

ECONOMIC AND FINANCIAL ANALYSIS

A. Introduction

1. With a population of over 33 million, Kerala is the 12th largest and most-densely populated state in India. Due to rapid urbanization (2001: 159 towns; 2011: 520 towns), the overall proportion of rural population is only 52.3%. Children (below 10 years old) account for 14.9%, adolescents (between 10–19 years old) for 16.3%, and the youth (between 15–24 years old) for 15.8% of the state's population.¹

2. Even though Kerala has the best education and health indicators in India, it has not performed well with respect to 'employment' and 'employability' of its working age population. In 2011–2012, Kerala's unemployment rate for persons aged 15–59 years was 16.5% as against the national average of 5.8%.² Unemployment among the educated youth and low workforce participation of women are two major challenges faced by the state (Table 1). According to the live register of employment exchanges, there are 3.9 million unemployed people in the state, of which 60% are females.³

Table 1: Education Qualification-wise Employment Status of per 1,000 Working-Age Population⁴

Educational Classification	Employed		Unemployed		Not in Labor Force	
	Male	Female	Male	Female	Male	Female
Not literate	431	119	4	2	565	879
Below Primary	598	213	0	4	402	782
Primary	677	154	3	8	321	838
Middle	746	181	9	16	245	803
Secondary	647	137	26	50	327	812
Higher Secondary	460	145	66	101	474	754
Diploma/certificate	566	211	64	207	370	583
Graduate	606	288	110	212	284	500
Post graduate & above	666	425	29	165	305	410
Overall	634	175	30	59	336	766

Source: Government of India, Labour Bureau, Ministry of Labour and Employment. 2013. *Report on Employment and Unemployment Survey, 2012-13*. Delhi.

3. Several factors are responsible for the problem of high unemployment, especially "educated unemployment." On the supply side:

- (i) Kerala's post-basic education—i.e., higher secondary (grades 11 and 12) and undergraduate education—does not include any career counselling or opportunities for vocational training. Most graduates lack fluency in English and familiarity with basic information technology skills—two critical requirements for most jobs today. Given the poor quality of teaching in most schools and colleges and inadequate links with the job market, many students, especially those from poorer sections, see little benefit in continuing with education. There is a high

¹ Government of India, Census of India. 2011. Delhi.

² Kerala – Economic Review, 2013.

³ Kerala – Economic Review, 2013.

⁴ Government of India, Labour Bureau, Ministry of Labour and Employment. 2013. *Report on Employment and Unemployment Survey, 2012-13*. Delhi.

attrition rate, particularly for male students, from the secondary (grades 9 and 10) to the higher secondary level, and then to the undergraduate level. In the absence of suitable vocational training opportunities, a high proportion of women (as compared with men) continue with higher education, which lowers their relative workforce participation. Unfortunately, since these higher degrees are not very relevant from the market perspective, the women are unable to compete for good jobs. Introduction of career counselling and vocational training at the level of post-basic education is therefore critical for “preventing” the problem of low employability, and preparing the youth for the world of work.

- (ii) Kerala’s technical and vocational education and training programs are largely government-run and have not kept pace with the changing needs of the state in terms of capacity, quality, or types of vocational trades offered. The state has 612 industrial training institutes and industrial training centers with a combined annual intake potential of 67,000. However, each year, they get nearly five times that number of applications. In addition to expanding training capacity, Kerala’s technical and vocational education and training system needs to be revamped in line with the changing economic structure of its economy.

4. In addition to the supply-side factors pertaining to the quality and skills of the workforce, Kerala is also constrained from the demand side:

- (i) Between 2004 and 2011, the share of the primary sector in the state’s gross domestic product (GDP) declined sharply from 17.9% to 9.5%. Falling agricultural productivity, neglect of public investment, and inadequate diversification of agriculture have resulted in the exit of a large number of workers, especially poor women, from this sector. The 2013 Kerala Skill-Gap Study, commissioned by the National Skill Development Corporation, estimates that nearly 0.8 million workers will exit the agriculture and allied sectors as well as mining and quarrying over 2012–2022. This large group needs to be retrained and linked to alternative employment options.
- (ii) The share of the secondary sector in state GDP declined from 22.5% to 20.2% between 2004 and 2011. This has significantly constrained the creation of productive jobs within the state. A large number of Keralites have traditionally migrated out of India, especially to the countries of the Middle East, in search of work.⁵ However, owing to a combination of factors—changing policies toward migrant workers in the Middle East, comparable lifestyles in Kerala, and increasing cost of emigration—many Keralite overseas workers are returning home. This growing trend (estimated at 1.1 million annually) poses additional challenges for the state government in terms of providing reskilling opportunities and jobs to returning migrant workers, who are usually poor and not very qualified to begin with.⁶
- (iii) The share of the service sector in state GDP rose from 59% to 70.3% between 2004 and 2011. However, the youth are unprepared for these jobs since very few

⁵ In 2011, the volume of remittances to Kerala was around \$8 billion or 31% of the state’s GDP. Nearly 90% of the migrant Keralites have traditionally been employed in the countries of the Middle East.

