

PROGRAM SOUNDNESS ASSESSMENT

1. The Additional Skill Acquisition Program (ASAP) has been designed by the Department of Higher Education (DOHE) and the Department of General Education of the Government of Kerala to introduce vocational training and career counseling alongside post-basic education—i.e., higher secondary (grades 11 and 12) and undergraduate levels—to enhance the employability of the youth (aged 15–24), and to eventually improve their employment prospects. The proposed Asian Development Bank (ADB) loan will reinforce ASAP's efforts in providing the relatively poor and disadvantaged youth of Kerala, enrolled in government and government-aided schools and colleges, with the opportunity to improve their English communication and basic information technology (IT) skills (i.e., the foundation courses), and to enroll in market-driven vocational courses after school hours and during vacations. Career counseling and exposure to market-relevant vocational training will enhance their employability while they are still in school or college. ASAP's core philosophy emphasizes that the selection, design, and delivery of its vocational courses should be aligned with the changing needs of the market and evolving youth aspirations.

A. Program Description

2. The 12th Five-Year Plan of Kerala, 2012–2017 regards high unemployment levels, especially the paradox of “educated unemployment,” as a major socioeconomic problem facing the state.¹ It notes that a mission-mode approach will be followed for addressing the problem of educated unemployment through skills development and development of educational infrastructure, particularly for vocational education at schools and colleges. Students who complete grade 10 and enroll in higher secondary and undergraduate courses will be the target, and suitable vocational training opportunities will be offered to them.

3. In line with these priorities, the state government launched the Kerala State Skill Development Project (KSSDP) in July 2012 to enhance the employability of the youth and create opportunities for productive employment.² It has two subprograms. The first, ASAP, has been designed by DOHE and the Department of General Education to address the “preventive” dimension of low employability. The second, the Additional Skill Enhancement Program, has been designed by the Department of Labor and Employment and the Department of Local Self Government, Government of Kerala to address the “curative” dimension by reskilling the unemployed youth who have registered with employment exchanges. The skills training target for the 12th Five-Year Plan is 0.31 million under ASAP and 1.17 million under the Additional Skill Enhancement Program which takes the total for the KSSDP to 1.48 million young people.

4. The Government of India and the state government have requested ADB assistance to strengthen and scale up ASAP as it aims to make students market-ready while they are still enrolled in schools and colleges. The impact of the results-based lending (RBL) program will be increased employment of Kerala's youth aged 15–24. The outcome will be increased employability of ASAP certificate holders.³ This will be achieved through four outputs:

- (i) Market-relevant vocational training introduced in post-basic education.

¹ The Summary Sector Assessment: Education (accessible from the list of linked documents in Appendix 2) has all the relevant statistics.

² Government of Kerala. 2012. *Kerala State Skill Development Preliminary Report 2012*. Thiruvananthapuram.

³ The proportion of ASAP trainees who are certified to be employable is taken as the basis for the first disbursement-linked indicator. Employability will be assessed through a mix of approaches, e.g., feedback from firms where ASAP trainees undertake internships, tracer studies, and surveys.

- (ii) Access to quality vocational training enhanced.
- (iii) Increased awareness and private sector participation facilitated.
- (iv) Improved program management and monitoring and evaluation (M&E).

5. Details are provided in the report and recommendation of the President.

B. Program Soundness

6. The design and implementation arrangement proposed for the KSSDP and ASAP are in line with India's National Skill Development Policy (NSDP), 2009, which marks a fundamental shift from the traditional government-led model of vocational training to one that is more decentralized, i.e., driven by the states' priorities, and involves the private sector. It emphasizes that vocational training should be dynamic and demand-based. The NSDP does not distinguish between public or private delivery but focuses on outcomes, user's choices, competition among training providers, and accountability. It emphasizes the need to encourage public-private partnerships (PPPs) in skills development and to promote the use of innovative delivery models such as "decentralized delivery, mobile training, distance learning, and web-based learning." The NSDP calls for inclusive skills development initiatives to bridge the divide between men and women, and between rural and urban, organized and unorganized, and traditional and contemporary employment. It notes that training programs for women should not focus on traditional low-paying vocations, but also encourage their participation in emerging areas such as services and manufacturing. As noted below, ASAP's design embodies many of these reforms, and the social and gender inclusion principles enunciated in the NSDP.

