

GOVERNANCE AND INSTITUTIONAL STRUCTURE: HIMACHAL PRADESH SKILLS DEVELOPMENT PROJECT¹

A. Introduction

1. At the request of the Government of India and the Government of Himachal Pradesh, the Asian Development Bank (ADB) will offer \$80 million in loan assistance to reinforce the efforts of Himachal Pradesh in modernizing and reforming its technical and vocational education and training (TVET) institutions, and scaling up training capacity. The impact of HPSPDP will be a more productive workforce in Himachal Pradesh equipped with market-relevant technical and vocational skills aligned with the Himachal Pradesh Skills Development Policy (*Him Kaushal*), 2016. The outcome will be employment and livelihood opportunities for the youth of Himachal Pradesh improved. This will be achieved through the following outputs:

- (i) Output 1: TVET in Himachal Pradesh improved and aligned to national standards.
- (ii) Output 2: Market-aligned skills ecosystem created.
- (iii) Output 3: Access to quality training institutes improved.
- (iv) Output 4. TVET institutional structure improved.

2. To lay a strong institutional foundation for the proposed HPSPDP, the Government of Himachal Pradesh the Government of Himachal Pradesh established HPKVN as a not-for-profit company under section 8 of the Companies Act, 2013 under the DOP to take the lead in delivering the mandate of the Himachal Pradesh Skill Development Mission by bringing about convergence across the TVET programs being run by different departments, and aligning all training with the competency levels specified in India's National Skills Qualification Framework and other national quality assurance and certification norms. HPKVN was formally incorporated on 14 September 2015 with an initial authorized share capital of ₹1 crore (\$147,060) and paid up capital of ₹70,000 (\$1,029). Establishment of HPKVN is in line with India's National Policy on Skill Development and Entrepreneurship (2015), which encourages states to develop umbrella skill development missions with "the overarching power to pool resources for harmonizing the skilling efforts across line departments, private agencies, and voluntary organizations, and reducing duplication".²

3. The Department of Planning (DOP), Government of Himachal Pradesh, will be the executing agency for the proposed Himachal Pradesh Skills Development Project (HPSPDP). The Himachal Pradesh Kaushal Vikas Nigam (HPKVN); the Department of Technical Education, Vocational and Industrial Training (DOTE); Department of Higher Education (DOHE); and the Public Works Department (PWD) will be the implementing agencies. HPKVN will act as the Project Management Unit and coordinate all activities under the project. DOHE, DOTE, and PWD will establish project implementation units. Funds will be routed by the executing agency through HPKVN to DOHE, DOTE, and PWD for all activities. HPKVN, DOHE, and DOTE will maintain project bank accounts, while PWD will operate a Treasury account in line with the Government of Himachal Pradesh norms. HPKVN will incur all vocational training expenditure, PWD will be responsible for procurement of civil works and furniture and DOTE will be responsible for the upgraded training equipment to be procured for the ITIs. To facilitate coordination, all the consulting firms will report to HPKVN. As support departments, the Department of Rural Development and Department of Urban Development will oversee the

¹ This note should be read with the Project Administration Manual and the Financial Management Assessment (accessible from the list of linked documents in Appendix 2 of the main report).

² Government of India. 2015. *National Policy on Skill Development and Entrepreneurship*. New Delhi. <http://msde.gov.in/National-Policy-2015.html>

livelihood development of rural and urban youth undertaken in the RLCs and CLCs, DOLE will support counselling and vocational guidance in the upgraded MCCs, the Department of Economics and Statistics will coordinate with the M&E firm for the required tracer studies and surveys, and the Department of Social Justice and Empowerment will assist in undertaking training for people with disabilities. Figure 1 provides the institutional arrangement.

4. This governance assessment discusses the project institutional structure and then examines the governance structure of HPKVN, which is a relatively new government owned company, in detail. It also lays out the organizational structures of the other implementing agencies and support departments which come under the Government of Himachal Pradesh, and therefore, already have well established rules pertaining to governance and fiduciary processes.

B. Project Organization Structure

5. Two high-level committees have already been established to guide the HPSDP:³

- (i) **The state-level Project Steering Committee (PSC):** It comprises the chief secretary of GOHP; additional chief secretary (ACS) of the Department of Planning and Finance; the ACS/principal secretaries/ secretaries of DOTE, DOHE, DOLE, DORD, DOUD, and DOI; adviser, DOP, and the managing director of HPKVN. The PSC will meet every quarter, or as required, to carry out the broad functions listed in Table 3.
- (ii) **A state-level Project Monitoring and Implementation Committee (PMIC):** It will be headed by the managing director of HPKVN, and will comprise and the general managers of HPKVN, the directors of the DOHE, DOTE, and the chief engineer, PWD. The PMIC will meet every quarter, or as required, to carry out the broad functions listed in Table 3. Directors of the support departments (i.e. DOES, DOI, DOLE, DOUD, and DORD) will be called for some meetings as required, to ensure seamless coordination across their respective activities.

6. The functions of the PSC will be as follows:

- (i) provide overall direction and guidance to the Himachal Pradesh Skills Development Project in terms of design and implementation;
- (ii) approve annual work plans and budget for the physical and financial targets and activities of each implementing agency;
- (iii) undertake quarterly performance reviews across different components, and suggest ways of improvement;
- (iv) ensure that the executing agency, implementing agencies, and the support departments coordinate seamlessly to ensure timely execution of project activities;
- (v) review any financial irregularity and audit notes, and issue corrective actions as required;
- (vi) review the findings of monitoring and evaluation surveys to assess effectiveness in terms of achieving project outcomes. Suggest ways of incorporating lessons and improving future implementation;

³ The state level PSC and the PMIC have been constituted vide the DOP, GOHP's notification (No: PLG FC (F) 4-2/2014-15 – Skill Dev (ADB) Vol-1) dated 28 April 2016.