⁶ According to the 2011 Kerala Migration Survey (by the Center of Development Studies, Thiruvananthapuram), around 73% of the migrants are either illiterate (9%) or have studied only until grade 12 (64%).

vocational courses focusing on services are offered at present. The industrial training institutes continue to teach traditional trades—e.g., welding, fitting, auto mechanic, electrician, sheet metal molding—for which job opportunities within Kerala are stagnant, and which are of little interest to women. Few nationally recognized private providers, capable of providing quality vocational training, are operating in Kerala.

Table 2: Trend in GSDP (at Factor Cost by Industry of Origin) at Constant Prices (2004–2005)

Sectors/Subsectors	FY 2010		FY2011		FY2012	
	Share %	% Change	Share %	% Change	Share %	% Change
PRIMARY SECTOR						
Agriculture & Allied	11.5%	-1.6%	10.1%	-4.6%	9.1%	-1.0%
Agriculture	9.0%	-3.1%	7.9%	-4.5%	7.2%	-1.6%
Forestry & Logging	1.4%	3.1%	1.2%	-4.5%	1.1%	2.0%
Fishing	1.1%	5.7%	0.9%	-4.9%	0.8%	-0.1%
Mining & Quarrying	0.5%	34.6%	0.4%	-17.3%	0.3%	8.1%
Total Primary Sector	11.9%	-0.5%	10.5%	-5.1%	9.5%	-0.7%
SECONDARY SECTOR						
Manufacturing	7.6%	0.3%	7.6%	8.4%	7.4%	6.4%
Registered	3.3%	-2.4%	3.4%	10.9%	3.3%	6.4%
Unregistered	4.3%	2.5%	4.2%	6.5%	4.1%	6.4%
Construction	11.7%	11.3%	11.8%	8.9%	11.6%	7.8%
Electricity, Gas & Water Supply	1.3%	17.7%	1.3%	3.4%	1.3%	2.9%
Electricity	1.1%	16.5%	1.1%	2.1%	0.9%	1.4%
Gas	0.03%	3.3%	0.02%	3.2%	0.02%	3.5%
Water Supply	0.2%	30.2%	0.2%	12.6%	0.2%	13.5%
Total Secondary Sector	20.63%	7.35%	20.70%	8.38%	20.23%	7.03%
TERTIARY SECTOR						
Transport, Storage & Communication	13.8%	18.0%	14.8%	16.0%	16.1%	18.6%
Railways	0.5%	10.4%	0.5%	5.7%	0.5%	9.1%
Other Transports	7.4%	14.7%	7.3%	6.2%	7.3%	9.2%
Storage	0.1%	9.9%	0.1%	13.9%	0.1%	10.8%
Communications	5.8%	23.3%	7.0%	29.3%	8.3%	29.2%
Trade, Hotels & Restaurants	21.2%	12.6%	21.4%	9.1%	21.4%	9.5%
Banking & Insurance	6.8%	10.4%	7.1%	13.5%	7.5%	14.5%
Real Estate						
Ownership, Business, Legal	11.6%	4.6%	11.3%	5.5%	11.3%	8.9%
Public Administration	3.9%	-2.7%	4.1%	13.2%	4.0%	8.0%
Other Services	10.2%	17.6%	10.1%	7.1%	10.1%	9.5%
Total Tertiary Sector	67.5%	11.7%	68.8%	10.3%	70.3%	11.8%

GSDP = gross state domestic product

Source: Government of Kerala, 2013. *Gross Domestic Product of Kerala and India from 2004-05 to 2011-12*. Thiruvananthapuram.

5. While the relative economic shares of the primary, secondary, and tertiary sectors have changed rapidly since 2004, their employment shares (32.3% primary, 28.5% secondary, and 39.2% tertiary) have not changed accordingly. This has led to a mismatch between labor demand and supply per sector, and a big overall gap between the level of skills demanded by the market and those supplied by school and college graduates.