1. Relevance and Justification

7. The relevance and justification of the KSSDP and ASAP cannot be overemphasized. Given its strong focus on human development, Kerala's education, health, and gender-related indicators have always been the best in India.⁴ Yet this achievement has not translated into good employment performance. It is therefore critical to review the quality and delivery of school and college education, and its links with the rapid structural changes taking place in Kerala, India, and ultimately the global economy. The state-wide reforms required to align post-basic education more closely with the world of work requires the public sector to take the lead, but in close coordination with the private sector. This is the underlying philosophy of ASAP.

2. Adequacy

8. Efforts of most state governments in India to complement post-basic education with vocational training have not been very successful so far. Reasons for this failure include lack of good market-relevant vocational courses; inadequate flexibility in scheduling the vocational courses; little or no institutionalized engagement with the private sector in course selection, design, and delivery; and neglect of awareness building. ASAP has been consciously designed to avoid these weaknesses as discussed below:⁵

- (i) ASAP offers a flexible design for dovetailing vocational training with post-basic education in government and government-aided higher secondary schools and

⁴ According to the 2011 Census, Kerala's overall literacy rate was 94% against India's overall average of 73%. The gap between male and female literacy in Kerala was around 4% (96% for males and 92% for females) against India's overall gap of around 16% (81% for males and 65% for females).

⁵ Government of Kerala. 2013. *Additional Skill Acquisition Program for Kerala*. Thiruvananthapuram.

colleges. It begins by offering 180 hours of foundation training in communication English and basic IT, and career counseling after school hours and on holidays. Once a student finishes the foundation module, he or she can opt for vocational training from a wide menu of courses offered by ASAP. The program managers counsel all students and help them select trades that match their aptitude, interest, and the requirements of the market. The vocational training is provided mainly during vacations. This makes it easier for the students to benefit from both general and vocational education simultaneously.

- (ii) ASAP has been designed on the basis of intensive (and ongoing) consultations with all relevant stakeholders: students, principals, and teachers of higher secondary schools and undergraduate colleges; parents; industry associations; and sector skills councils (SSCs). ASAP's outreach campaigns (including campaigns in schools and colleges, and advertisement campaigns on radio) to recruit program managers and skill development executives (SDEs) (i.e., trainers for foundation courses) are raising awareness about the importance of vocational training. The ASAP secretariat also undertakes periodic feedback reviews to ensure that its design and implementation are on the right track.⁶
- (iii) A common weakness of vocational programs in India has been the lack of adequate engagement with the private sector. From the beginning, the ASAP secretariat has been engaging with industry associations, the National Skill Development Corporation, and SSCs in identifying and designing the courses and delivery methods. ASAP has entered into several innovative PPPs to support relevant and high-quality vocational training. For example, ASAP has signed a memorandum of understanding with Bharat Sanchar Nigam Limited (BSNL), one of the leading telecommunication companies of India, to provide training in optical fibre communication, mobile communication, and computer hardware and maintenance. BSNL has a large training campus in Thiruvananthapuram, with state-of-the-art training equipment and a qualified faculty. A BSNL–Government of Kerala certification would improve a candidate's employment prospects significantly. Similarly, courses being offered by ASAP, in partnership with the National Stock Exchange (certified capital market professional), Indian Dental Association (dental assistant certificate), National Association of Software and Services Companies (certificate in global business foundation skills), Rubber SSC (certificate for junior rubber technician), Retail SSC (certificate for retail sales associate), and the Indian Institute of Palliative Medicine (certificate in community nursing and palliative care), are in line with market demand and student aspirations. Close engagement with SSCs and industry bodies will ensure regular updates of content and delivery methods. Partnerships are also being forged with industries and SSCs so that ASAP trainees can do internships for at least 50% of the course time.
- (iv) The proposed RBL for \$147 million will cover all activities pertaining to the first phase of ASAP under which, level 1 vocational certification, equivalent to levels 3–5 (i.e., basic diploma) of India's National Skills Qualification Framework (NSQF) will be provided. The state government's larger ASAP program, amounting to \$200 million, will also cover the second phase in which, certification

⁶ Additional Information to Program Soundness Assessment (accessible from the list of linked documents in Appendix 2).

at levels 2 and 3, equivalent to NSQF levels 6–7 (i.e., advanced diploma) will be provided. These advanced courses will be offered from 2017 onward and will expand the current menu of training options. The capacity development technical assistance attached to the proposed ADB loan will assist the ASAP secretariat in designing some of these higher-level courses.

