



Bhutan: Pathways for Emerging Skills and Jobs Project

Project Name	Pathways for Emerging Skills and Jobs Project	
Project Number	54464-001	
Country / Economy	Bhutan	
Project Status	Proposed	
Project Type / Modality of Assistance	Grant Loan	
Source of Funding / Amount	Loan: Pathways for Emerging Skills and Jobs Project	
	Concessional ordinary capital resources lending	US\$ 30.00 million
Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP5: Promoting rural development and food security	
Sector / Subsector	Education / Technical and vocational education and training	
Gender	Gender equity theme	
Description	<p>Bhutan achieved 5.9% annual gross domestic product (GDP) growth on average during Eleventh Five Year Plan (2013-2018), principally contributed by the hydropower and tourism sectors. However, tourism was one of the hardest hit industries during this coronavirus disease (COVID-19) pandemic. As a result, GDP growth is estimated to contract 3.4% in 2021, and the youth unemployment rate became almost double in 2020 (22.6%) from 2019 (11.9%), which was the highest record in the history of the country. The youth unemployment is more challenging for female (25.4%) and urban area (33.3%) in 2020, and 19.0% of unemployed youth reported that they were laid off due to COVID-19 pandemic. In addition, skills shortages are a critical constraint for the private sector development in Bhutan. An estimated 110,000 Bhutanese will enter into the labor market from 2016 to 2026 and equipping these youth with emerging skills are supply side challenges. With relatively high job placement rate of 76% for technical and vocational education and training (TVET) graduates during 2003-2018, technical and vocational education and training (TVET) has a role to play. The labor market demand is weak during the pandemic but some industries such as construction need national skilled workers urgently because foreign skilled workers went back to their home country. The graduates from TVET are much needed not only for addressing COVID-19 impacts now but also for developing a critical mass of technicians and professionals for the future.</p>	

Project Rationale and Linkage to Country/Regional Strategy

Bhutan achieved 5.9% annual gross domestic product (GDP) growth on average during the Eleventh Five Year Plan (2013-2018), contributed by the hydropower and tourism sectors. However, owing to the prolonged community quarantines, travel restrictions, and other coronavirus disease (COVID-19) pandemic-related disruptions, Bhutan's GDP is estimated to contract by 3.4% in FY2021. The youth unemployment rate (aged 15 to 24 years) almost doubled in November-December 2020 (22.6%) from 2019 (11.9%), a record high. Youth unemployment was higher among females (25.4%) than males (19.2%) in 2020. Among unemployed, 19% were laid off due to the pandemic. The country's narrow economic base together with inadequate skills and lack of experience makes Bhutanese workforces vulnerable to external shocks.

Changing labor demand. The tourism was one of the hardest hit industries during the pandemic but demand for skilled labor surged in key sectors related to national security. For example, construction industry needs national skilled labor force urgently because skilled foreign construction workers went back to their home country. The power and agriculture sectors show resilience during the pandemic, and they also need skilled workforces. The aspirations of youth and government are high for computing and information technology, but technical and vocational education and training (TVET) course offerings are limited. An estimated 110,000 Bhutanese will enter the labor market from 2016 to 2026. Equipping them with emerging skills is critical to develop the private sector in Bhutan. The skilled workers could also find better employment opportunities in foreign countries such as Australia, Canada, India, and Nepal. Yet, the job placement rate within 6 months of graduation was 45.7% for TVET graduates in 2019. Only 3.5% of TVET graduates started their own business. The employability and entrepreneurship need further strengthening.

Limited skills development capacity to serve the nation. Currently, on average, annual intake capacity of students at public TVET institutions is around 1,000. Total capacity over 2 years was 1,700 in 2019 (30% female), largely behind the target of 4,000 by 2025. Due to the lack of training and hostel facilities, about 8% of grades 10 and 12 graduates can be absorbed by eight public TVET institutions, including six technical training institutes (TTIs) offering industry-relevant training such as engineering and construction, and two Institutes of Zorig Chusum (IZC), providing traditional arts and craft training. The number of private training service providers is 113 as of December 2021, which has been increasing over time. They offer mainly short-term courses. Most private training providers, however, largely depend on government financing and offer courses ranging from a few months to a year in less equipment-intensive courses, primarily in hospitality, management, accountancy, and basic information and communication technology.