6. The demand analysis confirms that contrary to common perception, Kerala's economy has the potential to create substantial number of jobs in the tertiary and secondary sectors in the coming years. Table 3 summarizes the key findings of the demand analysis which shows that nearly 6.7 million jobs will be created by FY2017.⁷ The challenge is to enhance the employability of Kerala's youth appropriately and then to match them to these jobs.⁸ This is precisely the focus and purpose of the Additional Skill Acquisition Program (ASAP), which was launched by the Government of Kerala in 2012 as part of the overall Kerala State Skill Development Project. In order to "prevent" the problems of low employability and skills mismatch upfront, ASAP will provide vocational training and career counselling to students enrolled in government and government-aided higher secondary schools and undergraduate colleges (i.e. post-basic education), in "addition" to their standard curriculum. The economic analysis of ASAP confirms the relevance and robustness of its overall design (section B).

Table 3: Estimated Sector and Sub-Sector Wise Additional Workforce Demand (FY2017)

Sector/Sub-Sector	Manpower Demand	
	Male	Female
Primary Sector	(88,542)	(39,905)
Agriculture, Forestry and Fishing	(94,469)	(39,905)
Mining & Quarrying	5,927	
Secondary Sector	1,607,996	502,799
Manufacturing	479,876	227,033
Electricity, gas, steam and air conditioning supply	3,072	389
Water supply; sewerage, waste management and remediation activities	2,047	7,386
Construction	1,123,001	267,991
Tertiary Sector	3,637,422	1,120,978
Wholesale and retail trade; repair of motor vehicles and motorcycles	913,384	173,421
Transportation and storage	1,457,904	40,263
Accommodation and Food service activities	137,008	22,297
Information and Communication	198,806	75,493
Financial and Insurance activities	125,345	64,906
Real estate activities	113,842	-
Professional, scientific and technical activities	455,365	572,557
Administrative and support service activities	39,427	5,192
Public administration and defence; compulsory social security	21,403	2,263

⁷ The fiscal year (FY) of the Government of India ends on 31 March. "FY" before a calendar year denotes the year in which the fiscal year starts, e.g., FY2014 begins on 1 April 2014 and ends on 31 March 2015.

⁸ Demand Analysis (accessible from the list of linked documents in Appendix 2).

Education	16,897	16,906
Human health and social work activities	13,518	9,186
Arts, entertainment and recreation	7,886	133
Other service activities	104,105	37,061
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	32,532	101,300
Activities of extraterritorial organizations and bodies	-	-
Total Additional Workforce by FY2017	5,156,876	1,583,872

Source: Asian Development Bank analysis.

B. Economic Analysis of the Project

1. Economic Costs

7. Three types of economic costs are considered for this analysis. These are: (i) capital investments (i.e. investments towards establishing community skills parks [CSPs] and renovating skill development centers [SDCs]); (ii) recurring costs (including training cost [foundation course and skills courses], remuneration, administration, etc.); and (iii) trainee opportunity costs (foregoing of employment during the course period, cost of emigration processing, etc.).

8. Given that the courses are conducted for the students enrolled in regular academic streams in government and government-aided higher secondary schools and undergraduate colleges, the opportunity cost of foregoing employment during the training period (even though certain portions of the training are conducted during vacation) is considered as zero (nil). However, the opportunity cost involved in processing the emigration papers is considered as INR100,000 per person (as a one-time cost incurred by the individuals).

2. Economic Benefits

9. The economic benefits of ASAP include: (i) enhanced access to modern training facilities and industry-relevant training courses at affordable rates; (ii) enhanced employability and improved employment prospects for ASAP certificate holders; (iii) higher wages/income in local, domestic, and international employment; (iv) increase in availability of employable skilled resources, and input advantage for local enterprise development within Kerala, which will in turn, create further jobs; and (v) reduction in the drop-out rate of males (so that they complete higher secondary and undergraduate education at the very least) and improved participation of females in the work force.