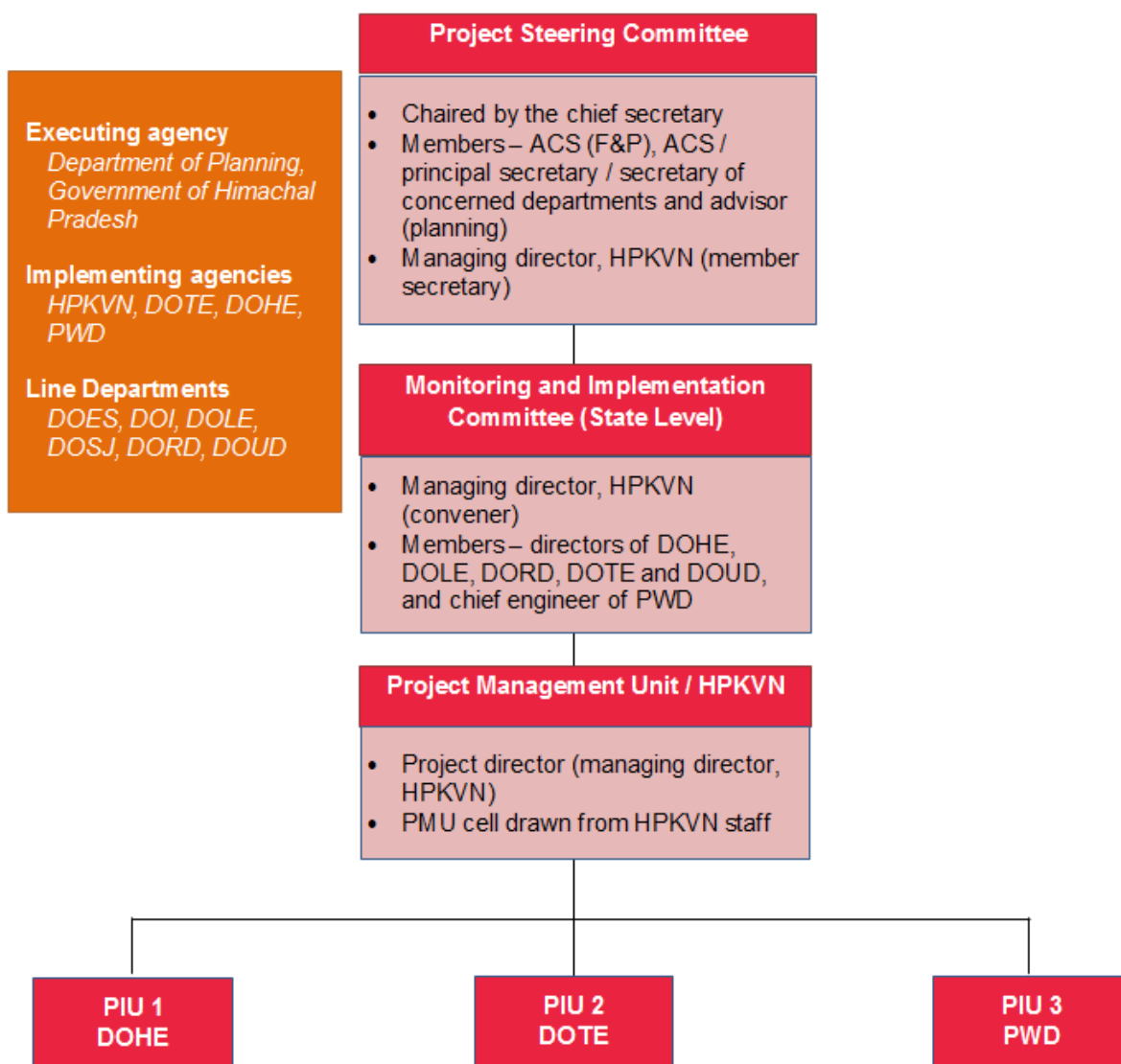
- (vii) track the progress made in terms of achieving the project outputs and outcomes as laid down in the project's design and monitoring framework; and
 - (viii) correspond with ADB for any major changes that may be required in the project.
7. The functions of the project Monitoring and Implementation Committee will be as follows:
- (i) prepare annual work plans and budgets for each implementing agency based on the planned activities for the ADB project;
 - (ii) review overall project implementation quarterly or as required;
 - (iii) coordinate with the executing agency and implementing agencies in terms of procurement, financial management, safeguards, and other project activities;
 - (iv) coordinate with the supporting departments—(a) Department of Economics and Statistics, (b) Department of Industries, (c) Department of Labor and Employment, (d) Department of Urban Development, and (e) Department of Rural Development— to ensure that activities falling under their purview are executed effectively;
 - (v) address bottlenecks to ensure smooth implementation;
 - (vi) work towards achieving the outcomes and outputs laid out in the project's design and monitoring framework;
 - (vii) review utilization certificates submitted by the implementing agencies, and examine action taken reports for audit objections and other financial management requirements;
 - (viii) engage with the Ministry of Skill Development and Entrepreneurship, National Skill Development Corporation, National Skill Development Agency, sector skills councils, industry and industry associations as required, to ensure alignment with relevant national quality standards; and
 - (ix) ensure timely availability of funds, identify savings and excess expenditure if any, and inform the Project Steering Committee for guidance.
8. Since the HPSDP aims to establish a unified state skill development mission in Himachal Pradesh as emphasized by the National Policy for Skill Development and Entrepreneurship, 2015, and reduce duplication, the executing agency and implementing agencies will coordinate with the following supporting departments:
- (i) Department of Economics and Statistics (DOES), which will support HPKVN in undertaking additional aspiration and skill-gap studies, and in evaluating the outcomes of the project by guiding the monitoring and evaluation (M&E) firm to be engaged under the loan;
 - (ii) Department of Industries (DOI), which will help HPKVN and other departments in identifying apprenticeship and employment opportunities with local small and medium enterprises, and industries of Himachal Pradesh;
 - (iii) Department of Labor and Employment (DOLE), which will support HPKVN by undertaking awareness building and counselling activities in the upgraded MCCs;
 - (iv) Department of Rural Development (DORD), which will support HPKVN in planning and executing the livelihood development activities to be undertaken in the RLCs for the benefit of needy rural youth and workers;
 - (v) Department of Urban Development (DOUD), which will support HPKVN in planning and executing the livelihood development activities to be undertaken in the CLCs for the benefit of needy urban youth and workers; and
 - (vi) Department of Social Justice and Empowerment, which will support HPKVN in undertaking training for people with disabilities.

9. To ensure the smooth implementation of HPSPD, a Project Management Unit (PMU) has already been established at HPKVN. It comprises the managing director of HPKVN as project director, PMU (ex-officio), two general managers, and other officers for overseeing key functions such as finance and administration, coordination with other implementing agencies and support departments, managing accounts, audit, procurement, engagement and supervision of TSPs, assessment agencies, and consulting firms, managing the bills of all vendors, project reporting through the management information system (MIS), mobilization of trainees, industry engagement, internships and placements. In addition to being responsible for running their own short-term vocational training programs and forging strong links with industry partners, the PMU will also coordinate with the other implementing agencies to ensure proper sequencing and execution of their respective activities.

10. Project Implementation Units (PIUs) have been established at each of the implementing agencies namely, DOHE, DOTE, and PWD to undertake project activities. The PIUs will include the director of the implementing agency, nominated in the PMIC, and other officers to handle finance and accounts, procurement, or any other function as required for smooth implementation. The PMU and PIUs will keep the District Commissioners of each of the 12 districts of Himachal Pradesh informed about the project activities. They will take into account any guidance and feedback from the District Commissioners regarding the design and implementation of the project activities.

11. The project institutional structure is shown schematically in figure 1 in the following page. The organizational structures of all the government departments (executing agency, implementing agencies, and the main support departments) are shown in the Appendix. Section C provides details on HPKVN.

Figure 1. Project Institutional Structure



ACS = additional chief secretary, DOES = Department of Economics and Statistics, DOHE = Department of Higher Education, DOI = Department of Industries, DOLE = Department of Labor and Employment, DOTE = Department of Technical Education, Vocational and Industrial Training, DORD = Department of Rural Development, DOUD = Department of Urban Development, F&P = finance and planning, HPKVN = Himachal Pradesh Kaushal Vikas Nigam, PIU = project implementation unit, PMU = project management unit, PWD = Public Works Department.

C. HPKVN – Institutional Structure

12. As noted earlier, GOHP established the HPKVN as a not-for-profit, government-owned company under the DOP, GOHP, in September 2015, to play the leading role for implementing the mandate of the Himachal Pradesh Skills Development Policy (*Him Kaushal*), 2016. Since it is a fully government owned company, it is bound by the Himachal Pradesh Financial Rules and subject to external audit. HPKVN’s board of directors (BOD) is headed by the chief minister of Himachal Pradesh, which highlights the state’s strong commitment towards skill development.