- (v) To assure the marketability of ASAP graduates, certification will be provided jointly by the respective industry association or SSC, and the Directorate of Technical Education of the state government. The certificates will be aligned with the national standards as laid down in the NSQF. The ASAP secretariat has been coordinating with the National Skill Development Corporation and the National Skill Development Agency in this regard. This will ensure that an ASAP graduate can compete for jobs anywhere within India or overseas.
- (vi) ASAP has a strong pro-poor focus. To encourage students from poor and disadvantaged households, ASAP has adopted an incentive-linked fee structure. The students will sign an agreement with the state government promising to complete ASAP successfully. Upon successful completion, the students will become eligible for incentives as per the norms of the agreement. Of the successful students, those from the disadvantaged sections of society are awarded 100% fee exemption, while the rest are awarded 25% of the fee as scholarship. For example, for vocational courses with fees below Rs10,000, students from below-poverty-line families or those belonging to scheduled castes and scheduled tribes, other socially and economically-backward classes, and those who are physically challenged, will not have to pay any fees during their study.⁷ Students who successfully complete the course will be exempted from paying the entire fee. 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). Students from other than the disadvantaged segments will have to pay 50% of the entire fees in quarterly or monthly installments. Those who successfully complete the course will get an incentive of 25% of the fee and will be exempted from paying this portion of the fee. They will have to repay 25% of the fee (excluding the incentive part) within a specified period (3 years for undergraduate students and 5 years for higher secondary students). If a student does not complete the course, he or she will have to repay the unpaid 50% of the fee within a specified period. Any amount unpaid will be a liability of the student and recoverable under the Kerala Revenue Recovery Act, 1958. For courses with fees exceeding Rs10,000, the portion up to Rs10,000 will be governed by the provisions above. For the portion over Rs10,000, the students will pay the fee from their own sources or they can avail of a bank loan. This fee structure allows ASAP to encourage needy students while discouraging those who are not serious about obtaining vocational skills.
- (vii) ASAP has a strong gender focus. As reconfirmed by the demand analysis done for this project, the vocational courses offered by ASAP are in areas with robust growth prospects, such as communication; banking, finance, and insurance; hospitality and tourism; and health care that are also of interest to women (Table

⁷ The fee (Rs10,000) is approximately \$172.00 at an exchange rate of \$1.00 = Rs58.00.

1).⁸ ASAP will thus, expand the career options for Kerala's women and help to raise their work force participation rate.

Table 1: Focus of Additional Skill Acquisition Program's Vocational Courses^a

Sector	Courses
Communication	Vocational courses for basic information technology, data entry operators, mobile communication, PC hardware and networking, optical fiber communication, mobile handset sales, and various business process outsourcing-related jobs
Banking, Finance, and Insurance	Vocational courses to train as certified capital markets professionals, mutual fund and insurance agents, banking services associates, loan advisors, accountants, and customer care executives
Allied Health Care	Certificate courses to train as dental assistants, community nurses, palliative care assistants
Hospitality	Certificate courses to train in hospitality management, food and beverages, front office management, and housekeeping operations
Electronics	Certificate courses to train in electronic product testing and printed circuit board manufacturing
Other Growth Areas	Certificate course to train as retail associates, plumbing associates, media correspondents, and junior rubber technicians

^a Being offered as of June 2014.

Source: Asian Development Bank.

- (viii) ASAP is committed to continuous and comprehensive M&E.⁹ Its management information system collects sex-disaggregated data on all beneficiaries and trainers, and provides a solid foundation for M&E. In addition, the quality of foundation training provided by the SDEs and the vocational training imparted by the training providers is monitored through two channels. First, members of the ASAP secretariat and field-based program managers visit ASAP classes regularly to observe the training and interact with students to get feedback. Second, the training courses are videotaped randomly so that qualified subject experts and evaluators can review the quality of pedagogy and training. Quality is judged on the basis of a composite score. Trainers receiving less than a qualifying score are asked to attend a retraining course and reassessed thereafter. If no improvement is found after retraining, alternative trainers are deployed. ASAP periodically collects information on (a) vocational and soft skills gained by the students at entry, midcourse, and at course conclusion; (b) feedback from students on the quality of the foundation and vocational courses; (c) feedback from trainers on student performance; and (d) response of the firms where ASAP students do their internships and/or become employed. This focus on M&E will ensure that the design and implementation of ASAP remains relevant and effective.
- (ix) The ASAP secretariat has launched an online learning management system using the popular open-source software Moodle. The ASAP lifelong learning system will cater to the learning needs of project officials and students. It will also use innovative approaches like Massive Open Online Course to enhance reach and to train students and trainers. It has adopted a multidimensional strategy to ensure transparency, quality, and accountability.

