

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: 101690-IN

Program Name	SKILLS STRENGTHENING FOR INDUSTRIAL VALUE ENHANCEMENT OPERATION
Region	SAR
Country	INDIA
Sector	GEDDR
Lending Instrument	Program for Results (PforR) and Investment Project Financing (IPF)
Program ID	P156867
Borrower(s)	GOVERNMENT OF INDIA
Implementing Agency	Ministry of Skill Development and Entrepreneurship
Date PID Prepared	December 7, 2015
Estimated Date of Appraisal Completion	June 30, 2016
Estimated Date of Board Approval	September 20, 2016
Concept Review Decision	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

I. Introduction and Context

A. Country Context

1. *India has become the world's fastest growing large economy.* India's Gross Domestic Product (GDP) grew by 7.3% in 2014-15 steadily recovering from a low of 5.1% in 2012-13. Growth was largely supported by robust consumption growth on the expenditure side and strong growth in the services sector, averaging more than 9% between 2012 and 2015, on the production side. Consumer inflation is firmly under control, averaging below 5% in the current fiscal year to date, down from double digit growth observed in second half of 2013. With growth, poverty has declined rapidly from 38.9% in 2004-05 to 21.6% in 2011-12 (1.90 PPP/day) at a pace significantly faster than that witnessed in earlier periods. Poverty reduction was supported by increase in non-farm wage employment, especially in construction, greater rural-urban integration, and higher rural wage growth.

2. *Going forward, India growth prospects remain bright.* One million youth will enter the labor market every month for the next two decades and India will soon have one of the youngest and largest working age populations in the world. These demographic dynamics and a rising age-savings profile are likely to generate significant volumes of savings and investment over the coming years. The average schooling of the working age population – and, consequently, worker productivity – will increase by at least a full year by 2030 even with no further improvements in the educational attainment of today's youth (i.e., simply due to the fact that younger cohorts are better educated) and could rise much faster if further progress is achieved on the education agenda. The proportion of population living in urban areas is expected to rise to 40 percent in 2030 from around 30 percent today, reinforcing productivity-boosting

agglomeration effects. Combined, these effects are likely to form the foundations of India's strong growth for decades to come.

3. *To realize these benefits, further efforts will be required to harness the full potential of the demographic transition.* A striking feature of India's labor market is the extremely low (31 percent) female labor force participation. More than 50 million of India's young women are neither studying nor working. In addition at present, 4.9% of working age people are unemployed and 82% work without any written job contract,¹ more than 70 percent work in firms with less than 10 employees, and more than 75 percent have no access to any social security benefits – attesting to the large size of the informal sector and a relative scarcity of “good” jobs. These challenges could inhibit India's ambition to further modernize its economy by attracting resources to dynamic, high-productivity manufacturing and services sectors. To address these, the Government has taken important steps towards a reform agenda focused on job creation through improving the business environment, particularly in the manufacturing sector. The “Make in India” campaign launched by the Prime Minister in 2014 has identified reforms in energy supply, access to finance and upgrading skills as key priorities.

B. Sectoral and Institutional Context of the Operation

4. *India's workforce is becoming increasingly more educated.* In 2009, the GoI set an ambitious goal to improve access and quality to education through the Right of Children to Free and Compulsory Education (RTE) Act. India has more than doubled its primary enrolments since the passage of the RTE Act. The Net Enrollment Ratio (NER) in primary schools is 99.8% and gender parity has been achieved. Secondary education has also seen impressive growth in access where Gross Enrollment Rates have gone up from 58% to 74% in the last 5 years. GoI is now increasingly focused on improving the literacy and numeracy competency of students in basic education and improving the quality of secondary education, especially in mathematics and science. The government is also focused on providing job-relevant skills training as part of workplace readiness training for those who complete secondary education. Pre-employment job-specific skills are broadly offered at three levels: (i) short term training programs (3-6 month) provided by a range of Ministries, States and private sector providers, (ii) long term training programs at the certificate level offered through Industrial Training Institutes (ITIs) and through apprenticeship training, and (ii) long term training programs at the diploma level through Polytechnics.²