There are 15 directors in the board including the ministers of DOTE, DOLE, and DORD, the chief secretary to the GOHP, the Additional Chief Secretary / principal secretary/ secretary of the participating departments including DOP, DOTE, DOLE, DOE, DORD, adviser, Planning, GOHP, managing director of HPKVN, and up to three independent directors including eminent persons and representatives of industry bodies.

13. The HPKVN Board in agenda item No. 1.17 of its first meeting held on 12 October 2015 approved the creation of an executive committee of HPKVN. Accordingly, HPKVN has constituted an executive committee with effect from 15 December 2015. It can take decisions on the following matters:

- (i) engagement of staff for HPKVN except creation and filling of regular contract vacancies;
- (ii) payment of advances to consultants, contractors, etc.;
- (iii) engagement and/or hiring, and setting of rates and terms and conditions of consultants, sector skill councils, training providers, and assessing and placement agencies;
- (iv) signing of the memorandum of understanding with different stakeholders;
- (v) approval of all purchases and procurements beyond ₹1 million;
- (vi) hiring of staff from service providers through outsourcing on need basis; and
- (vii) approval of any other item of expenditure, recurring or nonrecurring, not specified above.

14. Other governance measures already taken by HPKVN include the following:⁴

- (i) **Appointment of first auditors of the company and orientation of the chartered accountant firm on ADB project-related requirements.** Statutory auditors M/s Vijay Kumar Sharma & Associates, Chartered Accountants, Nadaun (Hamirpur, Himachal Pradesh), nominated by the Comptroller and Auditor General of India, has been appointed.
- (ii) **Appointment of a chartered accountant with additional responsibilities of a compliance officer.** The deputy general manager (finance) has been appointed to handle the accounts, finance, and compliance requirements of HPKVN. He is a chartered accountant and is retired from government. He reports to the managing director, HPKVN.
- (iii) **Appointment of internal auditor.** M/s Mukesh K. Sharma & Associates has been appointed as internal auditors by HPKVN.
- (iv) **Audit of other implementing agencies.** Since the other implementing agencies with subaccounts (DOHE and DOTE) are government departments, they will be audited by the accountant general's office, Himachal Pradesh.
- (v) **Opening of budget heads.** DOP has opened relevant budget heads for providing funds to HPKVN. In FY2016, ₹50 million was allocated, out of which ₹10 million

⁴ For additional details pertaining to the steps taken by HPKVN to strengthen its financial management and procurement functions, refer to the Financial Management Assessment and the Procurement Capacity Assessment (accessible from the list of linked documents in Appendix 2 of the main report).

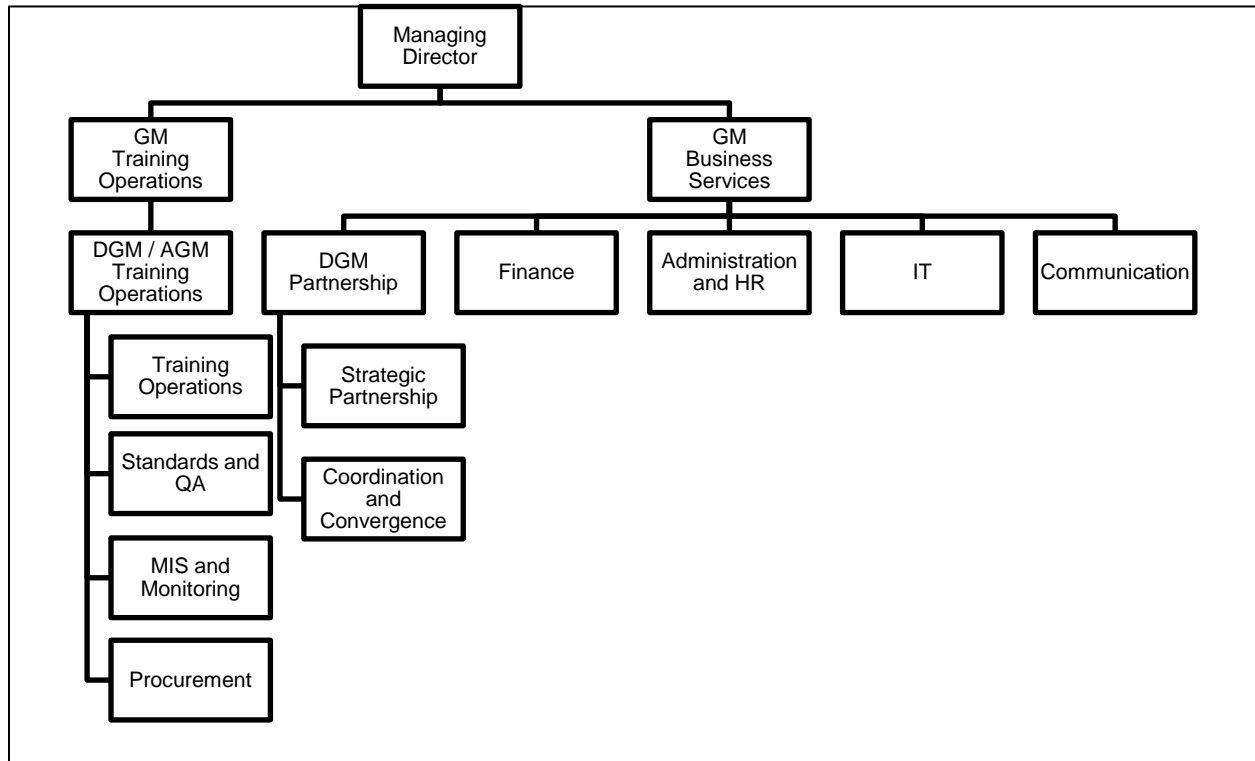
was released. In FY2017, ₹50 million has been allocated.

- (vi) **Formation of recruitment committee.** HPKVN has formed a committee to decide on the selection criteria, qualifications, and experience of employees and consultants to be engaged from the open market; with remuneration payable and other terms and conditions following Himachal Pradesh Financial Rules, 2009. The recruitment committee consists of the following:
- a. Managing director, HPKVN
 - b. Joint director, DOP
 - c. General manager, HPKVN
 - d. Company secretary, Himachal Pradesh Power Corporation
 - e. Deputy general manager and assistant general manager (administration), HPKVN (member secretary)
- (vii) **Formation of technical selection committee.** For selection of third party training service provider, a technical selection committee (TSC) has been formed. The TSC will approve the selection of the training service providers through review of expressions of interests and proposals. The TSC will be comprised of the following:
- a. Advisor, DOP (chairman)
 - b. Managing director, HPKVN
 - c. General manager, HPKVN
 - d. Director, DOTE (or his representative)
 - e. Director, DOHE (or his representative)

15. With support from the consulting firm engaged under the project preparatory technical assistance project, HPKVN has developed its organizational structure and prepared detailed manuals on different business processes including training. As per the proposed organization structure, HPKVN has three major functions, as follows, (i) training operations, (ii) partnership development, and (iii) business services. The general manager, training operations will head the functions of training operations, and will report to the managing director. There will be one deputy general manager for training operations reporting to the general manager, training operations.

16. Business services will be headed by a deputy general manager, who will report to the managing director. Business services will include the functions of partnership development, finance, administration and human resource, information technology, and communication. The top line organization structure of HPKVN is shown in Figure 2.

Figure 1: Top Line Organization Structure of Himachal Pradesh Kaushal Vikas Nigam



AGM = assistant general manager, DGM = deputy general manager, GM = general manager, HR = human resource, IT = information technology, MIS = management information system, QA = quality assurance.

