

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bhutan	Project Title:	Skills Development Project
Lending/Financing Modality:	Project Grant	Department/Division:	South Asia Department Human and Social Development Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Bhutan has achieved remarkable socioeconomic progress and poverty reduction arising from robust economic growth. Due to government's sustained efforts to improve the living standards of people, poverty incidence declined by almost half from 23.2% in 2007 and 12.0% in 2012. Despite this commendable progress, inequality has remained high. During this period, the expenditure share of the richest quintile increased by about 5.0% while the share of the poorest quintile declined by 2.5%, signaling the need to make growth more inclusive. Technical and vocational education and training (TVET) is considered as one of the important tools to create jobs, improve livelihoods, alleviate poverty and enhance economic productivity.

Youth unemployment is high and increasing (10.7% in 2015 compared to 7.3% in 2012). High youth unemployment particularly in urban areas (28.0%) is a matter of concern for the government. Female youth have higher rates of unemployment (12.7%) than male youth (8.2%). Workforce participation rates have declined in the recent years from 68.6% in 2010 to 63.1% in 2015.<sup>a</sup>

The government is committed to address the issues of skills, jobs and workforce participation to drive economic and social development. A key priority is to ensure that the private sector plays a more prominent role in economic development. TVET will play an important role in providing the appropriate types and levels of skills to facilitate the needed transition of the economy to middle income level as per national priorities. The government's policy documents emphasize the need to make TVET more equitable and more responsive to the labor market and to address negative perceptions of TVET particularly among the youth.

The development of a modernized and market responsive TVET system will thus contribute substantially to the medium-term growth and development of the country, while tackling unemployment, low productivity and lack of competitiveness. The scaling up of the capacity of Technical Training Institutes, enhancing the quality, relevance and recognition of TVET courses and improvement in the overall management and governance of the TVET system are critical priorities. The project will make a valuable contribution to the implementation of the first wave of initiatives based on the key priorities of the TVET blueprint. The project envisages contributing to diversifying TVET course offerings to meet aspirations of youth, such as skills for IT-enabled services and higher order ICT skills that can be applied to multiple sectors. This is expected to improve 'employability' and 'employment' of youth.

#### B. Poverty Targeting

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

The project is a general complementing intervention. The project will contribute to the achievement of SDG4 to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all by increasing opportunities for students, including from poor and disadvantaged background and girls

#### C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** The main beneficiaries of the project will be the youth of Bhutan (currently the median age of the population is about 27 years). Given the high unemployment amongst the youth (about four times the average unemployment rate), the project will address skills for employment and entrepreneurship in important economic sectors identified in the National Work Force Plan. The project will help to develop courses and credentials that are more aligned with market needs, while taking youth aspirations into account. The project will seek to enhance the earning capacity and entrepreneurship skills of the youth.

2. **Impact channels and expected systemic changes.** The project will support enhanced access to and improved quality of training particularly benefiting the youth, leading to greater employability and work force participation. The project, by improving training opportunities for women and the disadvantaged, will contribute to their integration with the economy, with productive and gainful employment potential, enhancing their economic and social status. The productivity and competitiveness of industries will increase, leading to growth and further poverty reduction.

3. **Focus of (and resources allocated in) the PPTA or due diligence.** The PPTA will analyze barriers and opportunities, and articulate interventions to increase access and quality of TVET. The project design will address not only infrastructure and facilities upgrade, but also enable innovations in TVET delivery, ensuring compliance to quality standards, and empowering youth with globally relevant and employable skills, supported by active career counseling and placement services. Poverty, gender and social analysis will lead to the development of affirmative action that will

increase the participation of women and economically and socially disadvantaged in securing skills relevant for non-traditional and modern occupations. The PPTA will design interventions that make the TVET system more inclusive as well as market responsive. Requisite due diligence will help to put in place mitigating measures with regard to social and environmental safeguards, while also contributing to the growth of the economy.

