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The World Bank

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Report No: PAD1003

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$50 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR A

XINJIANG TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING PROJECT

May 6, 2015

Education Global Practice  
East Asia and Pacific Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: March 16, 2015)

Currency Unit = Chinese Yuan (CYN)  
US\$1 = CNY 6.20

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

BD	Bidding Document	MIS	Management Information System
BER	Bid Evaluation Report	MOE	Ministry of Education
CAD/CAM	Computer Aided Design / Computer Aided Manufacturing	MOF	Ministry of Finance
CBT	Competency-Based Training	MTR	Mid-Term Review
CNAO	China National Audit Office	NCB	National Competitive Bidding
CQ	Consultant Qualification	OP/BP	Operation Policy / Bank Policy
CNY	Ren Ming Bi (Chinese currency)	PDO	Project Development Objective
DA	Designated Account	PET	Project Expert Team
EMP	Environmental Management Plan	PIU	Project Implementation Unit
EMDP	Ethnic Minority Development Plan	PMO	Project Management Office
FM	Financial Management	PV	Present Value
FMM	Financial Management Manual	QBS	Quality Based Selection
GDP	Gross Domestic Product	QCBS	Quality and Cost Based Selection
HRSS	Human Resource and Social Security	SA	Social Assessment
IBRD	International Bank of Reconstruction and Development	SORT	Systemic Operations Risk-rating Tool
IC	Individual Consultant	SSS	Single Source Selection
ICB	International Competitive Bidding	TVET	Technical and Vocational Education and Training
IDA	International Development Association	XUARFD	Xinjiang Uygur Autonomous Region Finance Department
IE	Impact Evaluation	XUARDRC	Xinjiang Uygur Autonomous Region Development and Reform Commission
IRR	Internal Rate of Return	XUARED	Xinjiang Uygur Autonomous Region Education Department
M&E	Monitoring and Evaluation	XUARAO	Xinjiang Uygur Autonomous Region Audit Office

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# CHINA

## XINJIANG TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING PROJECT

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**PAD DATA SHEET***China**Xinjiang Technical and Vocational Education and Training Project (P147367)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC**GEDDR*

Report No.: PAD1003

<b>Basic Information</b>			
Project ID P147367	EA Category B - Partial Assessment	Team Leader Liping Xiao	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Sep-2015	Project Implementation End Date 31-Dec-2020		
Expected Effectiveness Date 01-Sep-2015	Expected Closing Date 31-Dec-2020		
Joint IFC No			
Practice Manager/Manager Harry Anthony Patrinos	Senior Global Practice Director Claudia Maria Costin	Country Director Bert Hofman	Regional Vice President Axel van Trotsenburg
Borrower: People's Republic of China			
Responsible Agency: Foreign Loan Management Office of Xinjiang Uygur Autonomous Region Education Department			
Contact: Telephone No.:	Jin Zhihui 86-991-7606098	Title: Email:	Director wj821109@126.com
<b>Project Financing Data(in USD Million)</b>			
[X] Loan	[ ] IDA Grant	[ ] Guarantee	
[ ] Credit	[ ] Grant	[ ] Other	
Total Project Cost:	102.68	Total Bank Financing:	50.00

Financing Gap:	0.00					
<b>Financing Source</b>						
						<b>Amount</b>
Borrower						52.68
International Bank for Reconstruction and Development						50.00
Total						102.68
<b>Expected Disbursements (in USD Million)</b>						
Fiscal Year	2016	2017	2018	2019	2020	2021
Annual	5.00	10.00	15.00	10.00	5.00	5.00
Cumulative	5.00	15.00	30.00	40.00	45.00	50.00
<b>Institutional Data</b>						
<b>Practice Area / Cross Cutting Solution Area</b>						
Education						
<b>Cross Cutting Areas</b>						
[ ] Climate Change						
[ ] Fragile, Conflict & Violence						
[ X ] Gender						
[ X ] Jobs						
[ ] Public Private Partnership						
<b>Sectors / Climate Change</b>						
Sector (Maximum 5 and total % must equal 100)						
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %		
Education	Vocational training	80				
Education	General education sector	20				
Total		100				
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.						
<b>Themes</b>						
Theme (Maximum 5 and total % must equal 100)						
Major theme	Theme	%				
Human development	Education for the knowledge economy	80				
Human development	Education for all	20				

Total	100
<b>Proposed Development Objective(s)</b>	
Improve the quality and relevance of project schools to produce students' skills that respond to the labor market demand in Xinjiang.	
<b>Components</b>	
<b>Component Name</b>	<b>Cost (USD Millions)</b>
School-based Reform and Innovations	93.12
Provincial Policy Development, School Twinning Partnership, Monitoring and Evaluation and Project Management	0.50
<b>Systematic Operations Risk- Rating Tool (SORT)</b>	
<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	Moderate
2. Macroeconomic	Low
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Low
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Moderate
7. Environment and Social	Moderate
8. Stakeholders	Low
9. Other	
<b>OVERALL</b>	Moderate
<b>Compliance</b>	
<b>Policy</b>	
Does the project depart from the CAS in content or in other significant respects?	Yes [ ] No [X]
Does the project require any waivers of Bank policies?	Yes [ ] No [X]
Have these been approved by Bank management?	Yes [ ] No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ] No [ ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b> <b>No</b>

Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Expert Team (PET)	X		Continuous
<b>Description of Covenant</b>			
Project Agreement, Section I, B 2(b): Obligation of the PMO to maintain a Project Expert Team responsible for providing technical support to the PMO.			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Implementation Plan (PIP)	X		Continuous
Project Agreement, Section I, B.1: Obligation of the PMO to carry out the project in accordance with the PIP.			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Mid-Term Review		July 30, 2018	
<b>Description of Covenant</b>			
Project Agreement, Section II, A. 2: To Prepare and submit to the World Bank an MTR report no later than July 30, 2018.			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Subsidiary Agreements	X		Continuous
<b>Description of Covenant</b>			
Project Agreement, Schedule, Section I, A.1: XUARED to make loan available to each project school through a subsidiary agreement.			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Annual work plans	X		Yearly



<b>Description of Covenant</b>			
Project Agreement, Section I, B. 3: Project Implementing Entity shall prepare a draft consolidated annual work plan for the following fiscal year by January 30.			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Safeguards monitoring	X		Semester
<b>Description of Covenant</b>			
Project Implementing Entity shall cause the Project Schools to, take all measures necessary on their part to regularly collect, compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Liping Xiao	Senior Education Specialist	Team Lead	GEDDR
Alejandro Alcala Gerez	Senior Counsel	Senior Counsel	LEGES
Yiren Feng	Senior Environmental Specialist	Senior Environmental Specialist	GENDR
Xiaowei Guo	Senior Procurement Specialist	Senior Procurement Specialist	GGODR
Bingjie Hu	Economist	Economist	GMFDR
Haixia Li	Senior Financial Management Specialist	Senior Financial Management Specialist	GGODR
Zhefu Liu	Senior Social Development Specialist	Senior Social Development Specialist	GSURR
Tao Su	Program Assistant	Program Assistant	EACCF
Haiyan Wang	Senior Finance Officer	Senior Finance Officer	WFALN
Eduardo Velez Bustillo	Consultant	Education Specialist	GEDDR
Wenjin Wang	Consultant	Vocational Education Specialist	GEDDR
Jin Song	Consultant	Research Analyst	GSPDR
Jun Yang	Consultant	Civil Works Specialist	GEDDR
Youxuan Zhu	Consultant	Social Development Specialist	GENDR
Xiaoyan Wang	Consultant	Vocational Education Program Management	GEDDR
<b>Non Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>City</b>	

<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
China	Xinjiang Uygur Autonomous Region	Xinjiang		X	

## I. STRATEGIC CONTEXT

### A. Country Context

1. China has sustained high growth over the past three decades with an average annual growth rate of 10 percent, lifting 500 million people out of poverty and shifting 260 million migrants from agriculture into manufacturing and service industries. The growth has accelerated industrialization and urbanization. The Government's Urbanization Development Plan (2014-2020) calls for a people-centered development which ensures sustained economic growth and social development. This is to be achieved by shifting growth patterns from low- to higher-value-added industries, promoting inclusive growth and environmental protection. Improving quality and productivity of its labor force through public service is explicitly put forth as an enabling factor of the success of the plan.

2. Xinjiang Uygur Autonomous Region (Xinjiang) is the province with the largest geographical area in China with a sparse population of 21.8 million and abundant natural resources. More than 10 percent or 2.29 million of its population is poor.<sup>1</sup> It has 47 ethnic groups with a population of 13 million. It is an important province in China's Northwest region bordering Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, and India. In the past 10 years, Xinjiang has achieved rapid economic development, but it is still behind the national average. For example, in the year 2010, Xinjiang's per capita Gross Domestic Product (GDP) reached US\$3,698 while the national average was US\$4,431. During the period 2001-2010, the average per capita GDP growth rate in Xinjiang was only 8.6 percent, whereas the national average was 9.8 percent.

3. The Xinjiang government prioritized its leap-frog development in the Second Xinjiang Conference on May 2014 and formulated a Big Construction, Big Opening up, and Big Development Strategy to boost the provincial social and economic development. The Government stated that the objectives of urbanization and industrialization in Xinjiang will make it: (i) the bridgehead for opening up to central Asia (as part of the proposed Silk Road Economic Zone); (ii) the regional hub for economic growth in western China, focusing on transportation, logistics, finances, science, technology and culture, health, and energy; and (iii) a prosperous, harmonious and stable province.

4. Compared with the national production sector structure, the ratio of the primary sector in Xinjiang GDP is greater than that of the national average, while the ratio of the secondary sector is almost the same as the national average, and the share of the tertiary sector is comparatively small. Production of cash crops makes up 61 percent of the total production of major agricultural products in Xinjiang. For years the share of agriculture has remained at 20 percent of Xinjiang's total GDP, which is far above the national average of 10 percent. The proportion of the secondary sector in Xinjiang's GDP has been growing from 42.4 percent in 2001 to 47.7 percent in 2012, which is the same level of growth as the national average. Compared with the primary and secondary sectors, the tertiary sector development in Xinjiang is lagging behind the national average. It decreased from 38.2 percent of GDP in 2001 to 32.5 percent in 2012, which was 10.6

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<sup>1</sup> The data is from the National Statistics Bureau with the low-income standard of 1,500 RMB per capita income for rural household (see the details in <http://www.xjfp.gov.cn/zwgk/fpnj/2013-12-03-756.html>).

percentage points lower than that of the national average. This is in sharp contrast with the national trend of steady growth of the tertiary sector during the same period.

5. The Xinjiang government recognizes the unfulfilled economic potential of the agriculture, mining, energy, and service sectors. The Government has emphasized the need to develop these sectors as dynamic contributors to Xinjiang's economic growth, and to the equalization of opportunities to close the urban-rural gap. More investment in public services and more employment are the key measures for achieving Xinjiang's development strategy.

## **B. Sectoral and Institutional Context**

6. China's rapid economic growth has accelerated industrialization and urbanization, increasing the demand for new skills. At a national level, China has responded with increased investment in technical and vocational education under the 12<sup>th</sup> Five Year Plan for 2011-2015 and the Medium to Long-term Education and Talent Development Plans for 2010-2020. These plans call for the expansion of enrollment in vocational education both at secondary and tertiary levels, with improvements in quality and relevance. Furthermore, the Development of Modern Vocational Education Plan for 2014-2020, released in June 2014, targets quality and relevance improvements through closer school industry linkage, better articulation of curricula among various levels and programs, and flexible transmission from secondary to post-secondary vocational education.

7. Technical and vocational education and training (TVET) is available after the nine-year compulsory education at senior secondary and tertiary levels. The TVET system provides skills development through a combination of 2-5 year programs as well as short-term training programs. It is administered by the Department of Education and the Department of Human Resources and Social Security in China's provinces. Based on international trends and analysis of the context in China and Xinjiang, the current system faces a number of challenges at the system and institutional levels. In particular, challenges remain in improving quality and relevance of TVET to expand the future pool of skilled labor and to upgrade the skills of the existing labor force.

### **Xinjiang TVET Sector Development and Challenges**

8. The formal TVET system needs to be expanded to meet the growing demand for a skilled and productive labor force in Xinjiang. The system expanded rapidly in the past 10 years. Total enrollment in secondary vocational schools increased from 160,000 in 2001 to 281,800 in 2013, and enrollment in the tertiary vocational schools increased to 111,800. However, TVET enrollment in secondary and tertiary levels is 39 percent and 40 percent respectively. So TVET still enrolls fewer students than general education in Xinjiang.

9. The quality of Xinjiang TVET is lower than that of general education. At the school level, TVET teachers' qualifications have lower standards than those in general education, and they have a heavier teaching load. Curricula are outdated and disconnected from industry requirements. Both vocational high schools and vocational colleges have lower expenditures per student than general senior schools and universities.

10. At the request of the Xinjiang government, a study of the Xinjiang TVET system was conducted using a diagnostic tool developed under the World Bank's initiative on Systems Approach for Better Education Results (SABER)<sup>2</sup>, which provides a diagnosis of the strengths and weaknesses of the sector. By comparing the Xinjiang TVET system against global best practice, the study concluded that the key areas for improvement include: (a) promoting diversity in training provision; (b) fostering articulation across levels of instruction and types of programs; (c) facilitating communication and interaction among all workforce development stakeholders; (d) fostering partnership between workforce development authorities and stakeholders; and (e) strengthening firms' demand for skills to improve productivity.

11. The study proposed recommendations for strengthening the Xinjiang TVET system to meet the growing demand for skilled labor: (a) in the short term, provision of TVET should be expanded through strengthened coordination and governance, improved and more efficient public school management, more engaged and closely supervised private institutes, and skills supply should increase relevance through closer linkages with industry and research institutes; and (b) in the medium- to long-term, the TVET system needs to improve quality through enhanced governance, monitoring and evaluation as well as improved connections with basic education. Efforts also should be made to help some technical and vocational schools and programs gain national recognition. This study's recommendations coincide with those in the Government's new TVET strategy of "building a modern TVET system."

12. The above country and sector context and the World Bank's analytical work outline the main challenges facing the Xinjiang TVET system, and also propose key suggestions for improvement. This proposed project will concentrate most of its resources on improving the capacity of the project schools in delivering quality and relevant technical and vocational education programs. At the same time, it will also attempt to address system-wide coordination and capacity issues and to contribute to the development of a more coordinated, equitable and effective technical and vocational education and training system in Xinjiang.

### **Rationale for Bank Involvement**

13. The World Bank has a long record of supporting TVET reforms. The knowledge and lessons drawn from this experience provide a rationale for involvement in this sector. In China specifically, the World Bank has recently accumulated experience during the implementation of three TVET projects in Guangdong, Liaoning, Shandong, and Yunnan provinces. The successful implementation of these projects proved that the World Bank is able to fill an important gap by introducing international experience and innovation in school-based reforms and supporting policy studies of key sector and system-wide issues to further inform government policies and investments.<sup>3</sup>

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<sup>2</sup> Focused on three dimensions including Strategic Framework, System Oversight, and Service Delivery, the study finds that Xinjiang's TVET system as a whole is at the "established" level. The Strategy Framework is near halfway to the 'established' level while the Service Delivery and the System Oversight are entering the level.

<sup>3</sup> Lessons from ongoing TVET projects in China informed the design of this project and are summarized in Section C below.