Source: HPKVN

D. Departmental Structure

17. HPKVN will have three major functions, namely, training operations, partnership development, and business services. Each of the functions will form a department.

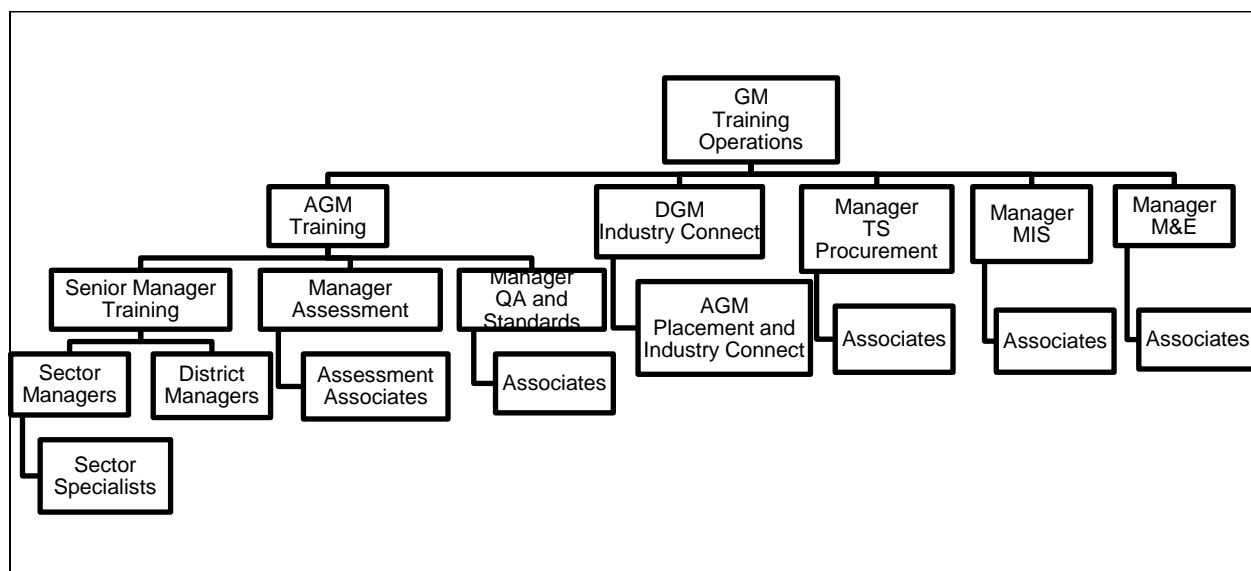
a. Training Operations Department

18. The key activities of the training operations department are as follows:

- (i) plan, direct, coordinate, organize, and supervise all activities related to implementation of skill training programs;
- (ii) training service acquisition;
- (iii) assessment and certification management;
- (iv) monitoring and management information system reporting;
- (v) quality assurance; and
- (vi) industry connect and placement of trainees.

19. The proposed organization structure of training operations division is given in Figure 3.

Figure 2: Organization Structure of Training Operations Department



AGM = Additional General Manager, DGM = Deputy General Manager, GM = General Manager, MIS = Management Information System, M&E = monitoring and evaluation, QA = quality assurance, TS = training services.

Source: Himachal Pradesh Kaushal Vikas Nigam.

E. Business Services Department

20. The business services division will have two subfunctions, partnership development and business services. The business services division will be headed by a general manager. The following activities will be performed by partnership development division:

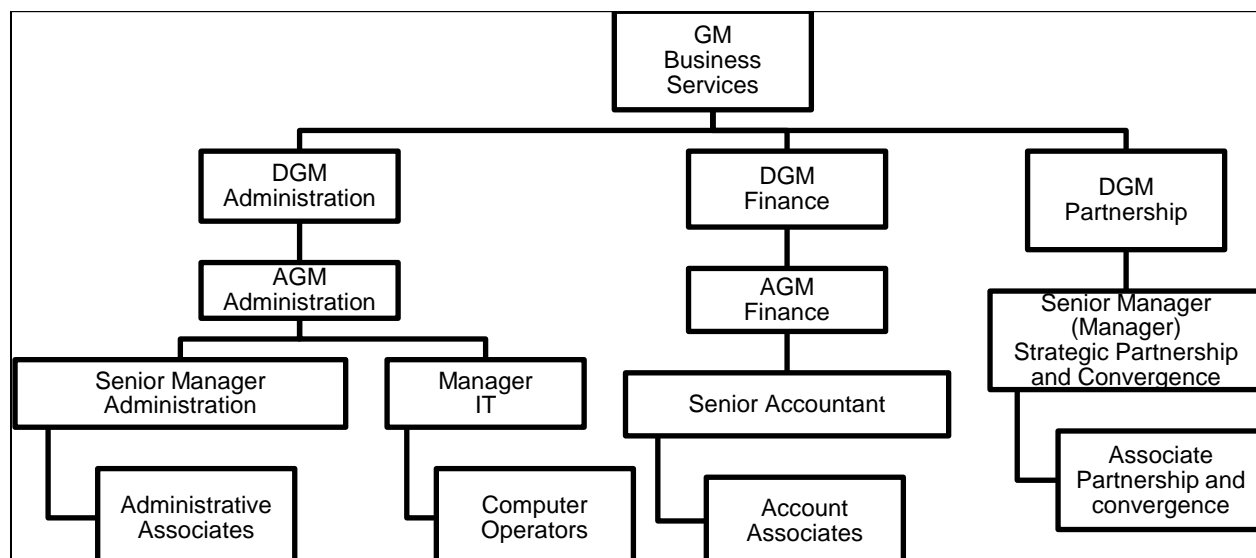
- (i) supporting the conduct of skill development trainings in coordination with line departments;
- (ii) partnerships with national and international institutions;
- (iii) conducting industry engagement activities including organizing industry advisory committee meetings; and
- (iv) representing HPKVN in national and international level events.

21. The partnership development division will be headed by a deputy general manager, who will be reporting to the general manager, business services division. The business services division will have three subfunctions, i.e., finance, human resource and administration, and information and communication technology (ICT). The division will perform the following activities:

- (i) develop policies and procedures for finance, budgeting, and ensure smooth financial management;
- (ii) manage human resources and day-to-day office administration;
- (iii) take care of ICT requirements;
- (iv) communication; and
- (v) procurement of goods and services.

22. The administration and the finance subfunctions will each be headed by a deputy general manager, who will report to the general manager, business services department. The organization structure of the business services department is shown in Figure 4.

Figure 3: Organization Structure of Administration and Human Resource Department of Himachal Pradesh Kaushal Vikas Nigam



AGM = assistant general manager, DGM = deputy general manager, GM = general manager, IT = information technology.

Source: Himachal Pradesh Kaushal Vikas Nigam.

F. Human Resource Strength of Himachal Pradesh Kaushal Vikas Nigam

23. The Government of Himachal Pradesh, through Notification No. PLG.FC (F) 4-2/2014-15-Skill Dev. Memo, dated 20 June 2015, sanctioned or approved a workforce of 53 people for HPKVN. The positions created are listed in Table 1.

Table 1: Sanctioned Posts of Himachal Pradesh Kaushal Vikas Nigam

S. No.	Name of Post	Number
1.	Managing director	1
2.	General manager	1
3.	Deputy general manager	2
4.	Sector specialist	5
5.	Human resource division staff	5
6.	Finance and accounts division staff	5
7.	Support staff	6
8.	Class IV	4
9.	District staff	
	(i) District coordinator (one for each district)	12
	(ii) Assistant, clerk, junior assistant data entry operator (one for each district) ^a	12
	Total	53

^a Exact nomenclature would be notified in due course.

