
<td>Monitoring Data</td>
</tr>
<tr>
<td>11</td>
<td>Achievements in vocational competencies assessed on a sample basis</td>
<td>□</td>
<td>-</td>
<td>-</td>
<td>Competency standard developed</td>
<td>Assessors certified</td>
<td>1st round of testing</td>
<td>2nd round of testing</td>
<td>Twice during the program</td>
<td>Independent assessments</td>
</tr>
<tr>
<td>12</td>
<td>Sub-Component 4.1</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of awareness raising campaigns per year</td>
<td>□</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td>12</td>
<td>Bi-annual</td>
<td>Monitoring Data</td>
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<tr>
<td>13</td>
<td>Component 4</td>
<td>□</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>IE design developed.</td>
<td>Baseline survey conducted</td>
<td>Completed</td>
<td>Project Life</td>
<td>Evaluation Study</td>
</tr>
</tbody>
</table>

Notes: 
* Includes individual retirement savings accounts of both public and private sector workers
* Shades are indicating the years already passed.
### 1. Project Stakeholder Risks

**Description:** Primary stakeholders of the project are the supported training institutions, students, teachers, employers, the government and the development partners. Accepting the pivotal role by the training institutions for implementing the project activities would be challenging in the existing culture of management. Selection of training institutions can still be politically influenced. Institution-industry linkage, though desired, may prove to be difficult within the prevalent culture of apathy from both sides.

**Risk Management:**
1. Institutions will be selected based on two sets of objective criteria and overseen by three levels of selection committees to ensure transparent selection of institutions;
2. Teachers will be recruited following the procedures of Public Service Commission to reduce influence and recruitment committees would be formed with members from various ministries and agencies to ensure proper selection of teachers;
3. Stipend recipients would be selected using measurable and verifiable data and disbursement would be made after third party verifications; and
4. Supported institution would form an Institutional Management Committee with mandatory representation of industry as vice-chair of the committee.

<table>
<thead>
<tr>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date</th>
<th>Status: In Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resp:</strong> Client</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### 2. Implementing Agency Risks (including fiduciary)

#### 2.1 Capacity

**Description:**
(i) Capacity in the TVET sub-sector is limited, particularly in governance at the level of central government. This could affect successful implementation of the project.
(ii) Inadequate trained FM and procurement personnel to meet the fiduciary requirements could lead to misappropriation;
(iii) The institutions have had little engagement with multi-lateral agencies and lack of their capacity to implement the project may delay project implementation.
(iv) retention of trained staff in the project could be an issue.

**Risk Management:**
The Additional Financing will continue to support capacity development both at Government institutions like DTE, BTEB, and BMET, and at the level of institutions and the project will work with government to retain trained staff in key positions. Regular training will be provided to the FM and procurement staff at PIU.

- To mitigate the procurement risks, the project would:
  - Provide technical assistance and customized training on procurement to the relevant staff of project institutions.
  - hire additional Procurement Specialist (if needed)
  - Develop necessary MIS infrastructure at DTE to introduce ICT in procurement monitoring system.

- To mitigate the FM risks, the project would:
  - take advantage of various ongoing country level PFM reforms - Train FM staff on IFRs and closely follow up and monitor their performance from DTE.
  - hire audit firm to conduct internal audit/ operational audit throughout the whole year.

<table>
<thead>
<tr>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date</th>
<th>Status: In Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resp:</strong> Both</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 2.2 Governance

**Rating:** High
Description: There is considerable fragmentation in the provision of TVET services which spread over 21 ministries and the key policy reforms needed to make the system function better may be difficult to achieve across the board.

Risk Management: The project brings in the key ministries involved in education and training under the ambit of a single project. As such, the project will provide the forum for these key agencies to discuss and take forward overall policy reforms. The project supports policy developments and strengthens the overall efforts towards policy reforms in the sector. In addition, a Governance and Accountability Plan has been agreed (Annex 4) upon with the key agencies to better manage the governance issues.

<table>
<thead>
<tr>
<th>Resp: Both</th>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date:</th>
<th>Status: Ongoing</th>
</tr>
</thead>
</table>

3. Project Risks

3.1. Design

Description: (i) There is a risk that the project may not be able to deliver on the reforms promised; (ii) limited capacity at the level of the institute to apply for participation in the program is a constraint. (iii) Industry linkage, though desired, to increase the employability and relevance of training in the institutions may prove to be difficult within the prevalent culture of apathy from both sides.

Risk Management: (i) The project is prepared through intensive dialogue with GOB and other stakeholders. Reform areas are selected only after complete buy-in from stakeholders and currently out of the six agreed policy actions at the institution level, four have been achieved or initiated. (ii) Communication programs and hands-on training provided under the project would enhance the capacity of the institutes to apply for participation. (iii) Engagement of industries in IMC, communication and outreach efforts, and industry input in designing training programs through IMC will gradually bridge the gap.

<table>
<thead>
<tr>
<th>Resp: Both</th>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date:</th>
<th>Status: In Progress</th>
</tr>
</thead>
</table>

3.2. Social & Environmental

Description: The project triggers OP/BP 4.01 and OP/BP 4.10 and there is a risk that during implementation, needed actions based on the environmental management plan and Social Management Framework will not be taken.

Risk Management: Each implementation support mission will continue to include specific reviews and updates on each of these issues. The project has designated staff and relevant expertise would be in place to address the potential risks.