14. This project will contribute to important long-term goals in the Xinjiang TVET system, including: (a) address existing challenges to help strengthen the alignment of Xinjiang TVET system with its 12<sup>th</sup> Five Year Plan, Medium- to Long-term Education and Talent Development Plans, as well as Xinjiang’s development strategy; and (b) pilot some interventions to help pioneer the implementation of building a modern TVET system in Xinjiang. Most importantly, improving the quality and relevance of TVET will provide many of Xinjiang’s citizens with opportunities to succeed in the labor market.

15. Lessons learned from the project’s schools will be shared with their partner schools in Xinjiang and with other schools elsewhere in China. Therefore, the resulting knowledge generated will reach beyond project schools.

### **C. Higher Level Objectives to which the Project Contributes**

16. The project is aligned with China’s 12<sup>th</sup> Five Year Plan and the Medium to Long-term Education and Talent Development Plans. These plans give priority to workforce development in the west region, provide more support to poor regions and regions with ethnic minorities, enhance capacity for provision of a skilled workforce, and encourage innovations in governance. It will contribute to the achievement of Xinjiang’s Modern Vocational Education Plan and Xinjiang’s development strategy to meet the increasing demand for a skilled workforce, and provide a foundation for future social and economic development in the province.

17. **Relationship to the Country Partnership Strategy (CPS).** The project is consistent with Outcome 2.2 of Strategic Theme Two “*Promoting More Inclusive Development*” of the World Bank Group’s China CPS for FY2013-2016 which was approved by the Board on November 6, 2012. By developing model schools serving a primarily rural population and ethnic groups, the project will build the capacity of the poor and ethnic groups by delivering skills training that is more closely integrated with the needs of industry. The project will leverage its impact by disseminating lessons from the experience to other schools in Xinjiang and nationally.

18. **Twin Goals.** The project will also contribute to the achievement of the twin goals of reducing poverty and boosting shared prosperity. TVET is expected to contribute to poverty reduction in Xinjiang by improving access to pertinent, high-quality TVET. Access to quality education is associated with higher income. In addition, the students who will benefit from the project will enjoy better employment prospects after graduation. Both China’s and international experience show that better education is instrumental for poverty reduction, and a skilled workforce is vital to economic growth and productivity increases.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

19. The project development objective (PDO) is to improve the quality and relevance of project schools to produce students’ skills that respond to the labor market demand in Xinjiang.

### **Project Beneficiaries**

20. The project will directly benefit the 48,492 students in the five project schools. More than 70 percent of the schools' students are from rural areas, and about 60 percent are from poor households eligible for government subsidies, which suggests that the project is likely to help meet the education needs of students in poverty. In addition, 44 percent of the total number of students will be from minority ethnic groups, indicating that the project will address the needs of ethnic minority groups as well. For instance, the Xinjiang Institute of Light Industry Technology currently has 55 percent of low-income households, and plans to increase the enrollment of poor students by 20 percentage points to reach 75 percent. The College of Xinjiang Uygur Medicine, which specializes in training in Uygur medicine, has 79 percent students coming from low-income households. Uygur medicine is one of the four major traditional medicines in China that are low-cost but high efficacy. By helping the college enhance its capacity and quality of education, the project will help expand inclusive access to low-cost healthcare for low income households in Xinjiang, especially herdsmen who are living in remote poor areas. At the end of the project period, total enrollment in the project schools is projected to increase to about 66,375. In addition, the five project schools will offer short-term training programs to rural farmers and urban migrant workers, and provide technical services to local communities and enterprises.

21. Other beneficiaries include teachers and administrative officials both at school and provincial levels who will be trained in a variety of subjects. The project will also encourage twinning arrangements so that project schools will support similar reforms, share the lessons learned and maximize the development impact in non-project schools.

## **B. PDO Level Results Indicators**

22. Achievement of the PDO will be measured, as in the previous three TVET projects in China, by the following three key result indicators, which are the standard indicators used by government to measure the quality and relevance of TVET schools in China and Xinjiang:

- (a) percentage of graduates finding employment within 6 months (by gender and ethnic group);
- (b) percentage of graduates obtaining both skills certificate and diploma (by gender and ethnic group)<sup>4</sup>; and
- (c) starting salary of graduates (by gender and ethnic group).

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

23. The project will have two main components: (a) school-based reforms and innovations; and (b) provincial policy development, school twinning partnership, and monitoring and evaluation (M&E) and project management.

**Component 1: School-Based Reforms and Innovations (Total US\$93.12 million, IBRD US\$49.78 million).** This component will have five subcomponents:

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<sup>4</sup> Skills certificate are increasingly used by professions and governments to define the qualifications required for professionals to practice in a discipline, and define a range of levels of competencies and capabilities that are assumed to be achieved at these levels.

#### Sub-component 1.1: Strengthen the linkage between schools and industry

24. This sub-component is designed to address the lack of systematic and substantive school-industry collaboration in order to improve quality and relevance in the training programs. It will strengthen and institutionalize the linkage between schools and industry by: (a) establishing or improving the School-Industry Collaboration Committees at the school level and sector specific Technical Advisory Committees at the departmental level; (b) piloting new models of school-industry cooperation based on inputs from the Committees and the characteristics of project schools; and (c) evaluating school-industry collaboration.

#### Sub-component 1.2: Update curriculum, pedagogy and assessment

25. This sub-component is designed to address the challenges related to the curriculum being out of date, too theoretical, not sufficiently reflecting the needs of the industry, teaching methodology being predominantly teacher-centred, and teaching and learning assessments not reflecting the new curriculum and result-oriented approach. This sub-component will: (a) develop competence-based standards for core curricula; (b) develop and adapt modular competency-based curricula and other teaching learning materials, and establish a school-level teaching and learning resource library; (c) transform pedagogy from the traditional teacher-centred to a student-centred one; and (d) develop competency-based evaluation instruments to assess students' learning outcomes and teachers' teaching effectiveness. As recommended in the Ethnic Minority Development Plan, this sub component will also support measures for improving the quality of the One-year Mandarin Language Preparatory Program to facilitate ethnic students' entrance into the technical study.

#### Sub-component 1.3: Building up high quality teaching and management teams

26. This sub-component is designed to address the challenges related to further improving management and instructional capacity in delivering quality training programs. The project will: (a) elaborate professional development plans for teachers and administrators and set up the incentive mechanism for high performance; and (b) organize various capacity-building programs targeted at several cohorts of teachers and administrators. For school managers, the project will support domestic and overseas training of top- and middle- level managers. For teachers, the project will support domestic and overseas training. The project will also support capacity building for teachers of the One-year Mandarin Language Preparatory Program.

#### Sub-component 1.4: Improve external support to other schools and local communities

27. This sub-component is designed to enhance project impact by allowing project schools to share their experience on quality and relevance improvement with selected partner schools, and to enhance school management and the relevance of TVET provision by providing services for local communities. The School Twinning Partner Program was recently initiated by the Xinjiang Autonomous Region Education Department to address the inequality of TVET schools in Xinjiang. The project will also support various services for local communities.



### Sub-component 1.5: Upgrade facilities and equipment

28. This sub-component is designed to address the needs of training centers and key training equipment in the project schools to extend access for more students. The project will provide financing to: (a) expand and upgrade facilities including construction of training centers within existing school campuses of the selected schools; (b) provide key training equipment needed for the revised training programs; and (c) develop school guidelines for the management of all training facilities and equipment.

### **Component 2: Provincial Policy Development, School Twinning Partnership, Monitoring and Evaluation and Project Management (Total US\$ 0.5 million, IBRD US\$ 0.1 million).**

29. This component will support the development of evidence-based policy research and the sharing of knowledge. It is designed to sustain project impact beyond the project schools and address some systemic TVET issues in Xinjiang by supporting better management and policy development. This component will carry out policy research and produce policy briefs to accumulate good practices to help implement new national policy to build a modern TVET system in Xinjiang.

30. This component will conduct a survey for the first round of school twinning partnership launched by the Vocational and Adult Education Division of the Xinjiang Education Department. The survey will help to identify lessons at the school level which can be used to scale-up the provincial twinning program, and at the same time provide assistance to project-supported schools under sub-component 1.4.

31. This component also supports capacity building for Project Management Office (PMO) and Project Implementation Unit (PIU) staff in project for project activities and project management.

## **B. Project Financing**

### **a. Lending Instrument**

32. The proposed lending instrument for this project is Investment Project Financing (IPF). The Borrower has selected a US Dollar denominated, commitment-linked variable spread loan with a 30-year loan period including a five year grace period. It has also selected the currency conversion option, level repayment of principal, and a repayment period of 30 years.

### **b. Project Cost and Financing**

33. The total project cost is estimated to be CYN 636.625 million, equivalent to US\$102.68 million. It is proposed to be financed through an IBRD loan of US\$50 million and counterpart funds of US\$52.68 million. Table 1 below presents the distribution of project costs and financing by component. The details of the project cost and financing plan is in Annex 3.

**Table 1 Project Cost and Financing Plan**

<b>Project Components</b>	<b>Project Cost (Million US\$)</b>	<b>Project Cost (Million CYN)</b>	<b>IBRD Financing (Million US\$)</b>	<b>% IBRD Financing</b>
<b>1.School-based Reform and Innovations</b>	<b>93.12</b>	<b>577.31</b>	<b>49.78</b>	<b>53.5%</b>
1.1 Strengthen the Linkage between School and Industry	0.71	4.4	0.54	76.1%
1.2 Update Curriculum, Pedagogy and Assessment	5.16	31.98	4.84	93.8%
1.3 Building up High Quality Teaching and Management Teams	12.34	76.5	5.62	45.5%
1.4 Improve External Support to Other Schools and Local Communities	2.57	15.95	0.98	38.1%
1.5 Upgrade Facilities and Equipment	72.34	448.48	37.8	52.3%
<b>2.Provincial Policy Development, School Twining Partnership, M&amp;E, and Project Management</b>	<b>0.5</b>	<b>3.12</b>	<b>0.1</b>	<b>19.9%</b>
<b>Total Baseline Costs</b>	<b>93.62</b>	<b>580.43</b>	<b>49.88</b>	<b>53.3%</b>
Physical and Price contingencies	4.26	26.4	0	0%
<b>Total Project Costs</b>	<b>97.88</b>	<b>606.83</b>	<b>49.88</b>	<b>51.1%</b>
Front-End Fees	0.125	0.775	0.125	100.0%
Commitment Fee	0.256	1.59	-	0%
Interest During Implementation	4.425	27.435	-	0%
<b>Total Financing Required</b>	<b>102.68</b>	<b>636.63</b>	<b>50</b>	<b>48.7%</b>

IBRD = International Bank of Reconstruction and Development  
 Source: the World Bank task team, the Project Management Office

### **C. Lessons Learned and Reflected in the Project Design**

34. This project design incorporates lessons learned in designing and implementing technical and vocational education projects in China and other countries. In particular, lessons were drawn from the World Bank TVET pilot projects in Guangdong, Shandong, Liaoning and Yunnan Provinces in China. The specific lessons learned and incorporated into the project include the following:

- **Strong links between schools and industry.** Training success is tied to how closely the program is linked to the real demands of the labor market, which requires employers to be involved in setting standards for training; engaging in validating these standards; and working closely with training organizations to link theory and practice. The new policy of Building Modern TVET System called for a more demand-driven TVET system in China.
- **To enhance the effectiveness of teacher training, schools should consider developing a customized teacher training plan based on the teacher professional development plan** that accurately evaluates schools' training needs, incorporates industry-based training and/or teaching observations, and lays out the redeployment and career development for all teachers and administrators. Based on this, the project expects to overcome the common issues of overly ad hoc and irrelevant trainings and to reach a higher goal of setting up the incentive mechanism for higher performance.
- **Effective school management.** Decentralization of management allows schools to respond flexibly to local labor market demands and improve the relevance of training offered. School managers operating in a decentralized environment must be able to build linkages with local industry, understand broad economic trends, manage resources efficiently, and address human resource management and development needs to take advantage of the emerging market opportunities.
- **Modular, competency-based training.** Trainees come with a range of capacities and experience. Modular and competency-based curricula can help accommodate such needs. This training model further supports market accountability, relevance, and quality by shifting attention to outcomes in the form of industry-established competencies rather than to inputs reflected in the number of classroom, instructors, and courses offered.
- **Promotion of lifelong learning.** The pace of technological change and the mobility of capital in a global economy place a premium on the ability of workers to upgrade and acquire new skills during their working lives. Competency-based training which promotes flexible entry and exit from training over the lifecycle and providing services for local communities can promote lifelong learning, in addition to improving the relevance of TVET provision.
- **Building a learning culture.** Being able to capture lessons from experience and use them for future policy development contributes to good policy outcomes. Tracer studies are an important tool for evaluation of training programs and assessing the impact of innovations on labor market outcomes.
- **Importance of pathways to further education.** Demand for secondary technical and vocational education is enhanced where trainees are offered pathways to advanced skills in tertiary education. This requires attention to the articulation of training programs. The project will support a provincial level study to guide the articulation of secondary and tertiary TVET in Xinjiang.
- **Blueprint Project Design vs. More Flexible Annual Plans.** Experiences so far indicate that initial efforts in developing very detailed blueprint plans at project preparation may be a wasted effort. Change is often part of the implementation process. Equipment lists which have been reviewed and approved and packaged often have to be adjusted to the speed of building construction and market availability. Even the number of courses to be revised was later adjusted. Hence, this project just produced a five-year plan during the preparation and uses the instrument of annual plan as an efficient planning tool to work out the detailed plan during the implementation.

- **The importance of capacity building at the institutional level cannot be over stated.** One of the key lessons learned from the TVET portfolio in China and elsewhere is the practical focus on strengthening institutions at the local level. In the case of China, the projects have all been designed in a very simple and clear way with emphasis on building capacity at the school level and providing all that is needed to develop and implement a relevant training program. There is relatively less emphasis on system level interventions or policy development. This limitation would be overcome by more provincial level policy studies and more coordination between school and provincial level activities in this project.

#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

35. Xinjiang will implement the project through the Xinjiang Uygur Autonomous Region Education Department (XUARED) and its Foreign Loan Management Office (FLMO). The XUARED will be responsible for overall coordination and supervision of project implementation. FLMO together with the five project schools will implement the project, manage World Bank loan utilization, and pay back the loan under the guidance of the Xinjiang Uygur Autonomous Region Finance Department (XUARFD).

36. **Leading Group.** A leading group has been formed led by the XUARED Director and consists of representatives from XUARFD and Xinjiang Uygur Autonomous Region Development and Reform Commission (XUARDRC). The leading group will provide oversight and coordination on key project implementation issues and ensure the availability of counterpart funds and other resources required for project implementation.

37. **PMO.** The PMO is located at FLMO of XUARED. It will have the overall day-to-day responsibility for coordinating project implementation in the five project schools and for executing provincial level activities. The PMO is headed by a director and composed of four full-time staff for different aspects of project implementation, including school reform, procurement, financial management, M&E, and social safeguards. The PMO will also establish a PET to provide technical guidance to the PMO and schools. Each of the project schools will further establish a PIU at the school level. The PIUs will be fully staffed with technical experts and administrators in charge of school reform, procurement, financial management, M&E, and social safeguards.

38. A Project Implementation Plan (PIP) has been prepared and will provide implementation guidelines for all aspects of the Project including general administration, procurement, financial management, safeguards management, and M&E.