5. *Long-term training below higher education assumes a central function in developing the necessary cadre of comprehensively skilled technicians for the development of a globally competitive manufacturing sector as envisioned in the “Make in India” campaign of the government.* With their focus on technical skill areas, ITIs and apprenticeship programs form the backbone of the long-term training infrastructure in India. Recent data shows that the trainees from ITIs are better placed to secure employment and earn a substantial wage premium (18% in 2011-12) over those who have only completed

¹ Fourth Annual Employment & Unemployment Survey Report (2013-14); Labour Bureau, Ministry of Labour & Employment, Government of India

² India is also expanding the range of vocational education courses available in secondary schools (Grades 9-12), though this is currently on a small scale and these courses are taken alongside a larger number of general education subjects.

Class 10 education.³ However, the resources for skills development provided by the relatively large ITI network in India and potential apprenticeships, remain under-utilized and the quality of the training supply is perceived to be not aligned with the development needs of India and the skills requirements in the labor market. To strengthen the ITIs' capacities of developing skilled personnel needed for increased competitiveness in manufacturing and other sectors the GOI is increasingly focused on (i) wide implementation of a robust quality assurance framework is widely implemented; (ii) modernized workplace learning programs are modernized; (iii) systematically deepened partnerships with industry; and (iv) systems for increasing the accountability and hence performance of ITIs.

Quality Assurance Framework

6. *India has a diverse skills development landscape governed by a complex institutional set-up. Skill development is carried out and regulated at both national and state levels.* At the national level, the Ministry of Skill Development and Entrepreneurship (MSDE), formed in November 2014, is responsible for policy setting and overall coordination of various skill development programs run by different ministries. In 2015 the MSDE launched the National Skills Development Mission to address the challenges at all levels of the skills sector. The National Skills mission outlines the reform agenda for the education sector by prioritizing a mix of demand and supply side policy and program interventions aimed at improving equitable access, quality and relevance and institutional strengthening. The regulatory and quality assurance functions of MSDE are largely carried out by the National Council for Vocational Training (NCVT) responsible for curriculum development, assessment and certification for training programs under the Craftsmen Training Scheme (CTS, long-term training) and the Skills Development Initiative Scheme (SDIS, short-term training). The MSDE is also in charge for managing the Apprenticeship Training Scheme (ATS). While other regulatory bodies at the state level and private players in the training space also offer assessments and certifications, the NCVT certifications over the last several decades have commanded better labor market acceptance for trainees.

7. *A new system for assuring quality in public and private Technical Vocational Education and Training (TVET) is emerging.* In December 2013, GoI launched the National Skills Qualifications Framework (NSQF) providing an important tool for facilitating pathways and vertical progression opportunities within the skill development system. Most importantly, the NSQF provides for a reform towards outcome-based training. Training programs will be benchmarked against National Occupational Standards (NOS) which describe competencies required in the workplace and developed with the participation of industries. The reform towards outcome-based training represents a key step towards increased labour market orientation in the skills development system. In recent years, Industry-led Sector Skill Councils (SSCs) in specific industry sectors have assumed the role of developing NOS. However, further efforts are needed to gradually develop NOS for all major occupational clusters so that curricula and assessment for training programs under various provider systems, including CTS, ATS, or various short-term training schemes, can be revised accordingly.