<table>
<thead>
<tr>
<th>Resp: Both</th>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date:</th>
<th>Status: In Progress</th>
</tr>
</thead>
</table>

3.3. Program & Donor(s)

Description: (i) The payment of donor (CIDA) funds are in tranches. If they are not available on time, it will be difficult to undertake certain activities (ii) Ability of the Bank to oversee and support the activities under the Additional Financing could be an issue.

Risk Management: Skills and training enhancement in Bangladesh remain a priority both for the Bank and the donor. Tranches are planned to support activities in due time. The Bank will work with the donor in scheduling implementation support missions and regularly update the donor on the ongoing/ planned activities funded through the Multi-Donor Trust Fund. The Trust Fund provides for modest staffing and travel costs for Bank staff to ensure adequate supervision on project related activities supported through the Trust Fund.

<table>
<thead>
<tr>
<th>Resp: Bank</th>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date:</th>
<th>Status: In Progress</th>
</tr>
</thead>
</table>

3.4. Delivery Monitoring & Sustainability

Description: Reforms and pilots may not be adequately

Risk Management: Evaluations and pilots are a priority for the government in order to
evaluated. inform scale-up decisions. The indicators in the project paper have been revised to reflect the activities to be supported by the additional financing.

<table>
<thead>
<tr>
<th>Resp: Client</th>
<th>Stage: Implementation</th>
<th>Recurrent</th>
<th>Due Date:</th>
<th>Status: In Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Overall</td>
<td>Substantial</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Annex 3: Project Costs

#### Cost estimates for the Additional Financing (MDTF)

<table>
<thead>
<tr>
<th>Components</th>
<th>Cost estimates (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2014</td>
</tr>
<tr>
<td>1 Improve the Quality and Relevance of Training</td>
<td>4.6</td>
</tr>
<tr>
<td>2 Pilots in TVET</td>
<td>0.3</td>
</tr>
<tr>
<td>3 Institutional Capacity Development</td>
<td>0.0</td>
</tr>
<tr>
<td>4 Project Management, Communications, Monitoring and Evaluation</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.0</strong></td>
</tr>
</tbody>
</table>

#### Total Project Cost (IDA + MDTF)

<table>
<thead>
<tr>
<th>Components</th>
<th>Revised Estimated Costs (US$ million) IDA Credit</th>
<th>Additional Project Costs (AF US$ million) MDTF</th>
<th>Total Updated Project Cost (US$ million) IDA Credit + MDTF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Improve the Quality and Relevance of Training</td>
<td>68.4</td>
<td>10.6</td>
<td>79.0</td>
</tr>
<tr>
<td>2 Pilots in TVET</td>
<td>2.3</td>
<td>1.0</td>
<td>3.3</td>
</tr>
<tr>
<td>3 Institutional Capacity Development</td>
<td>4.4</td>
<td>3.7</td>
<td>8.1</td>
</tr>
<tr>
<td>4 Project Management, Communications, and Monitoring and Evaluation</td>
<td>3.9</td>
<td>1.4</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>79</strong></td>
<td><strong>16.7</strong></td>
<td><strong>95.7</strong></td>
</tr>
</tbody>
</table>
Annex 4: Financial Management

1. The components to be supported by the proposed additional financing are a continuation of the existing project components, and there are no changes envisaged in implementing entity and arrangements. The main implementing entity for the additional financing is the Directorate of Technical Education (DTE), a department of Ministry of Education (MOE), which will implement the project and also provide financial management support to certain project activities to be implemented by two other entities named Bangladesh Technical Education Board (BTEB) under MOE and Bureau of Manpower Employment and Training (BMET) under Ministry of Expatriates’ Welfare and Overseas Employment (MOEWOE).

2. The FM arrangements in the current project are rated Moderately Satisfactorily and there are no outstanding audit issues. The DTE (PIU) has deployed customized financial management software to meet the requirement of maintaining complete financial records and for adequate disclosure of Interim Financial Reports (IFR). All the IFRs have been submitted timely, and have been acceptable to the Bank.

3. Audit. The project will complete the hiring of an internal auditor by August 2013. FAPAD has completed the FY11-12 audit. According to them, financial statements have been fairly presented with a few exceptions including some audit observations. The key audit observations that the Bank requested PMU to resolve immediately were: (a) loss of project funds due to excess payment for advertisement bill in the amount of BDT 445,384.00; (b) financial irregularity due to non-adjustment of advance in the amount of BDT 800,000.00. As on date, both these issues have been resolved as per the recommendation of FAPAD. Excess payments of advertisement bill have been recovered in April 2013 and it was decided that PMU (responsible for non-adjustment of advance) will operate on reimbursement system. Also, as a preventive measure to mitigate the risk of excess payment, PMU has circulated the prescribed rate of advertisement for GOB projects to all the accounting centers so that they can negotiate and settle accordingly.

4. Disbursement: The disbursement rate is 33% till June 30, 2013. However, the project funds are fully committed to the participating institutions.

5. Fund Flow and Designated Account. The funds from the Grant will flow mainly through a Designated Account (DA), Convertible Taka Account (CONTASA) with a commercial bank as is being done in the current project. Project funds will also flow through direct payments and issuance of special commitments as and when required. The project would operate on transaction based disbursement, ceiling of advances to the designated account will be a fixed amount, and to be calculated based on 4 month worth of expenditure (proportionate to annual budget), to be paid out of the DA. The minimum application size for direct payments will be set at 20% of outstanding amounts in the DA. BTEB and BMET will not have any separate DAs. All project activates undertaken by these agencies through contracts and other form of engagements will be financed from the PIU, DTE under an arrangement of certification of fulfillment of fiduciary objectives in support of payments by the respective PIU members of the BTEB and BMET on behalf of PD, and approval of the Chairman BTEB and Director General BMET as deemed appropriate before the execution of payments by the PD of the PIU. Students’ stipends will be disbursed from the PIU through the DA under a Participation Agreement between an identified commercial bank and the PIU. The students receiving stipends and the institutions receiving grants may be required to open their accounts with the commercial bank under participatory agreement.