Source: Himachal Pradesh Kaushal Vikas Nigam.

24. A full-time Managing Director was appointed in the first board of directors' meeting and has taken charge effective 14 September 2015. As of 15 February 2017, HPKVN already has 27 full-time staff including the Managing Director, two General Managers, and other staff responsible for critical functions such as financial management, accounts, procurement, administration, training, mobilization, and industry outreach. A full-time chartered accountant has been appointed by HPKVN effective June 2016. A part-time company secretary was also hired in

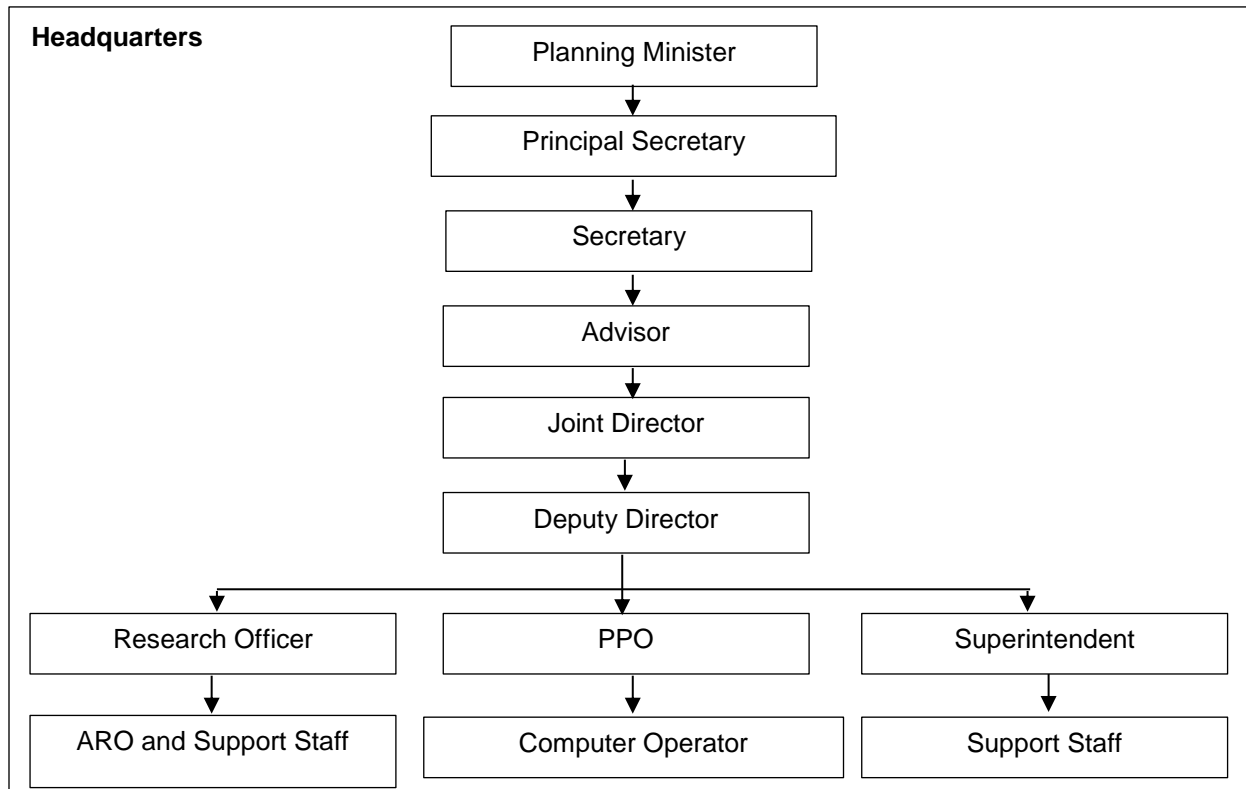
January 2017 to attend to compliance issues of HPKVN. HPKVN has already engaged an internal auditor and a statutory auditor.

25. There is strong government commitment evidenced by the leadership in the board of HPKVN. A budget head has been opened under DOP for providing funds to HPKVN. In FY2016, ₹5 Crore (\$735,300) was allocated out of which ₹1 Crore (\$147,060) was released. In FY2017, ₹5 Crore (\$735,300) has been allocated and ₹2.5 Crore (\$367,650) has been released till December 2016. The corporate structure is expected to promote autonomy and flexibility in operations. The statutory audit for FY2016 has been completed and the audit report was approved by the Board on 31 December 2016. The internal audit report for FY2016 has also been prepared, without major findings. In the third meeting of the board of directors held on 31 December 2016, the audited accounts for FY2016 were approved.

26. Significant efforts have already been made under the project preparatory technical assistance project to establish a strong institutional foundation in HPKVN, lay down the required business processes and familiarize it with ADB's procurement, financial management, and safeguards procedures. Since November 2016, HPKVN has been piloting an NSQF-aligned training program for 1,000 trainees with the help of ADB consultants. Training protocols aligned to NSQF and procurement documents have been prepared. HPKVN is already playing the role of PMU very effectively, and coordinating well with the other implementing agencies and support departments in terms of the advance procurement actions. It is therefore, clear that a strong institutional and governance foundation has already been laid for the proposed HPSPDP.

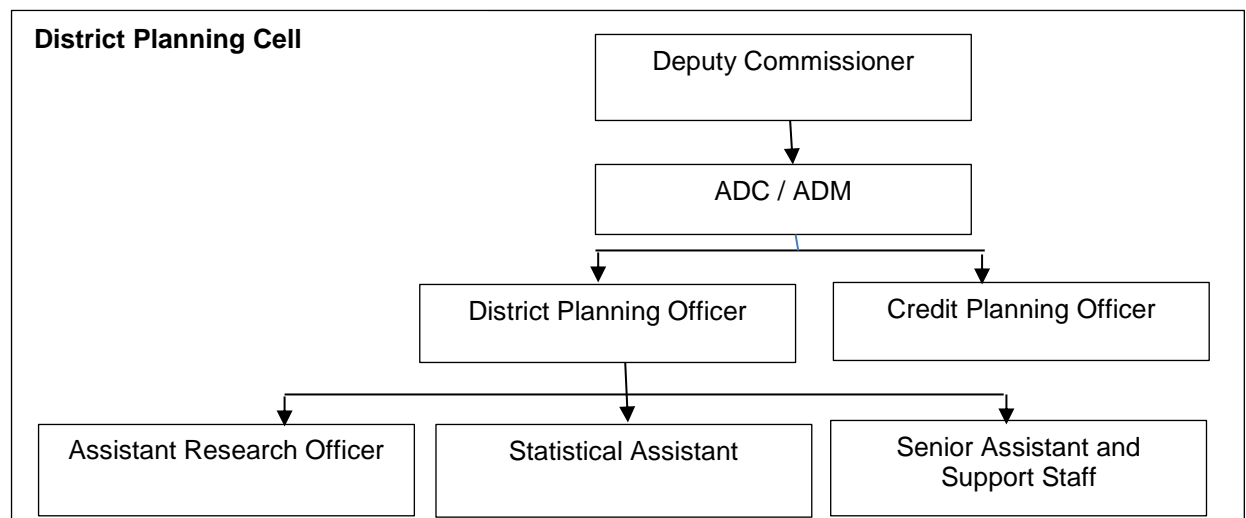
APPENDIX
ORGANIZATION STRUCTURES OF THE EXECUTING AGENCY, IMPLEMENTING
AGENCIES, AND OTHER SUPPORT DEPARTMENTS

