

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC30731

Project Name	Uttarakhand Workforce Development Project (P154525)
Region	SOUTH ASIA
Country	India
Sector(s)	Vocational training (100%)
Theme(s)	Education for the knowledge economy (70%), Micro, Small and Medium Enterprise support (30%)
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	01-Dec-2015
Date PID Approved/ Disclosed	09-Dec-2015
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	30-Mar-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and 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% 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 the Gross National Income (GNI) per capita of US\$1,570 in 2014, India is a lower middle income country. The Country's 54 percent of the population is below 25 years old, making it an opportune context for a rapid and higher GNI growth from an on-going demographic dividend.

India faces dual challenge of a paucity of highly trained workforce and non-employability of the large share of youth who come out of education and training systems. To take on these challenges, India launched the National Policy for Skill Development and Entrepreneurship in 2015 to meet the goal set out in the 12th Five Year Plan to train 400 million workers by 2022. The proposed

Uttarakhand Workforce Development Project fits well within the national policy, and will complement other national level skills and training initiatives by strengthening the delivery of skills and training programs in the State to produce higher quality graduates with relevant market skills.

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. During the fifteen years of its existence as a separate state, Uttarakhand has enjoyed a significant growth momentum, spurred by booming construction, and fast growing manufacturing, trade and hotel sectors driven by strategic industrial promotion policies. The 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 was US\$1,973 in 2013/14. In the medium term, the challenge for the State would be to both keep the growth momentum and implement policies that would be able to increase the pace of growth.

Sectoral and Institutional Context

The primary and secondary education system in Uttarakhand is generally well established. The rate of literacy stands at 80 percent in 2011, significantly higher than the national average of 74 percent. Gross enrollment rates for primary (grades 1-5) and upper primary education (grades 6-8) are respectively 100.6 percent and 86.5 percent, accommodating a total of 1.7 million students in about 20,000 schools. The primary and upper primary education system is fairly efficient – with 0.5 percent repetition and 1.2 percent dropout rate overall. In secondary (grades 9-10) and high secondary (grades 11-12) education, a total of 694,000 students study in about 3,000 schools in 2013/14. Tertiary education accommodates about 275,000 students.

The skills and training sector has not fared as well as general education. Despite the growing labor market demands for a skilled workforce, the sector has not been able to respond adequately and continues to suffer from poor quality and relevance of training, poor human resource management, sector fragmentation and weak system capacity, as well as a lack of linkages with industry and private sector as described in the following paragraphs. It bears mentioning that in Uttarakhand, the surge in industrial and services development is concentrated in the plain districts favorably located within the dynamic Northern India economy, while the small, scattered communities living in the hills districts (which account for 90 percent of the state's area) suffer from remoteness, and high costs of service delivery. The state's aim is to achieve a balanced growth in both hill and plain regions, while increasing the pool of skilled workforce by 650,000 over the next five years to catch up with the growing industry demands.

Limited training capacity, inefficient resource utilization, and unsustainable expansion strategy: The Industry Training Institute (ITI) system, which is the largest supplier of training in the public system, provides formal two-year training to students with minimum grade 10 qualifications. However, it suffers from inefficiency and weak labor market relevance. For the annual enrollment capacity of 6,200, annual number of ITI applicants reaches 26,000, which demonstrates an exceeding demand for training at ITIs. Despite the huge overall demand, many ITIs especially in the hill regions have less-than-capacity enrollment due to mismatch of trades offered and students' and industry demands. For example, Hindi stenography and cutting and sewing are two commonly offered trades but the seats for these courses remain by and large unfilled. To improve the situation, the Directorate of Training and Employment (DTE) has initiated a reform policy to increase the number of ITIs and to replace unpopular trades by more popular trades. As a result, the total number of ITIs has increased to 177 as of October 2015, but only 131 of those ITIs are actually operational with staff in place. Moreover, out of 131 operational ITIs, only 14 ITIs are of reasonable size, with

more than 200 students, and 85 ITIs have less than 50 students. The selected expansionary approach has made the overall ITI system inefficient and raises questions about the current model.

Low quality and relevance of public provision of training: The quality and relevance of the training is generally low due to the continued reliance on a traditional supply-driven model. Some observed issues related to the provision of training include: (i) obsolete machines and lack of operating funds; (ii) outdated, non-competency-based curricula, and weak on-the-job training, (iii) non-relevant trades and weak attraction of students in many ITIs, and (iv) unpopularity of state-certificate courses (SCVT) and limited spaces for national certificate courses (NCVT). Currently, the share of SCVT and NCVT courses are about 50-50. Competition is much higher for NCVT courses – while about 95 percent of applicants are admitted to SCVT courses, only about 40 percent of applicants are accepted in NCVT courses.