6. The project cost will be disbursed under transaction based traditional disbursement arrangement. IDA will require full documentation where contracts for (i) goods exceed US$300,000 equivalent, (ii) works exceed US$500,000, (iii) consulting firms exceed US$1 00,000, and (iv) individual consultants exceed US$50,000. Expenditures below the above threshold will be claimed through Statement of Expenditures (SOEs). Disbursements may be switched over on the basis of Interim Un-audited Financial
Reports (IUFRs) if the borrower so prefers and IDA finds in the upcoming review (in June 2013) that project financial management system is working satisfactorily and is generating timely and reliable full set of IFRs that are acceptable to IDA. Disbursement of grant funds will be made through two disbursement categories (as shown in the table below), inclusive of taxes.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Additional Financing Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants and Stipends</td>
<td>10,596,000</td>
<td>100% for amounts disbursed as per the Performance Contract for grants to public institutions; 90% for amounts disbursed as per the Performance Contract for grants to private institutions; 100% for stipends</td>
</tr>
<tr>
<td>(2) Goods, works, consultants' services, training and Operating Costs under Parts A, B, C and D of the Project.</td>
<td>6,118,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>16,714,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

7. For purposes of this Schedule the term “Operating Costs” means costs incurred by the Recipient on account of the management and supervision of the Project, including the salaries of incremental staff, the cost of operation and maintenance of equipment and vehicles, and costs of consumables, fuel, bank charges or bank commissions, honoraria, advertising expenses, and office utilities and supplies, but excluding salaries and allowances of the Recipient’s civil servants.

8. “Training” means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops and study tours under the Project, including fees, travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of consultants.”

Accounting and Reporting. The project will follow GOB Project Accounting Manual in maintaining books of accounts and in complying with monthly, quarterly and annual financial reporting requirements of various government agencies as well as the WB. Until a computerized accounting system is fully functional, basic books of accounts will be maintained manually using spread sheets for analysis and reporting by GOB code of accounts and project components. Manual/computerized Registers will be used to adequately record acquisition and use of all projects fixes assets. Physical Inventory at the end of each financial year will ensure updated status on usage, condition and safe custody of the assets. The PIU shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to IDA, in a manner adequate to reflect fully all aspects of the project operations. Without any limitations to what is said above, the PIU shall prepare and furnish interim unaudited financial reports (IUFR) to the Association, as part of the project report, not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the Association.
Annex 5: Procurement

1. Procurement under this project will largely involve goods and a few works, consultancy services, and non-consulting services packages. Procurement for the proposed project would be carried out in accordance with the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (“IDA Procurement Guidelines”) and “Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (“IDA Consultant Guidelines”) as well as the provisions stipulated in the Financing Agreement. For each contract financed by the credit/grant, the respective procurement or consultant selection method, the requirements on prequalification, cost estimate, prior review and time frame are agreed between the Borrower and IDA within the Procurement Plan. The Procurement Plan will be updated semi-annually or as required to reflect actual project implementation needs and improvements in the capacity of implementing agencies.

2. The overall responsibility of the proposed project implementation would lie with Directorate of Technical Education (DTE), as the lead implementing agency while Bangladesh Technical Education Board (BTEB) and Bureau of Manpower Employment and Training (BMET) would implement specific components/subcomponents with close cooperation with the DTE. A Project Implementation Committee (PIC), chaired by the Additional Secretary (MOE), will provide direct guidance to the Project Implementation Unit (PIU) headed by a Project Director in implementation of different components and resolve implementation issues.

3. Project procurement risk is measured as “substantial” mainly due to decentralized nature of procurement. Lack of procurement knowledge at the polytechnic institute level also contributed to this risk. Several measures to mitigate the risks are either in place or will be put in place as described below. The procurement arrangements are described in the following paragraphs.

4. Several measures have been taken to reduce the procurement risks. These are: (i) Conducting central procurement in PIU by consolidating similar items from the polytechnic institutes; (ii) producing Procurement Performance Monitoring Reports (PPMRs) on a semi-annual basis with indicators aimed in managing procurement-related risks; (iii) Providing hands on support and training to the procurement staffs by the PIU; and (iv) incorporating PPMR into the Government’s Development Project Proposal (DPP).

5. Methods for procurement of goods, works and non-consulting services. Except as otherwise agreed in the procurement plan, works and goods and non-consulting services may be procured on the basis of International Competitive Bidding (ICB). Procurement of goods, works and non-consulting services with an estimated value that falls below the ceiling stipulated in the Procurement Plan may follow National Competitive Bidding (NCB) and Shopping (RFQ). NCB would be carried out under IDA Procurement Guidelines using procedures provided in Public Procurement Act 2006 (incl. 1st Amendment 2009) and the Public Procurement Rules, 2008 (as amended in August 2009), and using model bidding documents satisfactory to IDA. The “Request for Quotation” document prepared based on the PPA is acceptable to IDA for local Shopping. NCB may be applied under the following conditions: (i) post bidding negotiations will not be allowed with the lowest evaluated bid or any other bids; (ii) bids should be submitted and opened in public and in one location immediately after the deadline for submission; (iii) rebidding will not be carried out except only with IDA’s prior agreement; (iv) lottery in awarding contracts will not be allowed; (v) bidders’ qualifications and experience requirements are mandatory; (vi) bids will not be invited on the basis of percentage above or below the estimated cost and contract award will be based on the lowest evaluated, compliant bid price from eligible and qualified bidders; and (vii) single stage two envelope procurement system will not be allowed. Direct Contracting
(goods/ works/ non-consulting services) would be allowed under special circumstances with prior agreement with IDA.