##### B. Results Monitoring and Evaluation

39. The progress and achievement of the PDO's will be monitored and assessed through three types of M&E activities: (a) regular/routine monitoring; (b) MTR; and (c) an impact assessment of project outcomes at the start and end of the project. A set of result monitoring indicators has been developed to measure project outputs, intermediate outcomes, and final

development outcomes. To the extent possible, the results monitoring and evaluation arrangements for the project will be integrated into the existing data collection and utilization mechanism of schools.

40. Regular/routine monitoring will look at the extent to which the proposed project activities are being implemented as planned and their direct outputs. A MTR will be conducted at the end of the second year or during the third year of project implementation and it will focus on assessing early results/effectiveness of project activities. Most data measuring outputs and intermediate outcomes will be collected through school administrative sources. Individual school data will be aggregated at the project level for analysis at the mid-term review in order to help the project refine the next stage activities as necessary.

41. An evaluation will be conducted to assess the final development impact. The evaluation will assess the program's effects and the extent to which its final development objectives have been attained. It will also identify lessons on types and modalities of interventions that work effectively and efficiently in contributing to the project achievement as well as conditions or factors that can enhance or hinder the effectiveness and efficiency of the various intervention strategies at both institutional and policy levels.

42. To strengthen schools' capacity for data collection, documentation and utilization, the World Bank has, through the PMO, provided technical assistance on M&E capacity building for the proposed project staff during the preparation period and will continue to do so during the project implementation as needed to ensure that the monitoring and evaluation function has been established and integrated into the school reform process.

### **C. Sustainability**

43. The proposed project is based on the formal development plans from both the central and the Xinjiang governments. At the level of political commitment, the Government of China recognizes the critical importance of technical and vocational education and training to growth and poverty reduction and is fully committed to further investment in this sector. This commitment is reflected in the Government Medium- and Long-Term Education Development Plan Outline (2010 to 2020), and its 12th Five-Year Development Plan, in the Xinjiang Medium and Long-Term Education Reform and Development Plan (2010-2020); and in the recently released China Urbanization Development Plan and Modern Vocational Education Development Plan.

44. Financial sustainability is expected to be sound. Financial analysis shows that government allocation for TVET has recently increased and will continue to increase in line with the implementation of Xinjiang development strategies. The incremental costs due to the project will have a limited impact on financial sustainability of project schools. The discretionary funds for each project school will be adequate to provide the required counterpart funds for project implementation. Counterpart fund requirements for the project will not significantly impact the schools' normal operation and budgets of project schools and XUARED. The Xinjiang and relevant Local Departments of Finances have confirmed their willingness to provide adequate counterpart financing to ensure that all activities will be adequately financed.

45. Finally, a key element for achieving project sustainability is stakeholder participation. This project is built on a good understanding and ownership by the government and consultation with school administrators and instructors. The investment package of reforms will enhance the opportunities for trainees to get better jobs and better manage income risks.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

**Table 2 Risk Rating Summary**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	Moderate
2. Macroeconomic	Low
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Low
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Moderate
7. Environment and Social	Moderate
8. Stakeholders	Low
9. Other	
<b>OVERALL</b>	Moderate

### B. Overall Risk Rating Explanation

46. Based on the Systematic Operations Risk- Rating Tool (SORT), the overall implementation risk is moderate. China has a stable macroeconomic and political situation. The Chinese government is committed to education and to upgrading skills of its labor force to sustain economic and social development and to avoid the ‘middle-income trap’.

47. The main risks relate to the PMO and project schools not having prior experience with implementing Bank-financed projects and will be mitigated by appropriate measures, including: (a) training on the World Bank procurement, financial management and safeguards policies will continue throughout project implementation and compliance will be monitored by the World Bank during project implementation; (b) adequate funds have been allocated to monitoring and evaluation, project management to help PMO and PIUs staff to implement the project; (c) The proposed project includes funds for the PMO to engage experienced consultants to assist with implementation supervision, especially on EMDP and EMP enforcement; and (d) the Results Framework includes indicators to monitor progresses of all aspects including EMDP.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial Analysis**

48. Economic analysis of the project has been carried out in accordance with the World Bank's *Economic Analysis Guidance Note*, and focused on the analysis of economic impacts as well as the rationale for public sector involvement and for World Bank support. A cost-benefit analysis was conducted to estimate whether the net economic benefits produced by the project would outweigh the costs. The analysis has found that the project would have a positive impact. It will generate an Internal Rate of Return (IRR) between 9 and 13 percent depending on different sets of assumptions. The benefits associated with an investment in technical and vocational education normally accrue to private individuals through improved employment and earnings prospects, and some benefits are captured by society in the form of spillover effects justifying public investment in this type of education. Details of economic evaluation are in Annex 5.

49. Xinjiang Government will repay the World Bank loan through project schools and the XUARED from: (a) institution revenue; and (b) government fiscal allocation to the schools. Financial analysis has been conducted to ensure that sufficient funds from these sources would be available for project implementation, loan repayment and project schools' other responsibilities. Counterpart funding for project implementation will primarily come from institution revenues and fiscal allocations. Project implementation will require about 29.01 percent of project schools' total discretionary funds during the project implementation period, and will not have a negative financial impact on project schools' ongoing operations. Details of the financial analysis are in Annex 5.

### **B. Technical**

50. The proposed project design builds on international experience of developing demand-driven TVET systems. In particular, the project design reflects international trends in the following areas of TVET: (a) governance and management; (b) developing sustainable mechanisms for school industry collaboration and using such mechanisms to constantly improve curriculum content and teaching methodology to reflect the competency standards required by industry; (c) importance of improving practical teaching skills through teacher training; and (d) cultivating a results-oriented and evidenced-based policy making culture and behaviors among school leaders. This design is consistent with the recently approved new national TVET policy.

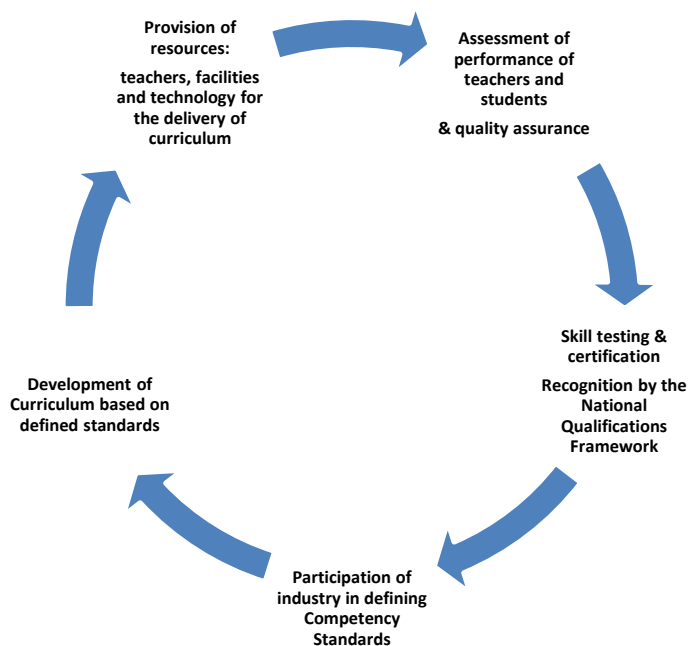
51. The proposed project further reflects and builds on the World Bank's knowledge and experience working in China and Xinjiang both within the education sector and specifically in the TVET sub-sector. A background study (using the SABER methodology developed under the World Bank Education Strategy) was carried out to identify sector issues in TVET in Xinjiang. The World Bank team also organized study visits for the Xinjiang counterparts to learn about TVET systems in other provinces in China.

52. The proposed project incorporates key suggestions from the Social Assessment (SA) and Ethnic Minority Development Plan to ensure minority students and teachers benefit from the project by more access to higher quality TVET provision and One-Year Mandarin Language

Preparatory Program for minority students, as well as much-needed capacity building for minority teachers.

53. The proposed project follows a similar conceptual framework and design as the ongoing Guangdong, Shandong, Liaoning and Yunnan TVET Projects also financed by IBRD loans. In particular, the Project adopts the same school reform cycle as in the other TVET projects, as illustrated in Figure 1. The Project is also structured with two components: one at the school level and the other at the provincial level with the overall management responsibility resting with the Department of Education. The Project establishes an Inter-Departmental TVET Coordination Committee to improve the governance of TVET in the Province, to minimize resource wastage, coordinate policy, and to ensure coverage of TVET across the province in particular for more vulnerable groups.

**Figure 1: School Reform Cycle**



### **C. Financial Management**

54. The IBRD loan proceeds, including overseeing the Designated Account, will be managed by XUARFD. A financial management (FM) assessment of the PMO and five project schools conducted by the World Bank identified the principal risks as: (a) the lack of World Bank operation experience; (b) a large number of miscellaneous expenditures for school-based reforms and innovations increasing project management complexity and risk of the World Bank loan not being used for its intended purpose. An action plan to strengthen FM capacity has been agreed upon with the implementing agencies. The FM assessment concluded that with the implementation of the proposed actions, the project's FM arrangements satisfy the World Bank's requirements under OP/BP 10.00.



## **D. Procurement**

55. The PMO will be responsible for overall procurement cycle management under the project. A procurement assessment was carried out, procurement risks identified and mitigation measures agreed to. The main risk identified in the procurement capacity and risk assessment was the inadequate experience of PMO and project schools staff with procurement under the World Bank-financed projects, which has been mitigated by preparing a project procurement manual; and the hiring of a qualified procurement agent and technical consultants to assist the PMO and the five project schools. In addition, procurement training provided by the World Bank or Tsinghua University will further help strengthen the PMO's and the project schools' procurement capacity. The PMO and the project schools have prepared a procurement plan including all contracts for which procurement action is to take place in the first 18 months of project implementation. The procurement plan has been agreed with the Bank and it will be updated at least annually (or as required) to reflect project implementation needs. The procurement plan and its updates will be available in the PMO and will be published on the Bank's external website. Further details on procurement are provided in Annex 3.

## **E. Social (including Safeguards)**

56. *Involuntary Resettlement (OP4.12)*. The proposed project will not trigger the World Bank's Involuntary Resettlement (OP/BP 4.12) Safeguard Policy, since all proposed school buildings will be built within the current campus with no new land acquisition and resettlement required. This was confirmed through screening and due diligence conducted by the task team.

57. *Indigenous Peoples (OP4.10)*. Given that the project's beneficiaries are predominantly from ethnic minorities, the World Bank's safeguard policy on Indigenous Peoples (OP4.10) is triggered. There are 47 officially recognized ethnic groups covering 13 million people or 60 percent of the total population in Xinjiang. In project schools on average 44 percent of students and 31 percent of faculty belong to ethnic minority groups. To ensure broad support by the minority students and faculty and equal share of project benefits, extensive consultations were conducted during the SA, based on which, an Ethnic Minority Development Plan (EMDP) has been developed for the Project. Based on consultations, issues concerning minority students and faculty were identified and concrete measures for improvement are incorporated in the project design and included in the EMDP. For example, regarding the current One-year Mandarin Language Preparatory Program that the project schools have been providing to all new minority students to facilitate their entrance into the technical tracks, the consultations conducted for the SA highlighted the need for this program to be improved in terms of quality and effectiveness, through the provision of expanded teaching facilities and more Mandarin teachers. The project schools will lead implementation of the EMDP with oversight from the Project Leading Group. The monitoring results will be reported twice a year and, if needed, remedial actions will be designed and implemented. All these recommendations have been accepted by the project implementing agencies and were built into the project design. The EMDP in both English and Chinese languages and in full and abstract documents were disclosed locally on January 5, 2015 and through the World Bank InfoShop on January 12, 2015. The SA reports in both English and Chinese languages and in full and abstract documents were disclosed in draft in the InfoShop on January 12, 2015. The updated SA report was re-disclosed on March 11, 2015.

58. *Gender Impacts.* The gender impacts were analyzed based on the SA conducted. Among the five project schools, female students account for an average of 47 percent of total students, with the range of 30 percent to 70 percent. Female students will benefit equally from the project activities. Efforts will be made to recruit girls more proactively for post-secondary education TVET programs and increase their employment during the project implementation. Gender and ethnic group disaggregated enrollment, graduation and employment indicators have been included in the project monitoring framework.

#### **F. Environment (including Safeguards)**

59. The proposed project will finance the construction of new school buildings for additional training space and skills training. All planned civil works will be constructed on the existing land within the campus of the project schools. The project will have very limited adverse impacts during the construction and operation phase. OP4.01 Environmental Assessment is triggered. The project is classified as Category B by considering the type, location, sensitivity, and scale of the proposed project, and the potential environmental and social impacts.

60. The negative environmental impacts of the project are construction related impacts, including impacts on ambient air, water, acoustic environments, solid wastes, and worker safety etc. These negative impacts will be limited, short-term, temporary and site-specific. An Environmental Management Plan (EMP) was selected as the EA instrument due to the nature of the project. The EMP was reviewed by the World Bank team and found satisfactory to the World Bank safeguards requirements. The EMP will be included in the bidding documents and the corresponding contracts.

61. Public consultation and information disclosure were carried out during project preparation. Public opinions were incorporated into the project design and EMP. The full draft EMP, originally prepared and disclosed as ECOP, was disclosed locally on January 5, 2015 and at the World Bank InfoShop on January 12, 2015, and the updated EMP including both Chinese and English versions were re-disclosed on March 11, 2015.

#### **G. World Bank Grievance Redress**

62. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and the World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit [www.worldbank.org/grs](http://www.worldbank.org/grs). For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Result Framework and Monitoring

### China: Xinjiang Technical and Vocational Education and Training Project

Project Development Objective (PDO): Improve the quality and relevance of project schools to produce students' skills that respond to the labor market demand in Xinjiang.													
PROJECT DEVELOPMENT OBJECTIVE INDICATORS													
Indicator Name	Core	Unit of Measure	Base-line 2014	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition, etc.)
				2015	2016	2017	2018	2019	2020				
Indicator 1: Percentage of graduates finding employment within 6 months (by gender and ethnic group)		%	Total: 86.5 Female: 84.8 Ethnic: 76.1	85.6 84.3 74.4	86.2 84.5 74.8	86.4 84.6 76.2	87.0 85.5 77.1	87.6 86.2 78.3	88.0 87.0 80.0	Annual	Tracer study/ school administrative records	School	Number of graduates finding initial employment in the end of that year / total number of graduates in the year
Indicator 2: Percentage of graduates obtaining both skills certificate <sup>5</sup> and diploma (by gender and ethnic group)		%	Total: 68.3 Female: 78.3 Ethnic: 57.9	69.5 77.9 62.9	69.2 77.1 61.5	69.3 77.2 62.5	69.3 77.9 62.9	69.2 78.2 64.0	71.7 78.3 65.0	Annual	school administrative records	School	Number of graduates who obtain diplomas and vocational qualification certificates at the graduation/total number of graduates
Indicator 3: Starting salary of graduates (by gender and ethnic group)		CYN Yuan	Total: 2,200 Female: 2,040 Ethnic: 1,940	2,260 2,100 2,012	2,340 2,180 2,080	2,450 2,280 2,190	2,580 2,420 2,320	2,740 2,580 2,480	2,860 2,700 2,600	Annual	school administrative records	School	

<sup>5</sup> Skills certification is a proxy of quality for the TVET provision.