10. Given the complexity of quantifying all benefit stream into monetary terms, the principal benefit considered for the analysis is restricted to prospective incremental changes in the wages/income to be secured by the ASAP graduates. The job profiles considered for domestic employment are aligned to the predominant domestic workforce segments identified under the sector-level demand assessment (Table 3), while the job profiles considered for mapping the overseas employment is directly aligned to the main courses offered under ASAP. Reference wage rates are considered equivalent to the average of the prescribed (2014) minimum wages for employment or the prevailing wages for the main domestic sector job profiles, namely, Construction (Group C), Drivers, and Nurses/Auxiliary Nurse Midwife Group II. The

wages/remuneration considered for the various job profiles include (i) construction worker at INR516.8 per day, equivalent to INR13,439 per month; (ii) driver at INR400 per day, equivalent to INR10,400 per month; and (iii) staff nurse/auxiliary nurse midwife (special grade) at INR10,575 per month.⁹

3. Economic Internal Rate of Return Analysis

11. The following assumptions are made for computing the economic internal rate of return (EIRR):

- (i) The total number of trainees under the proposed Asian Development Bank (ADB) loan (2014–2018) is 230,000, while the overall number of trainees to be covered by ASAP over the same period is 310,000.
- (ii) Fee for training is based on the actual training cost approved by the state government through a transparent bid process. The socially and economically-disadvantaged beneficiaries (trainees) are exempted from payment of any amount when the overall fees for the training is equal to or lesser than INR10,000 provided they successfully complete the foundation and vocational training and get a certificate. In case the overall training fees exceeds INR10,000, the differential above INR10,000 shall be payable by all the beneficiaries (trainees). Further, all trainees who are not established (through proper documental proof) as socially and/or economically-disadvantaged, will pay 75% of the fees (structured into convenient pre-approved installments) provided they successfully complete the foundation and vocational training and get a certificate. Those who do not complete the course will have to repay the entire fee within a specified period (3 years for undergraduate students and 5 years for higher secondary students). Since the ASAP secretariat may not be able to secure the required fees from all trainees, a logically reasoned collection efficiency ratio of 90% is considered for the analysis.
- (iii) Construction and refurbishment of CSPs have been considered over the 1st, 2nd, 3rd, and 4th years of program implementation, with Year 1 accounting for only refurbishment of 10 CSPs, Year 2 accounting for 14 new CSPs and 10 refurbishments, Year 3 accounting for 14 new CSPs and 10 refurbishments, and Year 4 will account for the remaining seven new CSPs.
- (iv) The overall project cost is considered at \$147 million, of which 67.8% of the project cost or the equivalent \$100 million will be funded through the ADB loan.
- (v) ADB loan repayment is considered with 5 years' moratoriums and at an interest rate equivalent to the London Interbank Offered Rate + 20 basis points, i.e. $0.55 + 0.20 = 0.75\%$, payable over a period of 15 years, following the moratorium period.
- (vi) For this analysis, the proportion of trainees successfully completing the course (foundation and vocational) and the proportion of ASAP graduates securing domestic employment within 1 year is considered as follows:

⁹ Minimum Wages Notification on Construction and Maintenance of Dams, G. O. (P) No. 154/2011/LBR. Dated, Thiruvananthapuram, 12 September 2011.

Table 4: Completion and Employment Rate

Category	FY2015 & FY2016		FY2017 & FY2018	
	Male	Female	Male	Female
Successful Graduation (completion rate)	90%	95%	95%	100%
Employment Rate	95%	50%	100%	60%

Source: Asian Development Bank.

- (vii) In addition, with respect to emigration of successfully employed ASAP graduates, it is considered that 70% of the male and 20% of the female ASAP graduates from colleges will emigrate after 1 year of domestic employment, while only 50% of the male and 10% of the female ASAP graduates from the schools will emigrate after 2 years of domestic employment.
- (viii) It is assumed that all ASAP certificate holders will be able to secure a nominal wage/income increment of 10% above the average minimum prescribed wages or the prevailing wages, when employed locally or any in other state within India. Further, in the event of securing overseas employment, it is considered that the ASAP graduates will be able to secure medium income (20% above the average minimum) within the range of income prescribed for the position, as against the lowest value usually secured.
- (ix) Reference wage rates for the purpose of analysis are considered as: (i) for domestic employment, the average prescribed (2011) and/or practiced (2014) minimum wages for employment as construction worker (Group C) at INR516.88 per day equivalent to INR13,439 per month, as driver at INR400 per day equivalent to INR10,400 per month, and as staff nurse/auxiliary nurse midwife (special grade) at INR10,575 per month.¹⁰
- (x) The proportion of the overseas employment seekers among the ASAP graduates are assumed as detailed in the table below:

Table 5: Overseas Employment Seekers

Categories	Male	Female
Domestically Employed ASAP Graduates from Colleges to emigrate after 1 Year	70%	20%
Domestically Employed ASAP Graduates from schools to emigrate after 2 Years	50%	10%

ASAP = Additional Skill Acquisition Program

Source: Asian Development Bank.