6. Methods for procurement of consultant services. Consultant procurement will follow IDA’s Consultant Guidelines. The following methods will be applied: Quality and Cost-based Selection (QCBS), Quality-based Selection (QBS), Fixed Budget Selection (FBS), Consultants’ Qualification (CQ), Least Cost Selection (LCS), Selection of Individual Consultant (IC) and Single Source Selection (SSS). The short list of consultants for services estimated to cost less than US$300,000 equivalent per contract may be composed entirely of national consultants. For selection of any consultant, IDA’s standard RFP including standard contract forms shall be used. The Procurement Plan will specify the circumstances for using each specific method. Single Source Selection (SSS) would be allowed under special circumstances with prior agreement with IDA.

7. Prior review thresholds. The Procurement Plan will set forth those contracts which shall be subject to IDA’s prior review. All other contracts will be subject to post review by IDA. The initial Procurement Plan to be agreed with the Borrower will indicate the prior review thresholds. These thresholds will be updated annually. The thresholds are based on the assessment of the capacity and performance of the implementing agencies and will be reflected in the updated Procurement Plan as appropriate.

8. Post review. To determine compliance with procurement procedures/methods/ Guidelines mentioned above, IDA will carry out sample post reviews of contracts that are below the prior review threshold. A post review (ex-post and procurement audit) of contracts below the threshold will constitute a sample of about 20% of the post-review contracts in the project. Procurement post-reviews will be done on annual basis depending on the number of post-review contracts.

9. Procurement Plan. The implementing agencies will prepare procurement plans following the standard format of IDA, and these plans will be reviewed and accepted by IDA. These plans will be updated semi-annually or as required to reflect the latest circumstances. The procurement plan will be subject to public disclosure following project effectiveness.
ANNEX 6: Governance and Accountability Action Plan (GAAP)

1.0 Context Analysis

1. Skills and Training Enhancement Project (STEP), supported by IDA, aims to strengthen selected public and private training institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds. This is consistent with the GOB’s strategy for the TVET sector and closely mirrors the new TVET Policy document being developed through the EC-ILO financed TVET reform project. The project will be implemented over a period of five years between FY 2010/11-2014/15.

2. The project is composed of 4 (four) major components; viz. (i) Improve the Quality and Relevance of Training, (ii) Pilots in TVET, (iii) Institutional Capacity Building and (iv) Project Management and Communications, Monitoring and Evaluation.

3. The overall responsibility of the project implementation would lie with Directorate of Technical Education (DTE) as the lead implementing agency while Bangladesh Technical Education Board (BTEB) and Bureau of Manpower Employment and Training (BMET) would implement specific components/subcomponents as co-implementation agency. A Project Implementation Committee (PIC), chaired by the Director General of DTE, will provide direct guidance and assistance to the Project Implementation Unit (PIU) headed by a Project Director in implementation of different components and resolve implementation issues.

4. The project would be US$104.7 million of which the IDA credit will finance US$ 79.0 million, CIDA Grant would be US$16.71 million and GOB will finance US$9.0 million. About US$79 million will be used for providing grants to beneficiaries and improving the technical and vocational education program. Out of the remaining US$25.7 million of the project, there is goods procurement of US$1.5 million, works US$1.5 million, consultancies/training US$9.4 million and US$13.3 as operating cost for implementing agencies and grant beneficiaries. The grant portion of US$79 million involves training, improvement of existing programs, procurement of certain training-associated goods (i.e. machinery, equipment, consumables etc).

5. Under the context mentioned above, a comprehensive risk analysis has been carried out in order to enhance the likelihood of the achievement of the desired project outcomes.

2.0 Governance and Accountability Risks

6. Project has identified the following key governance and accountability risks at the project level for which a number of mitigation measures are proposed in the GAAP Matrix.

2.1 Procurement

7. PIU of STEP, being responsible for the implementation of the project, follows PPR/PPA for all the purchases. The organization lacks adequate qualified and experienced procurement personnel although they have few experts who have procurement trainings locally or from abroad. They do not have experience in IDA financed project so far. DTE, the implementing agency of the project, neither have any particular procurement cell or department nor have dedicated person to monitor and follow up the procurement processes.

8. Polytechnic institutes have the similar scenario as those do not really execute large value procurements under the allocated grant. Usually the Principal of the polytechnic institutes become the key
official and responsible for procurement processes, lacking significantly dedicated procurement officer/s having experience and training in procurement of development projects.

9. The major risks identified in Procurement in the following area: procurement management and monitoring capacity, filing and record keeping, re-bidding, transparency of bidding process, complaint handling, post procurement audit, preparation of specification & bid document, response to bids, CFCC (corrupt, fraud, collusive and coercive practice) issue, compliance to guidelines (IDA and PPR), evaluation of bid, payment etc.

