PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA56746

Project Name	Uttarakhand Workforce Development Project (P154525)
Region	SOUTH ASIA
Country	India
Sector(s)	Vocational training (90%), General industry and trade sector (10%)
Theme(s)	Micro, Small and Medium Enterprise support (20%), Export development and competitiveness (10%), Education for the knowledge economy (70%)
Lending Instrument	Investment Project Financing
Project ID	P154525
Borrower(s)	Department of Economic Affairs, Ministry of Finance
Implementing Agency	Ministry of Labour and Employment
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	09-Mar-2016
Date PID Approved/Disclosed	10-Mar-2016
Estimated Date of Appraisal Completion	30-Mar-2016
Estimated Date of Board Approval	01-Jul-2016
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate.

I. Project Context

Country Context

India has made impressive progress in economic growth and poverty reduction over the past few decades. With a population of 1.295 billion (2014), India's gross domestic product (GDP) grew at an average rate of 7.3 percent between 2007 and 2012, resulting in a substantial decline in the incidence of poverty, lifting 138 million people out of poverty during the period. With a gross national income (GNI) per capita of US$1,570 in 2014, India is a lower-middle-income country. Today, 54 percent of India's population is below 25 years of age. This young population structure places India in a unique situation with regard to demographic dividend, where a rapid and higher GNI growth is achieved through a larger working population.

India faces the dual challenge of both a paucity of highly trained workforce and non-employability of a large share of youth. To take on these challenges, India launched the National Policy for Skill Development and Entrepreneurship in 2015 and in the 12th Five Year Plan, the government of India (GoI) has set a goal to train 400 million workers by 2022. The proposed Uttarakhand Workforce Development Project (UKWDP), framed within the national policy, will complement national level

skills and training initiatives.

Uttarakhand, with a population of about 10.1 million in 2011, is one of the youngest states of India, having been carved out of the state of Uttar Pradesh in 2000. Since it became a separate state, Uttarakhand has achieved significant economic growth by introducing favorable industrial promotion policies, which specifically resulted in fast growing manufacturing, construction, trade, and hotel sectors. Gross state domestic product (GSDP) grew at an average rate of 14.5 percent between 2004/05 and 2013/14, exceeding the national growth rate. GSDP per capita is US$1,973 in 2013/14. In the medium term, the challenge for the state will be to keep and accelerate the growth momentum by implementing policies to expand the production of high-value goods for sale and to promote a broader array of services, including in education, health, and tourism, by adapting to the geographical constraints and taking advantage of them (World Bank 2012).

Sectoral and institutional Context

Labor Market Context

The Indian labor force is large and mostly informal. The total number of workers in 2014 was 497 million (World Bank 2016), and the labor force size has been expanding during the last 10 years by an annual net growth of 4.2 million. Labor force participation rate is 54 percent—with a relatively high male participation rate (80 percent) and low female participation (26 percent). The economy is largely informal—the proportion of workers engaging in wage employment is only 16 percent of the total labor force (18 percent of male and 12 percent of female workers).

In Uttarakhand, of 6.2 million people in the age group 15–59 years in 2010, 3.2 million participate in the labor force (51 percent labor force participation rate—75 percent for male, 28 percent for female) and 16 percent of the total labor force is in wage employment. The shares of workers by sector are 33.8, 33.2, and 27.4 percent, respectively, for the agricultural, industry, and service sectors (NSDC 2013). The fast economic growth of the state during the past decade is largely attributed to a booming manufacturing sector. The share of manufacturing in contribution to GSDP increased from 18.8 percent in 1999 to 31.5 percent 2010 with the contribution of agriculture shrinking from 30.1 percent to 15.0 percent during the same period. One of the unique characteristics of workers in Uttarakhand, which also contributed to the fast economic growth of the state, is high mobility. The working age population is more likely to migrate both intrastate and interstate.

Sector Context

The development of skills and training sector in terms of access, quality, and relevance is one of the country's top priorities and the Government of Uttarakhand (GoUK) is equally committed to these goals. Backed up by robust economic growth, the favorable location of the state within the dynamic Northern India economy, and the state's investor-friendly industrial policy since 2003, the demand for skilled labor by the industrial and service sectors has been rapidly growing in Uttarakhand. In manufacturing alone, 230 large-scale industries and 42,000 micro, small, and medium enterprises employed 85,000 and 190,000 workers respectively in 2011, and the demand is expected to grow to 700,000 workers by 2022 (NSDC 2013). The state's aim is to increase the pool of skilled workers by 650,000 over the next five years, to catch up with the growing industry demands. However, with the current quality or capacity of skills and training sector in Uttarakhand, this demand may be

difficult to meet.