**INTERMEDIATE RESULTS INDICATORS**

Indicator Name	Core	Unit of Measure	Base-line 2014	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition, etc.)
				2015	2016	2017	2018	2019	2020				
Component 1: School-Based Reforms and Innovations													
Sub-component 1.1: Strengthen the linkage between schools and industry													
Indicator 1: Number of enterprises having cooperated with schools based on the agreement		Number	1340	1360	1380	1430	1460	1490	1510	Annual	School administrative records	School	Number of enterprises cooperated with school under the agreement
Indicator 2 : Number of graduates working in enterprises with which school cooperated	X	Number	2309	2628	2785	2840	2965	3100	3230	Annual	School administrative records	School	Number of graduates recruited by the enterprises which cooperated with school
<b>Sub-Indicator 2.1:</b> Female		Number	941	1077	1163	1203	1274	1354	1434				
<b>Sub-Indicator 2.2:</b> Ethnic		Number	584	751	754	800	862	917	940				
Sub-component 1.2: Update curriculum, pedagogy and assessment													
Indicator 3: Number of CBT standards developed and adopted		Number	0	3	38	86	141	202	210	Annual	School administrative records	School	CBT standards reviewed and endorsed by the advisory committees

Indicator 4: Pass rate of Mandarin Standard Test		%	25. %	27. %	31. %	33%	35%	37%	40. %	Annual	School administrative records	School	
Sub-component 1.3: Building up high quality teaching and management teams													
Indicator 5: Number of managers and teachers trained domestically and internationally		Person time	Total: 282 Female: 156 Ethnic: 105	450 223 270	1348 707 663	2304 1188 1039	3237 1684 1432	4035 2104 1774	4264 2233 1827	Annual	School administrative records	School	Training events that last one day or longer
Sub-component 1.4: Improve external support to other schools and local communities													
Indicator 6: Number of trainees who participated in short-term training programs		Number	Total:9510 Female:3001 Ethnic: 3810	10310 3267 3942	21230 6706 8016	33130 10057 12682	45860 14875 17750	59420 19295 23050	61599 20201 24094	Annual	School administrative records	School	All the short-term training programs organized by the school
Sub-component 1.5: Upgrade facilities and equipment													
Indicator 7: Sq meter of new construction area		SM <sup>2</sup>	0	0	16000	81400	111320	111320	111320	Annual	School administrative records	School	Newly constructed school buildings
Indicator 8: Cost of equipment per student		Yuan/per student	6500	6654	7278	7669	8445	9188	9617	Annual	School administrative records	School	Amount of equipment cost/Number of student
Component 2: Provincial Policy Development, School Twinning Partnership, Monitoring and Evaluation and Project Management													
Indicator 9: Number of research report		Number	0	0	0	4	5	5	5	Annual	PMO record	PMO	The number of research reports under the project

Indicator 10: Number of training events organized by PMO		Number	0	2	4	6	8	10	10	Annual	PMO record	PMO	Training events organized by PMO
Indicator 11: Loan disbursement rate		%	0	5	10	20	30	30	5	Annual	PMO record	PMO	Cumulative reimbursement amount / Total loan amount

## Annex 2: Detailed Project Description

### CHINA: Xinjiang Technical and Vocational Education and Training Project

1. The project will be implemented at the provincial level by the XUARED and includes five tertiary technical schools. The project location and schools were chosen by the government to pilot a set of school-based reforms for middle-level and advanced skills development. The selected schools are situated in Urumqi, Changji and Hetian. The schools serve the key pillars of local economy including agriculture, mining, light industry, modern services and health service. The schools also serve a predominantly rural population and growing ratio of ethnic populations. The lessons of experience are expected to provide substantial social benefits by enforcing new national policy of building modern TVET system in Xinjiang and other provinces.

**Table 2.1 Five Project Schools**

Schools	Location	Enrollment 2012	Level	Specialty/ Sectors	Administration
Xinjiang Agricultural Vocational Technical College	Changji City	12,000	Tertiary	Agriculture	Provincial Agriculture Department
Xinjiang Institute of Light Industry Technology	Urumqi	12,000	Tertiary	Light Industry Modern Services	Provincial Economic and Information Commission
Xinjiang Institute of Engineering	Urumqi	15,189	Tertiary	Coal Industries	Provincial Education Department
Urumqi Vocational University	Urumqi	15,326	Tertiary	Public Services	Provincial Education Department
College of Xinjiang Uygur Medicine	Hetian City	4,779	Tertiary	Medical and Health care	Provincial Education Department

2. The total investment cost of the project will be US\$102.68 million, of which US\$50 million is financed through the World Bank loan while US\$52.68 million is financed by project schools and XUARED. The project will cover a period of five years.

3. The project's development objective is to improve the quality and relevance of project schools to produce students' skills that respond to the labor market demand in Xinjiang. This objective will be achieved by the support of: (a) school-based reform and innovations, and (b) provincial level policy development, M&E, and project management. Based on the results from the SA and EMDP which was conducted during the preparation stage, some key suggestions were included into the project activities such as improving the quality of One Year Mandarin Language Preparatory Program, and more capacity building for ethnic teachers. The implementation of the EMDP and continuous monitoring will ensure both ethnic students and teachers will benefit from this project. Therefore, the proposed project will have a positive impact on poverty reduction and prosperity promotion.

**Component 1: School-Based Reforms and Innovations (Total US\$ 93.12 million, IBRD US\$49.78 million).** This component will have five subcomponents:

Sub-component 1.1: Strengthen the linkage between schools and industry

4. This sub-component is designed to address the lack of systematic and substantive school-industry collaboration to improve the quality and relevance in the training programs. It will strengthen and institutionalize the linkage between schools and industry by: (a) establishing or improving the School-Industry Collaboration Committee at the school level and sector specific Technical Advisory Committees at the departmental level. The Collaboration Committees will better coordinate various cooperative activities between schools and industries through conducting surveys, holding seminars, working out guidelines, and assessing and signing the agreements. The Advisory Committees will review and revise competence-based training (CBT) curriculum standards and programs, arrange internship and practical trainings in enterprises, recommend part-time instructors from enterprises. The Committees will be composed of at least 50 percent of representation from the enterprises, industrial associations, or other civil society entities; (b) piloting new models of school-industry cooperation based on inputs from the Committees and the characteristics of project schools. Some possible modalities include the following: the schools setting up associate independent programs jointly with enterprises; creating enterprises within the institute; establishing new Vocational Education Groups (VEG); piloting technical staff exchange programs between the TVET schools and industries i.e. teachers practice in enterprises and industrial experts teach part-time in schools; piloting flexible credit system and modern apprenticeship programs; integrating secondary, college and tertiary level programs within the school; holding professional skills competition and employment promotion fairs for minority graduates; and (c) evaluating the school-industry collaboration.

Sub-component 1.2: Update curriculum, pedagogy and assessment

5. This sub-component is designed to address the challenges related to the curriculum being out of date, too theoretical, not sufficiently reflecting the needs of the industry, teaching methodology being predominantly teacher-centred, and teaching and learning assessment not reflecting the new curriculum and result-oriented approach. Based on the new CBT standards, the revised training programs and cooperation models developed in Sub-component 1.1, this sub-component will: (a) develop core curricula standards; (b) develop and adapt modular competency-based curricula and other teaching learning materials and establishing a school level teaching and learning resource library; (c) transform pedagogy from traditional teacher-centred to student-centred one; and (d) develop competency-based evaluation instruments to assess students' learning outcome and teachers' teaching effectiveness. This sub component will also support measures for improving the quality of the One-year Mandarin Language Preparatory Program to facilitate ethnic students' entrance into the technical study.



### Sub-component 1.3: Building up high quality teaching and management teams

6. This sub-component is designed to address the challenges related to further improving management and instructional capacity in delivering quality training programs. The proposed project will: (a) elaborate the professional development plans for teachers and administrators and setting up the incentive mechanism for high performance; and (b) organize domestic and overseas trainings. For school managers, the project will support trainings of top- and middle-level managers related to: (i) raise awareness of the importance and specific instruments to strengthen linkages with industries; (ii) improve technical understanding of the process of developing competency-based training curriculum; and (iii) evidence-based policy making and overall management capacity. For teachers, the project will support trainings related to: (i) the development and use of competency-based curriculum; (ii) new student-centered pedagogy; and (iii) skills training in relevant industries towards achieving high levels of both skills and academic qualification among teachers. The project will also support the capacity building for teachers of the One-year Mandarin Language Preparatory Program.

### Sub-component 1.4: Improve external support to other schools and local communities

7. This sub-component is designed to enhance project impact by allowing project schools to share their experience on quality and relevance improvement with selected partner schools, and to enhance school management and the relevance of TVET provision by providing services for local communities. (a) The School Twinning Partner Program was recently initiated by the Xinjiang Autonomous Region Education Department to address the inequality of TVET schools in Xinjiang. The proposed project will support the piloting of twinning partner programs between project schools and non-project schools to promote a more efficient and substantive knowledge and experience sharing by: (i) training teachers of partner schools; and (ii) guiding the partner schools on development of curricula and programs; and (b) The project will also support various services for local communities by: (i) providing skills training programs for enterprises, local farmers and village officials; (ii) providing planting and breeding techniques for local farmers; (iii) delivering services for ethnic students in partner schools and for ethnic communities; (iv) improving management of few secondary TVET schools in ethnic areas; (v) setting up R&D centers for small and medium size enterprises in the project schools; and (vi) translating and publishing the ancient Uyghur medical books, etc.

### Sub-component 1.5: Upgrade facilities and equipment

8. This sub-component is designed to address the needs of training centers and key training equipment in the project schools to extend access for more students. The proposed project will provide financing to: (a) expand and upgrade facilities including construction of training centers within existing school campuses of the selected schools; (b) provide key training equipment needed for the revised training programs, and consultancies related to the design and supervision of works and goods contracts; and (c) develop school guidelines for the management of all training facilities and equipment.

**Component 2: Provincial Policy Development, School Twinning Partnership, Monitoring and Evaluation and Project Management (Total US\$ 0.5 million, IBRD US\$ 0.1 million).**

9. This component is designed to sustain project impact beyond the project schools and address some systemic TVET issues in Xinjiang through supporting better management and policy development. The sub-component will carry out policy research and produce policy briefs to accumulate good practices to help implement new national policy to build on a modern TVET system. The topics selected for policy studies are: (a) diversified TVET curriculum development guideline; (b) articulation of secondary and tertiary TVET; (c) school-industry collaboration; and (d) bilingual education in the TVET colleges in Xinjiang.

10. This component will conduct a survey for the first round of school twinning partnership launched by the Vocational and Adult Education Division of XUARED. The survey will help to identify lessons at the school level which can be used to scale-up the provincial Twinning Program, and at the same time provide technical support to project schools for activities included under sub-component 1.4.

11. This component is designed to support capacity building for PMO and PIU staff in project management, knowledge sharing and conducting project monitoring and evaluation. In addition to routine monitoring and evaluation, an evaluation is included. The proposed project will support: (a) M&E of project activities by: (i) training staff of PMO and PIUs on M&E; and (ii) carrying out project M&E and producing progress reports and mid-term and completion reports; (b) project management, including: (i) finance the training of provincial- and school-level project staff in project management, financial management, procurement, and M&E; and (ii) supporting provincial and school level procurement and financial management activities; and (c) organizing provincial TVET workshops to exchange school reform and lessons learned.

### **Annex 3: Implementation Arrangements**

#### **CHINA: Xinjiang Technical and Vocational Education and Training Project**

##### **A. Project Institutional and Implementation Arrangements**

1. The proposed project will be implemented by the XUARED and the five project schools. The project will establish an inter-bureau Project Leading Group to provide policy guidance and overall direction for the project. The PMO in the Education Department will have the overall day to day responsibility for coordinating project implementation in the five project schools and organizing provincially managed activities. The project will also establish a Provincial Expert Team to provide technical guidance to PMO and schools. Each of the project schools will further establish a PIU at the school level.
2. Project Management Office (PMO). The XUARED will set up a provincial-level PMO at its Foreign Loan Management Office (FLMO). The project director will be director of the FLMO. The PMO will be fully staffed with technical experts and officers in charge of school reforms, procurement, financial management, social safeguards, monitoring & evaluation, and coordination. The PMO will support the implementation of activities managed at the provincial level and provide assistance to PIUs in their work. The PMO will facilitate the communication and coordination with the World Bank and also coordinate with project technical experts.
3. PIU. Each project school will establish a Project Implementation Unit. The PIUs will be fully staffed with technical experts and administrators in charge of school reform, procurement, financial management, disbursement, M&E, social safeguards and coordination. The PIUs will manage all school level activities and support some provincial level activities.
4. PET. The project will establish a Provincial Expert Team to serve the project as an advisory group. The PET will consist of leading experts in key areas of the project such as vocational education and skills development, school reform, monitoring and evaluation. These experts will be called upon as consultants to provide comments and suggestions on project content and proposals, prepare Terms of References (TOR), monitor project progress, evaluate the results, analyze the issues of the research work financed by the project, summarize best practices and experience, and provide technical assistance in the decision-making process and project management. The TOR for the expert team has been developed.
5. A Project Implementation Plan (PIP) has been prepared. The PIP will provide implementation guidelines for all aspects of the project including school reforms, procurement, financial management, social and environmental management, and monitoring and evaluation.

## **B. Financial Management, Disbursements and Procurement**

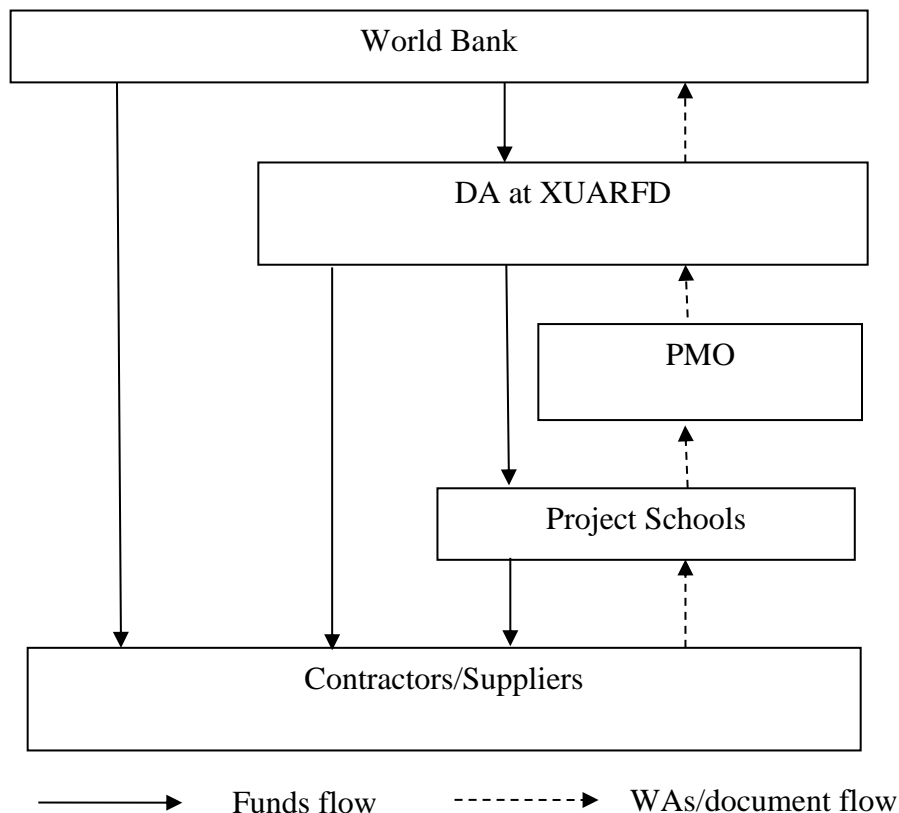
### ***Financial Management***

6. Overall, the residual financial management risk, after taking into account mitigation measures, is rated as Moderate. The FM capacity assessment identified the following principal risks: (a) staff at all project schools are new to the World Bank operations and lack World Bank operation experience; and (b) school-based reforms and innovations are comprised of a large volume of miscellaneous activities and expenditures being carried out by the project schools which present project management difficulties and the risk of World Bank loan not being used for its intended purposes.