- (xi) Opportunity cost involved in processing the emigration papers is considered as INR100,000 per person (as a one-time cost incurred by the individuals).
- (xii) The differential wages/income attributable to the ASAP certification is considered only at the entry-level, both at domestic employment and at overseas employment. However, the impact of the differential wages/income is considered for a period of 7 years (up to the second year after completion of program period, i.e., FY2021).

¹⁰ Minimum Wages notification on Construction and Maintenance of Dams, G. O. (P) No. 154/2011/LBR. Dated, Thiruvananthapuram, 12 September 2011.

- (xiii) EIRR is calculated only for a period of 10 years i.e., up to FY2024, and a discount rate of 12% is considered.

12. Based on the key assumptions considered above, the composite economic costs and benefits (computed at standard conversion factor) attributed to ASAP, results in an EIRR of 31% with a net present value of \$79.81 million and an EIRR of 48% with a net present value of \$148.48 million, when considering a nominal wage increase of 10% and 20% respectively in domestic employment, with a median wage at entry (equivalent to 20% above the average minimum) into overseas employment.¹¹ Calculation of the EIRR is tabulated in Table 6a. The scenario analysis is in Table 6b.

¹¹ Calculated at a discount rate of 12% over 10 years.

Table 6a: Calculation of Economic Internal Rate of Return

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Trainees										
Schools	30,000	57,665	60,000	12,375						
Male	14,297	27,017	28,044	7,258						
Female	18,203	34,398	35,706	9,242						
Colleges	10,000	19,222	20,000	4,125						
Male	4,399	8,456	8,798	1,815						
Female	5,601	10,766	11,202	2,310						
REVENUE (US\$ million)										
Fee Recovered	0.40	0.76	0.79	0.95	0.00	0.00	0.00	0.00	0.00	0.00
Domestic										
At nominal increment (10%)		3.81	10.41	14.61	10.49	8.22	0.00	0.00	0.00	0.00
At premium increment (20%)		7.62	20.83	29.22	20.97	16.44	0.00	0.00	0.00	0.00
Overseas			5.81	44.22	101.40	122.39	0.00	0.00	0.00	0.00
COST (US\$ million)										
Personnel Costs	2.54	2.64	3.06	3.32	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenditure	9.93	10.37	12.84	12.69	0.00	0.00	0.00	0.00	0.00	0.00
Employability enhancement	11.94	25.07	29.44	25.96	0.00	0.00	0.00	0.00	0.00	0.00
CSPs and SDCs	2.00	15.12	15.12	16.54	0.00	0.00	0.00	0.00	0.00	0.00
Equipment	0.26	0.20	0.23	0.25	0.00	0.00	0.00	0.00	0.00	0.00
Conversion Factor Adopted: Fee Recover – 1.00; Wage/ Remuneration – 1.20; Personnel Costs – 0.90; Operating Expenses – 1.00; Employability Enhancement – 1.50; CSPs & SDCs – 1.30; and Equipment – 1.30;										
EIRR @ 12% discount rate										
At nominal increment (10%)				31%						
At premium increment (20%)				48%						
NPV @12% for 10 Years										
At nominal increment (10%)				\$79.81						
At premium increment (20%)				\$148.48						

CSP = community skills park, EIRR = economic internal rate of return, NPV = net present value, SDC = skill development center.

Source: Asian Development Bank.

Table 6b: Scenario Analysis of the EIRR & NPV

Scenarios	Nominal Wage increment of 10%			Premium Wage increment of 20%		
	EIRR	NPV @10% Discount Rate (\$ million)	NPV @12% Discount Rate (\$ million)	EIRR	NPV @10% Discount Rate (\$ million)	NPV @12% Discount Rate (\$ million)
Female Work Participation: FY 2016: 25% & FY 2018: 40%	26%	71.6	57.8	39%	130.2	112.14
Female Work Participation: FY 2016: 50% & FY 2018: 60%	31%	95.5	79.8	48%	169.8	148.5
Emigration: College Graduates {Male: 50% and Female: 10%}; School Graduates {Male: 50% and Female: 10%}	27%	78.2	63.9	45%	154.8	134.9
Emigration: College & School Graduates {Male: 70% and Female: 20%}	38%	135.6	116.4	54%	203.8	179.6

EIRR = economic internal rate of return, NPV = net present value.

Source: Asian Development Bank.

