I. Project Context

Country Context

India is a lower middle-income country with a GDP per capita of US$1,489 (2012 US$). India experienced high economic growth during 2001-11, with an average GDP growth of 7.9% p.a. From 2005-10, 53 million people were brought out of poverty. Human development outcomes also improved during this period, with under-5 mortality decreasing from 88.1 to 58.6 per 1000 live births; and primary net enrollment increasing from 85.7% to 98.9%. Yet, a number of challenges exist, notably, a deceleration of economic growth and high levels of inequality. Economic growth has slowed in the recent past, decelerating from 9.6% in 2010 to 6.3 percent in 2011. Economic inequality and differences in human development outcomes remain stark, especially across regions, castes and gender. A child belonging to the richest income quintile has an under-5 mortality rate that is 3.3 times lower than one born into the poorest quintile, and a person from the richest quintile has 2.5 times more years of education than one from the poorest quintile. Nearly 50% of India lives in 14 low income/special category states with poverty rates close to 40% — and faces the reality of such development outcomes.3. Madhya Pradesh (MP), with a GSDP of US$728, is one such low-income state, with a population of 73 million, of which 75% resides in rural areas. While human development indicators in MP resemble the national average, closer analysis reveals stark
inequalities, with rural areas, women, and Scheduled Caste/Scheduled Tribe (SC/ST) groups facing significant disadvantages. Male literacy rate in Madhya Pradesh is 80.33 (Rural: 76.6; Urban: 90.2) is higher than the female literacy rate of 60.02 (Rural: 53.2; Urban: 77.4). Infant mortality rate and Under-5 mortality rate differ by 5-7 extra deaths per 1000 live births for girls compared to boys, and more than 20 extra deaths per 1000 live births for Scheduled Tribes. 4. India’s 12th Five Year Plan, based on the pillars of faster, sustainable, and inclusive growth, places emphasis on increasing the supply of highly-skilled workers to drive the economy, as well as helping low-income states catch up with their more advanced neighbors. In its Vision 2018 document (released in December 2013), Madhya Pradesh has outlined forward looking plans for the state’s development; in higher education, identified reforms include performance based funding of institutions, greater use of technology, and institutions pursuing self-determined reforms.

**Sectoral and institutional Context**

Higher Education (HE) in India has been expanding rapidly, with enrollment doubling from 8.4 million students to 17 million students from 2001-11. Currently, nearly 1.6 million students attend more than 1300 higher education institutions in MP. In 2009-10, the year for which the latest data is available, MP’s Gross Enrollment Ratio (GER) in HE was 14.9%, close to the national average of 16.2%. Overall satisfactory access and averages, however, mark core quality and equity concerns. While 29% of the age group 18 to 23 years in urban areas in MP is enrolled for HE, in rural areas the average is 9%, with fewer than 4% of SC/ST students and less than 5% of girls. Moreover, a large number of graduates enter the workforce unprepared with key technical and workplace skills. A recent Bank study [Employability and Skill Set of Recently Graduated Engineers in India, Andreas Blom and Hiroshi Saeki, April 2011] found that across India, 64% of employees were at best somewhat satisfied with the quality of freshly hired engineers — a scenario likely true for MP as well. 6. In 2012, the Bank carried out a major review of the higher education sector in MP, resulting in the report ‘Madhya Pradesh Higher Education Reforms: Policy Options (2012).’ The study found that individual returns to higher education were high – a tertiary education graduate earns 35 percent more than an individual with only senior secondary education — and these graduates are found overwhelmingly in better jobs (70 percent work in the service sector). Other labor market indicators show good overall numbers – for example, unemployment rate of only 6 percent – but significant inequalities in outcomes — with 50 percent of girls with a degree are neither working nor studying, while for boys this figure is just 7 percent.. 7. The study highlighted the core governance and financing challenges facing MP (issues common across states), with the current HE system lacking efficiency and accountability, and is not student-focused. Related concerns include a cumbersome college affiliation system, top-down decision-making and rampant politicization. There are also no clear funding mechanisms/performance-based criteria regarding central and state funding. There is little co-sharing of costs between the government and the institution keeping the institution largely dependent on the state, diluting autonomy, and limiting resources available for institutional development. 8. The private sector in HE is fairly substantial in MP.. Seventy percent of colleges and more than half the students in HE in MP are in the private/aided sector. Both the government and private tertiary education sectors have grown rapidly in recent years; however, the core issues of quality and relevance remain concerns for both parts of the sector. For example, the 2012 study found less than 100 institutions were accredited despite a major push in recent years. The affiliation and accreditation processes that allow private tertiary institutions to become eligible to offer their services are often implemented in a non-transparent manner and do not instil confidence in or guarantee the delivery of good quality education. Moreover, there were a large number of unfilled faculty positions; 29 percent of the 8,000 posts
sanctioned by the state government were vacant. A fundamental constraint on quality improvement is the relatively small size of institutions (on average around 1,000 students in MP), which means most institutions do not have a critical mass of students (and therefore budget) or qualified faculty to offer good quality education and other student services, or carry out research. The study concluded that the priority for higher education should be to consolidate existing institutions, to improve their quality, and access goals should be met by expanding current institutions rather than establishing new ones.9. Finally, the 2012 study highlights the complexity and challenge of reform in the HE sector in the state. For a whole-system reform and for policy responses to be far-reaching and effective, they need to be calibrated to the specific needs in the system. Moreover, reforms and interventions need to be sequenced for the system to absorb them and gain the maximum out of them. Short-term measures that can result in quick gains will need to be appropriately balanced with longer term measures towards whole system reform. The Bank’s support of the Technical Education Quality Improvement Project (TEQIP II; P102549) also provides lessons in the complexity of building institutional autonomy, developing appropriate capacity building structures, and the use of incentives to drive performance and behavioral change at the tertiary level. The GoMP have already initiated a few measures to increase enrollment, improve quality and strengthen governance in higher education, in part based on the Bank’s 2012 report. Innovations include a highly successful on-line admission policy which has created transparency in the system, reforms in the by-laws for the establishment of new private colleges, preparing to establish a State Higher Education Council, drafting a new Public University Act, and reducing the burden on SC/ST students in HE through reduced fees and other support. 10. The 12th Five Year Plan Government of India has launched a new Centrally Sponsored Scheme (known by its Indian acronym as RUSA), which is an ambitious program intended to support reform across all states. The approach under the Scheme is very similar to that of the TEQIP project and fully consistent with the changes in the proposed project; and the Bank is assisting the GoMP to prepare its plans for accessing RUSA funds, so complementary and alignment is assured. The quantum of funding under RUSA is likely to be modest in the short run; reforms under the proposed project will increase the system’s capacity to absorb RUSA funds.