7. Mitigation measures agreed on include: (a) preparation of a designated FM manual (FMM) so that project FM procedures for coordination and reporting were standardized, especially for controls over school-based reforms and innovations; (b) extensive workshop and hands-on guidance will be continuously provided by XUARFD in addition to FM training to be provided by the World Bank; (c) detailed definition of school-based reforms and innovations are specified in the legal agreement; and (d) the PMO will closely guide and monitor the implementation status and quality of project schools.

8. **Budgeting.** All the counterpart funds will be institution revenues and government fiscal funds. The annual project implementation plan, including the funding budget and the resources, will be prepared by project schools based on their annual work program. XUARFD will review such annual budget and release project funds based on actual implementation progress. Budget variance analysis will be conducted regularly thus enabling timely corrective actions.

9. **Funds Flow.** The World Bank loan proceeds will flow from the World Bank into the project designated account (DA) to be set up at and managed by the XUARFD. To ensure proper usage of project funds, withdrawal applications (WAs) will be prepared by project schools and reviewed by the PMO and XUARFD. Most of the World Bank loan proceeds will be disbursed from the DA by XUARFD to contractors or project schools based on the WA instructions. The proposed flow of funds and funding requests or WAs are as shown in the diagram below:



10. The World Bank loan agreement will be signed between the World Bank and the People’s Republic of China through its Ministry of Finance (MOF). The on-lending agreement will be signed by MOF and XUARFD on behalf of Xinjiang Autonomous Region Government, and then by Xinjiang Autonomous Region Government and project schools. Loan repayment will be borne by project schools.

**Accounting and Financial Reporting.**

11. All project schools will establish a separate cost center for the project activities within their existing accounting system, either manual or computerized, in accordance with Circular #13: “Accounting Regulations for the World Bank-financed Projects” issued in January 2000 by MOF.

12. Each project school will manage, monitor and maintain project accounting records in accordance with Circular 13 for its implemented project activities. Original supporting documents for project activities will be retained by the PMO and PIU respectively.

13. The PMO will consolidate project financial statements of each project school and incorporate DA information maintained by XUARFD to prepare consolidated project financial statements. The unaudited semi-annual project financial statements will be prepared and furnished to the World Bank by the PMO as part of the Progress Report no later than 60 days following each semester (the due dates will be August 31 and February 28).

14. **Internal Controls.** The related accounting policy, procedures and regulations have been issued by MOF and will be followed by related implementing agencies. Detail internal control procedures including segregation of duties, review, approval, and reporting procedures as well as the safeguard of assets have been established and documented in the project financial management manual.

15. **Audit.** Xinjiang Uygur Autonomous Region Audit Office (XUARAO) will be assigned by China National Audit Office (CNAO) as auditor for the project. The annual audit report will be issued by XUARAO. The World Bank currently accepts audit reports issued by CNAO or provincial/regional audit bureaus/offices for which CNAO is ultimately responsible.

16. The annual audit report of the project financial statements will be due to the World Bank and submitted to the World Bank by the PMO within 6 months after the end of each calendar year. According to the agreement reached with MOF and CNAO, the audit report and audited financial statements will be made publicly available in both World Bank and XUARAO's official websites. This requirement is stipulated in the loan agreement.

### Disbursements

17. Four disbursement methods: advance, reimbursement, direct payment, and special commitment are all available for the project. The primary World Bank disbursement method will be advances to the DA. Withdrawal Applications (WAs) will be prepared to request World Bank disbursements and to document the use of World Bank financing. WAs will include supporting documents in the form of Statement of Expenditures (SOEs) and Summary Sheets (SS) and source documents identified in the Disbursement Letter issued by the World Bank. The Funds Flow description above provides additional disbursement information.

18. The World Bank loan would disburse against eligible expenditures (taxes inclusive) as in the table below:

**Table 3.1 Loan Disbursement**

Category	IBRD Loan	
	Allocated Amount	Percentage of Expenditures to be financed
(1) Works, Goods, and non-consulting services	38,630,000	100%
(2) Consultants' services, Trainings, and Incremental Operating Costs for the Project	11,245,000	100%
(3) Front-end Fee	125,000	Amount payable pursuant to Section 2.03 of Loan Agreement in accordance with Section 2.07(b) of the General

		Conditions
TOTAL AMOUNT	50,000,000	100%

19. Retroactive financing will be available for this project in the amount of US\$2.15 million, 4.3 percent of the loan, for payments made under the project prior to the date of signing of the Loan Agreement (LA) but on or after January 1, 2015, for Eligible Expenditures.

### C. Procurement

20. **Capacity Assessment.** The PMO, which will conduct major procurement activities is familiar with the World Bank Procurement Guidelines and procedures through its past experience in implementing World Bank-financed projects and other bilateral projects. Five project schools, with guidance from the PMO, will conduct their works procurement separately because they all have works procurement experience which was obtained from previous competitive bidding process for school building construction. The principal risk identified in the procurement capacity and risk assessment was the inadequate experience of PMO staff in the area of selection and employment of consultants, and works procurement directly under World Bank-financed projects. Mitigation measures include the following: (a) Procurement management arrangements acceptable to the World Bank have been prepared by PMO as a chapter of the Project Implementation Plan to standardize project procurement procedures and to provide guidance to project staff with responsibility for procurement; (b) training of procurement staff of PMO and project schools during project preparation and periodically during project implementation in accordance with the project training plan will be conducted; and (c) a procurement agent with experience in World Bank procurement procedures has been recruited by PMO to assist with the planning and implementation of procurement activities. The overall procurement risk is considered ‘moderate’.

21. **Applicable Guidelines.** Procurement will be carried out in accordance with the “Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 and revised July 2014; the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated January 2011 and revised July 2014; and the provisions stipulated in the Loan Agreement. National Competitive Bidding (NCB) shall be carried out in accordance with the Law on Tendering and Bidding of the People’s Republic of China promulgated by Order of the President of the People’s Republic of China on August 30, 1999 subject to the modifications stipulated in the Loan Agreement in order to ensure consistency with World Bank Procurement Guidelines.

### Procurement Arrangements and Procurement Plan

22. **Procurement of Works and Supply and Installation of Plant and Equipment.** Works procured under this project will include: teaching buildings, experimental laboratories, campus roads, etc. Procurement of these works will be done using the World Bank’s Standard Bidding Documents (SBD) for all ICB and National Model Bidding Documents (MBD) issued by MOF in 2012 and any updates as agreed to by the World Bank.

23. **Procurement of Goods and Non Consulting Services.** Goods procured under this project will include: campus network, teaching equipment, practical devises, and office/computer

equipment, etc. The procurement will be carried out using the World Bank's Standard Bidding Documents for all ICB and National MBD issued in 2012 and any updates as agreed to by the Bank for all NCB. Non-consulting service procurement would be used for procuring organizers of training or workshops and for the purpose of public awareness activities regarding school development and improvement of enrollment, etc.

24. **Selection of Consultants.** Consulting services will be required under this project and cover a variety of tasks at both the province and project school levels, for improving of quality of teaching; curriculum development and teacher training activities; capacity building on school management and school operation, improving of performance evaluation system in project school, etc. The World Bank's standard request for proposals (SRFP) will be used for the competitive selection of consulting firms. Individual consultants will be selected using the procedures in Section V of the Consultant Guidelines.

25. **Training and Workshops.** Training including study tours and workshops will be required under the project. Detailed programs will be developed by the PPMO and project schools during project implementation and included in the project annual work plan, and submitted to the World Bank for review. Actual expenditures incurred in accordance with the approved detailed programs will be used as the basis for reimbursement.

26. **Procurement Plan.** A consolidated Procurement Plan (PP) for the first 18 months of project implementation was prepared by the PMO. The PP was reviewed by the World Bank during appraisal and comments provided to the PMO. The procurement plan was finalized and agreed with the World Bank during project negotiations. The plan will be available in the project files and on the World Bank's external website. The PP will be updated annually or as required to reflect implementation needs and improvements in institutional capacity.

27. **Frequency of Procurement Supervision.** Regular procurement supervision would be carried out at least once a year. Procurement post reviews will be carried out by the World Bank or by its consultants or independent external auditors every 12 months. The procurement post review sampling ratio will be one out of ten contracts.

28. **Thresholds for Procurement Methods and Prior Review.** The PP sets forth those contracts which are subject to prior review by the World Bank. The procurement method and prior-review thresholds for the initial period of project implementation are indicated in Table 3.2 below.



**Table 3.2: Thresholds for Procurement Methods and Prior Review**

<b>Expenditure Category</b>	<b>Contract Value Threshold(US\$ thousands)</b>	<b>Procurement Method</b>	<b>Prior Review Threshold (US\$ thousands)</b>
<b>Goods and Non-Consulting Services</b>	$\geq 3,000$	ICB	All
	$< 3,000$	NCB	First NCB Contract by each PIA
	$< 100$	Shopping	First Contract
	--	Direct Contracting	All
<b>Works and Supply and Installation of Plant and Equipment</b>	$\geq 40,000$	ICB	All
	$< 40,000$	NCB	First NCB Contract by each PIA and all contracts valued $\geq 15,000$
	$< 200$	Shopping	First Contract
<b>Consultants Services</b>	$\geq 300$	QCBS/QBS	First Contract and all Contracts $\geq 1,000$
	$< 300$	CQS	First Contract
		Single-Source Selection (firm)	$\geq 100$
		Individual Consultant	Only in exceptional cases e.g. long term TA
		Single-Source Selection (individual)	$\geq 50$

**Environmental and Social (including safeguards)**

29. The Project triggered OP4.01, Environmental Assessment and OP 4.10, Indigenous Peoples, because the proposed project will finance the construction of new school buildings for additional training space and skills training, and the project beneficiaries are predominantly from ethnic minorities.

30. All planned civil works will be built on existing land within the campus of the five project schools. The project will have very limited adverse impacts during the construction and operation phase. The negative environmental impacts include ambient air, water, noise, solid wastes, and worker safety. These negative impacts will be limited, short-term, temporary and site-specific. During the operational stage, main environmental impacts are expected from domestic waste management.

31. The XUARED engaged an accredited environmental assessment consultant to conduct the Environmental Assessment for the project. The project is classified as Category B by

considering the type, location, sensitivity, and scale of the proposed project, and the potential environmental and social impacts.

32. The EMP was selected as the environmental instrument due to the nature of the project. The EMP was prepared based on national norms, practice proven in other World Bank financed projects and the practice recommended in Environmental Health and Safety (EHS) Guidelines. It specifies each aspect of environmental management during the whole project cycle, including but not limited to, site preparation, construction dust management, air pollution control, noise impact control, water pollution control, waste management, and public and workers' health and safety. It also includes the institutional arrangement, the training and capacity building, reporting and supervision arrangements for the implementation phase of the project. Proper implementation of the mitigation measures required by the project will minimize the impacts to an acceptable level, or eliminate them entirely. The EMP was reviewed by the World Bank safeguards team and found to be satisfactory. The EMP will be included in the bidding documents and the corresponding contracts.

33. **Consultation and disclosure.** Public consultation and information disclosure were carried out during project preparation. Public opinions were incorporated into the project design and EMP. Prior to project appraisal, the full draft EMP has been disclosed locally on January 5, 2015 and at the World Bank InfoShop on January 12, 2015. The updated EMP including both Chinese and English versions were re-disclosed on March 11, 2015.

34. **Involuntary Resettlement.** The proposed project will not trigger the World Bank's Involuntary Resettlement (OP/BP 4.12) Safeguard Policy, since all proposed school buildings will be built within the current campuses with no land acquisition and resettlement required. This was confirmed through a screening conducted by the task team.

35. **Indigenous Peoples.** Given that the project's beneficiaries are predominantly from ethnic minorities, the World Bank's safeguard policy on Indigenous Peoples (OP4.10) is triggered. There are 47 officially recognized ethnic groups covering 13 million people or about 60 percent of the total population in Xinjiang. In the five project schools, on average 44 percent of students belong to ethnic minorities, ranging from 30 percent to 98 percent. To ensure broad support by the minority students and faculty in the project schools, and project benefits being equally shared by different ethnic groups, a SA including social economic surveys and group meetings was conducted in the project schools. Views and suggestions of minority students and faculty were collected. As a result, an EMDP was developed.

36. The key social benefits include the increase of minority and female enrollment in five project schools and improvements in their education quality through curriculum improvement, close cooperation between enterprises and schools, and enhancement of faculty teams particularly those involved in delivering language programs to minority students. The key suggestion was to improve the quality and effectiveness of current One-year Mandarin Language Preparatory Program, which the project schools have been providing to all new minority students to facilitate their entrance into the technical study. Agreed measures including the provision of more teaching facilities, learning materials, and Mandarin teachers were incorporated in the project design with detailed budgets, responsible agency and key monitoring indicators. They

are also included in the EMDP. The PIUs will lead the implementation of the EMDP under the oversight of the Project Leading Group. In addition to the overall monitoring and evaluation function under component 2, an experienced external monitoring agency will be contracted to conduct independent M&E over the course of the project implementation. The monitoring results will be reported twice a year and, if needed, remedial actions will be designed. The EMDP has been disclosed locally in project schools and through the province websites; and through the InfoShop on January 12, 2015. The updated EMDP were re-disclosed at the InfoShop on March 11, 2015.

37. **Gender Impacts.** The gender impacts were analyzed based on the social assessment conducted during the project preparation. Among the five project schools, female students account for 47 percent of total students. Due to traditional customs and different job requirements, there is considerable variation among schools in terms of female enrollment, ranging from 30 percent for Xinjiang Institute of Engineering to 70 percent for the College of Xinjiang Uygur Medicine. Gender equality is important for the project and efforts will be made to recruit girls for post-secondary education TVET programs more proactively than in the past. Gender and ethnic group disaggregated enrollment, employment rate, skill test and starting salary indicators have been included in the project monitoring framework.

### Monitoring & Evaluation

38. The objectives of M&E activities are to: (a) monitor the progress of project implementation and provide timely feedback to the project management and the World Bank, and project schools; (b) assess and summarize the achievement (outputs, outcome and impact); and (c) draw lessons in project design and implementation that can guide future replication efforts in other regions.

39. Three types of M&E activities need to be carried out systematically during and at the end of the intervention as outlined in the box below. The monitoring and evaluation activities are part of the project design, the component 2.

**Table 3.3 M&E Activities**

Activity	Timing	Key Questions Concerned
Regular/routine Monitoring	Ongoing during the implementation	If activities have been implemented as planned? If expected deliverables/outputs achieved? Reasons for achieving or not achieving
Mid-Term Review (MTR)	At the mid-point of the implementation/year 3	If expected intermediate outcomes have been achieved? If expected final outcomes move forward in the right direction (trend)? Reasons for achieving or not achieving
Overall Evaluation	At the start and end of the project	If expected final outcomes/PDOs have been achieved? Reasons for achieving or not achieving? Lessons learned and experiences

## **Arrangements for results and evaluation**

### *Regular/routine Monitoring*

40. To the extent possible, arrangements for the results monitoring will be integrated into the existing school data collection and utilization system.