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

⁹ Program Monitoring and Evaluation System Assessment (accessible from the list of linked documents in Appendix 2).

- (x) The ASAP secretariat has been operating as a full-fledged project implementation agency since July 2012 (para. 15).

3. Financial and Economic Analysis

9. The Government of Kerala is committed to investing in education and skills development. Its annual fund plan allocation for general education, technical education, and scientific research, as a proportion of the overall annual fund allocation across all sectors, amounts to 4.9% in FY2013, 5.1% in FY2014, and 6.6% in FY2015. It regards ASAP as being a “strategic priority” in its Medium-Term Fiscal Policy and Strategy Statement and the 12th Five-Year Plan. It has committed around \$15.4 million to ASAP in FY2015.

10. The ASAP secretariat will consider PPP funding options to engage private partners for managing community skills parks (CSPs) and optimally using the training facilities on a time-based, cost-sharing arrangement to deliver preapproved vocational training to target beneficiaries. Under ASAP, the state government intends to establish around 35 CSPs and up to 140 skill development centers (SDCs), of which ADB will support the establishment of 35 CSPs and renovation of 30 SDCs. It is further agreed between ADB and the state government that the funding from ADB for ASAP will amount up to 70% of ASAP’s level 1 implementation. This will be equivalent to 39.8% of the state government’s annual funding for general education, technical education, and scientific research during FY2015. Given this commitment to ASAP and the government’s efforts to engage with private sector partners, ASAP will be sustainable beyond the life of the proposed project (2018).

11. The economic benefits derived from the project include (i) access to improved training facilities and relevant vocational training courses at affordable rates; (ii) enhanced employability and employment rates among the working-age population, especially women; (iii) higher income from local, domestic, and international employment; and (iv) an increase in the availability of skilled people for local enterprise development. However, given the complexity of quantification and translation of benefits into rupee terms, the principal benefit considered for the analysis is restricted to prospective incremental changes in the income to be secured by the graduates from ASAP. Reference wage rates for the purpose of analysis are considered as (i) for domestic employment,¹⁰ the average prescribed (2011) and/or practiced (2014) minimum wages for employment as a construction worker (Group C) at Rs516.8 per day,¹¹ equivalent to Rs13,439 per month; (ii) as a driver at Rs400 per day,¹² equivalent to Rs10,400 per month; and (iii) as a staff nurse or auxiliary nurse midwife (special grade) at Rs10,575 per month.¹³

12. The economic internal rate of return (EIRR) was calculated based on the following assumptions:

¹⁰ For this analysis, the job profiles considered for domestic employment are aligned to the predominant domestic workforce segments identified under the sector-level demand assessment, while the job profiles considered for mapping overseas employment are directly aligned to the prominent courses administered under ASAP.

¹¹ Source: <http://www.financialexpress.com/news/rural-wages-rise-18-in-201213-kerala-tops-chart/1234696>; March 21, 2014

¹² Source: <http://keralagovernment-homepage.blogspot.in/2013/04/enhancement-of-daily-wages-to-drivers.html>; GO (p) No. 145/13 Thiruvananthapuram dated 30 March 2013.

¹³ Source: Min. Wages notification on Construction and Maintenance of Dams, G. O. (P) No. 154/2011/LBR. Dated, Thiruvananthapuram, 12 September 2011.

- (i) The number of trainees over the 4-year period proposed to be funded under the proposed loan is 230,000, while the overall number of trainees to be covered by the state government (in addition to the loan) for the same period is 310,000.
- (ii) Fees for training will be based on the actual training costs approved by the state government through a transparent bidding process. Socially and economically disadvantaged beneficiaries (trainees) will be exempted from payment of any amount if the overall fees for the training are equal to or less than Rs10,000. If overall training fees exceed Rs10,000, the same shall be payable by all beneficiaries (trainees). Further, all trainees who are not established (through properly documented proof) as socially and/or economically challenged shall pay the fees up to 75% (structured into convenient preapproved installments). Since the ASAP team and the institution-level coordinators are not adequately equipped to secure the full payments against the training, a logically reasoned collection efficiency ratio of 90% is considered for the analysis.
- (iii) Construction of CSPs and renovation of SDCs has been considered over the 2nd, 3rd, and 4th years of program implementation, with Year 2 accounting for 15 new CSPs and 10 refurbishments, Year 3 for 14 new CSPs and 10 refurbishments, and Year 4 for the remaining 7 new CSPs.
- (iv) The overall project cost is considered at \$147.3 million, of which 67.8% or the equivalent of \$100 million will be funded through the ADB loan.
- (v) ADB loan repayment is considered with a 5-year moratorium 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 20 years (inclusive of moratorium period).
- (vi) For the purpose of analysis, the proportion of trainees successfully completing the courses (foundation and vocational) and the proportion of ASAP graduates securing domestic employment within 1 year is considered as in Table 2.