Figure A1: Organization Structure of Department of Planning (Executing Agency)



ADC = Additional Deputy Commissioner, ADM = Additional District Magistrate, ARO = Additional Research Officer, PPO = Planning and Programs officer

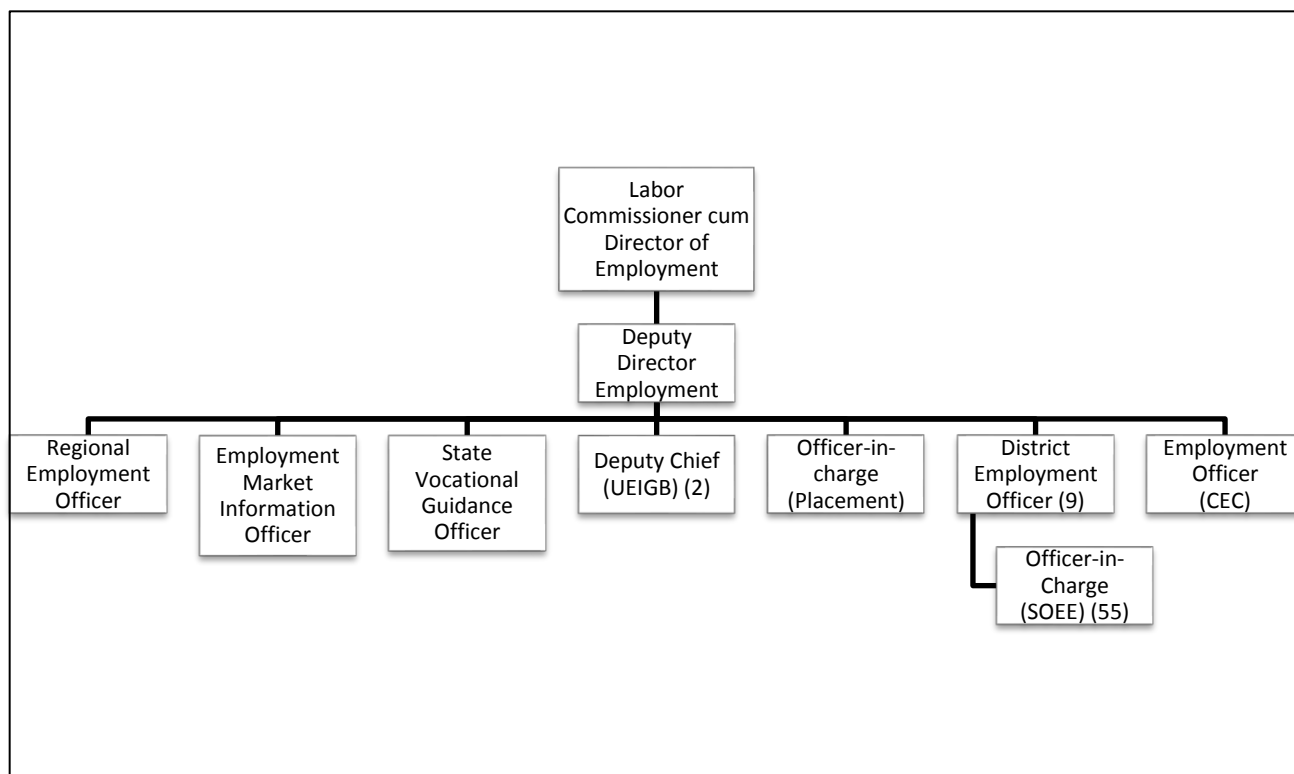
Source: Government of Himachal Pradesh.



ADC = Additional Deputy Commissioner, ADM = Additional District Magistrate.

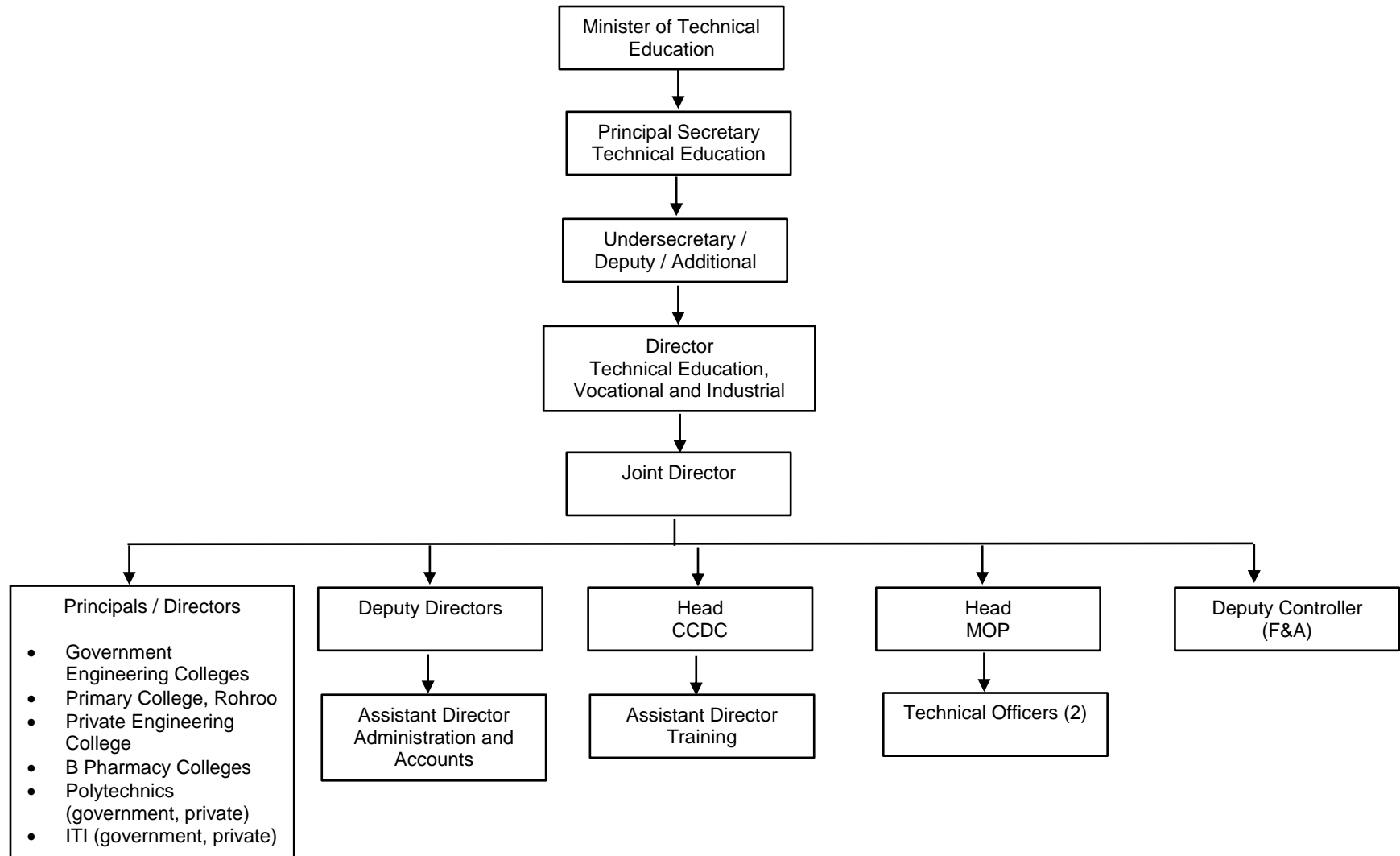
Source: Government of Himachal Pradesh.