Modernizing, Improving and Expanding Workplace Learning

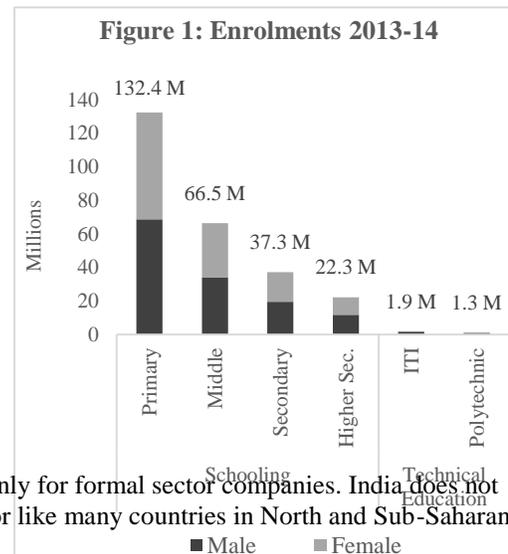
³ Employment rates at ITIs are also high at around 60% compared to 30% for short-term training courses offered as part of five largest government-funded schemes

8. *Modernizing and expanding apprenticeship training and making better use of on-the-job training (OJT) opportunities can allow the Government of India to better tap potential industry training resources for the development of a competitive workforce.* By international standards, the involvement of Indian firms in skills development is relatively low. The percentage of firms offering formal training programs for its permanent, full-time employees, for example, is just 35.9 in India, compared to China’s 79.2.⁴ The recently revised system of trade apprenticeships, managed by the MSDE through its Apprenticeship Training Scheme (ATS), continues to stipulate rigid program structures, prescribing a period of workplace learning within companies of two years following a two-year basic training in a training institution. This system does not allow for the necessary integration of practical learning with the development of theoretical knowledge and transferable skills, which characterizes modern apprenticeship training. The scheme remains unattractive for most companies.⁵ Consequently, around 212,000 trainees are annually enrolled in the ATS in 28,500 establishments representing only about 0.05% of India’s workforce. On the other hand, OJT complementing formal TVET programs to develop hands-on skills and work experience of learners is not systematically applied in formal TVET courses, because it is neither structured nor a compulsory part of the curriculum. Notwithstanding, company-based apprenticeship training not registered or certifiable under the ATS or as formal OJT is widespread, indicating an awareness among firms about the merits of workplace learning and the preparedness to actively participate in the pre-employment training of India’s youth. A revision of the regulatory framework of apprenticeship training based on the pilot introduction of modernized apprenticeship programs, as well as a more pro-active approach to deepen the culture of OJT within formal TVET programs is necessary to unleash the potential of workplace learning.

Performance and accountability of ITIs

9. The Government recognizes that future investment in ITIs needs to focus on improving access and deepening the labor market responsiveness of skills development institutions. Four specific challenges have been identified as critical to ensuring ITIs are fully responsive to the needs of both the supply and demand side of the labour market:

10. *First, access is limited.* The number of ITIs have doubled from 2007 to 2014, driven mainly by an expanding private sector. There are currently about 12,000 ITIs enrolling almost 1 million students per year, 82% of which are run by the private sector. However, even with the recent expansion only a small number of youth transit from secondary schools to vocational training, although the ratio of applications to available places at ITIs is approximately four to one in high-demand industry relevant trades.



⁴ World Bank Enterprise Surveys 2014

⁵ The Apprenticeship Act and its associated Schemes are designed only for formal sector companies. India does not have the equivalent of apprenticeship schemes for the informal sector like many countries in North and Sub-Saharan Africa.

11. *Second, funding to these public institutions are not linked to performance.* The recurrent cost of ITIs are borne by the State governments, while the accreditation and assessment systems are managed by the NCVT. Recent evidence suggests that average capacity utilization in government ITIs stands at about 80%⁶ but most ITIs do not drop under-enrolled courses or systematically use spare capacities for short employment-oriented short-term programs. There are no incentives to encourage the institutions' management to increase their intake. In most ITIs women constitute less than 9% of the enrollment, and most of the ITIs are not incentivized to address constraints to low participation of women. Performance-based funding would allow States to drive their institutions to expand enrollments based on labor market needs, start partnerships with companies, purchase and use appropriate technology, regularly update curricula and provide more autonomy to institutions to achieve results while introducing a more transparent and objective way to disburse funds.