41. Regular/routine monitoring is concerned with the extent to which an individual activity has been implemented in a timely fashion and expected outputs have been achieved as against a set of targets. It also is a mechanism to collect and monitor in a systematic fashion changes in project's outcome indicators over time. Systematic tracking and reporting of the achievement of the project's outputs and outcomes will provide information on the progress of the implementation and help make adjustments as needed.

42. A set of indicators capturing project's results was developed and agreed to by the project's schools and the World Bank team. It will regularly track the results for intermediate outcome indicators pertaining to each reform area during the implementation. Schools will be using the existing school administrative system and project management mechanism.

43. Key outcome indicators such as: employment, starting salary, and students obtaining both skills certificate and diploma at graduation will be monitored annually through the student tracer studies and the school administrative system. Graduates from the schools or reformed departments will be surveyed. In addition to collecting key outcome data, the tracer studies will seek information on graduate satisfaction with the training received and their recommendation for improvements, if any.

44. An independent consultant/consulting firm will be engaged to help design a standard survey instrument and methodology including sampling to ensure the consistency, quality and comparability of the result data across schools.

45. The progress and results of the provincial level activities will be tracked and analyzed by the PMO.

46. The project's results will be tracked and reported at two levels: (a) school level results; and (b) aggregate results at the provincial level. On an annual basis, both types of results will be reported to the World Bank, via the PMO, as part of the Project Progress Report.

### *Mid-Term Review (MTR)*

47. The MTR will be conducted during the third year of the project implementation. The MTR will analyze the early results/effectiveness brought by project activities. More specifically, it will look at the extent to which the schools' performance has been improved with respect to the reform and innovation areas. It will assess the improvements at the student level following the school level reforms.

48. At the MTR, data collected at both output and outcome levels will be analyzed at both the school and provincial levels. In addition, the MTR will summarize some lessons learned and experiences accumulated during the implementation. The results of the analysis will be fed into project implementation and help the project refine the next stage of activities as needed.

49. The provincial PMO will lead the MTR for the entire project. An independent consultant/consulting firm will be hired to carry out the MTR, including data aggregation, analysis at the project level, and producing a review report to the World Bank four weeks prior to the MTR commencement.

### *Evaluation*

50. An assessment will be conducted for the project. The assessment will evaluate the program's effects and the extent to which its final development objectives have been attained. It will also identify lessons on types and modalities of interventions that work effectively and efficiently in contributing to the project achievement. It will also help highlight conditions or factors that can enhance or hinder the effectiveness and efficiency of the various intervention strategies at both institutional and policy levels.

51. Because the project schools have been pre-selected by the government, it is impossible to employ an experimental design for the assessment. Within the available resources, the project proposes a pre-and post-design evaluation. The analysis will look at performance trends over the project implementation period and compare among three data points on the key outcome indicators: project entry, mid-term and conclusion. The analysis will control for external variables (e.g., school demographics, academic achievement, and local labor market fluctuation, social and economic status). Analysis of student level outcome data in relation to different school reform activities and modalities of various interventions will be conducted. These analyses will provide information on the magnitude of change that has occurred and time-related trends.

52. In addition, the evaluation will collect qualitative data from various stakeholders to enrich information and analysis, including (but not limited to): (i) interview of a sample of stakeholders (graduates, industry expert served for industrial advisory committees, school principals/key administrative personnel and Project leaders and PMO staff); and (ii) desk review on a variety of forms such as research articles, policy notes and other knowledge products (press releases and newspaper and popular publications, reports on school and provincial websites). In addition, workshops for education policy makers and school administrators will be conducted during the project period.

53. The assessment is planned as part of project component 2. The PMO will provide overall coordination and leadership for the evaluation. An independent consultant/consulting firm will be sought to design and implement the evaluation.

54. To strengthen schools' capacity for data collection, documentation and utilization, the World Bank will, through the PMO, provide technical assistance on M&E capacity building for project staff during the preparation period and will continue to do so during the project

implementation on a needs basis to ensure that the monitoring and evaluation function has been established and integrated into the school reform process.

## **Annex 4: Implementation Support Plan**

### CHINA: Xinjiang Technical and Vocational Education and Training Project

#### **Strategy and Approach for Implementation Support**

1. The project implementation plan has been developed based on the risk ratings for the project as detailed in the SORT. The World Bank will support the implementation of the project by using a variety of strategies including policy dialogues, regular supervision missions, designing and implementing capacity building in procurement, financial management, monitoring and evaluation, and safeguards. Further, the World Bank will bring in technical consultants as needed on the development of competency based training programs and the development of new pedagogy.

#### **Implementation Support Plan**

2. *Procurement:* During the project implementation period, the World Bank team will ensure that procurement is conducted in accordance to the World Bank guidelines and procedures by: (a) providing training to procurement staff in the PMO and school PIUs as needed; (b) reviewing procurement documents and providing timely feedback on procurement issues; (c) providing detailed guidance on the World Bank's procurement guidelines; and (d) monitoring progress against the procurement plan.

3. *Financial management:* The supervision strategy for this project is based on its FM risk rating, which will be evaluated on regular basis by the financial management staff. The FM staff will use periodic site visits, desk reviews, and correspondence with borrowers to provide technical support to and work closely with borrowers to resolve problems as they arise, and to monitor the continuing adequacy of the FM arrangements including accounting, auditing, budgeting, financial reporting, internal control and funds flow. Financial management staff will also follow up on action plans agreed during project appraisal and negotiations, as well as on observations derived from reviews of audit reports, management letters and Interim Unaudited Financial Reports (IFR).

4. *Monitoring and evaluation:* The World Bank team will organize training of the provincial departments, PMO, and school PIUs on monitoring and evaluation as needed. Further, through regular interaction with project entities, the World Bank team will emphasize project reports and annual plans to be done in accordance with the results framework.

5. *Environmental and social safeguards:* The World Bank team will supervise the implementation of the agreed EMP and EMDP on a regular basis.

6. *Technical support during implementation:* Key areas of technical support for the project include, but are not limited to, development of competency based standards and curriculum, implementation and evaluation of the new curriculum, outreach to potential training providers for teachers and school managers, review of technical specifications for the procurement of equipment, development and institutionalization of graduate tracer study and employer surveys

in schools. The World Bank team will organize training in these areas at strategic times of project implementation.

7. *Focus of Implementation and Skills Mix.* Most of the World Bank team members are based in the China country office in Beijing. Formal supervision and field visits will be carried out semi-annually and need-based visits by small groups to review technical aspects. Estimated inputs from different specialists during different stages of project implementation are summarized below.

**Table 4.1: Focus of Implementation Support**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>	<b>Partner Role</b>
First twelve months	Team Leadership	TTL	6 SWs	
	Procurement management	Procurement	4 SWs	
	Financial management	Financial management	2 SWs	
	Monitoring and evaluation	M&E	1 SWs	
	Education Specialist	Curriculum development Training	4 SWs	
	Civil Engineer/Architect	Civil Works	2 SWs	
	Environmental specialist Social specialist	Safeguards Minorities	1 SWs 1 SWs	
12-48 months	Team Leadership	TTL	18 SWs	
	Procurement management	Procurement	4 SWs	
	Financial management	Financial management	3 SWs	
	Civil Engineer/Architect	Civil Works	3 SWs	
	Environmental specialist			
	Social specialist	Safeguards	3 SWs	
	Equipment specialists	Minorities	3 SWs	
	Education Specialists	Laboratories – workshops	3 SWs	
Monitoring & Evaluation	Standards, Curriculum, M&E	12 SWs 3 SWs		
Other				



**Table 4.2: Skills Mix Required**

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Procurement	4	Once a year	
Financial management	2	Once a year	
Curriculum development specialist	8	Various	
Monitoring and evaluation	2	Once a year	
Engineer/Architect	1	Once a year	
Social assessment	1	Once a year	
Environmental specialist	1	Once a year	

## Annex 5. Economic and Financial Analysis

### CHINA: Xinjiang Technical and Vocational Education and Training Project

#### A. The Xinjiang Context

1. Xinjiang is the province with the largest geographical area in China. It has a population of 21.8 million and abundant natural resources. In the past ten years, Xinjiang has witnessed rapid economic development with an annual GDP growth rate of up to 16.6 percent. However, it is still an underdeveloped region lagging behind other provinces. Income per capita in 2012 was CNY 33,796, 12 percent lower than the national average. Xinjiang aspires to have sustained high growth rates and higher quality of development led by innovations. The government of Xinjiang has identified its development strategy to strengthen industries with local advantages such as mining and natural resources, agriculture and textile industries, and foster new emerging industries such as new energy and high-technology industries. The government also recognized that a skilled labor force is critical for the strategy.

#### *Mismatch between workforce development and labor demand*

2. Human capital accumulation in Xinjiang is lagging behind other provinces in China. The average school education received by new entrant labor force in Xinjiang is 2.4 years less than national average. The share of new entrant labor force with a senior secondary education and above in Xinjiang is 30 percent. The share is less than half of the national average which is 67 percent. The shortage of skilled labor was revealed by a 2011 labor market survey in Xinjiang. The survey found that 71.8 percent of enterprises consider it hard to find workers (Wang et. al. 2011). Another study of the coal-related industries in Xinjiang finds that the majority of the coal plants experience difficulties in recruitment in general, and more than 30 percent of the enterprises face difficulties in hiring professional technicians (Xinjiang Uygur Autonomous Region People's Government 2009). The Xinjiang government plans to focus on strengthening human capital accumulation in the next ten years. According to the Xinjiang Medium- and Long-Term Education Reform and Development Plan, the average schooling for the new entrant labor force will increase from ten years in 2009 to thirteen years in 2020 and the share of the new entrant labor force with senior secondary education and above will increase from 30 percent in 2009 to 78 percent in 2020. To achieve these targets, vocational education, as well as general education, needs to be significantly enhanced.

#### *Despite its rapid expansion in the past decade, further improvement in TVET in Xinjiang is needed to address its weaknesses*

3. Total enrollment in the secondary vocational schools doubled from 136,000 in 2003 to 268,000 in 2012. However, TVET teachers have lower qualification standards than those in general education and they have heavier teaching loads. In terms of public investment, both vocational high schools and vocational colleges have lower expenditures per student than general senior high schools and universities. A World Bank (2012) study of Xinjiang's TVET system found that the overall institution of Xinjiang's TVET as a whole is already at the "established" level. The weak policy actions include the absence of a partnership mechanism for workforce development stakeholders, inadequate involvement of private training institutions resulting in

less diversified trainings, insufficient incentive mechanism for enterprises, weak management of training institutions resulting in lack of articulation across levels and programs. Standards and procedures on adjusting and closing up training program and future skill assessment need improvement. The Xinjiang government proposed a lending cooperation with the World Bank to address these issues and provide advisory services to guide TVET reforms in Xinjiang.

4. The proposed project will contribute to building a flexible and more responsive TVET system through school level reforms and provincial level policy making and governance improvement. School level reforms will improve the quality, relevance and efficiency of TVET provision in five selected project schools and their respective partner schools through a set of innovations centering around school-industry linkage and competence-based teaching and learning. Provincial level activities will promote project management through knowledge sharing and monitoring and evaluation, and enhance governance through policy making and public-public partnership. The students benefit from the project will contribute to the social and economic development in Xinjiang as qualified workers.

## **B. The Development Impact of the Proposed Project**

### *More and higher-quality skilled labor in Xinjiang*

5. The most direct impact of the Xinjiang TVET project is to provide more skilled labor. This TVET project will help enhance the capacity of project schools to provide better vocational education for more students. School survey finds that four out of the five project schools plan to expand their capacity after project implementation, by an average of 20 percent. School-based reforms and innovations include strengthening the linkage between schools and industry, updating or developing curriculum, building up high quality teaching teams, improving external support to other schools, enterprises and communities, and upgrading facilities and equipment. For instance, in the area of curriculum reform, the project will help the schools develop and update modular and competence-based curricula that reflect the needs for skills from employers. In the area of teacher training, the project will provide administrators and instructors relevant training opportunities, such as enterprise experience, school-based programs, domestic and oversea study tours that help boost administrative and teaching capacities. As a result, better trained instructors, more relevant curricula and more efficient management plus updated facility and equipment will turn out better teaching and learning evidenced by higher skill test pass rate and higher employment rate. Ultimately there will be more and higher-quality skilled labor force in Xinjiang.

6. Another key component of the project is provincial level policy research and development. The project will engage the XUARED to promote evidence-based policy research. The project will support knowledge sharing and monitoring and evaluation to summarize and disseminate best experiences. The project will support public-public partnership by setting regulations at provincial level and partnering with few secondary TVET schools in project colleges. The outcome will be better governance and more balanced development of TVET schools in Xinjiang.

### *Stronger linkages between TVET and Industries*

7. The World Bank can leverage its rich international and domestic experience to help TVET schools in Xinjiang strengthen their links to enterprises. The project in Xinjiang will establish and institutionalize school-industry collaboration mechanisms, such as the school-industry advisory committee at the school level and sector-specific advisory committee at the sector level. Some forms of such mechanisms already exist now in Xinjiang, but they remain to be strengthened. For example, the survey of project schools suggests that they are actively seeking to collaborate with local enterprises in the construction of curriculum, the diversification of teaching models and internship placement. However, the connections to industry remain to be strengthened in several dimensions. According to our project school survey, only a relatively small proportion of teachers have participated in training at the factories. Such interaction between school managers, teachers and employers could be enhanced to improve the relevance of education.

8. The project will create an opportunity for the XUARED, public TVET schools and industries to work together on the development of innovative curriculum modules that meet labor market demand. For instance, currently industrial involvement in overall standards and curriculum development remains to be strengthened. A channel through which TVET could be more connected to the market is to offer industry-ordered training. The project will help the schools to take advantage of such training models to improve their own capacity by engaging multiple stakeholders.

### *Poverty reduction and shared prosperity*

9. The primary beneficiaries of the project will be the students, especially those who are from poor households in rural areas. A substantial proportion of project school students are from disadvantaged socioeconomic groups.

10. As shown in Table 5.1, more than 70 percent of project school students are from rural areas. About 60 percent of the students are from poor households and eligible for subsidies from the government. On average 43 percent of the total number of students are from minority ethnic groups. In particular, almost all, or 98 percent of the students at College of Xinjiang Uygur Medicine are from minority ethnic groups.

11. College of Xinjiang Uygur Medicine specializes in the training of talents in Uyghur medicine. Uyghur medicine is well received by people in China as well as central and west Asia. Modern Uyghur medicine has combined traditional medicine and modern science and technology and shaped its unique theory system and pharmaceutical utilizing methods. Uyghur medical hospitals nowadays adopt the western medical sciences, medicines and pharmaceutical technology to purify and produce traditional medicine.

12. The project has beneficial impacts on the ethnic minority groups, especially Uyghur people for the following reasons.

13. First, Uyghur medicine plays an important role in the health care industry in Xinjiang. The project will enhance the quality and relevance of Uyghur medical education through school

level reforms. Potentially it will have an important impact on the improvement of the quality of healthcare in Xinjiang.

14. Second, a key characteristic of Uyghur medicine is that it is relatively low-cost, high efficacy, its emphasis on the use of natural medicine. By helping the College enhance its capacity and quality of education, the project will help expand inclusive access to low-cost healthcare for low income households in Xinjiang, especially herdsmen who are living in remote poor areas of Xinjiang. Traditionally these ethnic minority groups have difficulty with access to health care, due to both lack of transportation means and lack of affordable medical care.