Table 2: Proportion of Trainees and Graduates – ASAP

Description	2015–2016		2017–2018	
	Male	Female	Male	Female
Graduation (completion ratio)	90%	95%	95%	100%
Employment	95%	50%	100%	60%

ASAP = Additional Skill Acquisition Program.

Source: Asian Development Bank.

- (vii) It is assumed 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 schools will emigrate after 2 years of domestic employment.
- (viii) For computing the economic benefits, it is assumed that all the ASAP graduates will be able to secure a nominal income increment of 10% above the average prevailing wages when employed within Kerala or India. In the case of overseas employment, it is assumed that ASAP graduates will be able to secure medium

incomes within the range of income prescribed for the position, as against the lowest value usually secured.

- (ix) The differential income attributable to ASAP certification is considered only at the entry level for both domestic employment and overseas employment. However, the impact of the differential income is considered for a period of 7 years (up to the second year after completion of the program, i.e., FY2021).
- (x) The EIRR is calculated only for a period of 10 years, i.e., up to FY2024, and a discount rate of 12% is considered.

13. Based on the incremental income differentials and the above assumptions, the stream of economic costs and economic benefits attributed to ASAP at a standard conversion factor results in an EIRR of 31% with a net present value of \$95.50 million at a discount rate of 10% over 10 years when considering a nominal wage increase of 10%, and an EIRR of 48% with a net present value of \$169.58 million at a discount rate of 10% over 10 years.¹⁴

4. Implementation Arrangements

14. DOHE will be the executing agency. The ASAP secretariat has been constituted as the implementing agency under DOHE. The State-Level Empowered Committee (chaired by the chief secretary, state government) guides the implementation of ASAP. The additional chief secretary, DOHE is the convener of the committee and overall in charge of ASAP. The implementation of ASAP is supervised by the additional secretary, DOHE, who is also the head of the ASAP secretariat. The secretariat has been in operation since July 2012 and has divisions focusing on strategic design, technical aspects, finance, quality control, training and program management, communication, research and documentation, and lifelong learning.

C. Managing Risks and Improving Capacity

15. The ASAP secretariat has been operational since July 2012 and has separate divisions for strategy, finance, quality monitoring, training, communication, research, and life-long learning. As of 1 July 2014, ASAP is being piloted in 437 schools and colleges. It has enrolled 15,899 students, of which 56% are females. The ASAP secretariat has engaged 101 program managers (55% females) to implement the program. To provide foundation training in communication English and basic IT, 1,167 SDEs (67% females) have been empaneled in a rigorous process. The strong ownership and readiness of the ASAP secretariat are clear.

16. However, in view of the rapid scaling up of ASAP across the entire state under the proposed ADB loan, further strengthening of core functions and fiduciary and safeguard systems is required. The fiduciary assessment confirms that the state government has the required rules and procedures pertaining to financial management, procurement, and anticorruption measures in line with commonly accepted good practice principles.¹⁵ To ensure that ASAP can be scaled up seamlessly under the proposed loan without loss of any quality or fiduciary control, it has been agreed that additional qualified staff with experience in accounting and procurement will be recruited to strengthen the secretariat. The secretariat will eventually create a dedicated procurement unit and recruit or post an additional 5–6 staff to focus solely on

¹⁴ The corresponding EIRR values at a discount rate of 12% are \$79.81 million and \$148.48 million.

¹⁵ Program Fiduciary Systems Assessment (accessible from the list of linked documents in Appendix 2).

procurement so that any potential conflict of interest is avoided.

17. Similarly, in order to ensure that all the civil works pertaining to construction and renovation of CSPs and SDCs are carried out according to accepted environmental and safeguard norms, the secretariat will also engage a safeguards expert. The required training in ADB's safeguard, procurement, consultant recruitment, and financial management procedures will be provided by ADB through periodic workshops organized by the India Resident Mission so that the ASAP secretariat can combine that knowledge with its own parallel systems.

18. A \$1.5 million technical assistance will be provided to build the capacity of the ASAP secretariat for implementing ASAP. In addition to ASAP being an innovative project to vocationalize higher secondary and undergraduate education, this will be ADB's first RBL program in India.