2.2 Financial Management

10. Risks have been identified in the field of Financial Management, some of which may be summarized as: limited FM capacity, appointing government polytechnic institutes and technical school teachers without requisite skills on FM related functions, inadequate asset management system, delay in reconciliation of accounts with the accounts offices under Controller General of Accounts, capacity limitations in bank reconciliation, delays in providing MOF authorization for use of designated accounts, poor managerial commitment and budgetary constraint in the implementation of integrated computerized accounting system, inherent weakness in the fulfillment of fiduciary objectives (i.e. expenses for intended purpose, evidences & documentation and economy of expenses), FM capacity of public and private executing institutions (to which project resources will flow, remains un-tested) etc.

2.3 Monitoring and Evaluation

11. The major risks identified in the field of Monitoring and Evaluation has been identified as lack of experience of results oriented M&E, lack of project monitoring systematically, likely inconsistency of data collection, lack of attention of MIS for generating data, lack of access to monitoring software etc.

2.4 Communication and Mobilization

12. The major risks identified in Communication and Mobilization component has been identified in the area of institutional dissemination and mobilization, communication and awareness materials, appointing communication firm, campaign/ rally/ TVET week etc.

2.5 Stipend Management

13. The major risks identified in Stipend Management component has been identified in the area of selection of new entrant according to AAP, disbursement of stipend as per AAP Schedule, maintenance of correct record of stipend holders etc. Associated risks were subsequently identified as selection of wrong candidate for granting stipend, delayed receipt of updated data from the sub-projects, manual record keeping system with not updated data.

3.0 Actions to Mitigate Risks

14. Project preparation has chalked out a number of mitigation measures against each identified key governance and accountability risks at the project level, which have been proposed in the GAAP Matrix.

3.1 Procurement

15. In view of the implementing agencies commitment, mitigating measures with a time bound action plan against each identified risk has been proposed in the GAAP matrix, some of which may be summarized as follows: establishment of a dedicated procurement unit/ cell (PC) in PIU with adequate...
staffing and resources, arrangement of ‘on-job training’ for PIU and Institution personnel, arrangement of field visit by the STEP consultants to provide technical assistance and spot training to the POs on preparation and evaluation of bids, development of necessary MIS infra-structure at PIU to introduce ICT in procurement monitoring system and development of a pool of MIS professionals to run and maintain the system, training of procurement personnel of PIU & DTE and Institutions on PPR/IDA guidelines for record keeping, use of pre-bid meeting for clarifying bidders to help them prepare bid as accurate as possible, regular update of the web portal by MIS unit of DTE, training of procurement personnel of PIU & DTE on use of complaint database and different complaint handling techniques, arranging workshop with all stakeholders on findings of the post procurement audit to learn from the findings, use of functional and performance specifications as much as possible, review of specification by project consultant before floating, mandatory use of bidder conference for major procurement, review of bid document by project consultant before floating (with a particular focus on key deliverables and timeframes), responding bidder’s query and helping them in bid preparation with adequate explanation, use of pre-bid meeting to clarify bidder’s query, training of procurement personnel and members of BEC to help them identifying CFCC practice, alerting bidders in pre-bid meeting on consequences of CFCC practices, seeking assistance from law enforcing agencies (if and when required) to provide security for bidders during bid submission, training of procurement personnel of PIU & DTE and Institutions regarding consequences of non-compliance/ deviation from IDA guidelines, allocation of more points on quality aspects than cost in evaluation criteria, improvement of planning and monitoring to ensure timely completion of quality work without defect and avoid re-work etc.

16. Since the Polytechnic Institutes are first of a kind to administer IDA financed project, significant training and monitoring is to be introduced to minimize the risk. The proposed mitigation measures are expected to reduce the risk rating for the component to a substantial level.

3.2 Financial Management

17. In view of the implementing agencies commitment, mitigating measures with a time bound action plan against each identified risk has been proposed in the GAAP matrix, some of which may be summarized as follows: Reforms action to be implemented by hiring qualified personnel, hiring of financial background personnel on contract basis, preparation of budget/ revised budget in participatory approach in consultation with DTE, MOE, Planning Commission, ERD etc to minimize the lead time in approval process, close follow-up and monitoring from DTE, PIU, hiring of audit firm to conduct internal audit/ operational audit throughout the whole year, providing stipend support to all female students from selected institutes, utilization of proposed CIDA grants for the increased no of female students, creating awareness among selected institute by disseminating the environmental impacts, deployment of consulting firm/ individual consultant to develop program to train the PIU staff. All these proposed mitigation measures are expected to reduce the risk rating for the component to a substantial level.

3.3 Monitoring and Evaluation

18. M&E format has been developed and sent to Institutions. Instructions should be made to the institutions for filling up the data correctly by M&E training. After training the officers are expected to perform the job. STEP would develop a system to integrate semi-annual data and these data needs to be assessed after data entry by the project office. A functional MIS has been proposed to be developed for this purpose by STEP.

3.4 Communication and Mobilization

19. Extensive divisional and institutional dissemination and mobilization workshops should be organized immediately by the project. Tender process for Radio and TV talks, A/V materials, brochure,
Posters, Newsletters should be started very soon. For arranging the TVET week, STEP would involve DTE for fixing the schedule of the week.

3.5 Stipend Management

20. In order to avoid the risk of wrong selection, STEP needs to carry out continuous review of the selection process. Building awareness among the stipend holder in providing correct data should also be ensured. In order to ensure availability of updated data in the project office from sub-projects in due time, STEP would arrange periodic workshop for building awareness and motivation for sub-project personnel. Use of ICT to capture data at source (i.e. sub-projects) should also be ensured by STEP. Use of database management system in record keeping system and introducing easy updating mechanism should be ensured by STEP.