15. Third, another positive impact of the project is that students from low-income Uyghur families will benefit from higher quality training and enjoy better employment prospects after graduation.

**Table 5.1 Proportions of students from rural areas, poor households and ethnic minority groups**

<b>School</b>	<b>Share of rural students (%)</b>	<b>Share of students from low-income households (%)</b>	<b>Share of minority ethnic groups (%)</b>
Xinjiang Agricultural Vocational Technical College	85.0	65.9	45.0
Xinjiang Institute of Light Industry Technology	85.0	52.7	30.0
Xinjiang Institute of Engineering	49.9	52.9	31.0
Urumqi Vocational University	67.1	64.6	46.0
College of Xinjiang Uyghur Medicine	83.8	79.1	98.0
Project School Average	71.0	60.0	43.0

Source: Project School Survey, January 2014.

16. Many of the TVET students covered by the proposed project come from low-income households. Column 3 in Table 5.1 shows that significant shares of project school students are from low-income households. For instance, at Xinjiang Institute of Light Industry Technology, 57.3 percent of the tertiary school students and more than 35 percent of senior secondary school students are from poor households. Their education is subsidized by both the government of Xinjiang and the central government. At College of Xinjiang Uyghur Medicine this share is as high as 79 percent, which suggests that the TVET project will most likely help meet the education needs from students in poverty.

17. Both regular full time students from low income families and those enrolled in short term training will benefit from the project. For example, Xinjiang Institute of Light Industry Technology reports that they plan to increase the enrollment of poor students by 20 percent to reach 75 percent of total number of students. Xinjiang Institute of Engineering expects to accept 10 percent more, or about 1,600 poor students. It also plans to enroll 15 percent more, about 1,500 students in the short term training programs.

18. The main benefits for these students from poor households and rural areas are better employment prospects after graduation and higher wage incomes. Table 5.2 gives a summary of school-reported employment rates for recent graduates.

**Table 5.2 Estimated average entry level wages and employment rates for recent graduates**

<b>Name of Institute</b>	<b>Employment rate within six months of graduation (percent)</b>
Xinjiang Agricultural Vocational Technical College	98.0
Xinjiang Institute of Light Industry Technology	98.4
Xinjiang Institute of Engineering	96.0
Urumqi Vocational University	97.2
College of Xinjiang Uygur Medicine	81.6

Source: Project School Survey January 2014.

19. There is considerable inequality in the access to quality education in Xinjiang and other regions in China across rural and urban areas. A study by Qian and Smyth (2008) finds that urban-rural disparity in education is the main contributor to China’s overall inequality in education. Such disparity in education opportunities will exacerbate income inequality for future generations and may lead to challenges for social stability. The TVET project in Xinjiang will help promote more equalized access to education. It will also help promote shared prosperity and mitigate income inequality for the future generation through providing the required skills for students from lower income households.

20. The project will also have an indirect development impact through spillover effects. The lessons learned from the project schools can be shared with other TVET schools in Xinjiang and elsewhere in underdeveloped areas in China. Therefore, the impact on development and poverty reduction will reach beyond project schools. All five project schools are tertiary vocational institutes. They have formed partnership with five respective secondary vocational schools through a public-public partnership program named “Hand in Hand”. Lessons learned at the project schools will therefore be shared with their partners in Xinjiang and with other schools elsewhere in China.

### **C. Cost benefit analysis**

21. Project interventions are cost-effective. The innovations include improving the quality and relevance of TVET programs in project schools and strengthening provincial capacity in coordination, policy development and monitoring and evaluation. The improved programs provide more efficient training and empower the graduates’ competitiveness in the labor market. In addition, the project increases the project schools’ capability in student admission. The benefit in this analysis focuses on the tangible benefits due to the project. The model measures the incremental increase in graduates and their improved productivity, as reflected in their entry-level wages.

22. In calculating the project benefits, it is necessary to control for factors that would have increased the demand for graduates independent of the project such as the natural growth in

graduates. In the analysis, the projections for 2013 to 2017 were reduced to account for the increase in graduates that would have happened in the absence of the program. The net increment of graduates due to the project was calculated by subtracting the schools planned expansion in enrollment (see Table 5.3).

**Table 5.3 Historical Enrollment Data of the Project Schools.**

	<b>Estimated starting salary for graduates (CNY)</b>	<b>Planned annual increase in enrollment from 2013 to 2017</b>
Xinjiang Agricultural Vocational Technical College	2100	200
Xinjiang Institute of Light Industry Technology	2900	150
Xinjiang Institute of Engineering	3000	500
Urumqi Vocational University	2550	200
College of Xinjiang Uygur Medicine	2750	200

Source: Project school survey September 2013.

23. **Key model assumptions about the project for the cost-benefit analysis include:** (a) the analysis compares the benefits expected as a result of the project with assumptions of what would happen with the innovation brought by the project. The direct “net benefit” is measured as the difference between the entry-level wages of graduates in the non-project site schools with high-quality soft and hard environment aimed by the project and the current entry-level wages of the project site graduates. The net increment of graduates due to the project was considered. The project costs comprise investment in reforms and innovations by the World Bank, students’ opportunity costs measured as the average wage earned by a non-project senior high level worker, and administrative costs related to the project; (b) The project is at least partially implemented in 2016 and the project cycle is six-year with annual spending being 10%, 20%, 30%, 20%, 10% and 10%; (c) TVET program duration is three years. Ten cohorts of students will benefit from the project. The first cohort of students will commence training in 2016 and will graduate in 2018, joining the workforce in 2019. Similarly, the tenth cohort will commence in 2025 and graduate in 2027. Assuming that students graduate at age 22 and retire at age 60, the first cohort’ work life cycle would end in 2057; and (d) Exchange rate decreases by 2 percent each year.

24. **Sensitivity analysis.** In order to understand the implications of the risks for the project, the cost benefit model considers a “worst-case” scenario under the following assumptions: (a) the starting wage of project-site graduates after the project is 10 percent less than that of the graduates of schools with comparable soft and hard environment; (b) the opportunity costs to a student were increased by 10 percent assuming a higher forgone wage rate; and (c) administrative expenses of the project schools is doubled from the schools’ current estimation.

25. *The IRR* is estimated to between 9.03 and 13.35 percent. Based on the above key assumptions, the IRR is estimated by modeling the summation of cash equal to zero. The value depicts a realistic yet conservative outcome due to the model's strict assumptions. The results strongly support investment in the project.

**Table 5.4 Cost Benefit Analysis**

<b>Internal Rate of Return under different assumptions</b>		<b>Percent</b>
Baseline		13
Scenario 1	Expected starting wage decreases by 10 percent	9
Scenario 2	Wage for students not taking the training increases by 10 percent	13
Scenario 3	Administrative cost is doubled	13

#### D. Financial Analysis

26. Xinjiang Government will repay the World Bank loan through project schools and the XUARED from: (a) institution revenue; and (b) government fiscal allocation to the schools. Financial analysis of the project focuses on the financial capacity and sustainability of both project schools and XUARED. The five schools have signed repayment agreements with XUARED and XUARFD during the preparation stage. Each school's repayment is presented in Table 5.5.

**Table 5.5 Project Schools' Repayment Plan**

<b>Schools</b>	<b>Debt Repayment (US\$ millions)</b>			<b>Equivalent to CYN (millions)</b>	<b>Yearly Average (CYN) of repayment</b>	<b>Planned Fund Sources for the Repayment</b>
	Total	Principal	Interest	Total		
Xinjiang Institution of Light Industry Technology	13.8	10.0	3.8	85.7	3.4	Institution Revenue
Xinjiang Institution of Engineering	13.8	10.0	3.8	85.7	3.4	Institution Revenue
Urumqi Vocational University	13.8	10.0	3.8	85.7	3.4	Fiscal Allocation
Xinjiang Agri. & Tech. College	13.8	10.0	3.8	85.7	3.4	Fiscal Allocation and Institution Revenue
College of Xinjiang Uygur Medicine	13.8	10.0	3.8	85.7	3.4	Institution Revenue

*Source:* Project schools.

*Note:* The table is calculated under the USD/CYN exchange rate to be 1/6.2. The repayment period is 25 years from 2020 to 2045.



27. The financial analysis is conducted along the following dimensions: (i) revenue and expenditure status; (ii) counterpart fund requirements and availability; and (iii) financial sustainability and indebtedness. XUARED and project schools are considered separately.

## E. Revenue and Expenditure Status

28. **Revenue.** Most of XUARED funds are from provincial government’s fiscal allocation. Other funding sources include subsidies from the central government, revenues from schools and affiliated units, operating revenues and other revenues such as fiscal allocations from other government agencies. In the past four years (2011-2014), the share of fiscal allocation in the total revenues declined slightly from 93 percent to 91 percent. In contrast, TVET has been taking up an increasing share of total fiscal allocations, which was up from 18 percent in 2011 to 22 percent in 2014. Furthermore, investment in TVET will continue to increase as enrollment in TVET expands in line with the implementation of Xinjiang’s development strategies. XUARED and XUARFD have confirmed their willingness to provide and guarantee adequate counterpart financing to ensure that all activities will be adequately financed.

**Table 5.6 Financial Revenue of the XUARED**

(Unit: million CYN)

Items	2011	2012	2013	2014
Fiscal Allocation	1917.6	1800.2	1773.4	1273.1
Subsidy from central govt.	43.3	16.6	12.0	5.0
School Revenue	58.8	48.0	52.3	36.1
Operating Revenue	8.0	8.6	6.6	8.2
Other Revenue	39.5	57.9	25.1	24.0

29. The revenue of the schools mainly includes:

- **Fiscal Allocation from the provincial government.** Firstly, the allocation mainly comes through a per-student allocation to each school. Enrollment in the five schools will expand during the implementation period of this project. In addition, the standard amount of the per-student allocation has been increasing in recent years and will be increased in the next years. In 2014, the XUARED announced that the standard allocation would rise to 12,000 CYN per student per year by 2018. Therefore, under this new policy the fiscal allocation for each of the project schools will increase. For example, the Xinjiang Institution of Light Industry Technology will receive an additional 19 million CYN per year. Secondly, the government also allocates some earmarked fund for TVET schools. For example, Xinjiang Agri. & Tech. College and College of Xinjiang Uygur Medicine received earmarked fund allocation six times in the past four years. The fund was on average 27 million CYN each time.
- **Institution Revenue.** This is mainly composed of tuition fees, boarding fees and vocational skill test fees. School fees were a stable revenue source and steadily increased with the expansion of the enrollment from 2011 to 2014. Project schools have made

detailed estimations on the expansion of the enrollment from 2015 to 2020 which serve as the basis to predict the institution revenue in the period.

- **Other Revenues.** This includes subsidies from other industry associations, earmarked funds for specific purposes, revenues from affiliated units, and other revenue.

**Table 5.7: Financial Revenues of the Project Schools**

(Unit: million CYN)

Items	2011	2012	2013	2014
<b>Xinjiang Institution of Light Industry Technology</b>				
Fiscal Allocation	10.6	45.1	56.7	103.9
Institution Revenue	44.4	44.0	49.5	34.7
Other Revenue	NA	25.1	75.5	60.0
<b>Total Revenue</b>	NA	114.2	181.6	198.6
<b>Xinjiang Institution of Engineering</b>				
Fiscal Allocation	98.4	114.5	189.3	191.1
Institution Revenue	40.7	40.6	65.7	65.5
Other Revenue	56.4	53.7	9.2	8.8
<b>Total Revenue</b>	195.5	208.8	264.2	265.5
<b>Urumqi Vocational University</b>				
Fiscal Allocation	94.0	111.8	167.9	157.9
Institution Revenue	56.4	54.7	54.1	53.7
Other Revenue	13.0	2.7	13.7	5.8
<b>Total Revenue</b>	163.4	169.2	235.7	217.3
<b>Xinjiang Agri. &amp; Tech. College</b>				
Fiscal Allocation	40.0	32.5	121.1	92.1
Institution Revenue	26.2	43.0	48.0	59.1
Other Revenue	60.6	43.7	33.5	18.4
<b>Total Revenue</b>	126.8	119.2	202.6	169.6
<b>College of Xinjiang Uygur Medicine</b>				
Fiscal Allocation	68.8	65.9	57.0	64.7
Institution Revenue	8.0	7.3	10.2	12.6
Other Revenue	1.2	3.0	1.0	1.2
<b>Total Revenue</b>	78.0	76.2	68.2	78.5

*Source:* Project schools

- **Expenditures.** XUARED's main expenditure items mainly include staff salaries, daily operations, program-related expenditures, administrative charges, and subsidies to affiliated units. The program-related expenditure takes up a majority share of total expenditures, at about 86 percent as of 2014, which was used to support programs for primary, secondary and TVET schools.

**Table 5.8 Financial Expenditure of XUARED**

(Unit: million CYN)

	2011	2012	2013	2014
Staff Salary and Daily Operation	1475.4	1846.2	66.8	59.6
Program Expenditure	47.9	136.6	2173.4	1330.6
Administrative Charges	9.7	3.3	3.9	4.4
Operation	8.3	7.3	6.6	8.2
Subsidy to Affiliated Units	1.5	0.8	1.5	2.3

30. The schools' main expenditure includes recurrent expenditure and program-specific expenditure. The recurrent expenditure is composed of: (i) staff salaries, (ii) administration costs, and (iii) financial aid for students from low-income households. The program-specific expenditure is composed of: (i) infrastructure programs, (ii) earmarked for special purpose, (iii) other capital; and (iv) other expenditures.

**Table 5.9 Financial Expenditures of the Project Schools**

(Unit: million CYN)

Items	2011	2012	2013	2014
<b>Xinjiang Institution of Light Industry Technology</b>				
Recurrent Expenditure	53.8	94.6	104.2	130.6
Program Expenditure	1.9	1.6	54.6	59.6
<b>Total</b>	<b>55.7</b>	<b>96.2</b>	<b>158.8</b>	<b>190.2</b>
<b>Xinjiang Institution of Engineering</b>				
Recurrent Expenditure	43.0	39.8	67.9	94.5
Program Expenditure	102.3	156.7	183.7	191.9
<b>Total</b>	<b>145.2</b>	<b>196.5</b>	<b>251.6</b>	<b>286.4</b>
<b>Urumqi Vocational University</b>				
Recurrent Expenditure	133.9	151.1	175.2	173.8
Program Expenditure	4.5	30.2	29.2	75.0
<b>Total</b>	<b>138.4</b>	<b>181.3</b>	<b>204.5</b>	<b>248.8</b>
<b>Xinjiang Agri. &amp; Tech. College</b>				
Recurrent Expenditure	95.6	117.1	150.8	155.5
Program Expenditure	22.4	17.2	17.3	11.2
<b>Total</b>	<b>118.0</b>	<b>134.2</b>	<b>168.1</b>	<b>166.7</b>
<b>College of Xinjiang Uygur Medicine</b>				
Recurrent Expenditure	43.4	40.4	46.7	54.1
Program Expenditure	7.4	17.4	27.4	26.8
<b>Total</b>	<b>50.8</b>	<b>57.7</b>	<b>74.2</b>	<b>81.0</b>

Source: Project schools.