II. Proposed Development Objectives
The development objective of the proposed project is to improve student outcomes especially for disadvantaged groups in selected higher education institutions and to increase the effectiveness of the higher education system in Madhya Pradesh.

III. Project Description
Component Name
Grants Support to Higher Education Institutions
Comments (optional)
The main thrust of project will be using Institutional Grants to eligible government colleges and universities through two windows: (a) Window 1: Institutional Development Grants support to HEIs, and (b) Window 2: Establishment of Centers of Excellence. The Institutional Development Grants (Window 1) will provide financing to enable colleges and universities to pursue the goals set out in their respective Strategic Plans which will be prepared by all government colleges and university departments under the project. It is expected that through these Plans institutions will improve institutional performance around quality in higher education, equitable access and better capacity utilization, strengthened quality assurance including activities aimed at making students more employable, sk
**Component Name**
State Level Initiatives

**Comments (optional)**
This Component supports strategic interventions to be undertaken by the state to (a) provide financial support through scholarships to disadvantaged and meritorious students, (b) upgrade qualifications and skills of new and existing faculty members, (c) establish a state institute of higher education training and research, and (d) extend technical assistance for strategic planning and seeking NAAC accreditation to all government HEIs

**Component Name**
Improving system management

**Comments (optional)**
The main objective of this component is to provide technical assistance to the DHE, the State Higher Education Council (SHEC), the Project Directorate and the HEIs to strengthen their implementation capacity and sector governance and management. This component has two main sub-components. Sub-Component 3.1: Improving Sector Governance and Management will include: (a) helping a larger number of institutions attain autonomous status that goes beyond the UGC definition of autonomy, (b) all government HEIs to prepare an annual report on performance, (c) reconstitution of the Board of Governors of HEIs with clear mandates with respect to governance and accountability, and (d) fiduciary strengthening of government colleges. Sub-Component 3.2: Capacity Building will support capacity building

### IV. Financing (in USD Million)

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| BORROWER/RECIPIENT     | 130.00 |
| International Development Association (IDA) | 300.00 |
| **Total**              | 430.00 |

### V. Implementation
The main implementing agency will be the Project Directorate (PD) which serves as the executive arm of the Madhya Pradesh State Higher Education Council (SHEC), and is responsible also for managing the State’s RUSA funds. The Directorate was established in October 2014 and has 18 sanctioned posts. The PD is headed by the Commissioner (Higher Education) as its Project Director, supported by an Additional Project Director (APD), and a team of professionals (either on deputation or hired as consultants).

The SHEC, created in October 2014, has overall responsibility for policy making in higher education in MP. The Council is headed by the State Minister for Higher and Technical Education. SHEC will be the Steering Committee for the Project and will be responsible for approving the project’s annual work plan and budget, reviewing project implementation progress and achievement of the PDO, and endorsing HEIs selected for support under the project.

The bulk of the activities under the proposed project will be implemented by colleges and universities. They will receive funds from the PD and be responsible for managing the procurement
and financial management arrangements for these funds. Institutions currently receive and manage funds from the state government (as well as revenues mainly generated from tuition fees). The Technical Assistance component of the project will be used to provide targeted capacity building support for smooth implementation to both the PD and colleges and universities participating in the project.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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