12. *Third, industry-involvement in ITIs is emerging but needs to be strengthened to improve quality and relevance.* A considerable number of partnerships have emerged between public skills development institutions and companies that support training providers with technical and material support and provide on-the-job training opportunities and employment for graduates. But such arrangements remain limited to urban areas with an advanced industrial environment. For improving industry linkages in ITIs, the GoI encouraged the establishment of Institute Management Committees (IMCs), constituted from industry partners, in government ITIs. By 2015, 75%⁷ of all public ITIs had established IMCs. Nevertheless, effective industry influence on ITIs remains weak, because IMCs have very limited decision-making power in the management and operation of ITIs. There is an agreement on the need to more systematically link ITIs to the local economic environment through empowered IMCs and providing incentives to set-up training courses that serve the local market.

13. *Fourth, networks of support need to be further strengthened in order to leverage industry engagement.* The MSDE has proposed a cluster approach which envisages that highly performing ITIs will be designated to become leading institutions (nodes) supporting relatively less developed institutes (affiliates) in a defined catchment area. Apart from providing high quality training, nodes are envisaged to sign Performance Agreements with the respective State government to coordinate the training supply in the cluster, and to facilitate capacity development of the affiliates, which include both public and private ITIs. The new model will help to leverage industry influence in the nodes within the entire cluster. Improving the quality of training in smaller, usually more rural ITIs has the potential to benefit youth especially from poorer households.

Human Resources

14. *A streamlined instructors' qualification system aligned with the principles of the NSQF, as well as appropriate use of technology-enabled training.* Teachers are the key to quality skills development. However, principals and teachers of public and private ITIs often lack technical and pedagogical competencies, management skills and leadership, and sufficient industrial exposure. During recent years,

⁶ This is an approximate number since the MSDE does not have an accurate data on available seats across all government ITIs as yet

⁷ This number includes only the ITIs that have signed a formal Memorandum of Understanding with the IMCs. An advisory was issued by the MSDE encouraging all government ITIs to constitute IMCs for which implementation data is unavailable.

the GoI has piloted in-service training programs using technology-enabled distance learning for teachers that has improved the technical competence of teachers. Further capacity development is needed in the field of competency-based training, for reorientation of teaching staff towards NOS-based curricula, and enabling TVET provider management staff and teachers to design and implement short courses in response to local labour market needs. An important bottleneck for improving the quality of training remains the lack of performance incentives. This would require systems for valuing industrial experience, and for appraisal of principals' and teachers' performance and linking performance to professional development opportunities. A reform of the performance appraisal system for ITI staff is currently being discussed.

C. Relationship to CPS

15. The World Bank Group's India Country Partnership Strategy (CPS) 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 40% of those enrolled in ITIs and apprenticeships come from BPL families).

D. Rationale for Bank Engagement and Choice of Financing Instrument

16. The National Policy for Skill Development and Entrepreneurship targets to provide skills development opportunities to at least 404 million people by 2022. Developing skilled manpower through quality ITIs and apprenticeship training is a central element of the policy implementation framework, the National Skill Development Mission, through two of its sub-missions: Institutional Training and Trainers. The likelihood of the Mission's sustainability is strongly enhanced by the GoI's commitment and ownership. The Bank will support the two sub-missions to implement evidence-based, innovative, and pragmatic policy and programmatic interventions that build on local and global knowledge, particularly focusing on improving the results orientation of the pre-employment skills training system, developing monitoring systems that provide timely feedback on system performance, innovation to sustainably improve access and relevance of ITIs and apprenticeships, and enhancing the human resource base for skills development.