4.0 GAAP Monitoring Arrangement

21. STEP, with support from DTE and Polytechnic Institutes, will be responsible for monitoring the GAAP on a half-yearly basis. Monitoring shall include both quantitative measures of implementation of actions as well as qualitative reporting on the efficacy of measures and instances where problems were corrected through these mechanisms.

Governance and Accountability Matrix

<table>
<thead>
<tr>
<th>Issue</th>
<th>Risk and Rating</th>
<th>Mitigating Actions Already Taken or Included</th>
<th>Additional Mitigation Actions Proposed, [Responsible Agency] and (Estimated Cost)</th>
<th>Schedule and Milestones of GAAP Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stipend Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection of new entrant as recipient of stipend</td>
<td>Selection of wrong candidate for granting stipend;</td>
<td>Selection method already in place and monitored by the relevant experts</td>
<td>Continuous review of the selection process [STEP]; Ongoing</td>
<td></td>
</tr>
<tr>
<td>Change of PMT variables based on HEIS 2010</td>
<td>Change of PMT variables based on HEIS 2010</td>
<td>Third party is carrying out household verification survey on prospective students</td>
<td>Building awareness among the stipend holder in providing correct data [STEP]</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Disbursement of stipend as per agreed schedule</td>
<td>Updated data not reached at project office from Institutes on time</td>
<td>Data collection method in place for facilitating the stipend disbursement system</td>
<td>Building awareness and motivation among concerned Institute personnel by arranging periodic workshops [STEP]</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Access to and maintenance of correct &amp; updated record of stipend</td>
<td>Poor maintenance of record for stipend holder’s information</td>
<td>Manual record keeping system in place to maintain stipend holder’s information</td>
<td>Use of ICT/ Database in record keeping system and introduce easy updating mechanism [STEP]</td>
<td>Process for establishment of a ‘Web-based MIS’ at DTE is progressing</td>
</tr>
<tr>
<td>Issue</td>
<td>Risk and Rating</td>
<td>Mitigating Actions Already Taken or Included</td>
<td>Additional Mitigation Actions Proposed, [Responsible Agency] and (Estimated Cost)</td>
<td>Schedule and Milestones of GAAP Actions</td>
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<td>holder’s information</td>
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<tr>
<td><strong>Procurement</strong></td>
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<tr>
<td>Procurement Management Capacity</td>
<td>Low and varying procurement capacities at the project institutions</td>
<td>Use of standardized method and procedures through the use of Bank’s Guideline and PPR 2008</td>
<td>Providing customized training on procurement to the relevant staff of project institutions [STEP]</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>Lack of procurement knowledge and skills of related procurement personnel</td>
<td></td>
<td>Arrangement of field visit by the STEP staff to provide technical assistance and hands-on training at institute level on preparation and evaluation of bids [STEP]</td>
<td>- training on basic level is completed; - training on advanced level commenced from March 2013</td>
</tr>
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<td></td>
<td>Low capacity in terms of size for STEP PIU</td>
<td>Two Procurement Specialists hired</td>
<td>Another procurement specialist to be hired based if needed [STEP]</td>
<td>Need-based (as &amp; when required)</td>
</tr>
<tr>
<td>Procurement Monitoring Capacity</td>
<td>Weak procurement monitoring at STEP PIU</td>
<td>Establishing a functional webpage at DTE with procurement tracking application system at front end and database system at back end</td>
<td>Developing necessary MIS infrastructure at DTE to introduce ICT in procurement monitoring system and develop a pool of MIS professionals to run and maintain the system [STEP, DTE]</td>
<td>Establishing a Data Center for DTE with MIS application &amp; database systems</td>
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<td></td>
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<td>Procurement Risk Mitigation Plan (PRMP) with monitoring indicator in place</td>
<td></td>
<td>ICT Training for DTE: July-August 2013</td>
</tr>
<tr>
<td>Transparency and accountability of bidding process</td>
<td>Low capacity at institutes level to handle CFCC issues (corrupt, fraud, collusive and coercive practice)</td>
<td>Rules and Guidelines of IDA and PPR on bid processing procedures in place; STEP PIU clears ‘bid documents’ and approves ‘bid evaluation report’ for</td>
<td>Establishing a functional webpage at PIU STEP/DTE with milestone information of each procurement package [STEP, DTE]</td>
<td>Establishing a ‘Web-based MIS’ at DTE commenced</td>
</tr>
<tr>
<td>Issue</td>
<td>Risk and Rating</td>
<td>Mitigating Actions Already Taken or Included</td>
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<tr>
<td><strong>Preparation of bid document and Evaluation of bids at institute level</strong></td>
<td>Verification of bid document prior to floating and verification of evaluation report prior to awarding [STEP]</td>
<td>Provide on-site assistance to institutes in preparing bid document and evaluating bids by STEP Specialists at field level [STEP]</td>
<td></td>
<td>Ongoing</td>
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<tr>
<td><strong>Financial Management</strong></td>
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<tr>
<td>Financial Management system and internal control</td>
<td>PFM institutions and system lack capacity for detecting financial irregularities in a timely manner, including taking corrective actions</td>
<td>Various reforms on country level PFM ongoing and planned but unlikely to have any impact in short term</td>
<td>Reforms action to be implemented by hiring qualified personnel. [DTE, STEP]</td>
<td>As per requirement</td>
</tr>
<tr>
<td><strong>Financial Reporting:</strong></td>
<td>FM staff are oriented with and trained on IFRs and preparing regularly and shared with IDA. Initiative is taken to implement computerized accounting system. Monthly/quarterly reporting system is mandatory at institute level.</td>
<td>Close follow-up and monitoring from DTE, PIU. Experts supervision to assist in preparing reports. Monthly/Quarterly report from the institute will be made as part of IFR.</td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td><strong>Auditing:</strong> The audit report may not capture accountability and corruption issues adequately. Inadequate responses of the</td>
<td>A Statement of Audit Needs (SAN) shared with IDA and waiting for agreement of C&amp;AG with audit focus on testing controls preventing corruption and</td>
<td>Audit firm will be hired to conduct internal audit/operational audit throughout the whole year.</td>
<td></td>
<td>Hiring of audit firm will be completed by July 2013.</td>
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<tr>
<td>Issue</td>
<td>Risk and Rating</td>
<td>Mitigating Actions Already Taken or Included</td>
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<tr>
<td>DTE, MOE to the audit issues might reduce the impact of audit</td>
<td>Detecting transactions with corrupt practices. Project Audit Committee already formed with DG, DTE as chairman to look into implementation of audit recommendations.</td>
<td>100% female students from selected institutes will be supported by stipends. Awareness will be created among selected institute by disseminating the environmental impacts.</td>
<td>Ongoing</td>
<td></td>
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<tr>
<td>Non-compliance with environmental and social framework safeguards</td>
<td>Environmental and Social safeguards database to be prepared. Small scale construction will be undertaken by the institutes causing a little impact on environment. Social safeguards are also covered by providing stipend to students from socio-economically disadvantaged backgrounds (i.e. female, orphan, indigenous/tribal, student of divorced/separated family etc).</td>
<td>Strengthen the capacity-building on environmental and social safeguards issues in selected institutes, DTE, BTEB etc.</td>
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<tr>
<td>Compliance with Environmental and Social Safeguards</td>
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<tr>
<td>Monitoring and Evaluation</td>
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<tr>
<td>Lack of experience of results oriented M&amp;E</td>
<td>Less experience of result oriented M&amp;E System</td>
<td>M&amp;E capacity is being enhanced to develop data collection and analysis</td>
<td>M&amp;E format has been developed and sent to Institutions. Adequate measures is being taken to training the concerned officials</td>
<td>Several M &amp;E workshops were organized and planned many refresher training.</td>
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### Annex 7: Status of Legal Covenants