The skills development landscape is complex, with some degree of fragmentation. The landscape is characterized by (a) multiple service providers including industrial training institutes (ITIs), polytechnics, engineering colleges, private training providers, and industry trainers; (b) a vast spectrum of target audiences, including secondary and post-secondary students, unskilled youth and vulnerable populations, people with previous work experience as well as currently employed workers; (c) a wide range of training modalities, including long and short courses, informal training, and on-the-job training; and (d) varied kinds of skill sets (a vast array of industry-specific technical skills, socioemotional skills, and basic numeracy and literacy skills). The GoUK is keen to provide skills training opportunities to various beneficiaries to meet multiple skills demands by establishing a coherent and accessible skills development system in the state.

The GoUK considers ITIs and short-term training programs as the main vehicles for the advancement of skills development. ITIs mostly offer formal 2-year training to students with minimum grade 10 qualifications. Around 26,000 students apply for admission to ITIs, and approximately 10,000 students come to public and private ITIs every year. Of those enrolled in ITIs, 18 percent were women and 38 percent were from a scheduled caste, scheduled tribe, or other backward caste (SC/ST/OBC) background in 2015. While the share of ITI graduates in the labor market is relatively small, they possessed the most-demanded qualifications by industries as demonstrated by higher wage employment rates and higher wage premiums in the formal sector than secondary or higher secondary graduates. Short-term training, on the other hand, plays an important role for supplying skills toward the immediate skill gaps in the labor market. Many courses of 3 to 6 months duration cater to unskilled workers, school dropouts, and new labor market entrants.

The ITI subsector faces a number of systemically rooted challenges resulting in suboptimal quality and efficiency. These include (a) supply-driven training provision that leads to inefficient use of resources and an unsustainable expansion strategy and (b) low quality and relevance of public provision of training due to (i) obsolete training equipment and curriculum practices, (ii) poor human resource management, and (iii) weak industry linkages.

Supply-driven training provision causes a mismatch in demand, leads to inefficient resource use, and has led to an unsustainable expansion strategy. Despite the existence of a larger demand than the capacity of ITIs, in public ITIs, only 66 percent (5,200 out of 7,800) of the student seats are filled. The two main factors that contribute to this inefficiency are (a) mismatches of trades offered and demanded, (b) unpopularity of courses affiliated to the State Council for Vocational Training (SCVT) and limited spaces for courses affiliated to National Council for Vocational Training (NCVT). Certificates obtained from NCV T courses are recognized in any state of India, but the SCVT is not recognized anywhere outside of Uttarakhand. In fact, industries in Uttarakhand also prefer NCVT certification. For an annual capacity of 4,200 NCVT and 5,200 SCVT student seats, occupancy rates are 73 percent and 58 percent, respectively. Supply-driven training also affects female participation in training and further labor market participation. The two popular trades are stenography and cutting and sewing which make up a 51 percent share of female enrollment. It bears mentioning, however, that these are not necessarily the popularly demanded trades by industry.

One of the root causes of the mismatch in skills is the unsustainable ITI expansion strategy pursued

by the GoUK. To meet the growing demand for access to training, the Directorate of Training and Employment (DTE) has expanded the number of ITIs from 115 in 2010 to 177 in 2015. However, providing a variety of trades to sparsely populated communities in hill districts created a difficult and economically inefficient model of service delivery. As a result, only 132 of those ITIs are actually staffed and providing training to students. Out of the 132 operational ITIs, 80 ITIs (61 percent) have less than 50 students, usually offering one or two courses each. They are predominantly SCVTs because of not meeting NCVT standard requirements. The expansion model that was pursued has aggravated the economies of scale and has resulted in low labor-market relevance of training.

The quality and relevance of the training is generally low because of the continued reliance on traditional theory-oriented training practices. In addition to the mismatched supply of trades and limited spaces for NCVT courses, the traditional theory-oriented approach of teaching and learning practices keeps producing low-quality trained individuals. While the national curriculum is being updated to one that is competency based, its implementation on the ground has been slow due to the lack of professional knowledge and experience, relevant equipment, and infrastructure. Obsolete machines and lack of operating funds, weak demonstration of practical and on-the-job training, teachers' lack of industry experience, and up-to-date market knowledge are persistent and critical problems.

A major contributing factor to the low quality and relevance of training is also poor human resource management. The ITI system is characterized by high numbers of vacancies and a lack of investment in the development of teaching staff and management. There are only 22 principals in the system for all 177 ITIs and most principals look after geographically spread 10 to 20 ITIs. Teachers and foremen at ITIs have had no exposure to industry practices or competency-based teaching and they rarely have in-service training to upgrade their skills.

Linkages between ITIs and industries are overall weak, but there is scope to improve them by setting up an institutional framework for partnerships with industries. Under the national agenda, Public Private Partnership (PPP) was introduced to the state and industry linkages have been established with ITIs through Institute Management Committees (IMCs). In Uttarakhand, there are a few successful cases of industry linkages, especially in ITIs which were approached by industries as part of their corporate social responsibility initiatives. Successes such as these can be expanded to other ITIs, which have had lesser luck with industry engagement. However, just as important would be the setting up of sustainable institutional frameworks for partnerships and facilitating linkages with industry through outreach and communication campaigns.