Lack of investment for instructor capacity development. Low curriculum standards and outdated training equipment constrain practical sessions. This limitation has resulted in teacher-centric pedagogy focusing on basic theory. In 2019, the government significantly raised teacher salaries, including those for TVET instructors, to the highest level in public service, in the hope that more qualified TVET instructors would be recruited and retained. Yet, aside from orientation training, TVET instructors have no opportunities to continuously upgrade their own knowledge and skills. Many world-class TVET learning materials and lectures are available online through massive open online courses, but the benefits of these are not harnessed effectively.

Limited pathways for meeting youth aspirations. Currently, TVET is not necessarily attractive due to limited future pathways. There are 151 accredited TVET courses and most of them are basic national certificate level following Bhutan vocational qualifications framework established in 2013. There is a strong preference for limited government jobs due to employment security. Most TVET courses assume TVET entry at grade 10. Current course offerings cannot meet the "fourth industrial revolution" aspirations of youth. TVET course offerings also lack breadth and depth. They have not caught up with fast-changing market demand and have limited use of technology which makes it challenging to continue training through online during pandemic.

Social stigma impeding vocational training and private sector development. Bhutan lags in creating and enabling environment for start-up and incubation for students and industries that impedes private sector development. Entrepreneurship development courses and links with industries are limited, resulting in only 3.5% self-employment among employed TVET graduates in 2019 graduation cohort. There are no TVET courses intended for the current workforce to enable it to catch up with emerging technology through upskilling and reskilling programs. Most workers are also not motivated to take TVET courses, given the low public perception of TVET, limiting capacity for entrepreneurship and innovation. Most business establishments do not have required skills and training to launch and sustain a successful venture.

Skewed gender balance in the TVET system. During 2008 to 2019, female enrolment was under-represented at 28.2% in TTIs and IZCs because of less female friendly TVET courses, except for traditional arts, as well as a lack of hostel facilities. Women's choices of courses are also distorted by stereotypes regarding the types of jobs which are appropriate for women. In addition, employers tend to recruit more males than females because of administrative and financial costs in maternity leave and childcare, as well as misconceptions about productivity. Around 70% of regular staff in TVET institutions are male. There is no comprehensive gender policy for TVET providing equitable access to quality training programs and jobs.

Government plans. The government has accorded the highest priority to investing in TVET. In addition to the TVET Blueprint (2016-2026), the Ministry of Labour and Human Resources (MOLHR) approved TVET reform strategic plan in August 2021 for the transformation of people, place, product, and process. The reform is aligned with the economic roadmap for the 21st century, which emphasizes the need for a skilled workforce in emerging technology and sectors. Of the estimated 12,000 higher secondary school students projected to graduate every year, more than 30% of them are expected to participate in skills development through TVET.

Asian Development Bank (ADB) assistance and lessons learned. ADB has been a long-term partner of Bhutan in skills development, working closely with the MOLHR. The proper sequencing of activities, good and comprehensive project design, institutional leadership, continuity of project management staff, and comprehensive understanding of sector issues are important lessons. Improving the image of TVET is also important to motivate youth for skills development. The ongoing Skills Training and Education Pathways Upgradation Project (STEPUP) is addressing these issues, but the government requested ADB to ramp up the financing for human capital development, particularly TVET, because of the unprecedented level of youth unemployment during the COVID-19 pandemic. The proposed project will scale up successful pilot STEPUP initiatives and focus on emerging areas where skilled labor demand is high.

Impact	Productive and gainful employment created (Twelfth Five Year Plan, 2018-2023)
Outcome	Employability of skilled youth increased
Outputs	Digital and physical access to skills development increased Quality of skills trainings enhanced Entrepreneurial skills development and industry partnership promoted Governance and institutional capacity strengthened
Geographical Location	Nation-wide

Safeguard Categories	
Environment	B
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design
During Project Implementation

Business Opportunities

Consulting Services	Engaging Architectural consulting firm.
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Procurement Advance contracting and retroactive financing are envisaged for civil works, equipment, project management costs, etc. A procurement plan for advance actions will be prepared by February 2022 and bidding documents for the civil works will be prepared by May 2022. Procurement will be undertaken following the ADB Procurement Policy (2017, as amended from time to time); and the ADB Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Hayashi, Ryotaro
Responsible ADB Department	South Asia Department
Responsible ADB Division	Human and Social Development Division, SARD
Executing Agencies	<u>Ministry of Education and Skills Development</u>

Timetable

Concept Clearance	21 Feb 2022
Fact Finding	01 Mar 2023 to 14 Mar 2023
MRM	06 Jun 2023
Approval	-
Last Review Mission	-
Last PDS Update	14 Dec 2022

Project Page	https://www.adb.org/projects/54464-001/main
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