<table>
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<tr>
<th>Statement</th>
<th>Status</th>
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<tbody>
<tr>
<td>The Government of Bangladesh (GOB), through Ministry of Education (MOE), shall carry out the Project in accordance with the Project Implementation Manual (PIM), including the Environmental Management Framework (EMF), the Social Management Framework, and the Indigenous Peoples Planning Framework (IPPF).</td>
<td>Complied with</td>
</tr>
<tr>
<td>The GOB, through the MOE, shall establish and maintain throughout the period of Project implementation, the Project Steering Committee and the STEP PIU along with the Procurement Unit, the Finance Unit, and other Units, all in form and with functions, resources and staffing satisfactory to the Association and as set out in the PIM.</td>
<td>Complied with</td>
</tr>
<tr>
<td>The GOB, through the MOE, shall cause the Project institutions to maintain financial management systems and to carry out the audits in a timely manner and in accordance with terms of reference satisfactory to the Association.</td>
<td>Complied with</td>
</tr>
<tr>
<td>The Recipient shall, no later than six months after the Effective Date, through appropriate administrative means and the respective Ministries, provide BMET, BTEB and the Selected Training Institutions with adequate academic, financial and administrative powers to enable such entities to discharge their obligations under the Project.</td>
<td>Complied with</td>
</tr>
<tr>
<td>The Recipient shall, no later than six months after the Effective Date, and each year thereafter, through appropriate administrative means, authorize the allocation of an additional amount equivalent to the revenues generated by the public training institution in the previous year to the respective training institution.</td>
<td>This has been due to the requirement of change in treasury laws and cannot be resolved through decision-making at the Directorate of Technical Education or Ministry of Education level. This is being discussed with the government to find a workable resolution.</td>
</tr>
<tr>
<td>The Recipient shall, prior to the commencement of Project implementation, establish and thereafter maintain, throughout the period of Project implementation: (i) a procurement unit or cell, as the core of the bid or proposal evaluation committee of DTE, and to provide general oversight to the procurement processes under the Project; and (ii) an audit committee with composition acceptable to the Association.</td>
<td>Complied with</td>
</tr>
<tr>
<td>The Recipient shall, prior to the implementation of Part C of the Project, enter into an agreement with BTEB to set forth under terms and conditions satisfactory to the Association, their respective responsibilities in the implementation of Part C of the Project, including <em>inter alia</em>, the BTEB’s obligation to abide by the Anti-Corruption Guidelines.</td>
<td>Complied with</td>
</tr>
<tr>
<td>The Recipient shall, prior to the commencement of any disbursements for Stipends, enter into an agreement with the Selected Bank to set forth under terms and conditions satisfactory to the Association, the Selected Bank’s responsibilities in the payment of Stipends, including <em>inter alia</em>, the Selected Bank’s obligation to abide by the Anti-Corruption Guidelines.</td>
<td>Complied with</td>
</tr>
</tbody>
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Guidelines.