17. The World Bank is supporting the development of a demand-driven skills development system in India through a variety of channels. For example, through the ongoing India Vocational Training Improvement Project (VTIP), the Bank has been closely engaged with the GoI since 2007 in developing a demand driven training system. VTIP used an Investment Project Financing modality and was able to design and implement specific interventions, build state implementation capacity, and develop robust safeguard and fiduciary processes at the national and state levels, all of which will continue after the Project closes. In addition, the ongoing Technology Centers Project focuses on developing high-end technology resources for SMMEs capacity development. The Manufacturing Plan NLTA, the two reports on the Apprenticeship Act, and the study on the 5 Training Schemes in India have analyzed the Indian experience in the light of international good practice. The challenge the GoI faces now is to take these various lessons, inputs and interventions, focus them on the expected results of the GoI's Mission, and

adjust these inputs or design new ones in response to progress against those results. In addition, the MSDE will also use a performance-based approach to disburse funds to States, mirroring the relationship between the Bank and the GoI. The technical assistance component would complement the PforR by supporting the MSDE to develop and implement monitoring and assessment tools required to ensure a well-targeted and robust Program. The technical assistance will also support the MSDE in developing and documenting best practices.

II. Program Development Objective(s)

A. Program Development Objective

18. To improve the relevance and efficiency of vocational training provided through selected ITIs and apprenticeship.

B. Key Program Results

1. Percentage of ITI graduates in short and long-term pre-employment programs that are in gainful employment 6 months after graduation (disaggregated by gender)
2. Number of curricula revised to a competency-based design
3. Increase in the number of graduates in the formal technical apprenticeship scheme
4. Increase in the number of graduates from supported ITIs (disaggregated by gender)
5. Employers' satisfaction with graduates from supported ITIs / apprenticeship programs
6. Number of beneficiaries (disaggregated by gender)

III. Program Description

A. Description

The STRIVE Operation support to the Program is structured across three major results areas.

19. **Results Area 1: Improve and broaden workplace learning.** To support India making better use of its vast learning and training opportunities at workplaces STRIVE under this results area will (a) increase the number of young labour market entrants going through modernized apprenticeship training, and (b) improve on-the-job training (OJT) opportunities for ITI trainees. In order to boost formal technical apprenticeship training in India, grant funding will be used to provide incentives to ITI to develop and run - jointly with companies - cooperative apprenticeship programs in occupational fields with skills shortages, in line with international best practice for modern apprenticeship training. Innovative programs may be used as pilots to eventually drive a reform of the apprenticeship regulations. To enhance the employability of graduates from long-term TVET courses, the introduction and/or improvement of OJT in cooperation with companies will be supported. Funds will be used for mobilization of companies, introduction of quality assurance instruments for OJTs and other means of quality enhancement.

20. **Results Area 2: Increasing the performance and labour market relevance of ITIs.** This Results Area will support the introduction of outcome-based training, provide incentives for better

capacity utilization and introduction of short-term and long-term employment-oriented courses, and assist the further diffusion of technology in teaching and learning. The following sub-results have been defined under this Results Area:

21. *Sub-result 2.1: Introducing performance incentives for ITI modernization and improved industry interface.* The STRIVE program will support MSDE's cluster approach of node and affiliate ITIs, with 2 to 3 clusters consisting of 5-8 ITIs identified in each State. The clusters will be selected after meeting a pre-defined eligibility criteria, with the nodes being well-performing and progressive government ITIs. A multi-sectoral Institute Management Committee (IMC) will be setup for each cluster that will be responsible for development of cluster ITIs using a Cluster Development Plan that will include signing of formal partnership contracts with industries, and the identification of strategies to increase the share of female trainees among other issues. The development of clusters will be driven by State governments through Performance Agreements signed with the IMCs against the Cluster Development Plan. Performance incentives will stimulate ITIs to increase their efficiency through the introduction of employment-oriented short courses in cooperation with industry and specially targeting MSMEs, improve coordination and streamlining of training offers within the ITI cluster, improve career guidance and mobilization support to ITI graduates, and improve the gender ratio. Funds may be used for the introduction of new courses (in cooperation with companies) which includes necessary facility and equipment upgrading, capacity building of placement cells and career guidance and mobilization initiatives, and improve infrastructure, where appropriate, that will enable youth with disabilities to access ITI training.