The short-term training subsector is characterized by a complex landscape and varying quality standards. To respond to the growing labor market demand for skilled individuals and the national mandate, more than 20 departments at the state and national level are engaged in skills training provision. The Skills Development Mission (SDM) was established in 2013 with the mandate to coordinate the overall skills development sector. However, the SDM has not been fully empowered to perform the role due to absence of clear policy directions and inadequate human and financial resources. While the main scheme of short-term training is delivered by the private training providers (PTPs), low quality of teachers, lack of industry linkages, and supply-driven provision of trades are commonly observed problems in the short-term training arena.

Numerous disconnects in the skills ecosystem has resulted in weak consolidation of efforts and

coordination among stakeholders. Although public and private ITIs, short-term training providers, and employers share a common interest of enhancing the skill pool in the state, their efforts are not well consolidated and few synergies are generated. Various long-term and short-term training programs are provided by different public and private entities, but duplication of efforts, which sometimes result in the same individual taking similar short courses offered by various entities, still exist. Unmet skill demand, such as soft skills, and lack of job placement support during the transition from institutions to the labor market are also commonly identified gaps. Inefficiency in resource utilization is also observed—for example, specialized training equipment are not used because of a lack of trained instructors while industries and private ITIs have capable operators but not the relevant equipment needed. These small disconnects existing among subsectors within the entire skills ecosystem will be addressed through the development of an overall sector policy and institutional capacity development.

II. Proposed Development Objectives

The Project Development Objective (PDO) is "to improve the quality and relevance of training at priority Industrial Training Institutes (ITIs) and to increase the number of skilled workers through short-term training in Uttarakhand."

III. Project Description

Component Name

Component 1: Improving the Quality and Relevance of ITI Training

Comments (optional)

Component Name

Component 2: Increasing the Supply of Skilled Workers through Short Term Training

Comments (optional)

Component Name

Component 3: Policy and Institutional Development and Project Management

Comments (optional)

IV. Financing *(in USD Million)*

Total Project Cost:	89.00	Total Bank Financing:	74.00
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
BORROWER/RECIPIENT	15.00
International Development Association (IDA)	74.00
Total	89.00

V. Implementation

The project will be implemented by the Department of Training and Employment (DTE) of the GoUK through a State Project Implementation Unit (SPIU). The DTE consists of the Directorate of

Training, which is the administrative body for the overall training sector, ITIs, State Vocational Education Board (SVEB) and the SDM. The Steering Committee (SC), chaired by the principal secretary responsible for the department and joined by the secretary of finance, representatives of key stakeholders including Ministry of Skills Development and Entrepreneurship staff and industry representatives, will be the apex body for project guidance and decision making.

Implementation of the project will be led by the SPIU under the overall supervision and guidance of the DTE. The SPIU was originally set up by the VTIP and located in Dehradun. The SPIU will be headed by the director of training, ex officio, and is supported by a joint project director (JPD), who will be responsible for the day-to-day operation and implementation of the project. The SPIU will be structured with five implementation cells: (a) ITI improvement, (b) industry liaison and short-course training, (c) procurement, (d) financial management (FM), and (e) M&E. Each cell is led by a deputy project director (DPD) and staffed with professional staff including assistant project directors (APDs) and project management consultants, as relevant. The team will also include necessary supporting staff. A Project Implementation Plan (PIP) will describe the detailed staffing plan. The Directorate of Training, located in Haldwani, lacks appropriate staffing. To ensure the sustainability of the project, the capacity of the DTE and the directorate will be assessed as part of the institutional capacity building and the role of the directorate and its staffing will be revamped through the project support.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36		×
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11		×
Indigenous Peoples OP/BP 4.10	×	
Involuntary Resettlement OP/BP 4.12		×
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

Comments (optional)

It is envisaged that the project activities will have an overall positive impact, and none of the activities under the Project entail any potential large-scale, significant or irreversible adverse environmental impacts. However, with limited civil works activities, the safeguard policy on Environment (OP/BP 4.01) has been triggered. The limited civil works that project may support will not involve land acquisition or involuntary resettlement; therefore, the Bank Operations Policy on Involuntary Resettlement (OP/BP 4.12) is not triggered. Since some districts are inhabited by tribal communities and will be covered under the state-wide operation, the safeguard policy on Indigenous Peoples (OP/BP 4.10) has been triggered.

GoUK has carried out a Social Assessment (SA) and prepared a Scheduled Caste and Scheduled Tribe Development Plan (SSDP) and Gender Equity and Social inclusion (GESI) guidelines. GoUK has also undertaken an independent Environmental Assessment (EA) to analyze the existing situation to help design and implement the project in an environment friendly manner by providing

for effective and optimal utilization of resources. SPIU will assume the overall responsibility for adequate maintenance of the personnel and resources required to supervise, monitor and implement both SSDP/GESI and EMF.

VII. Contact point

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