| The Recipient shall, prior to the commencement of the implementation of Part B.1 of the Project, enter into an agreement or other arrangements with the relevant ISC and NSDC to set forth, under terms and conditions satisfactory to the Association, the ISC or NSDC responsibilities in the implementation of Part B.1 of the Project, including their obligation to abide by the Anti-Corruption Guidelines. | Complied with |
| The Recipient shall prior to making any Grant available to a Selected Training Institution enter into a Performance Contract with the Selected Training Institution on terms and conditions approved by the Association, which shall include the following: | Complied with |
| (a) The Grant shall be denominated in Takas. | |
| (b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Selected Training Institution to use the proceeds of the Grant, or to obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Selected Training Institution’s failure to perform any of its obligations under the Performance Contract; and (ii) require each Selected Training Institution to: (A) carry out the Institutional Development Plan or the Part A.2 Training with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including the provisions of the Anti-Corruption Guidelines applicable to recipients of the proceeds of the Financing other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose and, in the case of private training institutions, finance at least ten percent (10%), of which at least half shall be in the form of cash resources, of the Institutional Development Plan; (C) procure the goods, works, and services to be financed out of the Grant in accordance with the provisions of this Agreement (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Institutional Development Plans and the Part A.2 Training and the achievement of their objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Institutional Development Plans and the Part A.2 Training; and (2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; |
(F). enable the Recipient and the Association to inspect the Institutional Development Plans and the Part A.2 Training, its operation and any relevant records and documents;
(G). prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and
(H). comply with the provisions of the EMF and when applicable the IPPF and each IPP.

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<tr>
<th>The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association and set forth in a letter of even date herewith. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.</th>
<th>Complied with</th>
</tr>
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| The Recipient shall:  
(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 2012, a report integrating the results of the monitoring and evaluation activities.  
(b) review with the Association, by January 2013, or such later date as the Association shall request, the report referred to in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter. | Complied with |
| The Recipient shall: (a) implement the Procurement Risk Mitigation Framework, in a manner acceptable to the Association; and (b) submit to the Association, on a quarterly basis, a report detailing the procurement process, the implementation of the said Procurement Risk Mitigation Framework and the quality of goods, services and works delivered under the Project. | Complied with |
An IDA team for Bangladesh carried out a Mid-Term Review and Implementation Support Mission (ISM) for the Skills and Training Enhancement Project (STEP) from February 17-28, 2013. The mission reviewed the progress of all activities under components and sub-components and performance of all aspects of project management (project management, fiduciary and safeguards, and monitoring and evaluation) since effectiveness. The mission also assessed project achievements till MTR and likelihood of achieving the Project Development Objective (PDO), outcomes and outputs by project end and agreed on necessary changes to the project design, management, implementation and financing arrangements for the remainder of the project period.

The progress towards achievement of PDO was rated Satisfactory. Pass rates of students (KPI 1) in supported diploma programs have increased to 67% against the target of 54%. The cumulative number of stipend recipients (KPI 3) as of December 2012 is 54,050 against the target of 40,000. Employment data for short-term training enrollees (KPI 2) was in the process of being collected. It was agreed that competency based assessment (KPI 4) will be combined with the operationalization of Recognition of Prior Learning (RPL) by Academic Year 2014.

Overall Implementation Status: The overall implementation progress rating for the project was rated as ‘Satisfactory’. The project had completed 2.5 years of implementation. There were about seven months delay in initiating project activities due to lack of proper office accommodation and deployment of staff for the Project Implementation Unit (PIU). Since then, the project had made significant progress. The PIU was in place with a full-time Project Director and 33 other staff. All project institutions -- polytechnics and short-term training providers -- had been selected and had started implementation of their individual institutional development plans (IDPs). Twenty-five public polytechnics were fully staffed by hiring and placement of 576 teachers on contractual basis. More than 20,000 youth had been trained in short-term courses, and the project so far had cumulatively supported 51,050 beneficiaries with the diploma level stipends, one and a half times more than the project target. Of the six agreed policy actions at the institution level, four had been achieved or initiated. Two of the policy actions envisaged in the program design, namely financial and academic autonomy to public polytechnics had been delayed due to the fact that they required a change in laws, and could not be resolved through decision-making at the Directorate of Technical Education level.

CIDA has provided an amount of US$20.24 million equivalent, which will be administered through a multi-donor trust fund (MDTF). The MDTF would be implemented through (i) Bank executed activities (USD 2.53 million) and (ii) Recipient-executed activities (USD 16.71 million). The project components and financing modalities was agreed with CIDA.

Recommendations
Based on project implementation experience since effectiveness, this MTR recommended that a second order restructuring with adjustments in the components and sub-components was necessary to improve implementation performance of the project. Proposed restructuring mainly include reallocation of resources from Category II to Category I towards filling the funding gap under the stipend program due to surpassing target beneficiaries.

Based on the finding from the evaluation of the SSC (Voc) program, the MTR recommended downsizing of the proposed SSC (Voc) pilot towards an operational pilot aiming to establish an institutionalized apprenticeship program that will strengthen the labor market linkage of SSC (Voc) institutions.

Only one out of ten students is female in the polytechnic institutes and the female drop-out rate is almost twice as much as male. In contrast only 12 percent of the stipend beneficiaries are girls and most of the
girls do not get selected for stipend as very few of them are from extreme poor families. Apparently, high opportunity cost of studying for 4 years due to availability of jobs in garments and in other industries is the biggest reason of high drop out of girls. Therefore, MTR recommended to allowing all the female students in the eligible institutions for stipend which would increase participation rate of female students in technical education and will decrease the drop-out rate.