Poor Human Resources Management: The low quality and relevance of training is due also to poor human resource management. The 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 changes or new research. This reality in Uttarakhand is corroborated by a national ITI Institutional Census done in 2006 and another one done in 2012 where two factors emerge clearly that seriously affect the quality of training provided in ITIs: (i) a very high proportion (25 percent) of instructor vacancies remaining unfilled and (ii) lack of regular in-service training for most vocational instructors (nearly 75 percent instructors had not received any in-service training in the last three years).

Sector Fragmentation: The institutional framework governing the skills and training landscape in Uttarakhand is characterized by fragmentation and weak implementation of the policy on skills development. More than 20 departments at the state and national level are engaged in skills training provision. Although the Skills Development Mission (SDM) established in 2013 has the mandate to coordinate the overall skills development sector, it has not been effective at the state level. In addition, there is insufficient consolidated data available to guide skills development policy.

Weak industry linkage and labor market outcomes: Linkages between ITIs and industries are weak and there is no institutional framework for the public sector to forge partnerships with industry. Efforts made to link ITIs with the industry through PPPs and industry management committees (IMCs) have been random and so far only shown some success in selected number of ITIs, where industries approached ITIs for their Corporate Social Responsibility (CSR) purpose. Employment outcomes are generally weak – in Uttarakhand, only 30 percent of ITI graduates work at wage employment, 44 percent engage in self-employment, 9 percent engage in casual labor or unemployed, and 17 percent are out of labor force.

Low access to training for the poor: According to a tracer study from 15 states in 2012. ITI students are often from families which cannot afford the cost of higher education, and nearly 46 percent are from households which fall “Below Poverty Line” In Uttarakhand, some socioeconomic groups have been recognized as having less access to training opportunities – including primary and secondary school dropouts, the poor below the poverty line, socially disadvantaged groups, as well as the geographically hard-to-reach populations which is a particular problem in the hill state. For students from poor families who live in remote hilly and mountainous areas, it is especially challenging to access training opportunities with relatively good quality and employment prospects

since they are usually located in the plains, which is also where all industries are situated. The challenges with geographical mobility are exacerbated by lack of information on training opportunities and placement programs. Although a policy exists to provide priority educational access to the disadvantaged, access to skills training for primary and secondary school dropouts is limited due to direct and opportunity costs

Relationship to CAS

The World Bank Group's India Country Partnership Strategy (CPS) FY2013-2017 emphasizes improving market-driven skill development for productive employment as a key element of the Integration engagement area, as well as improving access to services and opportunities for excluded population groups under the Inclusion engagement area. Over the last two decades, one million people monthly entered the labor force while job creation remained relatively flat over a long period. India's continued economic growth demands more skilled workers across many sectors and massive shortage of skilled labor is anticipated. The CPS proclaims that the WBG will contribute to the 12th Five Year Plan target of providing skills training to 400 million workers by 2022.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The Project Development Objective (PDO) would be "to improve the skills development system to provide better quality and more labor-market relevant training, and to provide equitable access to training opportunities among disadvantaged population in Uttarakhand."

Key Results (From PCN)

The following three outcome indicators are proposed for measuring progress towards achievement of PDO:

- Job placement rate among graduates of priority ITIs 6 months after completing training
- Pass-out rate in priority ITIs
- Completion rate among hard-to-reach students in short courses

III. Preliminary Description

Concept Description

The proposed project is designed with the spirit of developing a sustainable and efficient skills development system in Uttarakhand. While one of the measurable short-run goals would be closing the immediate skills gaps in terms of both quality and quantity, the expected long-run outcomes would be establishment of a demand-driven and high quality system of skills and training. The proposed project would support the implementation of national level policies (where relevant) at the State level. Moreover, the Project would complement national-level projects in the sector, such as the Vocational Training Improvement Project (VTIP).

Component 1: Comprehensive quality and relevance improvement of Priority ITIs

Component 1 would use results-based financing to support a comprehensive package of quality and relevance improvement activities in a specific number of ITIs. The long-term goal of this intervention is to establish a functional model of quality ITI system that is efficient, sustainable, and relevant to the needs of labor market and of students. The component aims to support reforms and demonstrate them in a selected number of priority ITIs (initially discussed number is 25 ITIs). The proposed activities would include: (i) Conversion of priority trades from SCVT to NCVT in priority

ITIs, (ii) Rationalization of trades based on discussions with industry and stakeholders, (iii) Development and implementation of a professional development plan (teachers, foremen and ITI Principals) with a focus on priority ITIs, (iv) Modernizing TVET testing including MIS and online systems, (v) Forging industry linkages at all levels including creation of district management committees. The activities would be implemented through Disbursement Linked Indicators (DLIs).