Figure A2: Organization Structure of Department of Labor and Employment – Employment



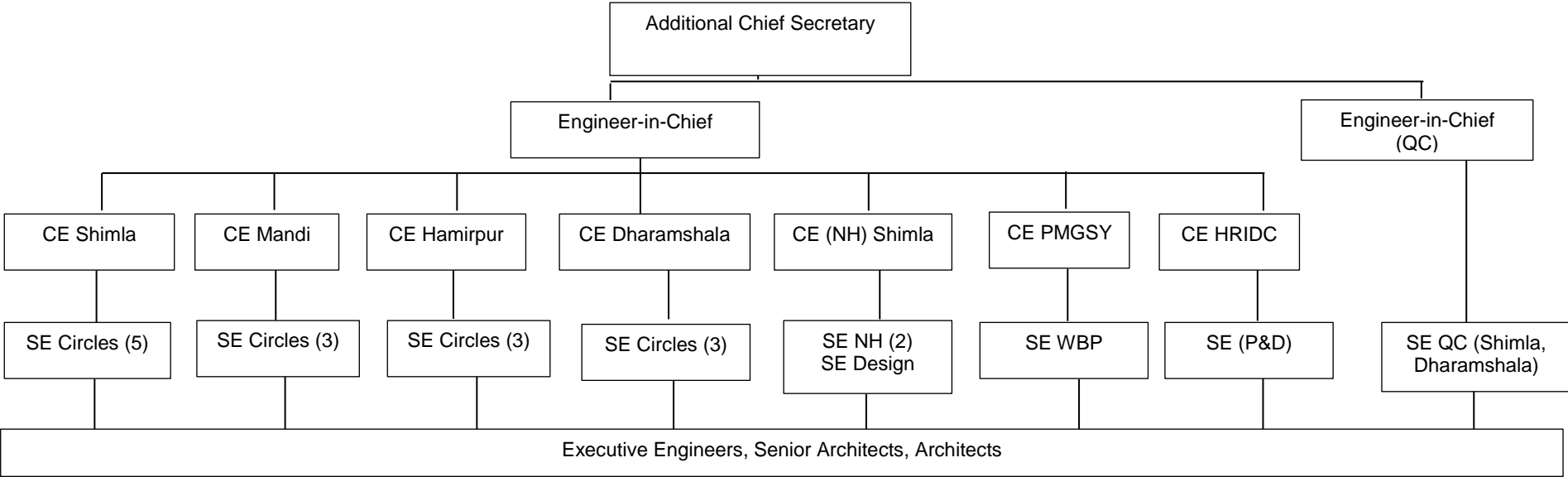
CEC = Center for Education and Communication, UEIGB = University Employment Information Guidance Bureau.
Source: Government of Himachal Pradesh.

Figure A3: Organization Structure of Department of Technical Education, Vocational and Industrial Training



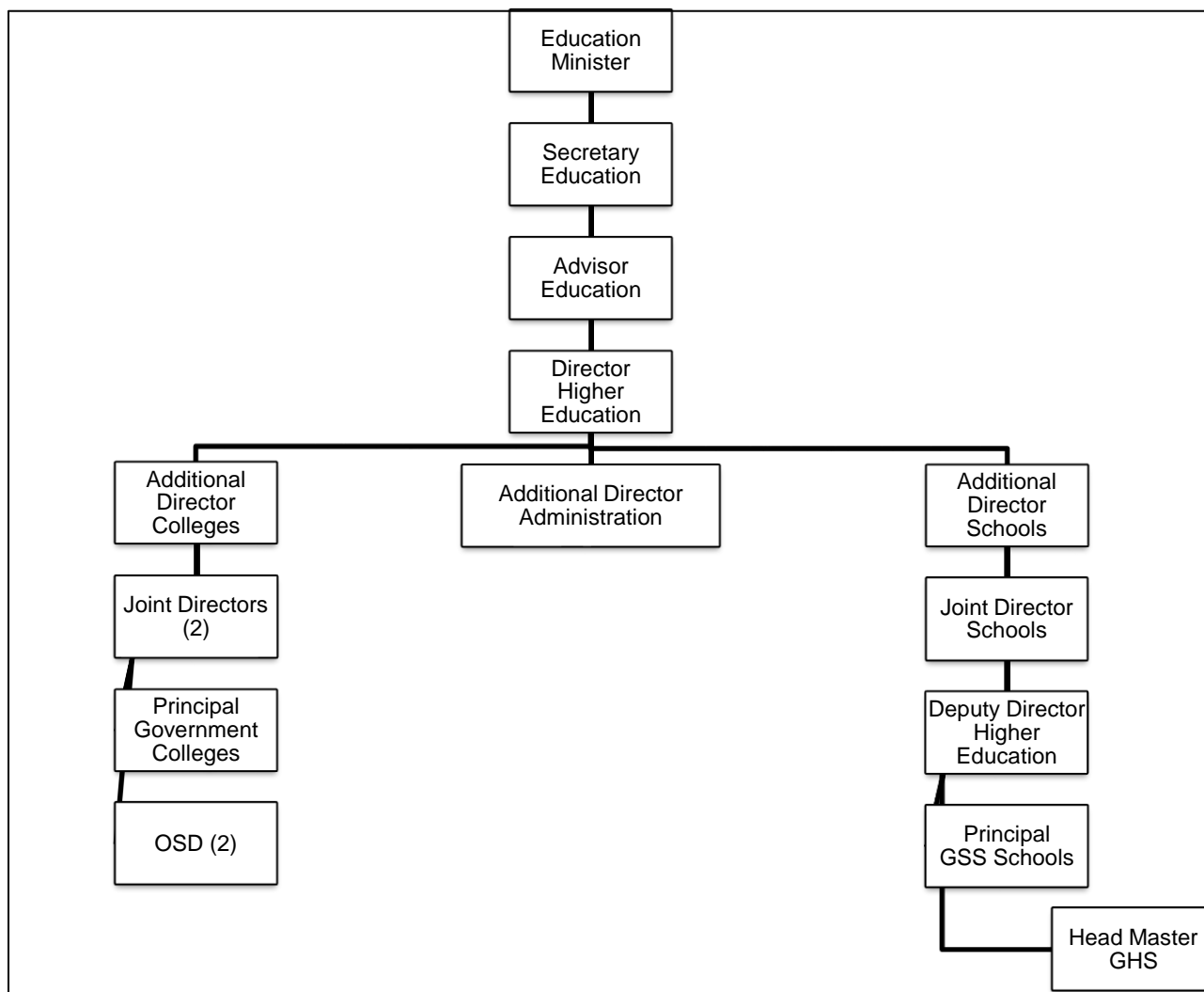
Source: Government of Himachal Pradesh.