**4. Specific analysis for policy based lending.** Not applicable.

## II. GENDER AND DEVELOPMENT

**1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?**

Bhutan is witnessing a gradual decline in overall labor force participation rates (LFPR). It fell by 5.5% from 68.6% in 2010 to 63.1% in 2015. Male LFPRs declined from 73.6% in 2010 to 71.2% in 2015, whereas female LFPRs declined from 63.9% to 55.9% over the same period. Similarly, LFPRs of young people (between the ages of 15–24) decreased sharply by 10.8% from 40.4% in 2010 to 29.6% in 2015. Although the overall unemployment rate is low at 2.5% (2015), youth unemployment is high at 10.7%. In 2015, youth unemployment rate was 12.7% for female youth and 8.2% for male youth. The Government recognizes gender equality as integral to sustainable and inclusive socio-economic development, empowering women and girls to shape their own future. The Bhutan Gender Equality Diagnostic of Selected Sectors (BGEDSS, 2014), published by ADB highlights the need for targeted support for women to increase their productivity and income levels. The project will include affirmative actions to support women in skills development, including in non-traditional and futuristic occupations, which will increase access to better livelihood and wages for girls and women.

**2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?**

Yes  No

The project will aim to incorporate objectives and targets for girls and women to ensure effective gender mainstreaming in all elements of the project.

**3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?**

Yes  No

The project seeks to empower women with great access to TVET and increase their workforce participation, earning capacity and their participation in non-traditional and modern occupations.

**4. Indicate the intended gender mainstreaming category:**

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

**1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.**

The main stakeholders who will participate in the design and implementation of the project include the Ministry of Labor and Human Resources and Ministry of Education and various entities of the government engaged in TVET and Education policy and strategy and implementation. The private sector - industry and employers - are crucial stakeholders who will contribute to making the TVET system more responsive and credible to the market.

Extensive consultation and stakeholder workshops have been held for the preparation of the TVET Blueprint. A consultative approach will be continued during project design and implementation. There are no negatively affected people expected under the project. The project will incorporate affirmative action for the benefit of girls, women and the disadvantaged. Consultations with CSOs and their partnership during implementation will be facilitated.

**2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?**

The project will incorporate measures for equitable access to training. Adequate consultative mechanisms, particularly with the disadvantaged youth and vulnerable groups will be established, which in turn will enhance the responsiveness of the project towards their specific needs.

**3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?**

Information generation and sharing  Consultation  Collaboration  Partnership

The PPTA will conduct a series of consultations to ensure that all stakeholders including civil society organizations have an opportunity to contribute to the analysis and discussions that will inform the project design.

**4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?**  Yes  No

The project design will ensure adequate consultations with stakeholders to incorporate measures for equity and inclusion, particularly, disadvantaged youth, women and persons with different abilities.

<b>IV. SOCIAL SAFEGUARDS</b>
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix  <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p> <p>The project entails no land acquisition or resettlement. Improvements to buildings and facilities will take place within existing campus/premises. Hence social safeguards is categorized as C.</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix  <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p> <p>Bhutan does not have any officially defined 'Indigenous peoples'. The project's inclusive lens will ensure that poor and vulnerable students from different parts of the country will have access to skills development and training. Hence IP categorization is C.</p>
<b>V. OTHER SOCIAL ISSUES AND RISKS</b>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment (H) <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment  <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability  <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability  <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>The project will directly and indirectly contribute to the creation of decent jobs in line with the country's overall development thrust. Local handicraft and art will be promoted through training of artisans to enhance their productivity, entrepreneurship and market access which will improve their incomes.</p>
<b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?</p> <p>In the PPTA provision is made for a gender and social safeguards specialist who will assess and recommend potential measures for affirmative action for girls, women and disadvantaged communities and look into means by which poverty and social barriers to TVET can be overcome. The PPTA will build on the consultations undertaken for developing the TVET Blueprint to ensure a participatory approach to implementation.</p>

<sup>a</sup> Government of Bhutan, Ministry of Labour and Human Resources. *Labour Force Survey Report, 2015*. Thimphu. Source: Asian Development Bank.