Component 2: Supporting sector coordination and increasing access

Component 2 would use the traditional financing modality of an Investment Project Financing (IPF). The main objective of the component would be to strengthen the Skills Development Mission (SDM) to fulfill its mandate of sector coordination and to provide training opportunities to the population which are hard to reach and most likely to be left out of the formal system. The component consists of two main activities: Sub-component 2.1 – Support to Skills Development Mission, and Sub-component 2.2 – Support to hard-to-reach students.

Sub-component 2.1 – Support to Skills Development Mission: This sub-component would support the state SDM to enhance overall skills sector coordination and strengthen its ability to fulfill its mandate and activities within that mandate. Under the leadership of the national government, a lot of training opportunities have emerged through different Ministries, but the efforts have not been effectively catalyzed for producing concerted outcomes. The sub-component supports, among others, the SDM's scheme to contract out short-term training to Private Training Providers (TPs), which was initiated in 2014 on a pilot basis. The sub component may also support the state to improve the relevance of short-course training by assisting the process of National Skills Qualification Framework (NSQF) compliance, by identifying existing certifications and supporting application of programs for NSQF accreditation.

Sub-component 2.2 – Support to hard-to-reach students: The sub-component aims to promote equitable access to training opportunities among hard-to-reach (The preliminary definition includes students from families below the State's poverty line and other beneficiaries which is to be further fleshed out). The program would use a voucher and stipend mechanism to provide flexible options to students in selecting relevant trades and institutes – i.e. the students would have a choice of programs and an incentive attached to it. The stipends could also be provided to students to attend both ITIs (public and private) and short-term training (usually private providers). The stipends to potential ITI students would be selected based on a set criteria, for those who would otherwise not have access to training opportunities. The stipends would also target the unemployed and underemployed youth, who require short-term skills training for obtaining decent jobs or further enhancing their job-related skills.

Component 3: Capacity building, M&E, and Project Management

Component 3 supports mainly advisory, technical and capacity building activities to enhance the administrative capacity of the GoUK's skills and training sector. The component consists of three sub-components, including: Sub-component 3.1 – Support to evidence based decision making; Subcomponent 3.2. – Monitoring and Evaluation; and Sub-component 3.3 – Support to project implementation.

Sub-component 3.1 – Support to evidence based decision making: This sub-component aims to strengthen administrative capacity of the DTE in implementing skills development sector programs. It will support establishment of a decision making support Management Information System (MIS), which includes: Human Resources (HR) management, student management, and logistics and inventory management. It will also support improvement of ITI and training system accountability, by supporting monitoring of institutions and develop quality score cards for ITI and training institutions.

Sub-component 3.2 – Monitoring and Evaluation (M&E): This sub-component focuses on improvement of M&E system and sector knowledge through technical assistance and studies. Third Party Monitoring for various aspects of programs will be introduced for strengthening regular monitoring, and Third Party Validation will be used specifically for DLIs. The component would also support the development of State’s Skills Development Policies and Strategies for effectively coordinate various skills development programs and establish a sustainable framework for skills development.

Sub-component 3.3 – Support to project implementation: This component supports project management, focusing mainly on the activities of State Project Implementation Unit (SPIU). Communication and awareness raising activities will be also supported by the sub-component.

Safeguards: The Project may finance limited civil works in the form of mostly rehabilitation of existing facilities and provision of most required new training/boarding facilities within the existing premises of the industrial training institutes (ITI). Environmental Assessment will be undertaken based on environmental impacts anticipated from limited construction activities, and will be analyzed so as to develop an Environmental Management Framework (EMF). The EMF will be applied to each infrastructure activity envisaged under the project in each ITI and an EMP if required shall be developed. The Project shall not finance any civil works that may involve land acquisition or involuntary resettlement. Social screening shall be carried out for civil works proposed to be undertaken by any ITI in order to rule out any involuntary resettlement impacts. Therefore OP 4.12 (involuntary Resettlement) has not been triggered. Given that the project shall be implemented state wide, OP 4.10 (Indigenous People) has been triggered. An Indigenous People’s Policy Framework (IPPF) will be prepared based on an assessment of social issues and consultations with the key stakeholders including general and tribal students, faculty members, and industry representatives. The IPPF will include Gender Equality and Social Inclusion (GESI) Guidelines.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12		x	

Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	89.00	Total Bank Financing:	74.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			15.00
International Bank for Reconstruction and Development			74.00
Total			89.00

VI. Contact point

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