## F. Counterpart Fund Requirements and Availability

31. Counterpart funds will be used for project implementation, and to cover the commitment fee, interest during implementation, and physical and price contingencies, the costs of which will be shared by the five project schools. An exception is the College of Xinjiang Uygur Medicine which will provide a slightly lower amount - US\$ 8.9 million in counterpart funds compared to the other four schools which will provide US\$ 10.9 million. Project schools will raise these counterpart funds from institution revenues, fiscal allocation, special fund, and the balance of their school accounts (see the details in Table 5.10). The project schools have confirmed that they will list the counterpart fund requirements on an annual basis in the schools' budget plans from 2016 to 2019.

**Table 5.10 Counterpart Fund Requirement and Arrangement**

(Unit: million CYN)

	Total Counterpart Funds Requirements		Raising Sources (CYN)			
	USD	CYN	Institution Revenue	Fiscal Allocation	Earmarked Fund	School Account Balance by 2014
Xinjiang Institution of Light Industry Technology	10.9	67.8	67.8	0.0	0.0	0.0
Xinjiang Institution of Engineering	10.9	67.8	67.8	0.0	0.0	0.0
Urumqi Vocational University	10.9	67.8	0.0	43.0	24.8	0.0
Xinjiang Agri. & Tech. College	10.9	67.8	37.8	0.0	15.0	15.0
College of Xinjiang Uygur Medicine	8.9	55.4	29.1	7.8	0.0	18.5

*Source:* Project schools.

32. Annual counterpart fund requirements are shown in Table 5.11.

**Table 5.11 Annual Counterpart Funds Requirement during the Implementation**

(Unit: million CYN)

Schools	2015	2016	2017	2018	2019	2020	Total
Xinjiang Institution of Light Industry Technology	4.1	15.0	23.3	18.9	5.1	1.6	67.8
Xinjiang Institution of Engineering	4.5	14.1	16.3	18.2	9.9	4.8	67.8
Urumqi Vocational University	26.8	6.1	6.8	15.1	11.6	1.5	67.8
Xinjiang Agri. & Tech. College	18.5	29.4	9.0	4.9	5.1	0.9	67.8
College of Xinjiang Uygur Medicine	15.1	31.8	3.7	1.8	2.0	1.1	55.4

*Source:* Project schools.

33. Projections for the period 2015-2020 indicate that counterpart fund requirements of the project schools would require on average 29.01% of total discretionary funds during the project implementation period (see details in Table 5.12-5.17).

*Xinjiang Institution of Light Industry Technology*

34. The institution revenue from 2015 to 2020 is estimated to increase by about 10 percent per year based on the enrollment expansion plan of the school. This is considered to be a conservative estimate. The school has committed to ensure that 35 percent of the institution revenue each year will be allocated to an earmarked fund for the project.

35. Projections indicate that counterpart fund requirements for the project would require only 27.97% of the total discretionary funds during the project implementation period and therefore the school’s financing plan is considered adequate.

**Table 5.12 Analysis of Counterpart Fund Availability- Xinjiang Institution of Light Industry Technology**

(Unit: million CYN)

<b>Xinjiang Institution of Light Industry Technology</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2015-2020</b>
<b>Total Revenue</b>	153.4	168.7	185.6	204.2	224.6	247	1183.5
including: Institution revenue	50	55	60.5	66.6	73.2	80.5	385.8
<b>Discretionary Fund Sources for the Project</b>	<b>17.5</b>	<b>32.7</b>	<b>38.9</b>	<b>38.9</b>	<b>45.6</b>	<b>68.8</b>	<b>242.4</b>
Earmarked Fund from institution revenue of this year	17.5	19.3	21.2	23.3	25.6	28.2	135.1
Earmarked fund balance from last year	0	13.4	17.7	15.6	20	40.6	107.3
<b>Counterpart Fund Requirement</b>	<b>4.1</b>	<b>14.8</b>	<b>23.3</b>	<b>18.9</b>	<b>5.1</b>	<b>1.6</b>	<b>67.8</b>
In Total Revenue	2.7%	8.9%	12.5%	9.3%	2.3%	0.6%	5.7%
In Discretionary Fund Sources	23.4%	45.8%	59.8%	48.5%	11.1%	2.3%	27.97%

*Source:* The World Bank task team.

*Xinjiang Institution of Engineering*

36. The institution revenue from 2015 to 2020 is estimated to increase by about 12 percent per year based on the enrollment expansion plan of the school. This is considered to be a conservative estimate. The school has committed to ensure that 35 percent of the institution revenue each year will be allocated to an earmarked fund for the project.

37. Projections indicate that counterpart fund requirements for the project would require only 13.10 percent of the total discretionary funds during the project implementation period and therefore the school’s financing plan is considered adequate.

**Table 5.13 Analysis of Counterpart Fund Availability-Xinjiang Institution of Engineering**

(Unit: million CYN)

<b>Xinjiang Institution of Engineering</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2015-2020</b>
<b>Total Revenue</b>	73.5	82.2	92.1	110.5	132.6	159.1	650
including: Institution revenue	2.1	2.4	2.7	3	3.4	3.8	17.4
<b>Discretionary Fund Sources for the Project</b>	<b>25.7</b>	<b>50</b>	<b>68.1</b>	<b>90.5</b>	<b>118.7</b>	<b>164.5</b>	<b>517.5</b>
Earmarked Fund from institution revenue of this year	25.7	28.8	32.2	38.7	46.4	55.7	227.5
Earmarked fund balance from last year	0	21.2	35.9	51.8	72.3	108.8	290
<b>Counterpart Fund Requirement</b>	<b>4.5</b>	<b>14.1</b>	<b>16.3</b>	<b>18.2</b>	<b>9.9</b>	<b>4.8</b>	<b>67.8</b>
In Total Revenue	6.1%	17.1%	17.7%	16.5%	7.5%	3.0%	10.4%
In Discretionary Fund Sources	17.5%	28.2%	23.9%	20.2%	8.3%	2.9%	13.1%

*Source:* The World Bank task team.*Urumqi Vocational University*

38. Urumqi vocational university is affiliated to Urumqi City. Urumqi Government has committed to fully finance the school's counterpart fund. Urumqi Finance Department will allocate counterpart fund per the school's budget proposal each year. The school also proposed using its per-student fiscal allocation to complement these funds during project implementation. The counterpart fund availability is estimated under both scenarios. In 2014, the standard of per-student fiscal allocation has increased yearly from 5,095 CYN to 6,800 CYN. This increase is a signal of local government's strong support in vocational education and brings the school 16 million CYN per year additional revenue. The school revenue is estimated to increase 1.9 percent per year which is the average increase of the revenue from 2011 to 2014. The total school revenue as the sum of the two components is then estimated as shown in Table 5.14. The discretionary part of the per-student fund allocation is estimated to be 10 percent of the allocation.

39. An earmarked 24.8 million fund has been applied by the school to Urumqi Finance Department and been approved. The fund would be used as the counterpart fund in 2015. Projections indicate that counterpart fund requirements of the project would require only 44.26 percent of the total discretionary funds during the project period even when the per-student fiscal allocation is used. The school's financing plan is considered adequate.

**Table 5.14 Analysis of Counterpart Fund Availability- Urumqi Vocational University**

(Unit: million CYN)

<b>Urumqi Vocational University</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2015-2020</b>
<b>Total Revenue</b>	233.7	250.8	268	285.1	302.4	319.6	1659.6
including: Per Student Allocation	173.9	189.9	205.9	221.9	237.9	253.9	1283.4
<b>Discretionary Fund Sources for the Project- Scenario 1</b>	<b>26.8</b>	<b>6.1</b>	<b>6.8</b>	<b>15.1</b>	<b>11.6</b>	<b>1.4</b>	<b>67.8</b>
Earmarked Fund allocated by Urumqi Government for the project	24.8	6.1	6.8	15.1	11.6	1.4	65.8

Fund from per-student allocation of this year	2	0	0	0	0	0	2
Earmarked Fund balance from last year	0	0	0	0	0	0	0
<b>Discretionary Fund Sources for the Project- Scenario 2</b>	<b>42.2</b>	<b>19</b>	<b>20.6</b>	<b>22.2</b>	<b>23.8</b>	<b>25.4</b>	<b>153.2</b>
Earmarked Fund allocated by Urumqi Government for the project	24.8	0	0	0	0	0	24.8
Fund from per-student fund allocation of this year	17.4	19	20.6	22.2	23.8	25.4	128.4
Earmarked Fund balance from last year	15.4	12.9	13.8	7.1	12.2	23.9	85.3
<b>Counterpart Fund Requirement</b>	<b>26.8</b>	<b>6.1</b>	<b>6.8</b>	<b>15.1</b>	<b>11.6</b>	<b>1.4</b>	<b>67.8</b>
In Total Revenue	11.5%	2.4%	2.5%	5.3%	3.8%	0.5%	4.09%
In Discretionary Fund Sources- Scenario 1	100%	100%	100%	100%	100%	100%	100%
In Discretionary Fund Sources- Scenario 2	63.6%	32.2%	33%	67.9%	48.6%	5.7%	44.26%

*Source:* The World Bank task team.

### Xinjiang Agri. & Tech. College

40. The institution revenue from 2015 to 2020 is estimated to increase by about 12 percent per year based on the enrollment expansion plan of the school. This is considered to be a conservative estimate. Twenty percent of the institution revenue will be earmarked for the project each year. Another 30 million CYN has been mobilized as the counterpart fund for the project in 2015.

41. Projections indicate that counterpart fund requirements of the total discretionary funds in this school would require only 31.86 percent during the project implementation period and therefore the school's financing plan is considered adequate.

**Table 5.15 Analysis of Counterpart Fund Availability- Xinjiang Agri. & Tech. College**

(Unit: million CYN)

<b>Xinjiang Agri. &amp; Tech. College</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2015-2020</b>
<b>Total Revenue</b>	100.5	110.5	121.6	133.7	147.1	161.8	775.2
including: Institution revenue	57.2	63	69.3	76.2	83.8	92.2	441.7
<b>Discretionary Fund Sources for the Project</b>	<b>41.4</b>	<b>35.6</b>	<b>20</b>	<b>26.3</b>	<b>38.1</b>	<b>51.4</b>	<b>212.8</b>
Fund from institution revenue of this year	11.4	12.6	13.9	15.2	16.8	18.4	88.3
Earmarked Fund from Xinjiang Education Department	30	0	0	0	0	0	30
Earmarked Fund balance from last year	0	23	6.2	11.1	21.4	33	94.7
<b>Counterpart Fund Requirement</b>	<b>18.5</b>	<b>29.4</b>	<b>9</b>	<b>4.9</b>	<b>5.1</b>	<b>0.9</b>	<b>67.8</b>
In Total Revenue	18.4%	26.6%	7.4%	3.7%	3.5%	0.6%	8.75%
In Discretionary Fund Sources	44.5%	82.6%	44.8%	18.7%	13.5%	1.8%	31.86%

*Source:* The World Bank task team.

*College of Xinjiang Uygur Medicine*

42. The institution revenue from 2015 to 2020 is estimated based on the enrollment expansion plan of the school. Thirty-five percent of institution revenue will be earmarked for the project each year. The school also plans to use its balance from 2014 for project counterpart fund. When the counterpart fund allocation pressure is significant in 2016 due to planned civil works, the school will utilize 7.7 million from the fiscal allocation for the project.

43. Projections indicate that counterpart fund requirements of the total discretionary funds in this school would require only 20.92 percent during the project implementation period and therefore the school's financing plan is considered adequate

**Table 5.16: Analysis of Counterpart Fund Availability- College of Xinjiang Uygur Medicine**

(Unit: million CYN)

College of Xinjiang Uygur Medicine	2015	2016	2017	2018	2019	2020	2015-2020
<b>Total Revenue</b>	82.3	85.2	91.7	96.6	99.2	102.5	557.5
including: Institution revenue	17.9	18.7	22	25.4	25.7	26.2	135.9
<b>Total Expenditure</b>	78.2	79.6	78.4	84.6	85.7	91.9	498.4
<b>Balance</b>	4.1	5.6	13.3	12	13.5	10.5	59
<b>Discretionary Fund Sources for the Project</b>	28.9	33.7	22.9	40	60.8	78.5	264.8
Earmarked fiscal allocation	0	7.8	0	0	0	0	7.8
Fund from institution revenue of this year	6.3	6.5	7.7	8.9	9	9.2	47.6
Earmarked Fund from last year	18.5	13.8	1.9	19.2	38.3	58.8	150.5
Balance from this year	4.1	5.6	13.3	12	13.5	10.5	59
<b>Counterpart Fund Requirement</b>	15.1	31.8	3.7	1.8	1.9	1.1	55.4
In Total Revenue	18.31%	37.3%	4.1%	1.8%	1.98%	1.1%	9.94%
In Discretionary Fund Sources	52.2%	94.3%	16.3%	4.4%	3.2%	1.4%	20.92%

Source: The World Bank task team.

## G. Financial Sustainability and Indebtedness

44. The incremental expenditure due to project implementation and maintenance of continuous activities will have a limited impact on the financial sustainability of the project schools, which was illustrated as a share of total revenue in Table 5.17.

**Table 5.17 Estimated Incremental Costs<sup>6</sup> Incurred by Schools as % of Total School Budget**

Schools	2014	2015	2016	2017	2018
Xinjiang Agri & Tech. College	2.4	2.3	2.3	2.3	2.2
Xinjiang Institute of Light Industry Technology	1.8	1.6	1.5	1.4	1.4
Xinjiang Institute of Engineering	2.2	2.2	2.2	2.2	2.1
Urumqi Vocational University	4.7	4.7	4.7	4.7	4.7
Xinjiang Uygur Medical College	2.3	2.2	2.0	1.9	1.8

<sup>6</sup> Incremental costs due to project are defined as the sum of incremental administrative costs and maintenance costs.



Source: Project schools.

45. **Project Schools Indebtedness.** Xinjiang Institution of Engineering, Urumqi Vocational University and Xinjiang Agri. & Tech. College had loan from domestic banks by the end of 2014. The repayments were mainly listed as school budgetary expenditures and certain funds have been guaranteed. The repayment period is from 2013 to 2021, with a minimum overlap with the repayment period of the World Bank loan. The historical repayment record of all three schools is good. The other two project schools do not have any domestic debt.

**Table 5.18 The Project Schools' Debt Status**

(Unit: million CYN)	Debt by the end of 2014	Repayment Period	Repayment Source
Xinjiang Institution of Light Industry Technology	0	-	-
Xinjiang Institution of Engineering	113.5	2013-2021	Has been listed as school budgetary expenditure
Urumqi Vocational University	84.1	2013-2018	Repayment for capital has been listed as school budgetary expenditure. Repayment for interest will be undertaken by city level public finance.
Xinjiang Agri. & Tech. College	11.5	2015-2016	Has been listed as school budgetary expenditure
College of Xinjiang Uygur Medicine	0	-	-

46. **Conclusion.** Based on above analysis, it can be concluded that:

- XUARED is almost fully funded by the government fiscal allocation and project schools are, in turn, mainly funded by fiscal allocation from XUARED. Government allocation for TVET in Xinjiang has recently increased. It is likely that government investment in TVET will continue to increase as enrollment expands and the standard per-student allocation increases in line with the implementation of Xinjiang's development strategies.
- The discretionary funds for each project school will be adequate to provide the required counterpart funds for project implementation. Counterpart fund requirements for the project will not significantly impact the schools' normal operation and budgets of project schools and XUARED.
- The incremental costs due to the project will have a limited impact on financial sustainability of project schools. Existing debt burdens are low. Repayment schedules are established and small in magnitude as compared to the total revenue of the schools.