Table 7: Distribution Analysis of the Net Economic Benefits

Description	Financial PV	Conversion Factor	Economic PV	Difference of Eco. PV & Fin. PV	Government/ Economy	Industry	Beneficiaries/ Poor
BENEFITS (US \$ Million)							
Fee Recovered	\$2.13	1.00	\$2.13	\$0.00	\$0.00		(\$5.57)
Nominal increment in wages/ income	\$223.78	1.20	\$268.54	\$44.76	\$3.13	\$31.33	\$13.43
Premium increment in wages/ income	\$281.01	1.20	\$337.21	\$56.20	\$57.33	\$8.65	\$50.58
COSTS (US \$ Million)							
Personnel	\$8.66	0.90	\$7.79	(\$0.87)	(\$0.94)	\$0.87	
Operating Expense	\$34.34	1.00	\$34.34	\$0.00	\$0.00		
Employability Enhancement	\$68.11	1.50	\$102.16	\$34.05	(\$6.81)	\$10.22	\$23.84
CSPs & SDCs	\$35.11	1.30	\$45.64	\$10.53	(\$10.53)	\$10.53	\$10.53
Equipment	\$0.71	1.30	\$0.93	\$0.21	(\$0.21)		
NET BENEFITS (US \$ Million)							
AT Nominal increase in wages/ income	\$78.99		\$79.81	\$0.82	(\$15.36)	\$52.94	\$42.23
At Premium increase in wages/ income	\$136.21		\$148.48	\$12.27	\$38.83	\$30.27	\$79.38

CSP = community skills park, PV = present value, SDC = skill development center.
Source: Asian Development Bank.

C. Financial Analysis

13. ASAP has a strong pro-poor focus. In order to encourage active participation and skilling of students from the economically-challenged and socially-disadvantaged, ASAP had adopted a 'distinctive incentive-linked fee structure', where, the students are required to sign an agreement with the government committing to complete the course successfully. On successful completion of the courses, the students are eligible for incentives: (i) for students from economic or socially-challenged, disadvantaged communities, or who are specially-abled, 100% fee exemption is extended and (ii) for those belonging to the general category, about 25% of the fee is extended as scholarship. The Program Soundness Assessment provides further details.¹²

14. In the initial years of its operation, it is observed that ASAP is focusing almost entirely on students from disadvantaged, economic or socially-challenged, and specially-abled which is fully justified. Since such students will not have to pay any fees if they successfully complete the foundation and vocational training and get a certificate, it is clear that ASAP will be

¹² Program Soundness Assessment (accessible from the list of linked documents in Appendix 2).

predominantly dependent on the government's budget support plus the ADB loan for funding its activities. However, for the reasons highlighted in the sector analysis, there is a strong justification for the public sector to take the lead for complementing post-basic education with vocational training to address Kerala's long-standing problem of high levels of educated unemployment.¹³

15. The Government of Kerala is highly committed to consistently investing in education and skills development initiatives within the state. The annual plan allocation on general education, technical education, and scientific research as a proportion to the overall annual fund allocation accounted to 4.9% in FY2013, 5.1% in FY2014, and 6.6% in FY2015. In order for the state government to reaffirm its commitment to ASAP, it has identified ASAP as a 'strategic priority' under the state government's Medium-Term Fiscal Policy and Strategy Statement with Medium-Term Fiscal Plan. The state government, under its 12th Five-Year Plan committed funds amounting to \$15.39 million for FY2015.

16. Under ASAP, the state government intends to establish over 140 CSPs/SDCs, of which ADB will support establishing 35 CSPs and refurbishing of 30 SDCs. As an additional source of revenue, the ASAP secretariat is considering engaging private sector industry partners to collaborate on a public-private partnership mode to manage CSPs, and optimally utilize the training space on a time-based cost-sharing arrangement to deliver nationally accredited skills training to target beneficiaries. This is explicitly mentioned as action 2.2 in the results framework namely, "proportion of CSPs for which operation and maintenance is outsourced to private partners".¹⁴

17. Given the state government's commitment, as well as its proactive efforts on actively engaging the private sector industry partners, ASAP's revenue stream is expected to increase gradually over the life of this project. More importantly, by enhancing the employability of youth and improving their employment prospects, ASAP will help in reducing the dead-weight burden of having large numbers of uneducated unemployed, and enable Kerala to tap the full potential of its human resources.

¹³ Summary Sector Assessment (accessible from the list of linked documents in Appendix 2).

¹⁴ Program Results Framework (accessible from the list of linked documents in Appendix 2).