22. *Sub-result 2.2: Technology-driven broadening of the scope of ITIs and improving the quality of learning.* STRIVE is designed to boldly introduce Digital India in the skills development eco-system. The government will enable selected ITIs/ITI clusters to improve learning through the introduction of internet-enabled solutions in all teaching and learning spaces. Participating clusters will be provided with resources to provide open and permanent internet access to all staff and learners, to integrate open learning resources into the learning process, to produce digital learning content and to introduce e-learning and virtual classroom technology. The latter will particularly improve the access of students in the cluster affiliates to advanced learning modules, and thus specifically be instrumental in improving access to quality learning by poor target groups in the rural areas.

23. *Sub-result 2.3: Operationalizing the outcome-based quality assurance framework for training delivery and management of ITIs.* To accelerate the reform towards labour-market orientation in the skills development eco-system, STRIVE will fund the development of National Occupational Standards (NOS) and competency-based curricula for ITI courses, and teaching and learning material. As part of the quality assurance framework, technology led systems for data collection and management will also be developed to better manage assessments and assessment tools, curricula and accreditation. Funds will be used to expand the scope of existing Management Information System (MIS) portal of MSDE towards this effort.

24. **Results Area 3: Improved relevance and efficiency of instructors' training.** The MSDE has started a process of revising the training system and qualification structure for instructors in the skills development system. STRIVE will support interventions in the following areas: (a) Technology-led

training systems for pre and in-service training; (b) Performance management system for instructors; and (c) Institutional capacity building.

25. To improve the quality and availability of instructors in the skills development space, especially with a view to prepare instructors for the new challenges of competency-based training based on NSQF accredited curricula, STRIVE will support the revision of the instructors' training and qualification system and the preparation of instructors' training curricula. Technology-based methodologies will be introduced and mainstreamed at all levels in the instructor's training system. Capacities of Advanced Training Institutes to deliver the revised pre- and in-service training will be improved through capacity building of master trainers, where appropriate in cooperation with industry. An open learning management system will be established, and access to laptops and internet for instructors in the public training space will be expanded. At ITI/cluster level, mechanisms to facilitate and enable instructors to use the open learning management system will be established, with the aim to make cluster nodes centers of capacity building within cluster structures. In-service training of master trainers and instructors will be conducted under the auspices of state level authorities. In-service training programs will also address skills necessary to interact with the local business community and to design and deliver courses for the local labour market. In order to strengthen the country's wider skills development eco-system, also instructors from the private training sector will be eligible to participate in in-service training programs. To make skills development more attractive for female youth, a special emphasis will be on increasing the number of female instructors. To establish performance incentives for ITI teaching and management staff, funds will be used to improve and introduce the performance management system for instructors and Principals in ITIs.

Technical Assistance for Improving Efficiency and Monitoring and Evaluation

26. Areas to be supported include (i) policy development and regulatory reform, (ii) program implementation support through National and State Project Management Units, (iii) piloting innovative interventions focused on improving training and employment outcomes for girls, and (v) Monitoring and Evaluation activities including impact evaluations, tracer studies, qualitative assessments, and third party validation studies to allow for improving scheme design.

IV. Initial Environmental and Social Screening

27. The proposed program is likely to have positive impacts by enhancing the skills of target groups. An Environmental and Social Systems Assessment (ESSA) of STRIVE of Ministry of Skill Development and Entrepreneurship (MSDE) shall be undertaken to identify the adequacy of environmental and social systems at National and individual state level. Based on the findings of the assessment, an Action Plan shall be incorporated in ESSA to enhance the capacity of the MSDE for implementing STRIVE both at National level and at state level. The draft ESSA shall be disclosed and stakeholder consultations shall be undertaken by the Bank before the Appraisal. The broad scope of ESSA will be to assess social inclusion, citizen engagement, grievance redressal, environmental due diligence, management of e-waste and other identified waste streams and environmental management systems in place. Consultations with key

stakeholders will be conducted. The final ESSA shall be disclosed on the website of MSDE and the World Bank after incorporating comments from stakeholder consultations

V. Tentative financing

Source:	(\$m.)	
Borrower/Recipient	270.00	
IBRD	268.75	
IDA: NEW		
Others (specify)		
	Total	538.75

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