Figure A4: Organization Structure of Public Works Department



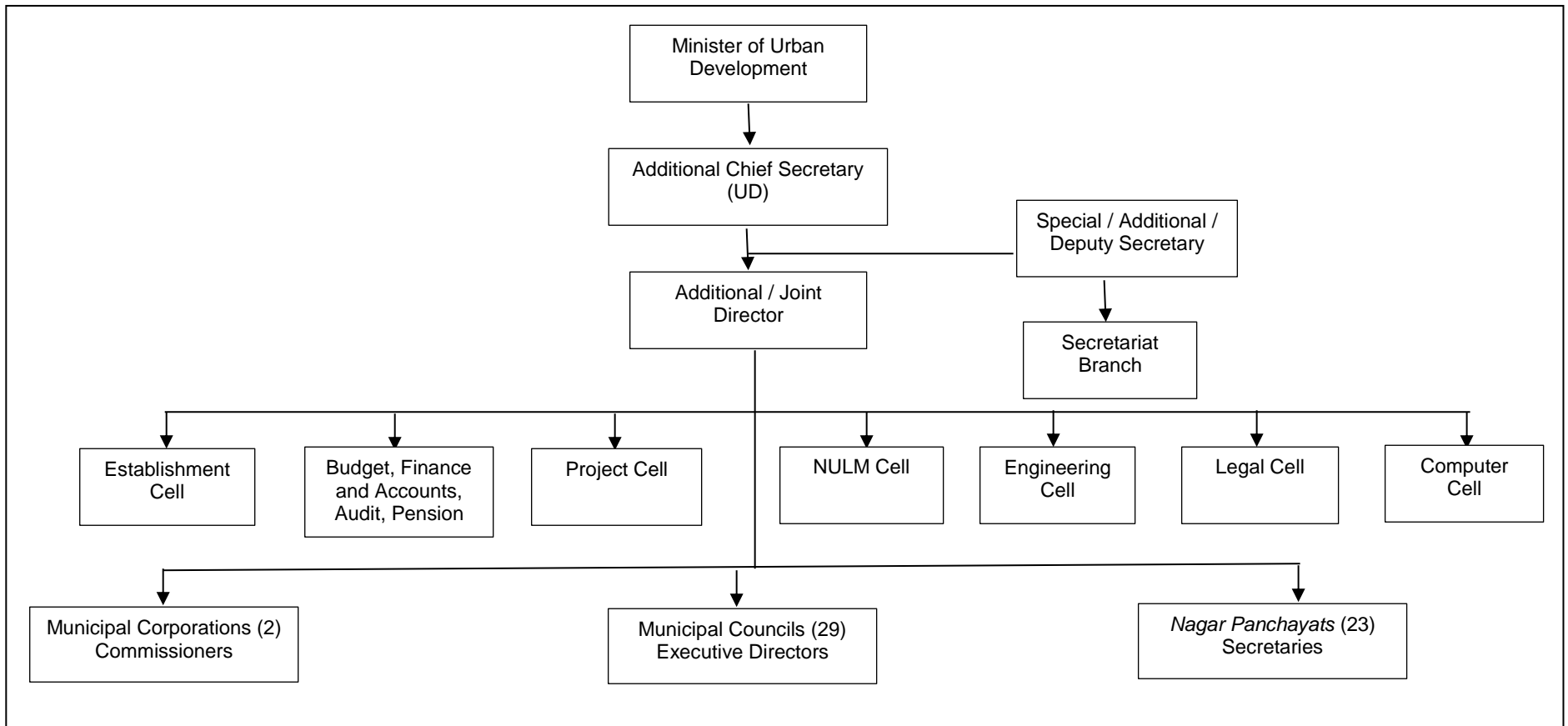
Source: Government of Himachal Pradesh.

Figure A5: Organization Structure of Department of Higher Education



Source: Government of Himachal Pradesh.

Figure A6: Organization Structure of Department of Urban Development

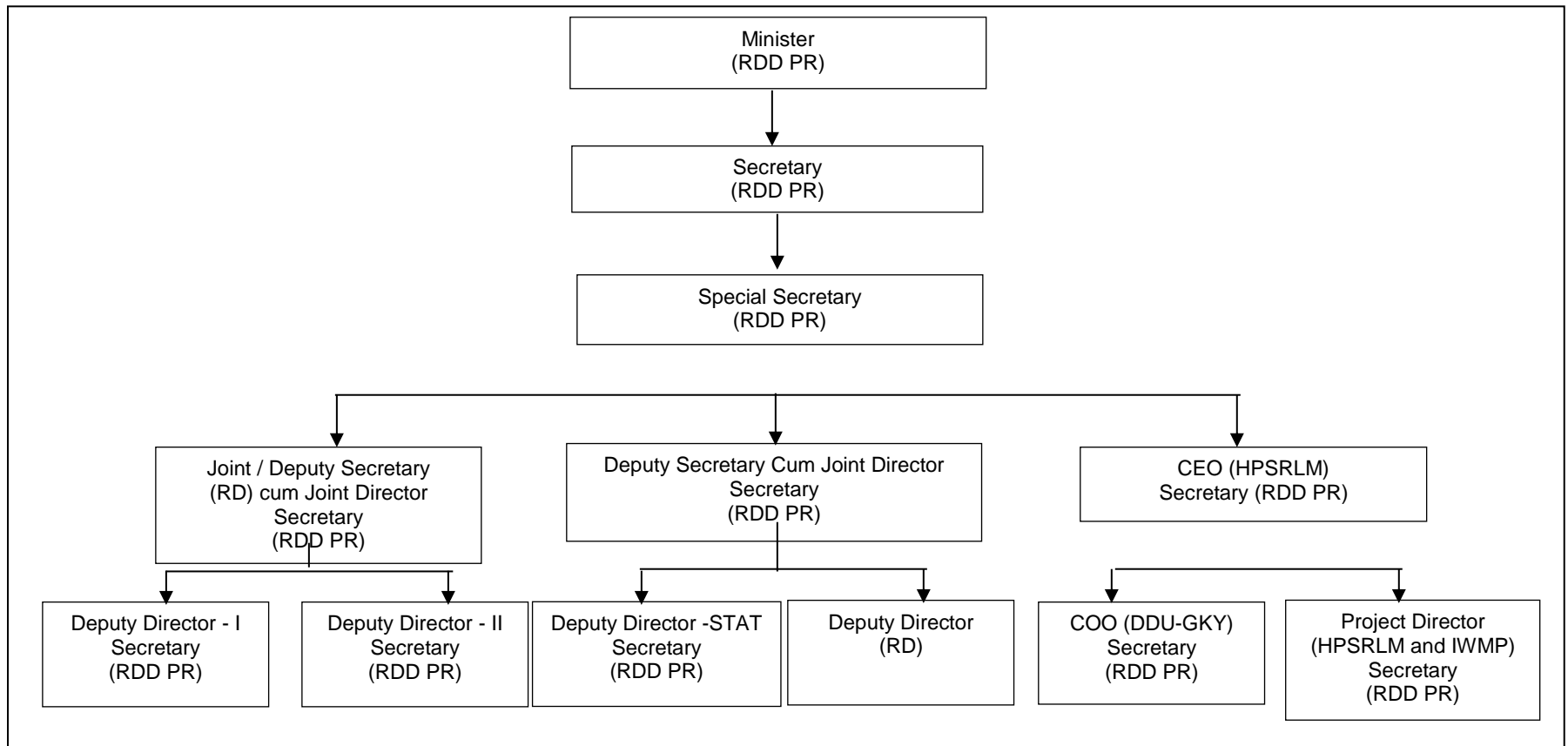


NULM = National Urban Livelihood Mission, UD = Urban Development

Note: *Nagar panchayat* is municipal council.

Source: Government of Himachal Pradesh.

Figure A7: Organization Structure of Department of Rural Development



Source: Government of Himachal Pradesh.